

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
Form F-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

COPA HOLDINGS, S.A.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Republic of Panama
*(State or other jurisdiction of
incorporation or organization)*

4512
*(Primary Standard Industrial
Classification Code Number)*

Not Applicable
*(I.R.S. Employer
Identification No.)*

Boulevard Costa del Este, Avenida Principal y Avenida de la Rotonda
Urbanización Costa del Este
Complejo Business Park, Torre Norte
Parque Lefevre
Panama City, Panama
(+507 303-3348)

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Puglisi & Associates
850 Library Avenue, Suite 204
Newark, Delaware 19711
(1-302-738-6680)

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

David L. Williams
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017

Francesca Lavin
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, please check the following box.

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered⁽¹⁾	Proposed Maximum Offering Price per Share⁽²⁾	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee⁽³⁾
Class A common shares, without par value	16,100,000 shares	\$17	\$273,700,000	\$29,285.90

(1) Includes Class A common shares that the underwriters may purchase solely to cover over-allotments, if any.

(2) Estimated solely for purposes of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act.

(3) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

This Amendment No. 1 to the Registration Statement on Form F-1 of the Copa Holdings, S.A. is being filed solely for the purpose of filing exhibits, including the consent of Ernst & Young, Panama, which exhibit corrects a typographical error in the previous consent and updates such consent for this Amendment No. 1.

PART II
INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 6. Indemnification of Directors and Officers

According to the Registrant's Articles of Incorporation and so far as may be permitted by the Law, every Director or Officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto, including any liability incurred by him in defending any proceeding which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and in which judgment is rendered in his favor (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any statute/regulation for relief from liability in respect of any such act or omission in which relief is granted to him by a court of law or similar tribunal. The Registrant intends to enter into indemnity agreements with its directors and officers and to purchase insurance for the benefit of the directors and officers prior to the offering.

Item 7. Recent Sales of Unregistered Securities

None.

Item 8. Exhibits

(a) The following documents are filed as part of this Registration Statement:

- | | |
|-------|---|
| 1.1** | Form of Underwriting Agreement |
| 3.1* | Articles of Incorporation (<i>Pacto Social</i>) of the Registrant |
| 5.1* | Opinion of Galindo, Arias & Lopez, Panamanian legal counsel of the Registrant, as to the legality of the Class A shares |
| 8.1* | Opinion of Galindo, Arias & Lopez, as to tax matters |
| 8.2* | Opinion of Simpson Thacher & Bartlett LLP, as to tax matters |
| 10.1† | Aircraft Lease Agreement, dated as of October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29047 |
| 10.2† | Letter Agreement dated as of November 6, 1998 amending Aircraft Lease Agreement, dated October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of One Boeing Model 737-71Q Aircraft, Manufacturer's Serial No. 29047 |
| 10.3† | Aircraft Lease Amendment Agreement dated as of May 21, 2004 to Aircraft Lease Agreement, dated October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29047 |
| 10.4† | Aircraft Lease Agreement, dated as of October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29048 |
| 10.5† | Letter Agreement dated as of November 6, 1998 amending Aircraft Lease Agreement, dated as of October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29048 |
| 10.6† | Aircraft Lease Amendment Agreement dated as of May 21, 2003 to Aircraft Lease Agreement, dated October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29048 |
| 10.7† | Aircraft Lease Agreement, dated as of November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 28607 |

- 10.8† Letter Agreement No. 1 dated as of November 18, 1998 to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 28607
- 10.9† Letter Agreement No. 2 dated as of March 8, 1999 to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 28607
- 10.10† Lease Extension and Amendment Agreement dated as of April 30, 2003, to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 28607
- 10.11† Aircraft Lease Agreement, dated as of November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 30049
- 10.12† Letter Agreement No. 1 dated as of November 18, 1998 to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 30049
- 10.13† Letter Agreement No. 2 dated as of March 8, 1999 to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 30049
- 10.14† Lease Extension and Amendment Agreement dated as of April 30, 2003, to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 30049
- 10.15† Aircraft Lease Agreement, dated as of November 30, 2003, between International Lease Finance Corporation and Compañía Panameña de Aviación, S.A., New B737-700 or 800, Serial No. 30676
- 10.16† Aircraft Lease Agreement, dated as of March 4, 2004, between International Lease Finance Corporation and Compañía Panameña de Aviación, S.A., New B737-700 or 800, Serial No. 32800
- 10.17† Aircraft Lease Agreement dated as of December 23, 2004, between Wells Fargo Bank Northwest, N.A. and Compañía Panameña de Aviación, S.A., in respect of Boeing B737- 800 Aircraft, Serial No. 29670
- 10.18† Embraer 190LR Purchase Agreement DCT-006/2003 dated as of May 2003 between Embraer—Empresa Brasileira de Aeronáutica S.A. and Regional Aircraft Holdings Ltd.
- 10.19† Letter Agreement DCT-007/2003 between Embraer—Empresa Brasileira de Aeronáutica S.A. and Regional Aircraft Holdings Ltd., relating to Purchase Agreement DCT- 006/2003
- 10.20† Letter Agreement DCT-008/2003 between Embraer—Empresa Brasileira de Aeronáutica S.A. and Regional Aircraft Holdings Ltd., relating to Purchase Agreement DCT- 006/2003
- 10.21* Aircraft General Terms Agreement, dated November 25, 1998, between The Boeing Company and Copa Holdings, S.A.
- 10.22† Purchase Agreement Number 2191, dated November 25, 1998, between The Boeing Company and Copa Holdings, S.A., Inc. relating to Boeing Model 737-7V3 & 737-8V3 Aircraft
- 10.23† Supplemental Agreement No. 1 dated as of June 29, 2001 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
- 10.24† Supplemental Agreement No. 2 dated as of December 21, 2001 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
- 10.25† Supplemental Agreement No. 3 dated as of June 14, 2002 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
- 10.26† Supplemental Agreement No. 4 dated as of December 20, 2002 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
- 10.27† Supplemental Agreement No. 5 dated as of October 31, 2003 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
- 10.28† Supplemental Agreement No. 6 dated as of September 9, 2004 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.

10.29†	Supplemental Agreement No. 7 dated as of December 9, 2004 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
10.30†	Supplemental Agreement No. 8 dated as of April 15, 2005 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
10.31†	Maintenance Cost per Hour Engine Service Agreement, dated March 5, 2003, between G.E. Engine Services, Inc. and Copa Holdings, S.A.
10.32†	English translation of Aviation Fuel Supply Agreement, dated July 18, 2005, between Petróleos Delta, S.A. and Compañía Panameña de Aviación, S.A.
10.33†	Form of Amended and Restated Alliance Agreement between Continental Airlines, Inc. and Compañía Panameña de Aviación, S.A.
10.34*	Form of Amended and Restated Services Agreement between Continental Airlines, Inc. and Compañía Panameña de Aviación, S.A.
10.35*	Amended and Restated Shareholders' Agreement, dated as of November 23, 2005, among Copa Holdings, S.A., Corporación de Inversiones Aéreas, S.A. and Continental Airlines, Inc.
10.36*	Form of Guaranteed Loan Agreement
10.37*	Form of Registration Rights Agreement among Copa Holdings, S.A., Corporación de Inversiones Aéreas, S.A. and Continental Airlines, Inc.
10.38*	Copa Holdings, S.A. 2005 Stock Incentive Plan
10.39*	Form of Copa Holdings, S.A. Restricted Stock Award Agreement
10.40**	Form of Indemnification Agreement with the Registrant's directors
10.41*	Form of Amended and Restated Trademark License Agreement between Continental Airlines, Inc. and Compañía Panameña de Aviación, S.A.
21.1*	Subsidiaries of the Registrant
23.1	Consent of Ernst & Young, Panama
23.2*	Consent of Galindo, Arias & Lopez, Panamanian legal counsel of the Registrant (included in Exhibit 5.1)
23.3*	Consent of Simpson Thacher & Bartlett LLP, United States legal counsel of the Registrant (included in Exhibit 8.2)
24.1*	Powers of Attorney (included in the signature pages to this registration statement)

* Previously filed

** To be filed.

† Portions of the exhibit will be omitted pursuant to a request for confidential treatment.

Schedule II — Valuation and Qualifying Accounts

Description	Balance at Beginning of Year	Additions Charged to Expense	Deductions from Reserves	Balance at End of Year
	(in thousands)			
2004				
Allowance for Doubtful Accounts	\$ 3,046	\$ 1,026	\$ (1,450) ^(a)	\$ 2,622
Allowance for Obsolescence of Expendable Parts and Supplies	1,733	6	—	1,739
General Sales Agent Contract Termination Reserves	2,885	1,300	(2,885)	1,300
2003				
Allowance for Doubtful Accounts	\$ 2,936	\$ 2,154	\$ (2,045) ^(a)	\$ 3,046
Allowance for Obsolescence of Expendable Parts and Supplies	796	938	—	1,733
General Sales Agent Contract Termination Reserves	2,031	954	(100)	2,885
2002				
Allowance for Doubtful Accounts	\$ 6,037	\$ 1,928	\$ (5,029) ^(a)	\$ 2,936
Allowance for Obsolescence of Expendable Parts and Supplies	655	141	—	796
General Sales Agent Contract Termination Reserves	—	2,031	—	2,031

(a) Doubtful accounts written off.

All other financial statement schedules are not required under the related instructions or are inapplicable and therefore have been omitted.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Copa Holdings, S.A.

We have audited the consolidated financial statements of Copa Holdings, S.A. and subsidiaries (the "Company") as of December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, and have issued our report thereon dated August 30, 2005, except for the effects of the reorganization discussed in Note 5 to the consolidated financial statements, as to which the date is November 25, 2005 (included elsewhere in this Registration Statement). Our audits also included the financial statement schedule listed in Item 8(b) of Form F-1 of this Registration Statement. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young

Panama City, Republic of Panama
August 30, 2005, except for the effects of the
reorganization discussed in Note 5 to the
consolidated financial statements, as to
which the date is November 25, 2005

Item 9 ***Undertakings***

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 6 of this Registration Statement, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted against the Registrant by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby also undertakes that:

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of London, England, on December 1, 2005.

COPA HOLDINGS, S.A.

By: _____ *

Name: Pedro Heilbron
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons on December 1, 2005 in the capacities indicated:

<u>Name</u>	<u>Title</u>
_____ *	
_____ Pedro Heilbron	Director and Chief Executive Officer (Principal Executive Officer)
_____ Victor Vial	Chief Financial Officer (Principal Financial Officer)
_____ *	
_____ Adrian Thiel	Director - Financial Reporting and Accounting (Principal Accounting Officer)
_____ *	
_____ Stanley Motta	Chairman and Director
_____ *	
_____ Osvaldo Heilbron	Director
_____ *	
_____ Jaime Arias	Director
_____ *	
_____ Ricardo Alberto Arias	Director
_____ *	
_____ Alberto C. Motta, Jr.	Director
_____ *	
_____ Mark Erwin	Director
_____ *	
_____ George Mason	Director

Name

Title

Roberto Artavia

Director

José Castañeda

Director

Donald Puglisi

Authorized Representative in the United States

* By:

Victor Vial,
as Attorney-in-Fact

AIRCRAFT LEASE AGREEMENT
(MSN 29047)

DATED AS OF

OCTOBER 1, 1998

BETWEEN

FIRST SECURITY BANK, NATIONAL ASSOCIATION,

AS

LESSOR

AND

COMPANIA PANAMENA DE AVIACION, S.A. (COPA)

AS

LESSEE

IN RESPECT OF

ONE BOEING MODEL 737-71Q AIRCRAFT

MANUFACTURER'S SERIAL NUMBER 29047

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SCHEDULE 1 DESCRIPTION OF AIRCRAFT

- Part 1 Description of Aircraft
- Part 2 General Features
- Part 3 Lessee's Options
- Part 4 Lessee's Post Production Modification
- Part 5 Documents
- Part 6 Records

SCHEDULE 2 CERTIFICATE OF ACCEPTANCE

- Part 1 Certificate of Acceptance
- Part 2 Aircraft Delivery Conditions

SCHEDULE 3 LESSEE'S COVENANTS

- Part 1 Information
 - 1. General Information
 - 2. Technical Information
 - 3. Financial Information
- Part 2 Lessee General Covenants
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6. (Intentionally Left Blank)

Part 3 Operation and Inspection

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Part 4 Title, Pooling

- 11. Title
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SCHEDULE 4 AIRCRAFT REDELIVERY

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SCHEDULE 6 FORM OF LEGAL OPINION

SCHEDULE 7 FORM OF REPORT - AIRFRAME AND ENGINE STATUS REPORT

AIRCRAFT LEASE AGREEMENT
(MSN 29047)

This Aircraft Lease Agreement (MSN 29047) is made as of the 1st day of October, 1998 between:

(1) FIRST SECURITY BANK, NATIONAL ASSOCIATION, not in its individual capacity, except as otherwise expressly provided herein, but solely as Owner Trustee, a national banking association whose principal place of business is 79 South Main Street, Salt Lake City, Utah 84111 ("Lessor"); and

(2) COMPANIA PANAMENA DE AVIACION, S.A. (COPA), a company incorporated under the laws of Panama whose registered office is at Avenida Justo Arosemena y Calle 39, Panama 1, Republic of Panama ("Lessee");

WHEREAS, Lessor wishes to lease to Lessee and Lessee is willing to lease from Lessor the Aircraft subject to the terms and conditions of this Agreement upon completion of the manufacture of the Aircraft by The Boeing Company;

IT IS AGREED as follows:

1. INTERPRETATION

1.1 DEFINITIONS

In this Agreement the following expressions have the following meanings:

AFFILIATE	With respect to a specified person, 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," "controlling" and "controlled" 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 securities having ordinary voting power for the election of directors, by contract or otherwise.
AGREED MAINTENANCE PERFORMER	Lessee, Continental Airlines, Inc., a maintenance performer approved from time to time by Continental Airlines, Inc. for its own aircraft, or any other person agreed to from time to time in writing by Lessor, such agreement not to be unreasonably withheld.
AGREED MAINTENANCE PROGRAM	The continuous airworthiness Boeing Model 737-700 maintenance program, which shall be

substantially the same as that used by Continental Airlines, Inc. for its own Boeing Model 737-700 aircraft and which shall be approved by the FAA and the Air Authority for use by Lessee, encompassing scheduled maintenance, condition monitored maintenance, and/or on-condition maintenance of Airframe, Engines and Parts, including but not limited to servicing, testing, preventative maintenance, repairs, structural inspections, system checks, overhauls, corrosion control, inspections and treatments.

AGREED VALUE As defined in Annex A.

AGREEMENT This Aircraft Lease Agreement (MSN 29047), including all annexes, schedules and exhibits hereto, as modified, supplemented and amended from time to time.

AIR AUTHORITY During that portion of the Term extending from the Delivery Date to the Deregistration Date, the FAA or any successor thereof, and during that portion of the Term extending from the Deregistration Date to the Redelivery Date, the Directorate of Civil Aeronautics of the Republic of Panama or any successor thereof.

AIRCRAFT The aircraft described in Part 1 of Schedule 1, which includes the Airframe, the Engines, and (unless the context does not permit) the Documents and Records, as it may be modified pursuant to the terms of Clause 4.6.

AIRFRAME The Aircraft including Parts, modules, APU, appliances, components, equipment and furnishings, but excluding the Engines and Documents and Records.

APU The auxiliary power unit installed on the Aircraft on the Delivery Date and any replacement auxiliary power unit installed in accordance with this Agreement.

BASELINE SPECIFICATION The Baseline Specification referred to in Part 1 of Schedule 1.

BENEFICIARY Tombo Aviation Inc., a Delaware corporation.

BUSINESS DAY	A day (other than a Saturday or Sunday) on which banks are open for business in New York, New York, and, in respect of payments to be made by Lessee hereunder, Panama.
CASH DEPOSIT	As defined in Annex A.
C-CHECK	Scheduled Airframe systems and structural checks described as a "C" Check in the Agreed Maintenance Program.
COPA HOLDINGS	COPA Holdings S.A.
CYCLE	(i) In relation to the Airframe, one take-off and landing of the Aircraft, and (ii) in relation to each Engine, the APU and the Landing Gear, one take-off and landing of the airframe (including the Airframe) on which such Engine, APU or Landing Gear, as the case may be, is from time to time installed.
DAMAGE NOTIFICATION THRESHOLD	As defined in Annex A.
D-CHECK	Those items of maintenance characterized by the Agreed Maintenance Program as a D-Check.
DEFAULT	Any Event of Default and any event which with the giving of notice, lapse of time, or fulfillment of any other applicable condition or any combination of the foregoing would constitute an Event of Default.
DELIVERY DATE	The date on which the Aircraft is tendered for delivery by Lessor to Lessee in accordance with this Agreement.
DELIVERY LOCATION	Manufacturer's facility in Seattle, Washington, USA or such other airport or location as agreed upon by Lessor and Lessee.
DEPOSIT LETTER OF CREDIT	The letter of credit in respect of the deposit referred to in Clause 5.1 and issued pursuant to Clause 5.1, and any replacement or renewal of such letter of credit issued in accordance with the terms of this Agreement.
DEPOSIT LETTER OF CREDIT DELIVERY AMOUNT	As defined in Annex A.

DEPOSIT LETTER OF CREDIT
EXECUTION AMOUNT

As defined in Annex A.

DEREGISTRATION DATE

The date the FAA deregisters the Aircraft upon the request of Lessor following satisfaction of the conditions precedent set forth in Clause 3.3.

DEREGISTRATION POWER OF
ATTORNEY

The deregistration power of attorney given by Lessee to Lessor in form and substance reasonably satisfactory to Lessor.

DOCUMENTS

(i) The Aircraft, Engine, and Part manuals, certificates, and other documentation listed in Part 5 of Schedule 1 to this Agreement; (ii) other manuals (including without limitation, operations, maintenance, repair, overhaul or parts manuals), data, drawings or other documents that are required to be maintained during the Term under the terms of this Agreement or by the Air Authority, and those that are provided to Lessee with respect to the Aircraft, and (iii) any revisions, additions, renewals, or replacements from time to time made by Manufacturer and/or Lessee in accordance with this Agreement and to comply with applicable laws and documentary requirements of the FAA under FAR Part 129 or FAR Part 145, as the case may be.

DOLLARS AND \$

The lawful currency of the USA.

ENGINE

Whether or not installed on the Aircraft,

- (1) each engine of the manufacture and model specified in Part 1 of Schedule 1 installed on the Aircraft on the Delivery Date, such engines being described as to serial numbers on the certificate of acceptance to be executed by Lessee upon delivery of the Aircraft; or
- (2) any engine which has replaced such Engine, having clear and unencumbered title which has, or should have, passed to Lessor in accordance with this Agreement;

and in each case including all modules and Parts from time to time belonging to or installed in an Engine, but excluding any properly replaced engine, title to which has, or should have, passed from Lessor pursuant to this Agreement.

ENGINE MANUFACTURER	CFM International, Inc.
EQUIPMENT CHANGE	Any modification or addition to the Aircraft, excluding structural changes.
EVENT OF DEFAULT	An event specified in Clause 13.1.
EVENT OF LOSS	With respect to the Aircraft, the Airframe or any Engine: (1) the actual or constructive total loss of the Aircraft, the Airframe or Engine (including any damage to the Aircraft, the Airframe or Engine which results in an insurance settlement on the basis of a total loss, or requisition for use or hire which results in an insurance settlement on the basis of a total loss); or (2) it being destroyed, damaged beyond economic repair or permanently rendered unfit for normal use for any reason whatsoever; or (3) the requisition of title, or other compulsory acquisition, capture, seizure, deprivation, confiscation or detention for any reason of the Aircraft, the Airframe or Engine by any Government Entity (whether de jure or de facto), but excluding the events described in clause (4) below; or (4) the hi-jacking, theft, condemnation, confiscation, seizure or requisition for use or hire of the Aircraft, the Airframe or Engine which deprives any person permitted by this Agreement to have possession and/or use of the Aircraft, the Airframe or Engine of its possession and/or use for more than 120 days or

such shorter period within which insurers consider an event of loss has taken place as a result of those events.

EXCUSABLE DELAY

With respect to the delivery of the Aircraft from Lessor to Lessee, delay or non-performance due to or arising out of any delay or failure in delivery of the Aircraft by the Manufacturer for any reason whatsoever (other than as a result of any act or omission of Lessor or any Person claiming by, through or under Lessor that is not permitted or otherwise anticipated by the terms of this Agreement); or any natural disaster, civil war, insurrection or riot, fire, flood, explosion, earthquake, accident, epidemic, quarantine restriction, nuclear or radioactive contamination, any act of government, governmental priority, allocation, regulation or order affecting directly or indirectly, the Aircraft, any manufacturer, any maintenance performer or Lessor or any materials or facilities, strike or labor dispute causing cessation, slowdown or interruption of work; inability to procure equipment, data or materials from manufacturers or suppliers in a timely manner; damage, destruction, loss or the necessity for service or repair; or any other cause to the extent that such cause is beyond the reasonable control of Lessor whether above mentioned or not and whether or not similar to the foregoing.

EXPIRY DATE

Subject to Clause 4.6, the day falling sixty (60) months plus fourteen (14) days after the Delivery Date or such earlier date on which:

- (1) the Aircraft has been redelivered in accordance with this Agreement;
- (2) this Agreement has been terminated in accordance with its terms; or
- (3) Lessor receives the Agreed Value following an Event of Loss.

FAA

The Federal Aviation Administration of the USA and any successor thereof.

FAR	The USA Federal Aviation Regulations.
FINAL INSPECTION	The series of inspections to be conducted by Lessor or Lessor's representative during the course of the Redelivery Check and up to Redelivery of the Aircraft.
FINANCIAL INDEBTEDNESS	As defined in Annex A.
FLIGHT HOUR	(i) In relation to the Airframe, each hour or part thereof (rounded to two decimal places) elapsing from the moment the wheels of the Aircraft leave the ground on take off until the wheels of the Aircraft next touch the ground, and (ii) in relation to each Engine, the APU and the Landing Gear, each hour or part thereof (rounded to two decimal places) elapsing from the moment the wheels of the airframe (including the Airframe) on which such Engine, APU or Landing Gear, as the case may be, is from time to time installed leave the ground on take off until the wheels of such airframe next touch the ground.
FSB	First Security Bank, National Association, not in its capacity as Owner Trustee, but in its individual capacity.
GOVERNING LAW	The laws of the State of New York, USA.
GOVERNMENT ENTITY	(1) any national government, political subdivision thereof, or local jurisdiction therein; (2) any instrumentality, board, commission, court, or agency of any thereof, however constituted; and (3) any association, organization, or institution of which any of the above is a member or to whose jurisdiction any thereof is subject to or in whose activities any of the above is a participant.
HABITUAL BASE	Panama City, Republic of Panama.

INDEMNITEES Lessor and Beneficiary, including any of their respective successors and assigns, and any shareholders, Affiliates, directors, officers, servants, agents, representatives and employees thereof, and the Manufacturer.

INSURANCE DEDUCTIBLE AMOUNT As defined in Annex A.

INSURANCES The insurances in respect of the Aircraft as further described in Clause 9.1.

JURISDICTION OF INCORPORATION Republic of Panama.

JURISDICTION OF REGISTRATION During that portion of the Term extending from the Delivery Date to the Deregistration Date, the USA, and during that portion of the Term extending from the Deregistration Date to the Redelivery Date, the Republic of Panama.

LANDING GEAR The nose and main landing gear assemblies of the Aircraft, excluding any rotatable components such as wheels, tires and brakes, and consumable items.

LESSEE DOCUMENTS This Agreement, the Lessee Assignment, any other agreement or document signed by Lessee, relating to this Agreement and delivered on the Delivery Date, and any other agreement or document which Lessor and Lessee agree in writing to be a Lessee Document.

LESSOR LIEN (1) Any Lien whatsoever from time to time existing created by Lessor, Beneficiary or any Person claiming by, through or under Lessor or Beneficiary in connection with the financing or refinancing of the Aircraft;

(2) Any Lien which results from the acts of, omissions of or claims against Lessor, Beneficiary, or any Person claiming by, through or under Lessor or Beneficiary not related to the transactions contemplated by or permitted under this Agreement, including, without limitation, post-delivery modifications performed on the Aircraft;

- (3) Any Lien for or in respect of Lessor Taxes; or
- (4) Any Lien arising as a result of or in connection with any voluntary or involuntary sale, assignment, transfer, conveyance or other disposition (collectively, a "Transfer") by the Lessor, the Beneficiary, any transferee of the Lessor or the Beneficiary or any successor or assign of the Lessor or Beneficiary of the Aircraft, this Agreement or any part of their respective right, title and interest in or to the Aircraft or this Agreement.

LESSOR TAXES

- (1) Taxes imposed by any federal, state, local Government Entity, any subdivision or department thereof or therein or any international or other taxing authority whether of the United States or any other country or political subdivision thereof (each a "Taxing Authority") against Lessor or Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary or all or any part of the Aircraft unrelated to (A) the licensing, location, installation, acceptance, delivery, registration, recordation of title, possession, repossession, control, operation, use, maintenance, repair, replacement, return, abandonment, storage, redelivery, leasing, subleasing, modification, importing or exporting of the Aircraft or any part thereof, (B) the rentals, receipts or earnings from any transactions contemplated by this Agreement, or (C) any other amount paid or payable pursuant to this Agreement or any document related thereto;
- (2) Taxes (i) that are based upon, measured by or with respect to the gross or net income, capital, gains, profits, net worth, franchise or conduct of business

of Lessor or Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary (including, without limitation, minimum taxes or alternative minimum taxes), other than Taxes in the nature of sales, use, rental, license, VAT, ad valorem or property Taxes, ("Income Taxes") and (ii) that are imposed on Lessor, Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary by (A) the United States federal government, (B) in the case of Lessor or any Person lawfully claiming by, through or under Lessor, the state and local taxing jurisdictions and authorities in the United States in which the Lessor maintains its principal office or principal place of business, (C) in the case of Beneficiary or any Person lawfully claiming by, through or under Beneficiary, the state and local taxing jurisdictions and authorities in the United States in which Beneficiary maintains its principal office or principal place of business, (D) any other state or local taxing jurisdiction or authority in the United States in which Lessor or Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary, as the case may be, would be subject to Income Tax without regard to the transactions contemplated by this Agreement, and (E) any foreign government or any political subdivision or taxing authority thereof, any territory or possession of the United States, or any international authority in which Lessor or Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary, as the case may be, would be subject to Income Tax without regard to the transactions contemplated by this Agreement;

- (3) Taxes imposed on Lessor or Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary to the extent imposed as a result of (i) the willful misconduct or gross negligence of Lessor or Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary, (ii) any breach by Lessor, Beneficiary or any person claiming by or through Lessor or Beneficiary of any representations, warranties, covenants or obligations contained in this Agreement or any other document or instrument delivered under or in connection with this Agreement or the transactions contemplated herein, (including, without limitation, any breach by Lessor, Beneficiary or other person claiming by or through Lessor or Beneficiary of any covenant of quiet enjoyment set forth herein or in any document or instrument delivered pursuant to or in connection with this Agreement);
- (4) Taxes imposed on Lessor or Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary as a result of a sale, assignment, transfer or other disposition, whether voluntary or involuntary, (each a "Transfer"), by Lessor or Beneficiary or any other Person other than Lessee, of the Aircraft or any legal or beneficial interest in the Aircraft, this Agreement or any portion hereof or thereof; provided however, that such Transfer does not result from the exercise of any remedy provided for in this Agreement or at law during the continuance of an Event of Default, in connection with the termination of this Agreement or otherwise in connection with this Agreement; and
- (5) Taxes imposed on Lessor or Beneficiary or any Person lawfully claiming by,

through or under Lessor or Beneficiary with respect to any period commencing or event occurring (i) prior to the Delivery of the Aircraft, (ii) after the Redelivery of the Aircraft in conformity with the applicable provisions of this Agreement and (iii) at any time during which Lessee shall have been deprived of the use or possession of the Aircraft as a result of a breach by Lessor or any Person claiming by, through or under Lessor of Lessee's rights of quiet and peaceful use and possession of the Aircraft as set forth in Clause 7.1 hereof or in any other instrument or document delivered in connection with this Agreement or the transactions contemplated herein.

LETTER(S) OF CREDIT

The Deposit Letter of Credit, the Supplemental Rent Letter of Credit, or both, as the case may be.

LIBOR

The offered rate appearing on page 3750 of the Telerate screen (or any replacement page) which displays the British Bankers Association Interest Settlement Rates for deposits in Dollars at or about 11:00 a.m. (London time) for the required period for value on the due date, or the preceding Business Day if such due date is not a Business Day.

LIEN

Any mortgage, pledge, lien, charge, claim, encumbrance, hypothecation, assignment, right of set-off, agreement, arrangement, lease or security interest affecting the title to or any interest in property.

LIFE LIMITED PART

A part or component on the Aircraft having a life limit identified in either the Aircraft's FAA Type Certificate, applicable manufacturers' documents and manuals, or by Airworthiness Directive, alternatively referred to as "LLP."

MAJOR CHECKS

Any C-Check, multiple C-Check or D-check or equivalent heavy maintenance visit or segment

thereof as set out in the Agreed Maintenance Program.

MANUFACTURER The Boeing Company.

MINIMUM LIABILITY COVERAGE As defined in Annex A.

MODIFICATION LIMIT As defined in Annex A.

NEW OPERATOR CREDIT As defined in Annex A.

OWNER TRUSTEE First Security Bank, National Association, not in its individual capacity, except as expressly provided herein, but solely as owner trustee under the Trust Agreement.

OWNER TRUSTEE DOCUMENTS This Agreement, the Trust Agreement and the Purchase Agreement Assignment.

PART Whether or not installed on the Aircraft:

(1) any appliance, component, furnishing or equipment (other than a complete Engine) furnished with the Aircraft on the Delivery Date; and

(2) any other appliance, component, furnishing or equipment (other than a complete Engine) title to which has, or should have, passed to Lessor pursuant to this Agreement;

but excluding any such items title to which has, or should have, passed from Lessor pursuant to this Agreement.

PAYMENT ACCOUNT As defined in Annex A.

PERMITTED LIEN (1) The rights of Lessor and Lessee provided in this Agreement;

(2) any Lessor Lien;

(3) any lien for Taxes of Lessee not yet assessed or, if assessed, not yet due and payable, or being contested in good faith by appropriate proceedings and not material in the aggregate; and

- (4) any lien of a repairer, mechanic, carrier, hangar keeper, airport, air navigation authority or other similar lien arising in the ordinary course of business or by operation of law in respect of obligations of Lessee or any permitted sublessee which are not overdue or are being contested in good faith by appropriate proceedings;

but only if, in the case of both (3) and (4), (a) adequate reserves have been provided by Lessee for the payment of such Taxes or obligations; and (b) such proceedings, or the continued existence of the lien, do not give rise to any material risk of the sale, forfeiture or other loss of the Aircraft or any interest therein or of criminal liability on the part of Lessor.

PERSON OR PERSON

Any individual, firm, partnership, joint venture, trust, trustee, Government Entity, organization, association, corporation, government agencies, committees, departments, authorities and other bodies, corporate or incorporate, whether having distinct legal status or not, or any number of any of the foregoing.

PURCHASE AGREEMENT

Purchase Agreement No. 1906, dated May 2, 1996, between Manufacturer and Beneficiary, pursuant to which Manufacturer has agreed to sell and Beneficiary has agreed to purchase the Aircraft.

PURCHASE AGREEMENT ASSIGNMENT

That certain Purchase Agreement Assignment (MSN 29047), dated as of October 1, 1998, between Beneficiary and Lessor.

RECORDS

- (1) the Aircraft, Engine, APU, Landing Gear and Part records, reports, and other documentation listed in Part 6 of Schedule 1 to this Agreement;
- (2) records relating to the service, inspection, maintenance, modification, testing, overhaul and repair of the Aircraft and all Parts installed therein or thereon that are required to be

maintained during the Term under the terms of this Agreement, by the Air Authority, by the Agreed Maintenance Program, or those that are provided to Lessee or otherwise maintained during the Term with respect to the Aircraft (including, without limitation, the Airframe, any Engine, the APU and Parts), other than replaced or superseded records that are permitted to be disposed of by the FAA; and

- (3) daily or periodic updates, as the case may be, to comply with applicable law and with record keeping requirements of the FAA for FAR Part 129 operation or FAR Part 145 operation, as the case may be.

REDELIVERY The return of the Aircraft with all associated Documents and Records from Lessee to Lessor at the Redelivery Location, in the condition and manner required by Clause 12 and the other provisions of this Agreement.

REDELIVERY CHECK The final exit full block "C" check, as defined in Appendix J of Manufacturer's Maintenance Planning Document, performed on the Aircraft prior to Redelivery in accordance with Clause 2.1 of Schedule 4.

REDELIVERY DATE The date on which Lessor has accepted Redelivery of the Aircraft evidenced by executing an acknowledgment of Redelivery in accordance with Clause 12.3.

REDELIVERY LOCATION An airport in the continental USA identified by Lessor or other location mutually agreed between Lessor and Lessee.

RENT As defined in Annex A.

RENTAL PERIOD Each period ascertained in accordance with Clause 5.2.2.

RENT DATE The first day of each Rental Period, except in the case of the first Rental Period, the fifteenth (15th) day of such Rental Period.

SCHEDULED DELIVERY DATE The date within the Scheduled Delivery Month as advised by Lessor from time to time in accordance with Clause 4.

SCHEDULED DELIVERY MONTH March, 1999.

SHOP VISIT In relation to Engines and APU, an engine or APU removal where engine maintenance entails separation of mating engine case flanges and/or the removal of engine modules, requiring internal repairs or the replacements of a disk, hub or spool.

SISTER LEASE Any aircraft lease agreement between (i) Lessor, Beneficiary, any Affiliate of Beneficiary, or any trust in which Beneficiary or any Affiliate of Beneficiary is the beneficiary under such trust, and (ii) Lessee for an aircraft, including the Aircraft Lease Agreement (MSN 29048) between Lessor and Lessee dated as of the date hereof in respect of a Boeing Model 737-71Q aircraft bearing Manufacturer's serial number 29048.

SUBSIDIARY (1) In relation to any reference to accounts, any company whose accounts are consolidated with the accounts of Lessee in accordance with Panamanian generally accepted accounting principles; and

 (2) for any other purpose an entity from time to time:

 (a) of which another has direct or indirect control or owns directly or indirectly more than fifty per cent (50%) of the voting share capital; or

 (b) which is a direct or indirect subsidiary of another under the laws of the jurisdiction of its incorporation.

SUPPLEMENTAL RENT All amounts payable under Clause 5.3.

SUPPLEMENTAL RENT LETTER OF CREDIT	The letter of credit in respect of Supplemental Rent issued pursuant to Clause 5.1, and any replacement or renewal of such letter of credit issued in accordance with the terms of this Agreement.
SUPPLEMENTAL RENT LETTER OF CREDIT AMOUNTS	As defined in Annex A.
TAX OR TAXES	All taxes, fees, duties, governmental charges and assessments, of any nature whatsoever, including interest, fines additions to tax, and penalties thereon, imposed by any taxing authority with respect to the Aircraft, on its ownership, delivery, possession, transportation, operation, rental, return to Lessor, transfer of title, registration, or otherwise with respect to or in connection with the transactions contemplated by this Agreement, including, but not limited to, any value-added taxes, sales and use taxes, property taxes and all license and registration fees; provided, however, that "Taxes" shall not include Lessor Taxes.
TERM	The period commencing on the Delivery Date and ending on the Expiry Date unless otherwise hereinafter provided.
TRUST AGREEMENT	That certain Trust Agreement (MSN 29047) dated as of October 1, 1998, between First Security Bank, National Association, and Beneficiary.
USA	United States of America.

1.2 CONSTRUCTION

1.2.1 In this Agreement, unless the contrary intention is stated, a reference to:

- (1) each of "Lessor" or "Lessee" or any other person includes, without prejudice to the provisions of this Agreement, any successor in title to it or, as the case may be, them and any permitted assignee or transferee;
- (2) a "person" includes, without limitation, any individual, corporation, company limited liability company, judicial entity, statutory body, partnership, joint venture, trust, estate, unincorporated association,

group or organization or any political sub-division, court, regulatory body, authority, ministry, bureau, legislative body, department or agency therein or thereof (including, without limitation, the central bank or any taxing or fiscal or other monetary authority or ministry thereof or therein);

- (3) words importing the plural shall include the singular and vice versa;
- (4) any document shall include that document as amended, novated or supplemented;
- (5) a law (a) includes any statute, decree, constitution, regulation, order, judgment or directive of any Government Entity; (b) includes any treaty, pact, compact or other agreement to which any Government Entity is a signatory or party; (c) includes any judicial or administrative interpretation or application thereof; and (d) is a reference to that provision as amended, substituted or re-enacted; and
- (6) a Clause or a Schedule is a reference to a clause of or a schedule to this Agreement.

1.2.2 The headings in this Agreement are to be ignored in construing this Agreement.

1.2.3 In this Agreement references to the "winding up", "dissolution", "examination" or "court protection" of a company or corporation, or the appointment of a "liquidator", "receiver", "examiner" or "administrator" shall be construed so as to include any equivalent or analogous proceedings or officer under the law of the jurisdiction in which such company or corporation is incorporated or established or any jurisdiction in which such company or corporation carries on business, including the seeking of liquidation, winding-up, reorganization, dissolution, administration, examination, arrangement, adjustment, protection or relief of debtors.

1.2.4 Reference to this Agreement includes reference to the Schedules.

2. REPRESENTATIONS AND WARRANTIES

2.1 LESSEE'S REPRESENTATIONS AND WARRANTIES

Lessee represents and warrants to Lessor that:

- (1) STATUS: Lessee is a company duly incorporated and validly existing under the laws of Panama and has the corporate power to own its assets and carry on its business as it is being conducted and to perform its obligations under this Agreement and each other Lessee Document, and Lessee is the holder of all necessary air transportation licenses required in connection therewith and

with the use and operation of the Aircraft, and Lessee is duly qualified to transact intrastate business and is a foreign corporation in good standing in each jurisdiction in which failure to be so qualified would have a material adverse effect on Lessee's ability to perform its obligations hereunder;

- (2) **POWER AND AUTHORITY:** Lessee has the power to enter into and perform, and has taken all necessary action to authorize the entry into, performance and delivery of, this Agreement and each other Lessee Document and the transactions contemplated by this Agreement and each other Lessee Document;
- (3) **LEGAL VALIDITY:** Assuming the due authorization, execution and delivery by all of the other parties thereto, each of this Agreement and each other Lessee Document constitutes Lessee's legal, valid and binding obligation, enforceable against Lessee in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws affecting the rights of creditors generally and general principles of equity, whether considered at a proceeding at law or in equity;
- (4) **NON-CONFLICT:** The entry into and performance by Lessee of, and the transactions contemplated by, this Agreement and the other Lessee Documents do not and will not:
 - (a) conflict with any laws binding on Lessee; or
 - (b) conflict with the organizational or constitutional documents of Lessee; or
 - (c) conflict with or result in default under any document which is binding upon Lessee or any of its assets nor result in the creation of any Lien over any of its assets other than as otherwise expressly provided herein;
- (5) **AUTHORIZATION:** Subject to Clause 2.4(5), all authorizations, consents, registrations and notifications (including with respect to any Government Entity) required in connection with the entry into, performance, validity and enforceability of this Agreement and the other Lessee Documents and the transactions contemplated by this Agreement and the other Lessee Documents, have been (or will have been on or before the Delivery Date) obtained or effected and are (or will be upon being obtained or effected) in full force and effect and no exchange control or central bank authorizations will be required;

(6) NO IMMUNITY:

- (a) Lessee is subject to civil commercial law with respect to its obligations under this Agreement and the other Lessee Documents, including without limitation the civil commercial law of Panama;
- (b) neither Lessee nor any of its assets is entitled to any right of immunity and the entry into and performance of this Agreement, and the other Lessee Documents by Lessee constitute private and commercial acts; and
- (c) to the extent that Lessee or any of its assets becomes entitled at any time to any immunity, based on sovereignty or otherwise, from any legal action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any competent court, from service of process, from attachment in aid of execution, or from execution prior to judgment, or other legal process in any jurisdiction, Lessee for itself and its assets does hereby irrevocably and unconditionally waive, and agrees not to plead or claim, any such immunity with respect to its obligations, liabilities, or any other matter under or arising out of or in connection with this Agreement and the other Lessee Documents or the subject matter hereof; such agreement shall be irrevocable and not subject to withdrawal in any and all jurisdictions;

(7) ACCOUNTS: The audited accounts (or, for any period Lessee's accounts are not audited, Lessee's unaudited accounts used by Lessee's management) of Lessee and its Subsidiaries most recently delivered to Lessor:

- (a) have been prepared in accordance with Panamanian generally accepted accounting principles and practices consistently applied; and
- (b) fairly represent the financial condition of Lessee and its Subsidiaries as at the date to which they were drawn up;

(8) ALLOWANCES: Lessee has not claimed and will not claim any capital or depreciation deductions or allowances in respect of the Aircraft for any purpose (including for tax purposes);

(9) NO DEFAULT:

- (a) no Default has occurred and is continuing or might result from the entry into or performance of this Agreement and the other Lessee Documents; and
- (b) no other event has occurred and is continuing which constitutes (or with the giving of notice, lapse of time, or the fulfillment of any other applicable condition or any combination of the foregoing, might

constitute) a material default under any document which is binding on Lessee or any assets of Lessee, including a Sister Lease;

(10) REGISTRATION:

- (a) other than registering the Aircraft, filing this Agreement for recordation with the FAA, and filing UCC-1 financing statements in the state of Florida and the District of Columbia for the period from the Delivery Date through the Deregistration Date, and other than registering the Aircraft and filing this Agreement with the Panamanian Directorate of Civil Aeronautics, and recording this Agreement and the bill of sale evidencing Lessor's title to the Aircraft with the Office of the Public Registry of Panama for the period from the Deregistration Date through the end of the Term and Redelivery, it is not necessary or advisable under the laws of the Jurisdiction of Incorporation, the Jurisdiction of Registration or the Habitual Base in order to ensure the validity, effectiveness and enforceability of this Agreement and the other Lessee Documents, or to establish, perfect or protect the property rights of Lessor in the Aircraft or any Engine or Part that this Agreement or any other instrument relating thereto be filed, registered or recorded or that any other action be taken or if any such filings, registrations, recordings or other actions are necessary or advisable, the same have been effected or will have been effected or all steps that can at such time reasonably have been taken to effect same will have been taken on or before the Delivery Date or Deregistration Date, as the case may be; and
- (b) under the laws of the Jurisdiction of Incorporation, the Jurisdiction of Registration and the Habitual Base, the property rights of Lessor in the Aircraft have been, or on or before the Delivery Date or the Deregistration Date, as the case may be, shall be fully established, perfected and protected, and this Agreement and the other Lessee Documents, other than as provided with respect to Lessee's obligations thereunder in 2.1(12), will have priority in all respects over the claims of all creditors of Lessee;

(11) LITIGATION: No litigation, arbitration or administrative proceedings are pending or to its knowledge threatened against Lessee before any court, administrative agency or arbitral tribunal which, if adversely determined, would have a material adverse effect upon its financial condition or business or its ability to perform its obligations under this Agreement;

(12) PARI PASSU: The obligations of Lessee under this Agreement and the other Lessee Documents rank at least pari passu with all other present and future unsecured and unsubordinated obligations (including contingent obligations) of Lessee, with the exception of such obligations as are mandatorily preferred by law, including, without limitation, the Governing Law, and not by virtue

of any contract, which obligations have been disclosed to and itemized for Lessor;

- (13) MATERIAL ADVERSE CHANGE: There has been no material adverse change in the financial condition or prospects of Lessee and its Subsidiaries since the date to which the accounts most recently provided to Lessor on or prior to the date of the execution of this Agreement were drawn up;
- (14) TAXES AND OTHER PAYMENTS: Lessee has delivered all necessary returns and made all payments, other than Taxes of Lessee not yet assessed or, if assessed, not yet due and payable, or being contested in good faith by appropriate proceedings and not material in the aggregate, due to (i) the tax authorities in the Jurisdiction of Incorporation, the Jurisdiction of Registration and all applicable states, provinces and municipalities thereof, (ii) the Habitual Base and all applicable subdivisions thereof and (iii) airport and other aviation authorities, and Lessee is not required by law to deduct or withhold any Taxes from any payments under this Agreement and the other Lessee Documents;
- (15) INFORMATION: The financial and other information furnished by Lessee in connection with this Agreement and the other Lessee Documents does not contain any untrue statement or omit to state any facts, the omission of which makes the statements therein, in the light of the circumstances under which they were made, misleading, nor omits to disclose any material matter to Lessor and all forecasts and opinions contained therein were made in good faith on reasonable grounds by Lessee; and
- (16) CURRENT MAINTENANCE PROGRAM: As of the Delivery Date, the Agreed Maintenance Program is approved by the Air Authority.

2.2 REPETITION

The representations and warranties in Clause 2.1 will survive the execution of this Agreement and the other Lessee Documents. The representations and warranties contained in Clause 2.1 will be deemed to be repeated by Lessee on the Delivery Date and on each Rent Date as if made with reference to the facts and circumstances then existing. The representation and warranty in Clause 2.1(13) shall be deemed to be given or repeated on each Rent Date with respect to the audited financial statements of Lessee last furnished pursuant to Schedule 3.

2.3 [Intentionally omitted.]

2.4 FSB'S REPRESENTATIONS AND WARRANTIES

FSB represents and warrants to Lessee that:

- (1) STATUS: FSB is a national banking association duly organized, validly existing and in good standing under the laws of the USA, is duly authorized

to do business as a national banking association with banking authority to execute and deliver, and to perform its obligations under, the Owner Trustee Documents;

- (2) POWER AND AUTHORITY: FSB has taken, or has caused to be taken, all necessary action to authorize the execution and filing by FSB in its individual capacity and as Owner Trustee, of each of the Owner Trustee Documents, and its performance of its obligations thereunder, and Owner Trustee holds such title to the Aircraft as was conveyed to it by Manufacturer;
- (3) LEGAL VALIDITY: The Owner Trustee Documents constitute the legal, valid and binding obligation of FSB, in its individual capacity and as Owner Trustee, and, assuming the due authorization, execution and filing thereof by the other party or parties thereto, are enforceable against FSB, in its individual capacity and as Owner Trustee, in accordance with the respective terms thereof, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium and other similar laws affecting the rights of creditors generally and general principles of equity, whether considered in a proceeding at law or in equity;
- (4) NON-CONFLICT: The entry into and performance by FSB, in its individual capacity and as Owner Trustee, of, and the transactions contemplated by, this Agreement and the other Owner Trustee Documents do not and will not:
 - (a) conflict with any federal USA banking or Utah state laws binding on FSB, in its individual capacity or as Owner Trustee; or
 - (b) conflict with the organizational or constitutional documents of FSB; or
 - (c) conflict with any document which is binding upon FSB, or any of its assets; and
- (5) AUTHORIZATION: Subject to Clause 2.1(5) so far as concerns the obligations of Lessor, all authorizations, consents, registrations and notifications required in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, this Agreement by Lessor have been (or will have been on or before the Delivery Date) obtained or effected (as appropriate) and are (or will be upon being obtained or effected) in full force and effect.

3. CONDITIONS PRECEDENT

3.1 CONDITIONS PRECEDENT TO LESSOR'S OBLIGATIONS

Lessor's obligation to deliver and lease the Aircraft under this Agreement is subject to satisfaction of each of the following conditions.

3.1.1 CASH DEPOSIT/DEPOSIT LETTER OF CREDIT: The delivery by Lessee to Lessor of the Cash Deposit and the Deposit Letter of Credit pursuant to Clause 5.1.

3.1.2 CERTAIN RECEIPTS AT EXECUTION OF AGREEMENT: Receipt by Lessor from Lessee upon execution of this Agreement of the following in form and substance (including but not limited to execution, notarization and translation where appropriate) satisfactory to Lessor:

- (1) CONSTITUTIONAL DOCUMENTS: A copy of the organizational and constitutional documents of Lessee;
- (2) RESOLUTIONS, AUTHORITY: A copy of a resolution of the board of directors of Lessee approving the terms of and the transactions contemplated by this Agreement and the other Lessee Documents, resolving that it enter into this Agreement and the other Lessee Documents and related agreements, including without limitation any amendments hereto, and authorizing a specified person or persons to execute this Agreement and the other Lessee Documents on its behalf, together with such other evidence of the authority of such person or persons to execute this Agreement and the other Lessee Documents as Lessor may reasonably request, including but not limited to extracts or certificates from Government Entities or commercial registries;
- (3) PROCESS AGENT: A letter from the process agent appointed by Lessee in this Agreement accepting that appointment in a form acceptable to Lessor;
- (4) CERTIFICATE: A certificate of a duly authorized officer of Lessee:
 - (a) setting out a specimen of each signature referred to in Clause 3.1.2(2); and
 - (b) certifying that each copy of a document specified in this Clause is correct, complete and in full force and effect;
- (5) ACCOUNTS: The latest available accounts of Lessee as described in Schedule 3, Part 1, Section 3;
- (6) OPINIONS: A signed original of the opinion substantially in the form of Schedule 6, or otherwise acceptable to Lessor, and from independent legal counsel acceptable to Lessor in the Jurisdiction of Registration, the Habitual Base and the Jurisdiction of Incorporation and as to matters applicable with respect to, among other things, Lessee's execution and delivery of this Agreement and the other Lessee Documents and the performance by Lessee of its obligations as contemplated hereunder and thereunder; and

- (7) PAYMENTS: The Cash Deposit and the Deposit Letter of Credit, in the required amounts, due upon execution of this Agreement as more fully described in Clause 5.1.

3.1.3 CERTAIN RECEIPTS AT DELIVERY DATE: Unless otherwise delivered at execution of this Agreement, receipt by Lessor from Lessee not later than the Delivery Date of the following in form and substance (including but not limited to execution, notarization and translation where appropriate) satisfactory to Lessor:

- (1) CONSTITUTIONAL DOCUMENTS: Confirmation that the copy of the organizational and constitutional documents of Lessee already provided by Lessee have not changed, and if so a copy of any changes;
- (2) RESOLUTIONS, AUTHORITY: A copy of resolutions of the board of directors of Lessee authorizing a specified person or persons to execute any other documentation relating to delivery of the Aircraft to Lessee and the transaction contemplated hereby, together with such other evidence of the authority of such person or persons to execute the same as Lessor may reasonably request, including but not limited to extracts or certificates from Government Entities or commercial registries;
- (3) [Intentionally omitted.]
- (4) CERTIFICATE: A certificate of a duly authorized officer of Lessee:
 - (a) setting out a specimen of each signature referred to in Clause 3.1.3(2); and
 - (b) certifying that each copy of a document specified in this Clause is correct, complete and in full force and effect;
- (5) OPINIONS: A signed original of the opinion substantially in the form of Schedule 6, or otherwise acceptable to Lessor, and from independent legal counsel acceptable to Lessor in the Jurisdiction of Registration, the Habitual Base and the Jurisdiction of Incorporation and as to matters applicable to the performance by Lessee of its obligations as contemplated hereunder;
- (6) APPROVALS: Evidence of the issuance of each approval, license and consent which may be required in relation to, or in connection with, the remittance to Lessor in Dollars of all amounts payable under this Agreement and the other Lessee Documents or the performance by Lessee of any of its obligations hereunder or thereunder (including, without limitation, obtaining from all applicable Panamanian

- aviation and other authorities including the FAA all applicable approvals, licenses, consents and authorizations);
- (7) EXPORT: Any required consent from the applicable Panamanian aviation and other authorities to the export of the Aircraft from the Habitual Base upon the termination of the leasing of the Aircraft under this Agreement;
 - (8) IMPORT: Evidence that any required import license, and any customs formalities, relating to the import of the Aircraft into the Habitual Base have been obtained or complied with, and that the import of the Aircraft into the Habitual Base is exempt from Taxes;
 - (9) LICENSES: Copies of Lessee's air transport license, air operator's certificates and all other licenses, certificates and permits required by Lessee in relation to, or in connection with, the operation of the Aircraft;
 - (10) [Intentionally omitted.]
 - (11) PAYMENTS: All sums due to Lessor under this Agreement on or before the Delivery Date including, without limitation, the first payment of Rent and the Cash Deposit;
 - (12) LETTERS OF CREDIT: The Deposit Letter of Credit and the Supplemental Rent Letter of Credit, in the required amounts, due upon delivery of the Aircraft as more fully described in Clause 5.1;
 - (13) INSURANCES: Certificates of insurance (and reinsurance as applicable), an undertaking from Lessee's insurance broker (and from reinsurers as applicable) and other evidence reasonably satisfactory to Lessor that Lessee has taken the required steps to ensure due compliance with the provisions of this Agreement as to Insurances with effect on and after the Delivery Date, in each case in form and substance complying with the requirements of Clause 9 and Schedule 5 hereto;
 - (14) REGISTRATION AND FILINGS: Evidence that on the Delivery Date the Aircraft has been validly registered under the laws of the Jurisdiction of Registration and that all filings, registrations, recordings and other actions have been taken which are necessary or advisable to ensure the validity, effectiveness and enforceability of this Agreement and the other Lessee Documents and to protect the property rights of Lessor in the Aircraft, including, but not limited to, filing UCC financing statements executed by Lessee in the state of Florida and the District of Columbia;

(15) MAINTENANCE PROGRAM: Evidence that Lessee's current maintenance program for maintenance of the Aircraft has been approved by the FAA for use by Lessee; and

(16) GENERAL: Such other documents and information as Lessor may reasonably request.

3.2 FURTHER CONDITIONS PRECEDENT TO LESSOR'S OBLIGATIONS

The obligations of Lessor to deliver and lease the Aircraft under this Agreement are subject to the further conditions precedent that:

- (1) the representations and warranties of Lessee under Clauses 2.1 and 2.2 are correct and would be correct if repeated on delivery of the Aircraft under this Agreement; and
- (2) no Default has occurred and is continuing or would result from the leasing of the Aircraft to Lessee under this Agreement.

3.3 CONDITIONS PRECEDENT TO LESSOR'S OBLIGATION TO REQUEST DEREGISTRATION

The obligation of Lessor to request the FAA to deregister the Aircraft is subject to satisfaction of each of the following conditions precedent:

3.3.1 POST-PRODUCTION MODIFICATION: Receipt by Lessor of evidence satisfactory to Lessor that the post-production modifications described in Part 4 of Schedule 1 have been (a) completed, (b) paid for, to the extent invoices in respect thereof are then due and payable, as provided in Clause 4.6, and (c) approved by the FAA;

3.3.2 REGISTRATION AND RECORDING IN PANAMA: Receipt by Lessor of evidence satisfactory to Lessor that as of the Deregistration Date the Aircraft has been, or is concurrently being, validly registered with the Air Authority and under the laws of the Jurisdiction of Registration and that all filings, registrations, recordings and other actions have been taken, in Panama and any other jurisdiction which are necessary or advisable to ensure the validity, effectiveness and enforceability of this Agreement and the other lessee Documents and to protect the property rights of Lessor in the Aircraft, including, but not limited to, recording this Agreement and the bill of sale evidencing Lessor's title to the Aircraft with the Office of the Public Registry of Panama; and

3.3.3 DEREGISTRATION POWER OF ATTORNEY: Receipt by Lessor of the Deregistration Power of Attorney.

3.4 WAIVER

The conditions specified in Clauses 3.1 and 3.2 are for the sole benefit of Lessor and may be waived or deferred in whole or in part and with or without conditions by Lessor in its sole discretion. If any of those conditions are not satisfied on the Delivery Date and Lessor nonetheless agrees to deliver the Aircraft to Lessee, Lessee will ensure that those conditions are fulfilled within 15 days after the Delivery Date and Lessor may treat as an Event of Default the failure of Lessee to do so.

3.5 CONDITIONS PRECEDENT TO LESSEE'S OBLIGATIONS

The obligations of Lessee to lease the Aircraft on the Delivery Date are subject to satisfaction of each of the following conditions precedent:

3.5.1 BENEFICIARY QUIET ENJOYMENT LETTER: The delivery by Beneficiary to Lessee of a letter from Beneficiary agreeing to Lessee's right to quiet enjoyment of the Aircraft in substantially the same manner as in Clause 7.1; and

3.5.2 WARRANTY ASSIGNMENTS: Assignments by Lessor to Lessee of warranties with respect to the Aircraft and the Engines made by the Manufacturer and the Engine Manufacturer, respectively, duly acknowledged by the Manufacturer and the Engine Manufacturer.

4. DELIVERY

4.1 SCHEDULED DELIVERY MONTH AND SCHEDULED DELIVERY DATE

Lessor has advised Lessee that, as of the date of this Agreement, the anticipated month of delivery of the Aircraft to Lessor, either directly or indirectly, from Manufacturer (or a Manufacturer group company) is the Scheduled Delivery Month. Lessor will notify Lessee promptly after Lessor has received notice from Manufacturer of a more specific Scheduled Delivery Date (approximately 30 days prior to the Scheduled Delivery Month and approximately 7 days prior to the actual date of delivery of the Aircraft under the Purchase Agreement), and from time to time of any significant anticipated and actual delays in delivery as advised by Manufacturer.

4.2 COMMENCEMENT

Subject to the terms and conditions of this Agreement, Lessor will offer the Aircraft for delivery and Lessee will accept delivery of the Aircraft on or about the Scheduled Delivery Date in accordance with Schedule 2 of this Agreement at the Delivery Location. Lessor will lease the Aircraft to Lessee and Lessee will take the Aircraft on lease in accordance with this Agreement for the duration of the Term.

4.3 DELAYED DELIVERY

If Lessor delays delivery or fails to deliver the Aircraft under this Agreement as a result of:

- (1) any Excusable Delay;
- (2) notification of any defect or non-conformity pursuant to Clause 3.5 of Schedule 2, Part 2;
- (3) any delay associated with Lessor not being able to receive all the approvals, consents and acceptances which are necessary for Lessor to deliver the Aircraft including those described in Clause 3.1.3(13) and making an acceptance flight under Clause 3.3 of Part 2 of Schedule 2, despite Lessor's reasonable and continuous efforts; or
- (4) any delay caused by any modification required on the Aircraft or agreed to in writing by Lessor and Lessee, which results in the Lessor not being able to receive all regulatory approvals, consents and acceptances which are necessary for Lessor to deliver the Aircraft;

then:

- (a) Lessor will not be responsible for any losses, including loss of use, damages (including consequential or incidental damages) costs or expenses suffered or incurred by Lessee arising from or in connection with such delay or failure; and
- (b) Lessee will not be entitled to terminate this Agreement or to reject the Aircraft when tendered for delivery by Lessor on the grounds of any such delay unless the Aircraft is not tendered for delivery within 12 months beyond the Scheduled Delivery Month, as such date may be further extended by mutual agreement of the parties, and upon any such termination neither Lessor nor Lessee will have any further obligation to the other under this Agreement other than as expressly set out in this Agreement, except that Lessor will return any Cash Deposit, Deposit Letter of Credit and any other amounts theretofore received by Lessor from Lessee hereunder.

4.4 ACCEPTANCE OF AIRCRAFT

If Lessee fails to accept delivery of the Aircraft when tendered for delivery by Lessor in accordance with this Agreement, Lessee will indemnify Lessor for all actual costs and expenses incurred by Lessor as a result of such failure by Lessee, and will also be liable to make payment to Lessor of Rent commencing on the date and otherwise as provided in Clause 5.2.

4.5 DELIVERY

Lessor and Lessee expressly acknowledge that delivery of the Aircraft to Lessee is subject to and conditioned upon (1) delivery of the Aircraft to Lessor, either directly or indirectly, from Manufacturer and (2) Lessee having fulfilled all of the conditions precedent to delivery set out in Clause 3. Lessee will effect acceptance of the Aircraft by execution and delivery to Lessor of the duly completed and executed Certificate of Acceptance substantially in the form of Part 1 of Schedule 2. After delivery of the Aircraft to Lessee, Lessee will bear all risk of loss, theft, damage or destruction to the Aircraft from any causes whatsoever until the Aircraft is redelivered to Lessor (including, for the avoidance of doubt, during the installation or completion of any "Post-Production Modifications" listed in Part 4 of Schedule 1 after such delivery).

4.6 POST-PRODUCTION MODIFICATION

Promptly following delivery of the Aircraft to Lessee hereunder, Lessee shall cause to be accomplished the post-production modifications described in Part 4 of Schedule 1. Such post-production modifications shall be made pursuant to a written agreement and by an entity that are reasonably satisfactory to Lessor. The cost of such post-production modifications for which Lessor shall be responsible shall be a fixed amount set forth in the written agreement which amount shall be subject to the Modification Limit. While such post-production modifications are being made, all of the terms of this Agreement, including Lessee's obligation to pay Rent, shall be and remain in full force and effect. Upon completion of such post-production modifications and submission of related invoices and other documentation reasonably requested by Lessor, Lessor shall either pay such invoices directly or, if already paid by Lessee, reimburse Lessee for the cost thereof, in either case up to the Modification Limit less the net costs of the modifications described in Part 3 of Schedule 1.

4.7 DEREGISTRATION

Upon satisfaction of all the conditions precedent set forth in Clause 3.3, Lessor shall request the FAA to deregister the Aircraft. Lessee shall be responsible for the prompt payment of all Taxes, fees, costs and expenses, including Lessor's reasonable legal fees, relating to all actions taken in connection with the deregistration of the Aircraft with the FAA and with the registration of the Aircraft with the Directorate of Civil Aeronautics of Panama, and the recordation of this Agreement and of Lessor's title to the Aircraft with the Office of the Public Registry of Panama, up to a maximum amount of \$50,000.

5. PAYMENTS

5.1 CASH DEPOSIT, DEPOSIT LETTER OF CREDIT AND SUPPLEMENTAL RENT LETTER OF CREDIT

5.1.1 Lessee shall deliver to Lessor the Cash Deposit. This Agreement shall be cross-collateralized with any Sister Lease, with respect to the Cash Deposit and with respect to any such collateral under any such Sister Lease.

5.1.2 Upon execution of this Agreement, Lessee shall provide Lessor with the Deposit Letter of Credit in the amount of the Deposit Letter of Credit Execution Amount, payable in favor of Lessor, issued or confirmed by a first class American or European bank reasonably acceptable to Lessor, and drawable in the USA. At any time after the Deregistration Date, at Lessee's option, the amount of the Deposit Letter of Credit may be increased by the amount of the Cash Deposit; the Cash Deposit shall be returned to Lessee promptly after any such increase in the amount of the Deposit Letter of Credit becomes effective. The Deposit Letter of Credit shall be further increased on or prior to the Delivery Date by an amount equal to the Deposit Letter of Credit Delivery Amount. The Deposit Letter of Credit shall be irrevocable, and shall be in form and substance reasonably acceptable to Lessor.

5.1.3 Lessor may upon the occurrence of an Event of Default which is continuing apply all or any portion of the Cash Deposit and/or draw down the Deposit Letter of Credit in accordance with its terms in whole or in part at any time or times until the later of 10 Business Days after Redelivery and until all of Lessee's obligations under this Agreement have been fulfilled to satisfy any liabilities of Lessee to Lessor under this Agreement and under any Sister Lease.

5.1.4 Prior to delivery of the Aircraft hereunder, Lessee shall provide Lessor with the Supplemental Rent Letter of Credit in the initial amount specified in the definition of Supplemental Rent Letter of Credit Amount, payable in favor of Lessor, issued or confirmed by a first class American or European bank reasonably acceptable to Lessor, and drawable in the USA. The Supplemental Rent Letter of Credit shall be increased on the dates and in the amounts specified in the definition of Supplemental Rent Letter of Credit Amount. The Supplemental Rent Letter of Credit shall be irrevocable, and shall be in form and substance reasonably acceptable to Lessor.

5.1.5 If Lessee shall fail to pay Supplemental Rent due and owing hereunder on the Expiry Date, or if Lessee shall fail to comply with the requirements of Clause 12 and Schedule 4 upon the expiration or the earlier termination of the Term as provided hereunder, Lessee may draw down the Supplemental Rent Letter of Credit in whole or in part to satisfy such obligations of

Lessee hereunder. The Supplemental Rent Letter of Credit may be drawn solely for the purposes set forth in this Clause 5.1.5.

- 5.1.6 In the event that any amount of the Cash Deposit is applied or the Deposit Letter of Credit is drawn down by Lessor, Lessee shall within 10 Business Days of receipt of notice of any such application of the Cash Deposit or draw down provide for the delivery of additional amounts of Cash Deposit and/or an additional letter of credit or an amendment to the Deposit Letter of Credit complying with the above requirements so as to restore the amounts of the Cash Deposit and/or the amount undrawn under the Deposit Letter of Credit to the original amount.
- 5.1.7 Clauses 4.3(4)(b), 5.1.2, 7.3 and 11.1 set forth the separate obligations of Lessor to return to Lessee the Letters of Credit and to refund to Lessee amounts in respect of the Cash Deposit in certain circumstances.
- 5.1.8 Lessee agrees that subject to Clauses 4.3(4)(b), 5.1.2, 7.2 and 11.1 and to Lessee's rights at law and in equity, all right, title and interest in any Cash Deposit paid by Lessee to Lessor pursuant to this Clause 5 shall vest in the recipient absolutely, irrevocably and unconditionally free and clear of any liens, claims, charges or encumbrances or any other interest of Lessee or of any third person.
- 5.1.9 Any interest earned with respect to the Cash Deposit or any draw down of a Letter of Credit shall be for Lessor's account, free and clear of any claims, charges or any interest of Lessee.
- 5.1.10 Lessee shall cause the Letters of Credit, in the respective amounts then required to be maintained by the terms of this Agreement, to be replaced or renewed from time to time in order that they remain in full force and effect through the date fifteen (15) days after the Expiry Date as required hereunder, and shall deliver to Lessor a replacement or renewal letter of credit at least 10 days prior to the date on which a Letter of Credit is to expire. If Lessee shall fail to deliver to Lessor a replacement or renewal letter of credit at least 10 days prior to the date on which the applicable Letter of Credit is to expire, Lessor may drawdown the full amount of such Letter of Credit and hold it for application in the same manner as in the case of the Cash Deposit. In any such case, if Lessee delivers a replacement letter of credit satisfying the requirements of this Agreement, Lessor shall return to Lessee the principal amount of such drawdown, so long as no Default or Event of Default has occurred and is continuing.

5.2 RENT

- 5.2.1 TIME OF PAYMENT: Lessee will pay to Lessor or its order Rent on the first Rent Date and in advance on each subsequent Rent Date. Payment must be initiated adequately in advance of each Rent Date to ensure that Lessor

receives credit for the payment of Rent payable on such Rent Date, or on the immediately preceding Business Day if such Rent Date is not a Business Day.

5.2.2 RENTAL PERIODS: The first Rental Period will commence on the Delivery Date and end on the fourteenth (14th) day of the second month following the Delivery Date. The second Rental Period will commence on the fifteenth (15th) day of the second month following the Delivery Date, with each subsequent Rental Period commencing on the fifteenth (15th) day of each subsequent month for the duration of the Term. The last Rental Period shall end on the Expiry Date.

5.3 SUPPLEMENTAL RENT

5.3.1 PAYMENT: Upon Redelivery of the Aircraft to Lessor at the time and in the manner provided hereunder, Lessee shall make a single payment to Lessor of Supplemental Rent in respect of Aircraft usage during the Term.

5.3.2 CALCULATION:

- (1) Not less than six (6) months prior to the scheduled Expiry Date, Lessee shall provide to Lessor sufficient industry estimates, reasonably satisfactory to Lessor, to enable Lessor and Lessee to calculate the estimated amount of Supplemental Rent payable by Lessee on Redelivery, such estimates to be based on Lessee's actual utilization of the Aircraft during the first 54 months of the Term. Such data shall include bona fide, arm's length market estimates from not fewer than three (3) mutually acceptable, internationally recognized aircraft maintenance providers of the cost of providing to Lessor or to another third party, other than Lessee or Continental Airlines, Inc., (i) a block D-Check, including a lower level check on the Airframe, (ii) a full restoration shop visit of each Engine, and (iii) a complete overhaul of the APU and the Landing Gear, including in each case all routine and non-routine work, material, labor and reasonable handling charges prevailing at the time, but excluding the cost of any replacement of Life Limited Parts (each of the Airframe, each Engine, the APU and the Landing Gear referred to as a "Component," and each of the respective costs described in subclauses (i) through (iii) referred to as a "Check/Overhaul Cost," for purposes of this Clause 5.3.2). Prior to the Expiry Date, Lessor and Lessee shall discuss in good faith, and agree on, the applicable Check/Overhaul Cost for each Component.
- (2) On the Expiry Date, Lessee shall pay to Lessor Supplemental Rent in respect of each Component in an amount equal to the product of (i) the Check/Overhaul Cost, times (ii) the result of (A) the time since such Component was new or since such Component had a full

restoration shop visit or complete overhaul, divided by (B) the mean time between overhaul ("Interval") for such Component as defined or estimated by the manufacturer of such Component, adjusted for the actual utilization of such Component by Lessee during the last six (6) months of the Term and as provided in clause (3) below.

- (3) The amount of Supplemental Rent calculated in accordance with clause (2) above shall be adjusted by deducting from the aggregate amount so calculated an amount equal to the sum of the Check/Overhaul Cost allocable to the first 20% of the Interval for each Component, provided that any such aggregate adjustment shall not result in a negative number and in no event shall Lessor be obligated to make any payment to Lessee under this Clause 5.3.2.
- (4) On the Expiry Date, if the time remaining on the life of any Life Limited Part is less than 80%, Lessee shall pay to Lessor an amount equal to the product of (i) the actual cost to replace such Life Limited Part, times (ii) the difference, expressed as a percentage of the life of such Life Limited Part, between (A) 80% and (B) the time remaining on the life of such Life Limited Part expressed as a percentage. If the time remaining on the life of any Life Limited Part is more than 80%, Lessee shall receive a credit against any amounts then owing by it under clauses (2) and (3) above in an amount equal to the product of (i) the cost to replace such life Limited Part as determined above, times (ii) the difference, expressed as a percentage of the life of such Life Limited Part, between (A) 20% and (B) the time used on such Life Limited Part since new, expressed as a percentage.

5.4 PAYMENTS

- 5.4.1 All payments by Lessee to Lessor under this Agreement will be made for value on the due date in Dollars, and if in relation to amounts incurred by Lessor other than in Dollars, in the Dollar equivalent advised by Lessor's bankers, and in same day funds settled through the New York Clearing House System or such other funds as may for the time being be customary for the settlement in New York City of international payments in Dollars by telegraphic transfer to the Payment Account. Lessee shall make all arrangements in advance to ensure that payment is received as above by Lessor on the due date.
- 5.4.2 All payments by Lessor to Lessee under this Agreement will be made by telegraphic transfer to the Payment Account in Dollars, and if in relation to amounts incurred by Lessee other than in Dollars, in the Dollar equivalent advised by Lessor's bankers.

5.5 GROSS-UP

- 5.5.1 All payments by Lessee under or in connection with this Agreement will be made without set-off or counterclaim, free and clear of and without deduction for or on account of any or all Taxes.
- 5.5.2 All Taxes in respect of payments under this Agreement shall be for the account of and will be paid by Lessee prior to the date on which penalties apply, except to the extent that such payment is being contested in good faith by appropriate proceedings, in respect of which adequate reserves have been provided by Lessee and non-payment of which does not give rise to any material likelihood of the Aircraft or any interest therein being sold, forfeited or otherwise lost or of criminal liability on the part of Lessor.
- 5.5.3 If Lessee is compelled by law to make payment subject to any Tax and Lessor or Beneficiary does not actually receive for its own benefit on the due date a net amount equal to the full amount provided for under this Agreement, Lessee will pay all necessary additional amounts to ensure receipt by Lessor of the full amount so provided for.

5.6 TAXES AND OTHER PAYMENTS

Except as may be otherwise expressly provided herein, Lessee will promptly pay, or promptly after demand indemnify Lessor and Beneficiary against:

- (1) all Taxes and other fees or charges of any nature imposed by any Government Entity or other person including any airport or provider of service with respect to this Agreement, including without limitation the delivery, leasing, possession, use, operation, maintenance, storage, return or replacement of any Engine or Part or any other disposition or dealing by Lessee with or relating to the Aircraft during the Term; and
- (2) all rent, fees, charges, Taxes and other amounts in respect of any premises where the Aircraft or any Part thereof is located from time to time;

except to the extent that such payment is being contested in good faith by appropriate proceedings, in respect of which adequate reserves have been provided by Lessee and non-payment of which does not give rise to any material likelihood of the Aircraft or any interest therein being sold, forfeited or otherwise lost or of criminal liability on the part of Lessor.

5.7 VALUE ADDED TAX

5.7.1 For the purposes of this sub-clause:

- (1) "VAT" means value added tax and any sales or turnover tax, imposition or levy of a like nature (other than Lessor Taxes); and

(2) "supply" includes anything on which VAT is chargeable.

5.7.2 Lessee will pay to Lessor or the relevant taxing authority, as the case may be, the amount of any VAT chargeable in respect of any supply for VAT purposes under this Agreement.

5.7.3 Each amount stated as payable by Lessee under this Agreement is exclusive of VAT (if any) and is accordingly to be construed as a reference to that amount plus any VAT in respect of it.

5.8 INFORMATION

If Lessee is required by any applicable law, or by any third party, to deliver any report or return in connection with any Taxes, Lessee will, to the extent the same shall be pertinent, state therein that Lessee is exclusively responsible for the use and operation of the Aircraft and for any Taxes arising therefrom and Lessee will on request supply a copy of the report or return to Lessor. Lessor shall provide Lessee with such information in the possession of Lessor or otherwise reasonably available to it as Lessee may reasonably request to fulfill its tax filing requirements under this Clause 5.8 and any audit information request arising in connection with the Taxes subject to this Clause 5. If any report or return is required to be made with respect to any obligations of Lessee under this Clause 5, Lessee will make such report or return, provided that Lessee shall have no obligation to file any such return or report if (A) Lessor, after Lessee's written request therefor, shall have failed to furnish Lessee with such information as is peculiarly within the control of, or reasonably available to Lessor and is necessary for the filing of such report or return, or (B) such return or report would or should have been filed by Lessor even if it had not entered into this Agreement.

5.9 TAXATION OF INDEMNITY PAYMENTS

5.9.1 If and to the extent that any sums payable to an Indemnitee by Lessee under this Agreement by way of indemnity are insufficient, by reason of any Taxes payable in respect of those sums, for such Indemnitee to discharge the corresponding liability to the relevant third party (including any taxation authority), or to reimburse such Indemnitee for the cost incurred by it to a third party (including any taxation authority), Lessee will pay to such Indemnitee such sum as will after the Tax liability has been fully satisfied leave such Indemnitee with the same amount as it would have been entitled to receive in the absence of that liability, together with interest on the amount of the deficit at the rate of interest stated in Clause 5.10 (both before and after judgment) in respect of the period commencing on the date on which the payment of the Tax is finally due until payment by Lessee.

5.9.2 If and to the extent that any sums constituting (directly or indirectly) an indemnity to an Indemnitee but paid by Lessee to any person other than

such Indemnitee are treated as taxable in the hands of such Indemnitee, Lessee will pay to such Indemnitee, within 5 Business Days of a written demand accompanied by reasonable evidence of liability, such sum as will after the tax liability has been fully satisfied indemnify such Indemnitee to the same extent as it would have been indemnified in the absence of such liability.

5.10 DEFAULT INTEREST

If Lessee fails to pay any amount payable under this Agreement or another Lessee Document on the due date, Lessee will pay on demand from time to time to Lessor or such other party as shall have a right thereto interest (both before and after judgment) on that amount, from the due date to the date of payment in full by Lessee to Lessor or such other party, at the rate calculated by Lessor to be 3% per cent per annum plus LIBOR at the rate quoted for the period closest to the length of time from such due date to such payment date. All such interest will be compounded monthly and calculated on the basis of the actual number of days elapsed and a 360 day year.

5.11 CONTEST

If a claim is made in writing against any Lessor (whether on audit or otherwise) or if Lessee disputes the amount of any Tax payable by Lessor for which Lessee is required to reimburse or indemnify hereunder for any Taxes that Lessee is required to pay or indemnify against pursuant to Clause 5.6, Lessor shall notify Lessee in writing within 10 Business Days of the receipt of such claim, provided that a failure to so notify will not diminish or relieve Lessee of any obligations under Clause 5.6, except to the extent Lessee is entitled to contest or to cause Lessor to contest such Taxes and Lessee's or Lessor's successful defense of such claim is materially prejudiced or precluded thereby. If the amount of the claim exceeds \$25,000 and if requested by Lessee in accordance with this Clause 5.11 and in writing within 30 Business Days after receipt by Lessee of the notice described in the preceding sentence, Lessor shall in good faith and with due diligence contest (including pursuing administrative and judicial appeals) in the name of Lessor or, if permitted by law and requested by Lessee in the name of Lessee, the validity, applicability or amount of such Taxes in appropriate administrative or judicial proceedings to be determined by Lessor, provided that (1) prior to taking such action, Lessee shall have agreed to pay Lessor all out-of-pocket costs and expenses that Lessor may incur in connection with contesting such claim, including, without limitation, all reasonable legal and accountant's fees and disbursements and costs of administrative and judicial proceedings, and the amount of any interest or penalties that may be attributable to and payable as a result of contesting such claim (or, at Lessor's request, Lessee shall advance to Lessor funds with which to pay the foregoing amounts, and Lessor's obligation to contest any Tax shall be suspended during any period Lessee does not advance sufficient funds to pay such amounts as they accrue or become payable), (2) if such contest is to be initiated by the payment of, and the claiming of a refund for such Taxes (and any interest and penalties that also must be paid), Lessee shall have advanced Lessor sufficient funds (on an interest-free basis)

to make such payment, (3) no Event of Default has occurred and is continuing, (4) the action to be taken will not result in a material risk of sale, forfeiture or loss of Lessor's title to the Aircraft (unless Lessee provides a bond or other security satisfactory to Lessor), (5) at Lessor's request, Lessee shall provide to Lessor a written opinion in form and substance reasonably satisfactory to Lessor of independent legal counsel reasonably satisfactory to Lessor that there is a reasonable basis for such contest and (6) Lessee acknowledges and agrees, in writing, that in the event such contest is unsuccessful Lessee shall fully indemnify Lessor against such Taxes (and any related interest and penalties). Notwithstanding that the conditions set forth in clauses (1), (2), (3), (4), (5) and (6) above may have been satisfied, Lessor, after consulting in good faith with Lessee, may elect not to pursue any contest or proceeding pursuant to the preceding sentence or elect to discontinue (by settlement or otherwise) any such contest or proceeding commenced pursuant to the preceding sentence, but such election shall constitute a waiver by Lessor of any right to payment or indemnification pursuant to Clause 5.6 with respect to the adjustment that was the subject of such proposed contest or proceeding (and any other adjustment the contest of which is precluded by such failure to contest) and, if Lessee has theretofore paid or provided Lessor with funds to pay any amount with respect to such adjustment, Lessor shall promptly repay such amount to Lessee. If Lessor shall obtain a refund in whatever form of all or any part of any Taxes that Lessee shall have paid or reimbursed to Lessor hereunder, Lessor shall, provided that no Event of Default shall have occurred and be continuing, pay to Lessee an amount that is equal to the sum of the amount of such refund or credit, plus any interest received on such refund fairly attributable to any Taxes paid by or with funds provided by Lessee prior to receipt of such refund, reduced by any Taxes incurred by Lessor by reason of the receipt or accrual of such refund and interest and net of any expenses described above that have not been previously reimbursed, and increased by any Tax benefit realized by Lessor as a result of any payment by Lessor made pursuant to this sentence, provided further that, if, at the time of such payment an Event of Default shall have occurred and be continuing, Lessor shall hold the amount of such payment as security for the obligations of Lessee to Lessor under the Lease, and at such time as there shall not be continuing any such Event of Default, shall pay such amount to the Lessee. Lessor hereby agrees that it will inform Lessee of the time and place of, and Lessor will not object to Lessee's presence at, any proceeding conducted pursuant to this clause 5.11, provided that Lessor shall be entitled to conduct any proceedings in respect of taxes for which Lessee is not obligated to indemnify Lessor outside the presence of Lessee and Lessee's presence also must be allowed by applicable law and provided further that the conditions set forth in clauses (1), (2), (3), (4), (5) and (6) above shall have been, and shall continue to be, satisfied.

5.12 COMPUTATIONS

At Lessee's request, the computation by Lessor of any amount payable by Lessee pursuant to this Clause 5 shall be verified by an independent accounting firm of national reputation selected by Lessor. The fees of such accountants shall be paid by Lessee unless such accountants determine that the amount payable to Lessee is at

least 25% more, or the amount payable by Lessee is at least 25% less, than the amount computed by Lessor, in which case such fees shall be payable by Lessor.

5.13 PAYMENTS ABSOLUTE

Lessee's obligations under this Agreement as to payment are absolute and unconditional irrespective of any contingency whatsoever including (but not limited to):

- (1) any right of set-off, counterclaim, recoupment, defense or other right which either party to this Agreement may have against the other;
- (2) any unavailability of the Aircraft for any reason, including, but not limited to, a requisition of the Aircraft or any prohibition or interruption of or interference with or other restriction against Lessee's use, operation or possession of the Aircraft;
- (3) any defect in airworthiness, merchantability, fitness for any purpose, condition, design, or operation of any kind or nature of the Aircraft for any particular use or trade, or for registration or documentation under the laws of any relevant jurisdiction, or any Event of Loss in respect of, or any damage to, the Aircraft;
- (4) any insolvency, bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, liquidation, examination or similar proceedings by or against Lessee;
- (5) any invalidity or unenforceability or lack of due authorization of, or other defect in, this Agreement; and
- (6) any other cause which but for this provision would or might otherwise have the effect of terminating or in any way affecting any obligation of Lessee under this Agreement.

Nothing in this Clause 5.13 shall be construed to prohibit Lessee from separately pursuing any claim that it may have from time to time against Lessor or any other Person with respect to any matter, provided that any such claim shall not contest the applicability or enforceability of the foregoing provisions of this Clause 5.13.

6. MANUFACTURERS' WARRANTIES

6.1 BENEFIT OF WARRANTIES

Unless an Event of Default shall have occurred and be continuing, Lessor agrees to make available to Lessee such rights as Lessor may have under any warranty with respect to the Aircraft of any Engine made by the Manufacturer or the Engine Manufacturer, respectively, pursuant to their respective standard assignment forms. To the extent that any warranties and/or rights (if any), express or implied, with

respect to or otherwise related to the Aircraft, any Engine or any Part from the Manufacturer, the Engine Manufacturer or any other manufacturer, vendor, subcontractor or supplier to Lessor, are not directly assignable by Lessor to Lessee, Lessor agrees to extend to Lessee, at Lessee's cost, the benefit of each such warranty and right to the extent possible.

6.2 PARTS

Except to the extent Lessor otherwise agrees in a particular case, Lessee will procure that all engines, components, furnishings or equipment provided by the manufacturer, vendor, subcontractor or supplier in replacement of a defective Engine or Part pursuant to the terms of any warranty will be installed promptly by Lessee and that title thereto vests in Lessor free of Liens. On installation those items will be deemed to be an Engine or Part, as applicable.

6.3 REASSIGNMENT

At the expiration or earlier termination of the Term as provided herein, Lessee shall reassign to Lessor, or its designee, without recourse or warranty, the benefit of any subsisting warranty and right assigned by Lessor to Lessee pursuant to this Agreement or otherwise. Lessee at its own cost and expense will do all such things and execute such documents as may reasonably be required for this purpose.

7. LESSOR'S COVENANTS

7.1 QUIET ENJOYMENT

Lessor covenants that so long as an Event of Default shall not have occurred and be continuing, (i) Lessee shall quietly enjoy, in accordance with the terms hereof, the Aircraft and all rents, revenues, profits and income thereof, without interference from Lessor, or from any Person lawfully claiming by or through Lessor (including, without limitation, any Person providing financing or refinancing for the Aircraft), and (ii) neither Lessor nor any Person lawfully claiming by or through Lessor shall take or cause to be taken any action contrary to such right of quiet enjoyment. Lessor shall cause any Person providing financing or refinancing for the Aircraft to provide to Lessee a comparable covenant of quiet enjoyment.

7.2 END PAYMENT

7.2.1 Promptly following:

- (1) Redelivery of the Aircraft to Lessor in accordance with and in the condition required by this Agreement; or
- (2) payment to Lessor of the Agreed Value following an Event of Loss after the delivery Date;

or, in each case, such later time as Lessor is satisfied Lessee has paid to Lessor all amounts which may then be due and payable under this Agreement, Lessor will:

- (a) pay to Lessee the amount of any Rent received in respect of any period falling after the Redelivery Date or payment of the Agreed Value, as the case may be;
- (b) return to Lessee any remaining Cash Deposit, subject to any application and reduction by Lessor pursuant to Clause 5.1; and
- (c) return the Letters of Credit to Lessee, subject to any drawings pursuant to Clause 5.1.

7.2.2 If, at the end of the Term, an Event of Default has occurred and is continuing, the rebate and payments and return of the Letters of Credit, contemplated above will only be made following (1) any cure by Lessee to Lessor's reasonable satisfaction of such Event of Default, and (2) any set-off by Lessor hereunder, but any such rebate and return of the Letters of Credit or payment shall only be to the extent of the applicable balance remaining following such set-off.

7.3 MANUFACTURER CREDIT AND PRODUCT SUPPORT

7.3.1 Lessor shall, on or prior to delivery of the Aircraft hereunder, assign or shall cause to be assigned or otherwise provided to Lessee a new operator credit memorandum in the amount of the New Operator Credit to be issued by Manufacturer under the Purchase Agreement at the time of delivery of the Aircraft under the Purchase Agreement, such credit memorandum to be used in accordance with the terms thereof for the purchase of spare parts or training from Manufacturer or for the cost of certification to comply with applicable requirements of the Panamanian aviation authorities.

7.3.2 Lessor shall, on or prior to delivery of the Aircraft hereunder, assign or cause to be assigned to Lessee training, product support and onsite technical assistance applicable to the Aircraft and to the Engines to be furnished by Manufacturer pursuant to the Purchase Agreement and by the Engine manufacturer pursuant to its agreements with Lessor or Beneficiary, as the case may be, respectively.

7.3.3 Lessee shall provide directly to Manufacturer or to Lessor, as the case may be, all indemnities and insurance coverage, and perform all related obligations, required by Manufacturer or the Engine manufacturer in connection with such training, product support and onsite technical assistance, and shall otherwise indemnify and hold harmless Lessor from and against all claims and liabilities of any kind related thereto.

7.4 AIRWORTHINESS DIRECTIVE COST SHARING

Where the cost of any single non-repetitive airworthiness directive to be accomplished pursuant to Clause 14.8 of Schedule 3 or which Lessee is otherwise required by the terms of this Agreement to accomplish exceeds US**Material Redacted**, Lessor shall pay to Lessee, as long as no Default has occurred and is continuing, an amount calculated in accordance with the following formula:

$$C \times (N - R) / N$$

Where

N = **Material Redacted**

R = the number of complete months remaining in the Term after completion of the modification

C = the cost of the modification in excess of US**Material Redacted**.

8. LESSEE'S COVENANTS

8.1 DURATION

Subject to Clause 10.2, the undertakings of Lessee under this Agreement will:

- (1) except as otherwise stated, be performed at the expense of Lessee; and
- (2) remain in force until the earlier to occur of (a) Redelivery of the Aircraft to Lessor in accordance with this Agreement either at the end of the Term, or earlier as provided herein, and payment of all obligations of Lessee hereunder or (b) receipt by Lessor of the Agreed Value pursuant to an Event of Loss.

8.2 FURTHER COVENANTS

Lessee also covenants to Lessor to perform the covenants set out in Schedule 3.

9. INSURANCE

9.1 INSURANCES

Lessee will maintain in full force during the Term insurances in respect of the Aircraft in form and substance reasonably satisfactory to Lessor and in conformity with and covering such risks as are set forth in Schedule 5 hereof (the "Insurances," which expression includes, where the context so admits, any relevant re-insurance(s)) through such brokers, with such lead underwriters being subject to such exclusions as may be approved by Lessor, such approval not to be unreasonably withheld, and in such amounts and having such deductibles as are set forth in Schedule 5 hereof. The Insurances will be effected either:

- (1) on a direct basis with insurers of recognized standing who normally participate in aviation insurances in the leading international insurance markets and led by reputable underwriter(s) approved by Lessor (such approval not to be unreasonably withheld or delayed); or
- (2) with a single insurer or group of insurers approved by Lessor who does not retain the risk but effects substantial reinsurance with reinsurers in the leading international insurance markets and through brokers each of recognized standing and acceptable to Lessor for a percentage acceptable to Lessor of all risks insured (such acceptance not to be unreasonably withheld or delayed).

9.2 REQUIREMENTS

Lessor's current requirements as to required Insurances are as specified in this Clause 9 and in Schedule 5. Also, Lessor may request the addition of additional insureds, as appropriate.

9.3 CHANGE

Lessor shall be entitled to revoke its approval of Lessee's broker or lead underwriter(s) provided that: (i) there shall have occurred after the date hereof, any event or series of events which in Lessor's reasonable opinion, after consultation with Lessee and such broker or underwriter(s), has adversely affected such broker's or underwriter's ability to perform its obligations with respect to the Insurances required to be maintained hereunder; (ii) a majority of Lessee's other lessors of aircraft consent to the resulting change in broker or lead underwriter(s); and (iii) similar insurance is then generally available through other brokers and underwriters in the major international insurance markets upon terms substantially similar to the then current policy or policies.

9.4 INSURANCE COVENANTS

Lessee will:

- (1) ensure that all legal requirements as to insurance of the Aircraft, any Engine or any Part which may from time to time be imposed by the laws of the Jurisdiction of Registration, the Jurisdiction of Incorporation, or any state to, from, or over which the Aircraft may be flown, insofar as they affect or concern the operation of the Aircraft, are complied with and in particular those requirements, compliance with which is necessary to ensure that:
 - (a) the Aircraft is not in material risk of detention or forfeiture;
 - (b) the Insurances remain valid and in full force and effect; and
 - (c) the interests of the Indemnitees in the Insurances and the Aircraft, any Engine or any Part are not thereby prejudiced;

- (2) not use, cause or permit the Aircraft, any Engine or any Part to be used for any purpose or in any manner not covered by the Insurances or outside any geographical limit imposed by the Insurances;
- (3) comply with the terms and conditions of each policy of the Insurances and not do, consent or agree to any act or omission which:
 - (a) invalidates or may reasonably be expected to invalidate the Insurances; or
 - (b) renders, or may reasonably be expected to render, void or voidable the whole or any part of any of the Insurances; or
 - (c) brings any particular liability within the scope of an exclusion or exception to the Insurances;
- (4) [Intentionally omitted.]
- (5) commence renewal procedures in due time prior to expiry of any of the Insurances and provide to Lessor:
 - (a) if requested by Lessor, a written status report of renewal negotiations 10 days prior to each expiry date;
 - (b) facsimile or telexed confirmation of completion of renewal together with summary of conditions prior to each expiry date; and
 - (c) certificates of insurance (and where appropriate certificates of reinsurance) and broker's (and any reinsurance brokers') letter of undertaking in a form reasonably acceptable to Lessor in accordance with the provisions of this Clause 9, in English, detailing the coverage and confirming the insurers' (and any reinsurers') agreement to the specified insurance requirements of this Agreement within 7 days of renewal;
- (6) [Intentionally omitted.]
- (7) [Intentionally omitted.]
- (8) not make any modification or alteration to the Insurances material and adverse to the interests of any of the Indemnitees;
- (9) be responsible for any deductible under the Insurances; and
- (10) provide any other insurance and reinsurance related information in respect of the Insurances as Lessor may reasonably require.

9.5 FAILURE TO INSURE

If Lessee fails to maintain the Insurances in compliance with this Agreement, each of the Indemnitees will be entitled but not bound (without prejudice to any other rights of Lessor under this Agreement):

- (1) to pay the premiums due or to effect and maintain insurances satisfactory to it or otherwise remedy Lessee's failure in such manner (including, without limitation to effect and maintain an "owner's interest" policy) as it considers appropriate. Any sums so expended by it will become immediately due and payable by Lessee to Lessor (or an Indemnitee) together with interest thereon at the rate specified in Clause 5.10, from the date of expenditure by it up to the date of reimbursement by Lessee; or
- (2) at any time while such failure is continuing, to require the Aircraft to remain at any airport or to proceed to and remain at any airport designated by it until the failure is remedied to its satisfaction.

9.6 CONTINUING INDEMNITY

Lessor may require Lessee to effect and to maintain insurance after the Expiry Date with respect to its liability under the indemnities in Clause 10 for such period as Lessor may reasonably require (but in no event for a period longer than the earlier to occur of two years following the Expiry Date or the next D-check, or equivalent) and which provides for each Indemnitee to be named as additional insured. Lessee's obligation in this clause shall not be affected by Lessee's ceasing to be Lessee of the Aircraft and/or any of the Indemnitees ceasing to have any interest in respect of the Aircraft.

9.7 APPLICATION OF INSURANCE PROCEEDS

As between Lessor and Lessee:

- (1) all insurance proceeds, other than proceeds of insurance described in Clause 9.8, received as the result of an Event of Loss occurring during the Term will be paid to Lessor;
- (2) all insurance proceeds of any property, damage or loss to the Aircraft, any Engine or any Part occurring during the Term not constituting an Event of Loss and in excess of the Damage Notification Threshold shall be paid to Lessor and applied in payment (or to reimburse Lessee) for repairs or replacement property upon Lessor's being satisfied that the repairs or replacement have been effected in accordance with this Agreement. Insurance proceeds in amounts below the Damage Notification Threshold may be paid by the insurer directly to Lessee or repairers in respect of repairs or replacements only;

- (3) all insurance proceeds in respect of third party liability will be paid by the insurers to the relevant third party in satisfaction of the relevant liability or to Lessor or Lessee in reimbursement of any payment so made by them with the agreement of the insurers; and
- (4) notwithstanding Clauses 9.7(1), (2) or (3), if at the time of the payment of any such insurance proceeds a Default has occurred and is continuing, all such proceeds will be paid to or retained by Lessor as security for the performance of Lessee's obligations hereunder and may be applied toward payment of any amounts which may then be payable by Lessee under this Agreement or any Sister Lease in such order as Lessor reasonably sees fit. The amount so retained or the balance thereof after application of any portion thereof as provided in this Clause 9.7(4) shall be paid to Lessee at such time as such Default shall have ceased to exist.

9.8 INSURANCE FOR LESSEE'S OWN ACCOUNTS

Nothing herein shall be deemed to prevent Lessee, at its sole expense, from carrying insurance covering the Aircraft, the Airframe, the Engines or any engine or engines from time to time installed on the Airframe or any Part in addition to the Insurances required under this Clause 9, or in amounts greater than those required under this Clause 9 (any such insurance "Additional Insurance"), provided that such Additional Insurance does not adversely affect the rights of Lessor, Beneficiary or any other Additional Insured to make any claim or obtain recovery or coverage in full under any of the Insurances required to be maintained pursuant to this Clause 9. The proceeds of any such Additional Insurance shall be paid directly to and shall be deemed the sole property of Lessee.

10. INDEMNITY

10.1 GENERAL

Except as set forth in Clause 10.3, Lessee agrees to defend, indemnify and hold harmless the Indemnitees from and against any and all claims, proceedings, losses, liabilities, suits, judgment, costs (including attorneys' fees and related costs), expenses, penalties or fines (each a "Claim") (where any such Claim relates to an occurrence suffered, incurred, or arising out of an event the happening of which was during the Term or prior to redelivery of the Aircraft, but not before the Term) regardless of when the Claim is made whether or not it arises out of or is attributable to any act or omission, negligent or otherwise, of any Indemnitee:

- (1) which may at any time be suffered or incurred directly or indirectly as a result of or connected with the possession, delivery, performance, management, registration, control, maintenance, condition, service, repair, overhaul, leasing, use, operation or return of the Aircraft, any Engine or Part (either in the air or on the ground) whether or not the Claim may be

attributable to any defect in the Aircraft, any Engine or any Part or to its design, testing or use or otherwise;

- (2) which arises otherwise from or in connection with the leasing of the Aircraft to Lessee under this Agreement and any act or omission of Lessee;
- (3) which arises out of any act or omission which invalidates or which renders voidable any of the Insurances; or
- (4) which, except as to the Manufacturer, may at any time be suffered or incurred as a consequence of any design, production, article or material in the Aircraft, any Engine or any part or its operation or use constituting an infringement of patent, copyright, trademark, design or other proprietary right or a breach of any obligation of confidentiality owed to any person;

but excluding any Claim to the extent that the Claim is covered pursuant to another indemnity provision of this Agreement or to the extent it arises solely as a result of Lessor Taxes or a Lessor Lien.

10.2 DURATION

The indemnities contained in this Agreement will continue in full force after the Expiry Date.

10.3 EXCEPTIONS

Notwithstanding anything to the contrary herein, Lessee shall not be required to indemnify any Indemnitee in respect of any Claim arising from or otherwise attributable to:

- (1) acts or events which occur prior to execution of this Agreement or after Redelivery of the Aircraft to the Lessor in the manner and in the condition required hereunder, provided that nothing herein shall be deemed to release Lessee from any of its obligations hereunder that provide for performance after termination of the Term;
- (2) the gross negligence or willful misconduct of such Indemnitee;
- (3) Lessor Taxes;
- (4) Lessor Liens;
- (5) ordinary and usual operating or overhead expenses of such Indemnitee other than arising in connection with a Default or an Event of Default hereunder;
- (6) the financing of the Aircraft or any voluntary or involuntary assignment, transfer, conveyance or other disposition (collectively a "Transfer") of all or any interest of such Indemnitee in or to the Aircraft, any Engine or Part or

this Lease by any Person other than the Lessee unless such Transfer arises in connection with the exercise by Lessor of any available remedies during the existence of an Event of Default); and

- (7) as to the Manufacturer, any breach by Manufacturer or Engine Manufacturer of any of their respective warranties as set forth in the Purchase Agreement or any other agreement or instrument between Manufacturer, Engine Manufacturer or any vendor, supplier or subcontractor of Manufacturer or Engine Manufacturer, or as a consequence of any design or production defect.

Lessee shall be subrogated to the rights and remedies which any Indemnatee may have against the Manufacturer, the Engine Manufacturer or any supplier, vendor, subcontractor or other manufacturer of any Part or any other Person claiming against such Indemnatee, provided Lessee shall have satisfied its indemnification obligations hereunder.

If any Indemnatee obtains a recovery of all or any portion of any indemnity amount which Lessee has paid in full to such Indemnatee, provided that at such time as no Default has occurred and is then continuing, such Indemnatee shall pay to Lessee the net amount recovered by such Indemnatee within ten Business Days after receipt thereof.

11. EVENTS OF LOSS

11.1 PRE-DELIVERY

If an Event of Loss occurs prior to delivery of the Aircraft to Lessee, this Agreement will immediately terminate and except as expressly stated in this Agreement neither party will have any further obligation or liability under this Agreement other than pursuant to Clause 17.9, except that Lessor will return to Lessee the Cash Deposit and the Deposit Letter of Credit.

11.2 POST-DELIVERY

If an Event of Loss occurs in respect of the Aircraft after delivery of the Aircraft to Lessee, Lessee will pay the Agreed Value to Lessor on or prior to the earlier of (1) 90 days after the Event of Loss and (2) the date of receipt of insurance proceeds in respect of that Event of Loss. Subject to the rights of any insurers and reinsurers or other third party, upon irrevocable payment in full to Lessor of that amount and all other amounts which may then be payable to Lessor under this Agreement, Lessor will without recourse or warranty (except as to Lessor's Liens) and without further act, be deemed to have transferred to Lessee all of Lessor's rights to any Engines and Parts not installed when the Event of Loss occurred, all on an as-is, where-is basis, and will at Lessee's reasonable expense (including Taxes, if any), execute and deliver such bills of sale and other documents and instruments as Lessee may reasonably request to evidence (on the public record or otherwise) the transfer and the vesting of

Lessor's rights in such Engines and Parts in Lessee, free and clear of all of Lessor Liens.

11.3 ENGINES

If an Event of Loss occurs with respect to any Engine not then installed on the Aircraft, or upon any Event of Loss with respect to an Engine installed on the Aircraft not involving an Event of Loss of the Aircraft occurring after delivery of the Aircraft to Lessee, Lessee shall give Lessor prompt written notice thereof and Lessee shall replace such Engine as soon as reasonably possible by duly conveying to Lessor title to another engine owned or to be acquired by Lessee, which engine shall be free and clear of all Liens other than Permitted Liens, and shall be of the same make or model or an improved or advanced version, in such operating condition and of such value and utility as the Engine which sustained the Event of Loss was (or would have been if it had been maintained in accordance with the terms hereof). Such replacement engine shall be deemed an "Engine" as defined herein. Lessee agrees to take such action as Lessor may reasonably request in order that any such replacement Engine shall be duly and properly titled in Lessor and leased hereunder to the same extent as the Engine replaced thereby. Lessee's obligation to pay the Rent hereunder shall continue in full force and effect, but Lessee shall be entitled to be reimbursed by Lessor the amount of insurance or condemnation proceeds, if any, received by Lessor with respect to such replaced Engine, subject to insurers' rights.

11.4 REQUISITION

During any requisition for use or hire of the Aircraft, any Engine or Part which does not constitute or has not matured into an Event of Loss and provided always that it does not arise out of any act or omission of Lessor, Beneficiary or any Person claiming by or through Lessor or Beneficiary:

- (1) the Rent and other charges payable under this Agreement will not be suspended or abated either in whole or in part, and Lessee will not be released from any of its other obligations under the Agreement (other than operational obligations with which Lessee is unable to comply solely by virtue of the requisition); and
- (2) so long as no Default has occurred and is continuing, Lessee will be entitled to any hire paid by the requisitioning authority in respect of the Term, but if a Default has occurred and is continuing, Lessor will be entitled to such hire to be held as security for Lessee's obligations hereunder and paid over to Lessee at such time as such Default shall not be continuing, if not applied in full or partial satisfaction of such obligations. Lessee will, as soon as practicable after the end of any such requisition, cause the Aircraft to be put into the condition required by this Agreement. Lessor will be entitled to all compensation payable by the requisitioning authority in respect of any change in the structure, state or condition of the Aircraft arising during the period of requisition, and Lessor will apply such compensation in

reimbursing Lessee for the cost of complying with its obligations under this Agreement in respect of any such change, but so that, if any Default has occurred and is continuing, Lessor may apply the compensation or hire in or towards settlement of any amounts owing by Lessee under this Agreement.

12. REDELIVERY OF AIRCRAFT

12.1 NOTIFICATION

Lessee will notify and provide Lessor with a schedule for the Redelivery of the Aircraft not later than 30 days prior to the commencement of the Redelivery Check, and Schedule 4 shall apply in relation to the Redelivery Check.

12.2 REDELIVERY

On the Expiry Date or termination of the leasing of the Aircraft under this Agreement, unless an Event of Loss has occurred, Lessee will, at its expense, redeliver the Aircraft including all Documents and Records to Lessor at the Redelivery Location in a condition complying with this Agreement and in particular Schedule 4, free and clear of all Liens and Permitted Liens (other than Lessor Liens).

12.3 REDELIVERY ACKNOWLEDGMENT

Provided Lessee has complied with its obligations under this Agreement, upon redelivery of the Aircraft by Lessee to Lessor at the Redelivery Location, Lessor will deliver to Lessee an acknowledgment confirming that Lessee has redelivered the Aircraft to Lessor in accordance with this Agreement.

12.4 SHORT TERM STORAGE

At the election of Lessor, the Lessee shall store the Aircraft either at Lessee's facility or, at Lessee's option, at another facility that is satisfactory to Lessor for a period of up to 30 days following Redelivery of the Aircraft by Lessee to Lessor, so long as Lessor has given Lessee 30 days' written notice of such storage intent prior to the Redelivery Date. If Lessor gives Lessee written notice of its intent to store the Aircraft less than 30 days prior to the Redelivery Date, Lessee shall only be obligated to provide such storage if space is available in the Lessee's storage facilities. Lessee will maintain the Aircraft per the Manufacturer's recommended storage program, and Lessor shall pay all actual and reasonable expenses of such storage and maintenance.

12.5 EXPENSES

All expenses associated with the Redelivery Check, in accordance with this Clause 12 and Schedule 4, and any other Redelivery requirement, will be at the expense of the Lessee, unless specifically noted in this Agreement, or otherwise mutually agreed in writing.

12.6 WARRANTY TRANSFER

Any warranties remaining from work accomplished by outside vendors or Parts installed on the Aircraft will be transferred to Lessor. For any component repair or overhaul performed by Lessee's internal shops, warranties will be transferred to Lessor on the understanding that Lessee's warranty is substantially the same as the industry standard of that component.

12.7 NON-COMPLIANCE

To the extent that at the time of Final Inspection and demonstration flight, the Aircraft does not comply with the Redelivery condition of this Agreement, Lessee will at Lessor's option:

- (1) immediately rectify the non-compliance at Lessee's expense and to the extent the non-compliance extends beyond the Expiry Date, the Term will automatically be extended and this Agreement will remain in force until the non-compliance has been rectified to the mutual satisfaction of both parties, or
- (2) redeliver the Aircraft to Lessor and indemnify Lessor, and provide to Lessor's satisfaction security for such indemnity, against the cost of putting the Aircraft into the condition required by this Agreement, and pay to Lessor such actual and reasonable costs to troubleshoot and repair the non-compliant item as incurred by Lessor within 5 business days after the receipt of Lessor's invoice therefor, provided that all such repairs shall be completed within 90 days of Redelivery.

12.8 EXPORT

At Redelivery, Lessee will provide to Lessor all documents necessary to export (if applicable) the Aircraft from the Redelivery Location if outside the USA (including without limitation, a valid and subsisting export license for the Aircraft). Lessee will also provide to Lessor all necessary assistance to enable the Lessor to obtain customs clearance and any other permissions and documentation relevant to exportation from the Redelivery Location if outside the USA and pay any Taxes incurred in respect of the exportation of the Aircraft from the Habitual Base.

12.9 LATE REDELIVERY

If the Aircraft is not duly redelivered on the Expiry Date due to delays not caused by Lessor and unforeseen or foreseen in meeting return conditions, Lessee will be liable to Lessor (1) during the one month period following the Expiry Date, for Rent on the basis of the applicable Rent in the preceding Rental Period, and (2) thereafter for 150% such Rent. If in the reasonable judgment of Lessor the delay could have been avoided by the prudent planning of Lessee, Lessee will be liable to Lessor for Rent in the amount of 150% of the otherwise applicable Rent commencing on the fifteenth (15th) day following the scheduled Expiry Date. In each case, Rent will be prorated

on a daily basis in an amount equal to 1/30th of the monthly Rent and payable on a weekly basis, in advance, for each day following the Expiry Date, until the Aircraft is duly redelivered. Following redelivery of the Aircraft, Rent will be adjusted for the actual number of days between the Expiry Date and the actual Redelivery Date. Any excess amounts paid will be returned to Lessee upon satisfaction of all open items associated with the Redelivery. During this extended period, all of the Lessee's other responsibilities and obligations will remain in full force and effect and Lessee will use its best commercially reasonable efforts to redeliver the Aircraft as soon as possible.

13. DEFAULT

13.1 EVENTS

Each of the following events will constitute an Event of Default and a repudiation of this Agreement by Lessee:

- (1) NON-PAYMENT: Lessee fails to make any payment under this Agreement or another Lessee Document on the due date and such failure shall continue for a period of 5 Business Days; or
- (2) INSURANCE: Lessee fails to comply with any provision of Clause 9 or Schedule 5 or any insurance required to be maintained under this Agreement is canceled or terminated or otherwise fails to remain in full force and effect; or
- (3) BREACH: Lessee fails to comply with any other provision of this Agreement or another Lessee Document and, if such failure is in the reasonable opinion of Lessor capable of remedy, the failure continues for 30 days after notice from Lessor to Lessee; or
- (4) REPRESENTATION: Any representation or warranty made (or deemed to be repeated) by Lessee in or pursuant to this Agreement or another Lessee Document, or in any document, certificate or statement, is, or proves to have been, incorrect in any material respect when made or deemed to be repeated and, to the extent that the same are capable of remedy the circumstances giving rise to such representation or warranty being incorrect are not remedied within 30 days after notice from Lessor to Lessee; or
- (5) CROSS DEFAULT:
 - (a) any Financial Indebtedness of Lessee or COPA Holdings is not paid when due, after giving effect to any applicable grace period; or
 - (b) any such Financial Indebtedness becomes due or capable of being declared due prior to the date when it would otherwise have become due; or

- (c) the security for any such Financial Indebtedness becomes enforceable; or
 - (d) under any Sister Lease, any "Event of Default" as therein defined occurs; or
- (6) APPROVALS: Any consent, authorization, license, certificate or approval of or registration with or declaration to any Government Entity in connection with this Agreement and the other Lessee Documents, including, without limitation:
- (a) any authorization required by Lessee to obtain and transfer freely Dollars (or any other relevant currency) out of any relevant country; or
 - (b) any authorization required by Lessee to authorize, or which may be related to, the execution, delivery, validity, enforceability or admissibility in evidence of this Agreement or the performance by Lessee of its obligations under this Agreement; or
 - (c) the registration of the Aircraft; or
 - (d) any airline license or air transport license;

is materially and adversely modified or is withheld, or is revoked, suspended, canceled, withdrawn, terminated or not renewed, or otherwise ceases to be in full force and Lessor reasonably determines, which determination shall be conclusive, that there is a material risk that such withholding, revocation, suspension, cancellation, withdrawal, termination or non-renewal or cessation will materially and adversely prejudice its rights under or in connection with this Agreement and the other Lessee Documents, have a material adverse effect on Lessee's ability to perform its obligations hereunder, jeopardize the interests of Lessor in the Aircraft, or give rise to any criminal liability on Lessor; or

(7) INSOLVENCY:

- (a) Lessee or COPA Holdings is, or is deemed for the purposes of any relevant law to be, unable to pay its debts as they fall due or to be insolvent, or admits in writing inability to pay its debts as they fall due; or
- (b) Lessee or COPA Holdings suspends making payments on all or any class of its debts or announces an intention to do so, or a moratorium is declared in respect of any of its indebtedness; or

- (c) a creditor applies for the suspension of payments of Lessee or COPA Holdings, and such application is not dismissed within sixty (60) days after the filing thereof; or
- (8) LIQUIDATION, BANKRUPTCY OR SIMILAR PROCEEDINGS:
- (a) a meeting of the shareholders or directors of Lessee or COPA Holdings is convened to consider a resolution to present an application for a moratorium, administration order, or any such resolution is passed; or
 - (b) any step (including petition proposal or convening a meeting) is taken with a view to composition, assignment or arrangement with any of its creditors of, or the rehabilitation, administration, custodianship, liquidation, or dissolution of Lessee or COPA Holdings; or any other involuntary insolvency proceedings involving Lessee or COPA Holdings are commenced and remain undismissed for a period of sixty (60) days; or
 - (c) any order is made or resolution passed for any such composition, assignment, arrangement, rehabilitation, administration, custodianship, liquidation, dissolution or insolvency proceedings, of Lessee or COPA Holdings becomes subject to or enters into any of the foregoing; or
 - (d) any order, judgment or decree is entered by any court of competent jurisdiction finding Lessee or COPA Holdings to be a bankrupt or authorizing the liquidation, reorganization, bankruptcy, composition or readjustment of debts of Lessee or COPA Holdings; or
- (9) RECEIVER:
- (a) an administrative or other receiver or manager is appointed in respect of Lessee or COPA Holdings or any part of its assets; or
 - (b) Lessee or COPA Holdings requests any person to appoint such a receiver or manager; or
 - (c) any sequestration of any substantial part of the assets of Lessee or COPA Holdings that remains in force undismissed, unstayed and unvacated for a period of 60 days; or
- (10) FINAL ADVERSE JUDGMENT: A final judgment for the payment of money in excess of \$3,000,000 that is not covered by insurance shall be rendered against Lessee and the same shall remain unpaid, unstayed or undischarged for a period of 60 days; or

- (11) OTHER JURISDICTION: There occurs in relation to Lessee or COPA Holdings any event anywhere which, in the reasonable opinion of Lessor, corresponds with any of those mentioned in Clauses 13.1(8) or (9); or
- (12) UNLAWFUL: It becomes unlawful for Lessee to perform any of its obligations under this Agreement or this Agreement becomes wholly or partly invalid or unenforceable, subject to the provision in Clause 15.1; or
- (13) SUSPENSION OF BUSINESS: Lessee or COPA Holdings suspends or ceases or threatens to suspend or cease to carry on all or a substantial part of its business or that of any of its material subsidiaries as currently conducted and any such partial suspension or cessation would materially adversely affect Lessee's ability to perform its obligations under this Agreement; or
- (14) DISPOSAL: Lessee or COPA Holdings disposes or threatens to dispose of all or a material part of its operating fixed assets (including, but not limited to, aircraft and spares), whether by one or a series of transactions, related or not, other than for the purpose of a reconstruction or amalgamation, the terms of which have received the previous consent in writing of Lessor, which consent will not be unreasonably withheld, and any such disposition would materially adversely affect Lessee's ability to perform its obligations under this Agreement; or
- (15) RIGHTS: The existence, validity, enforceability or priority of the rights of Lessor as Lessor in respect of the Aircraft are challenged by Lessee or any other person claiming by or through Lessee; or
- (16) CHANGE OF OWNERSHIP: Any person or group of persons, excluding the shareholders of Lessee or COPA Holdings and any Affiliate or Subsidiary thereof, acquires, after the date hereof, more than 50% of the equity share capital of Lessee, or control of Lessee, without the consent of Lessor, which consent shall not be unreasonably withheld, and such acquisition of equity or control shall have a material adverse affect on Lessee's ability to perform its obligations hereunder. For the purposes of this Clause 13.1(16), "control" means the power to direct the management and policy of Lessee whether by control of the composition of the board of directors (or similar governing body) of Lessee, or by contract or otherwise; or
- (17) DELIVERY: Lessee fails to accept delivery of the Aircraft when validly tendered by Lessor pursuant to this Agreement; or
- (18) ADVERSE CHANGE: Any event or series of events occurs (exclusive of events affecting the airline industry generally) which, in the reasonable opinion of Lessor, shall have had a material adverse effect on Lessee's ability to perform its obligations hereunder and such event (or series of events) shall continue unremedied for a period in excess of 60 days.

(19) LETTERS OF CREDIT:

- (a) the issuer of either Letter of Credit fails to make any payment under any Letter of Credit when due and Lessee fails to procure the making of such payments within 3 Business Days after notice from Lessor to Lessee; or
- (b) either Letter of Credit is not in full force or, for any reason ceases to constitute the legal, valid and binding obligation of the issuer; or
- (c) Lessee fails to provide and deliver replacement, renewal or further Letters of Credit pursuant to Clause 5.1; or
- (d) any of the events listed in sub-clauses 13.1(7), (8) or (9) apply to that issuer (references in those sub-clauses to Lessee being deemed to be to the issuer) and Lessee has not provided to Lessor other letters of credit in the principal amount and in substantially the same form of the Letters of Credit issued or confirmed by a bank reasonably satisfactory to Lessor in Lessor's sole discretion, within 10 days of the occurrence of that event.

13.2 RIGHTS

If an Event of Default occurs and is continuing, Lessor may at its option (and without limitation or prejudice to any other rights and remedies that may be available to Lessor under this Agreement or at law or equity), at any time thereafter:

- (1) by notice to Lessee and with immediate effect unilaterally and as a matter of law terminate the lease of the Aircraft hereunder (but without prejudice to the continuing obligations of Lessee under this Agreement), whereupon all rights of Lessee under this Agreement shall cease without any further action or judicial order; and/or
- (2) proceed by appropriate court action or actions to enforce performance of this Agreement and/or to recover damages for the breach of this Agreement; and/or
- (3) terminate the lease of the Aircraft hereunder as a matter of law and without further action or judicial order by either:
 - (a) taking possession of the Aircraft, for which purpose Lessor may enter any premises belonging to or in the occupation of or under the control of Lessee where the Aircraft may be located, or cause the Aircraft to be redelivered to Lessor at an airport designated by the Lessor (or such other location as Lessor may require), and Lessor is hereby irrevocably by way of security for Lessee's obligations under this Agreement appointed attorney for Lessee in causing the redelivery or in directing the pilots of Lessee or other pilots to fly the Aircraft to

that airport and will have all the powers and authorizations necessary for taking that action; or

- (b) serving notice requiring Lessee to redeliver the Aircraft to Lessor at an airport designated by the Lessor in the USA.

13.3 EXPORT

If an Event of Default occurs and is continuing and Lessor terminates this Agreement pursuant to Clause 13.2, Lessor may sell or otherwise deal with the Aircraft as if this Agreement had never been made and Lessee will at the request of Lessor take all steps necessary to effect (if applicable) export of the Aircraft from the country where the Aircraft is then situated and any other steps necessary to enable the Aircraft to be immediately redelivered to Lessor in accordance with this Agreement. Lessee hereby irrevocably and by way of security for its obligations under this Agreement appoints Lessor as its attorney to execute and deliver any documentation and to do any act or thing required in connection with the foregoing, including, but not limited to, filing any documents and taking any actions necessary for the purpose of requesting cancellation of the registration of the Aircraft with the Air Authority.

13.4 DEFAULT PAYMENTS

If:

- (1) Default occurs and is continuing; or
- (2) the Aircraft is not delivered on the proposed Delivery Date by reason of failure of Lessee to satisfy any conditions to that delivery except in the event of an Excusable Delay;

Lessee will indemnify Lessor on demand against any loss (including loss of profit), damage, expense, cost or inability which Lessor may sustain or incur directly or indirectly as a result thereof including but not limited to:

- (a) any loss of profit suffered by Lessor because of Lessor's inability to place the Aircraft on lease with another lessee on terms as favorable to Lessor as this Agreement or because the following are not as profitable to Lessor as such lease would have been but for such Default or non-delivery referred to in (1) and (2) above, namely (i) whatever use if any to which Lessor is able to put the Aircraft as an alternative to the Lease under this Agreement or (ii) any consequent sale or disposal by Lessor of the Aircraft and the funds arising upon such sale or disposal; and
- (b) any loss, cost, expense, or liability sustained or incurred by Lessor owing to Lessee's failure to redeliver the Aircraft on the date, at the place and in the condition required by this Agreement.

13.5 SURVIVAL

All the representations, warranties, indemnities and unperformed covenants and Lessor's rights contained in this Agreement shall survive and continue in full force after the Expiry Date, notwithstanding the termination of this Agreement or the lease of the Aircraft for any reason whatsoever.

14. ASSIGNMENT, NOVATION

14.1 LIEN

Lessee will not assign, or create or permit to exist any Lien, other than Permitted Liens, over, any of its rights under this Agreement, the other Lessee Documents or the Insurances.

14.2 LEASE ASSIGNMENT/NOVATION

Subject at all times and in all cases to Lessee's rights under this Agreement and such other restrictions as are set forth herein, Lessor, at its sole cost and expense, may sell, assign, pledge, transfer or convey (in each case a "Transfer") to any Person (each a "Transferee"), any or all of Lessor's rights, title and interest in, to and under this Agreement and in respect of the Aircraft; provided however, that no such Transfer shall, directly or indirectly, (i) materially increase Lessee's obligations, duties or liabilities under this Agreement or in respect of the Aircraft in any manner whatsoever, (ii) diminish or adversely affect Lessee's rights under this Agreement or in respect of the Aircraft; (iii) be made to any airline, or (iv) otherwise cause Lessee to incur any obligations, cost or expense in excess of those for which it would have been responsible in the absence of such Transfer; provided further however, that (a) any Transferee, whether of all or any part of Lessor's interest in and to this Agreement or the Aircraft, shall have executed and delivered to Lessee written confirmation in form reasonably satisfactory to Lessee that such Transferee agrees to be bound by all of the terms and conditions of this Agreement and (b) any Transferee, whether of all or any part of Lessor's interest in and to this Agreement or the Aircraft, shall have executed and delivered to Lessee, a letter of quiet enjoyment, in form and substance substantially equivalent to Clause 7.1 hereof. Notwithstanding the foregoing, in the case of any Transfer of this Agreement or the Aircraft as security for any obligations of Lessor (whether in respect of any financing arrangements made by Lessor in respect of the Aircraft or otherwise), Lessor shall remain fully liable to Lessee for the prompt and due payment and performance of all of its duties, liabilities and obligations under this Agreement to the full extent as if no such Transfer had been made. Lessee acknowledges and agrees that should Lessor sell, assign transfer or convey to a Transferee, other than by way of security, all of Lessor's interest under this Agreement and in the Aircraft, Lessor shall thereupon be relieved of all of its obligations hereunder and Lessor's Transferee shall succeed to all of Lessor's rights, interests and obligations under this Agreement, subject however to Lessor's compliance with the terms and provisions of this Clause.

Subject to compliance by Lessor with this Clause 14.2, lessee shall execute and deliver, at Lessor's sole cost and expense, any and all instruments or documents reasonably requested by Lessor and shall otherwise reasonably cooperate with Lessor in connection with and to effectuate any such Transfer.

15. ILLEGALITY

If, notwithstanding the provisions of Clause 17.7, it becomes unlawful in any jurisdiction for Lessor or Lessee to give effect to their respective obligations as contemplated by this Agreement, the affected party shall notify the other in writing. Lessor and Lessee will consult in good faith as to any steps which may be taken to restructure the transaction to avoid that unlawfulness but neither party will be under no obligation to take any such steps. Notwithstanding the foregoing, as Lessor in its discretion considers appropriate or advisable while any such illegality exists and prior to any such cure thereof, Lessor may by notice in writing to Lessee terminate the leasing of the Aircraft under this Agreement. Upon any such termination, Lessee will immediately redeliver the Aircraft to Lessor as follows: (i) if the illegality causing such termination relates to the rights or powers of Lessee and is attributable to the laws or regulations of the Republic of Panama or any other jurisdiction with jurisdiction over the rights or powers of Lessee, Lessee shall redeliver the Aircraft to Lessor in accordance with the requirements of Clause 12 and Schedule 4; (ii) if the illegality causing such termination relates to the rights or powers of Lessor or Beneficiary and is attributable to the laws of the USA or any other jurisdiction with jurisdiction over the rights or powers of Lessor or Beneficiary, Lessee shall return the Aircraft to Lessor in accordance with the requirements of Clauses 12.2, 12.4 12.5 12.6 and 12.8 of this Agreement, together with Clauses 1.0, 2.4, 2.8, 2.14, 2.15, 3.1, 4.1, 4.3 and 5.1 through 5.5 of Schedule 4.

16. DISCLAIMERS AND WAIVERS

16.1 EXCLUSION AND WAIVER

AS BETWEEN LESSOR AND LESSEE, THE AIRCRAFT IS BEING DELIVERED AND LEASED TO LESSEE UNDER THIS AGREEMENT "AS IS, WHERE IS" AND, EXCEPT FOR LESSOR'S REPRESENTATIONS AND WARRANTIES SET FORTH IN CLAUSE 2.4 OF THIS AGREEMENT, NEITHER LESSOR NOR ANY OTHER INDEMNITEE (OTHER THAN MANUFACTURER) MAKES ANY WARRANTIES OR REPRESENTATIONS WHATSOEVER. LESSOR'S REPRESENTATIONS AND WARRANTIES SET FORTH IN CLAUSE 2.4 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND LESSEE, FOR THE BENEFIT OF LESSOR AND ANY OTHER INDEMNITEE (OTHER THAN MANUFACTURER), HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, PATENT AND OTHER INDEMNITIES, OBLIGATIONS AND LIABILITIES OF LESSOR AND ANY OTHER INDEMNITEE (OTHER THAN MANUFACTURER), AND ANY AND ALL RIGHTS, CLAIMS AND REMEDIES OF LESSEE, ITS SUCCESSORS OR PERMITTED ASSIGNS, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ANY NONCONFORMANCE OR DEFECT IN THE AIRCRAFT, ANY PART THEREOF OR ANY OTHER THING

DELIVERED, LEASED, CHARTERED, SOLD OR TRANSFERRED UNDER THIS LEASE, INCLUDING, BUT NOT LIMITED TO:

- (1) ANY WARRANTY AS TO THE DESCRIPTION, CONFORMITY TO THE PROVISIONS OF THE PURCHASE AGREEMENT, AIRWORTHINESS, VALUE, CONDITION, DESIGN, OPERATION OF, OR QUALITY OF THE MATERIAL OR WORKMANSHIP IN, OR ANY DEFECT IN, THE AIRCRAFT, THE AIRFRAME, ANY ENGINE, ANY PART, ANY DOCUMENTS, ANY RECORDS, ANY DATA OR ANY OTHER THING DELIVERED, SOLD OR TRANSFERRED HEREUNDER;
- (2) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR USE OR FOR A PARTICULAR PURPOSE;
- (3) ANY EXPRESS OR IMPLIED WARRANTY AS TO TITLE;
- (4) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (5) ANY OBLIGATION OR LIABILITY WITH RESPECT TO ANY ACTUAL OR ALLEGED INFRINGEMENT OF ANY PATENT, TRADEMARK, COPYRIGHT OR OTHER INTELLECTUAL PROPERTY;
- (6) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT, WHETHER OR NOT IN STRICT OR ABSOLUTE LIABILITY OR ARISING FROM THE NEGLIGENCE OF LESSOR OR ANY OTHER INDEMNITEE, WHETHER ACTUAL OR IMPUTED, ACTIVE OR PASSIVE;
- (7) THE ABSENCE OF LATENT OR OTHER DEFECT OR NONCONFORMANCE IN THE AIRFRAME, ANY ENGINE, ANY PART, ANY DOCUMENTS, ANY RECORDS, ANY DATA OR ANY OTHER THING DELIVERED, SOLD OR TRANSFERRED HEREUNDER, WHETHER OR NOT DISCOVERABLE; AND
- (8) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO THE AIRCRAFT, THE AIRFRAME, ANY ENGINE, ANY PART, ANY DOCUMENT, ANY RECORD, ANY DATA OR ANY OTHER THING DELIVERED, LEASED OR TRANSFERRED HEREUNDER, FOR ANY LIABILITY OF LESSEE TO ANY THIRD PARTY OR FOR ANY LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

16.2 CERTIFICATE OF ACCEPTANCE

DELIVERY BY LESSEE TO LESSOR OF THE CERTIFICATE OF ACCEPTANCE WILL BE CONCLUSIVE PROOF AS BETWEEN LESSOR AND

LESSEE THAT LESSEE HAS EXAMINED AND INVESTIGATED THE AIRCRAFT, THAT THE AIRCRAFT AND THE DOCUMENTS AND RECORDS ARE SATISFACTORY TO LESSEE AND THAT LESSEE HAS IRREVOCABLY AND UNCONDITIONALLY ACCEPTED THE AIRCRAFT FOR LEASE HEREUNDER WITHOUT ANY RESERVATIONS WHATSOEVER EXCEPT AS MAY BE STATED THEREIN.

17. MISCELLANEOUS

17.1 WAIVERS, REMEDIES, CUMULATIVE

The rights of Lessor under this Agreement:

- (1) may be exercised as often as necessary;
- (2) are cumulative and not exclusive of its rights under any law; and
- (3) may be waived only in writing and specifically.

Delay in the exercise or non-exercise of any such right will not constitute a waiver of that right.

17.2 DELEGATION/AGENCY AGREEMENT

Lessor may delegate to any person or persons all or any of the trusts, powers or discretions vested in it under this Agreement and any such delegation may be made upon such terms and conditions and subject to such regulations (including power to sub-delegate) as Lessor determines in its absolute discretion, provided that Lessor shall remain responsible for the performance of any such trusts, powers and discretions so delegated.

Pursuant to the Purchase Agreement, certain obligations remain to be performed by Lessor in connection with the manufacture, fabrication and completion of the Aircraft by Manufacturer, which obligations, including the furnishing of certain equipment for the Aircraft, will be performed by Lessee. Lessee will act as Lessor's agent with respect to such matters as set forth in, and pursuant to, the terms of an agency agreement to be entered into by Lessor and Lessee in form and substance reasonably satisfactory to Lessor and Lessee. Lessee will perform its obligations as set forth in such agency agreement and provide the Aircraft equipment which must be provided by Lessee within the time periods required by Manufacturer, save for excusable delay.

17.3 CERTIFICATES

Except as expressly provided in this Agreement, any certificate or determination by Lessor as to any rate of interest or as to any other amount payable under this Agreement will, in the absence of manifest error, be conclusive and binding on Lessee provided that the same shall be accompanied by a written explanation, or

reasonable detail, as to the calculation or determination of any amount stated to be payable therein.

17.4 APPROPRIATION

If any sum paid or recovered in respect of the liabilities of Lessee under this Agreement is less than the amount then due, Lessor may apply that sum to amounts due under this Agreement in such proportions and order and generally in such manner as Lessor may reasonably determine.

17.5 CURRENCY INDEMNITY

17.5.1 If Lessor receives an amount in respect of Lessee's liability under this Agreement or if such liability is converted into a claim, proof, judgment or order in a currency other than the currency in which the amount is expressed to be payable under this Agreement (the "contractual currency"), then:

- (1) Lessee will indemnify Lessor as an independent obligation against any loss arising out of or as a result of such conversion;
- (2) If the amount received by Lessor, when converted into the contractual currency (at the market rate at which Lessor is able on the relevant date to purchase the contractual currency with such other currency) is less than the amount owed in the contractual currency, Lessee will, immediately on demand, pay to Lessor an amount in the contractual currency equal to the deficit; and
- (3) Lessee will pay to Lessor on demand any exchange costs and Taxes payable in connection with the conversion.

17.5.2 Lessee waives any right it may have in any jurisdiction to pay any amount under this Agreement in a currency other than the contractual currency.

17.6 SET-OFF

Lessor may set off any matured obligation owed by Lessee under this Agreement, any Sister Lease or any other agreement between Lessor (or any affiliate or subsidiary of Lessor) and Lessee (each an "Other Agreement") in respect of which an Event of Default (or similar event) has occurred and is continuing (to the extent beneficially owned by Lessor) against any obligation (whether or not matured) owed by Lessor to Lessee, regardless of the place of payment or currency. If the obligations are in different currencies, Lessor may convert either obligation at the market rate of exchange available for the purpose of the set-off. If an obligation is unascertained or unliquidated, Lessor may in good faith estimate that obligation and set off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained or liquidated. Lessor will not be obliged to pay amounts to Lessee under this Agreement or any Other Agreements in respect of

which an Event of Default has occurred and is continuing so long as any sums which are then due to Lessor by Lessee under this Agreement remain unpaid and any such amounts which would otherwise be due will fall due only if and when Lessee has paid all such sums except to the extent Lessor otherwise agrees or sets off such amounts against such payment pursuant to the foregoing.

17.7 SEVERABILITY

If any provision hereof shall be held invalid, illegal or unenforceable in any respect in any jurisdiction, then to the extent permitted by law, (a) all other provisions hereof shall remain in full force and effect in such jurisdiction and (b) such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction. If, however, any law pursuant to which such provisions are held invalid, illegal or unenforceable may be waived, such law is hereby waived by the parties hereto to the full extent permitted, to the end that this Agreement shall be deemed to be a valid and binding agreement in all respects, enforceable in accordance with its terms.

17.8 REMEDY

If Lessee fails to comply with any provision of this Agreement, Lessor may, without being in any way obliged to do so or responsible for so doing and without prejudice to the ability of Lessor to treat the non-compliance as a Default or an Event of Default, effect compliance on behalf of Lessee, whereupon Lessee shall become liable to pay immediately any sums expended by Lessor, together with all costs and expenses (including legal costs) in connection therewith.

17.9 EXPENSES

17.9.1 Whether or not the Aircraft is delivered to Lessee pursuant to this Agreement unless any failure to effect delivery results from an act or omission to act by Lessor or Beneficiary not anticipated or otherwise permitted under this Agreement, Lessee will pay to Lessor on demand all reasonable expenses (including investigation and appraisal expenses, attorneys' fees and other costs) payable or incurred by Lessor in connection with the enforcement of or preservation of any of Lessor's rights under this Agreement or any related agreement, or in respect of the repossession of the Aircraft pursuant to Clause 13.2. 17.9.2 Each party shall bear all other expenses (including legal, professional, and out-of-pocket expenses) incurred or payable by such party in connection with the negotiation, preparation, and execution of this Agreement and/or the other documents contemplated hereby.

17.9.3 All expenses payable pursuant to Clause 17.9.1 will be paid in the currency in which they are incurred by Lessor.

17.10 TIME OF ESSENCE

The time stipulated in this Agreement for all payments payable by Lessee to Lessor and for the performance of Lessee's other obligations under this Agreement will be of the essence.

17.11 NOTICES

All notices under, or in connection with, this Agreement will, unless otherwise stated, be given in writing by letter delivered by courier or by facsimile. Any such notice is deemed to be given as follows:

- (1) if by letter, when delivered; and
- (2) if by fax, when transmitted and full transmission has been separately notified by telephone by the transmitting party.

The address, telephone numbers and facsimile numbers of Lessee and Lessor and Beneficiary are as follows (or such other address, telephone number or facsimile number notified by the relevant party):

Lessee: Address: Avenida Justo Arosemena y Calle 39
 Panama 1, Republic of Panama
 Attention: Executive President
 Facsimile: 507-227-1952
 Telephone: 507-227-4551

Lessor: Address: 79 South Main Street
 Salt Lake City, Utah 84111 USA
 Attention: Corporate Trust Department
 Facsimile: 802-246-5053
 Telephone: 802-246-5630

with a copy to:

Beneficiary: Address: 3780 Kilroy Airport Way, Suite 700
 Long Beach, California 90806 USA
 Attention; Contracts Director
 Facsimile: 562-988-2694
 Telephone: 562-988-2688

17.12 LAW AND JURISDICTION

17.12.1 This Agreement shall in all respects be governed by, and construed in accordance with, the internal laws of the State of New York, inclusive of all matters of construction, validity and performance.

17.12.2 Lessee and Lessor hereby irrevocably submit to the jurisdiction of any New York state or federal court sitting in New York City in any action or proceeding arising out of or relating to this Lease, and hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in such New York state court or, to the extent permitted by law, in such federal court. Lessee and Lessor hereby irrevocably waive, to the fullest extent they may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. Lessor hereby irrevocably appoints CT Corporation System, with an office on the date hereof at 1633 Broadway, New York, New York 10019, and Lessee hereby irrevocably appoints Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, 200 Park Avenue, New York, New York 10019 (the "Process Agents"), as their respective Process Agents to receive on their behalf proper service of copies of the summons and complaint and any other process that may be served in any such action or proceeding. Such service may be made by mailing or delivering a copy of such process to Lessee or Lessor, as the case may be, in care of their respective Process Agents at such Process Agent's above address, and Lessee and Lessor hereby irrevocably authorize and direct their respective Process Agents to accept such service on their behalf. Lessee and Lessor agree that a final non-appealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Clause 17.12.2 shall affect the right of any Person to serve legal process in any other manner permitted by law or affect the right of any other party to bring any action or proceeding against Lessee or Lessor, or their respective properties in the courts of other jurisdictions. LESSEE AND LESSOR HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING TO WHICH THEY ARE PARTIES INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER ARISING OUT OF OR RELATING TO THIS LEASE.

17.12.3 Lessee agrees that any final non-appealable judgment or order of a Federal or State court located in the State of New York in connection with this Agreement and the other Lessee Documents is conclusive and binding on it and may be enforced against it in the courts of any other jurisdiction.

17.12.4 Lessee irrevocably and unconditionally:

- (1) agrees that if Lessor brings legal proceedings against it or its assets in relation to this Agreement and the other Lessee Documents, no immunity from such legal proceedings (which will be deemed to

include without limitation, suit, attachment prior to judgment, other attachment, the obtaining of judgment, execution or other enforcement) will be claimed by or on behalf of itself or with respect to its assets;

- (2) waives any such right of immunity which it or its assets now has or may in the future acquire; and
- (3) consents generally in respect of any such proceeding to the giving of any relief or the issue of any process in connection with such proceedings including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such proceedings.

17.13 SOLE AND ENTIRE AGREEMENT

This Agreement (including all Schedules hereto) is the sole and entire agreement between Lessor and Lessee in relation to the leasing of the Aircraft, and supersedes all previous agreements in relation to that leasing.

17.14 INDEMNITIES

All rights expressed to be granted to each Indemnitee under this Agreement (other than Lessor) are given to Lessor on behalf of that Indemnitee.

17.15 COUNTERPARTS

This Agreement may be executed in counterparts each of which will constitute one and the same document.

17.16 LANGUAGE

All notices to be given under this Agreement will be in English. All documents delivered to Lessor pursuant to this Agreement will be in English, or will be accompanied by a certified English translation. If there is any inconsistency between the English version of this Agreement and any version in any other language, the English version will prevail.

17.17 MODIFICATION

No modification, change, waiver or amendment to this Agreement or any related letter agreements shall be deemed to be made unless in writing signed by the party to be charged.

17.18 OWNER TRUSTEE

- (1) Except as expressly provided in this Agreement, Lessee acknowledges (i) that this Agreement is executed by First Security Bank, National Association, not in its individual capacity, but solely as owner trustee, except as otherwise expressly provided herein, under the Trust Agreement with Beneficiary as grantor, in the exercise of the power and authority conferred and vested in it as such owner trustee, (ii) this Agreement is intended to bind only the Trust Estate (as defined in the Trust Agreement) except to the extent of the representations and warranties made herein by First Security Bank, National Association in its individual capacity, and (iii) that nothing herein contained shall be construed as creating any liability on First Security Bank, National Association, individually or personally, to perform any agreement herein, all such liability, if any, being expressly waived by Lessee and by each and every person now or hereafter claiming by, through or under Lessee, except with respect to the negligence or willful misconduct of First Security Bank, National Association.

- (2) If First Security Bank, National Association shall cease to be a "citizen of the United States" within the meaning of 49 U.S.C. Section 40102 and the rules and regulations of the FAA thereunder, First Security Bank, National Association, in its individual capacity, agrees to give Lessee and Beneficiary prompt notice thereof, upon an officer of First Security Bank, National Association becoming aware thereof, and agrees to cooperate with the efforts of Beneficiary promptly to replace it as owner trustee of the trust owning the Aircraft and as Lessor hereunder with a person who is such a "citizen of the United States."

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****Material Redacted****

****3 pages****

PAGE 1

CERTAIN TERMS

Defined Term

Definition

[Intentionally omitted from the version of this document filed with the FAA and the Directorate of Civil Aeronautics and recorded with the Office of the Public Registry as containing confidential financial information.]

SCHEDULES

Page 1

SCHEDULE 1

PART 1

DESCRIPTION OF AIRCRAFT

AIRCRAFT

MANUFACTURER: The Boeing Company

MODEL: 737-71Q

SERIAL NUMBER: 29047

GENERAL FEATURES (subject to change and offer ability by Boeing): As set out in Part 2 of Schedule 1

AIRCRAFT SPECIFICATION

The Aircraft specification is as per Boeing Detail Specification Documents (D6-38808-27) ("Tombo Baseline Specification") (including such production improvements as may be incorporated into the Aircraft), as further modified to incorporate any change orders accepted by Manufacturer in respect of the Aircraft, and any further changes as agreed from time to time, together with Documents and Records.

ENGINES

ENGINE TYPE AND NO: Two (2) CFM56-7B24 engines rated at 24,000 lbs of thrust.

EACH OF THE ENGINES IS 750 OR MORE RATED TAKE-OFF HORSEPOWER OR ITS EQUIVALENT.

MANUFACTURER: CFM International, Inc.

SERIAL NOS: As set out in the Certificate of Acceptance

SCHEDULE 1

PART 2

GENERAL FEATURES

The following are to be incorporated on delivery in each case subject to confirmation by Boeing after signature of this Agreement that Boeing will incorporate them in the Aircraft on delivery, which Lessor shall request after signature.

0310MP3528 MTW/MTOW 153,500/153,000 LBS
7200CG3255 24,000 LBS THRUST
DUAL MMR -ILS/GPS
ENHANCED GPWS 3446 MK 3244
PREDICTIVE WINDSHEAR/WX RADAR

SCHEDULE 1

PART 3

LESSEE'S OPTIONS

This listing represents changes assumed to accommodate the desired Lessee configuration and is subject to confirmation on availability and agreed effect on lease pricing and delivery schedule.

I.

2210CG3197 G/S CAP INHIBIT BEFORE LOC (ADD)
2210CG3198 DFCS - CWS WARN (DELETE)
2210CG3232 DFCS - ALT ALERT 200/900 FT (DELETE)
2210CG3235 DFCS - ALT ALERT 300/900 (ADD)
2350CG3147 CW INTERPHONE SW - SPRING LOAD TO OFF W/LOCK (DELETE)
2350CG3158 CW INTERPHONE SW - SPRING LOAD TO OFF (ADD)
2350CG3153 FLT COMP AUDIO MUTE REVISION - ONE SIDE MUTING (ADD)
2350CG3163 DIG. AUDIO REMOTE ELECT. UNIT - DEL HEADSET AURAL (ADD)
3162CG3018 ENHANCED MACH / A/S DISPLAY (DELETE)
3162CG3019 R/A DISPLAY - ROUND DIAL (ADD)
3162CG3020 R/A ABOVE ADI (DELETE)
3162CG3021 R/A BELOW ADI (ADD)
3162CG3025 R/A ALERT 2,500 FT (DELETE)
3162CG3026 ALT. COMPARATOR - STEADY (ADD)
3162CG3027 ALT. COMPARATOR - FLASHING (DELETE)

3162CG3036 AUTOTUNED NAVIDS - DISPLAYED (ADD)
3162CG3037 AUTOTUNED NAAIDS - SUPPRESSED (DELETE)

3162CG3104 ENG INSTR DISPLAY - SIDE BY SIDE (ADD)
3162CG3105 ENG INSTR DISPLAY - OVER & UNDER (DELETE)
3162CH3135 ADDED T/O BUG - NOT DISPLAYED (ADD)
3162MP3186 WX RDR RANGE IND - RANGE MARKS IN LIEU ARCS (ADD)
3446CG3120 GPWS ACT OF DESCENT BELOW MIN (MODE 6) (DELETE)
3446CG3127 GPWS R/A CALLOUTS (100, 50, 30, 20, 10) (ADD)
3446MP3172 GPWS VOICE "HALF VOL" IN LIEU "FULL VOL" (ADD)
3461CG3432 THRUST REDUCTION ALT - T/O PROFILE (ADD)
3461CG3498 FMC ACTIVATION - 1 MEG DATA BASE (ADD) \$77,300
3461CH3562 FMC ACTIVATION - RETENTION OF WAYPOINT AFTER DIRECT TO \$9.900

II.

P/N SWAP -----	CONTINENTAL -----	TOMBO -----
1 SSCVR	LORAL/FAIRCHILD 2100-1010-00 2370MP3215	ALLIED SIG 2370CH3199
2 FLASHLIGHT	DME P2-07-0001-215 2564MP3127	P2-07-0001-214
3 DFDAU	223300-83 3131MP3883, 3131MP3999 RR97155-26, -29	TELEDYNE DFDMU 3131CH3935
4 SSDFDR	LOCKHEED 3131MP3847	?
5 NOSE & MLG WHLS/BRAKES	BF GOODRICH 3240CG3235	ALLIED SIGNAL 3240CG3226
6 MLG TIRES	H44.5 X 16.5 X 21 / 28 PLY 3245CG3031	26 PLY 3245CG3030
7 WX RDR W/PWS	COLLINS 622-5132-631 3443MP3264	ALLIED SIGNAL 3443CG3184
8 WX RDR SPLIT FUNC C/P	COLLINS 622-5129-205 3443MP3259	?
9 TCAS II	622-8971-500 COLLINS 3445MP3289	ALLIED SIG 3445CG3169
10 ATC/TCAS CONT. PNL	GABLES G6992-40 3445MP3332	?
11 FMC CDU (MULTI-PURPOSE)	FMC/ACARS/FDAU 3461CG3465	FMC CDU ONLY 3461CG3464
12 CREW O2 BOTTLE	114 CU FT 3510CE3098	76 CU FT 3510CG3097
13 POT H2O VOL.	60 GAL 3810CG3V31	40 GAL COLLECTOR
14 RADOME REV.	M&N AEROSPACE 5352MP3015	BAC STD
15 EVM	ENDEVCO W/TRIM BAL 7731CG3038	VIBROMETER 7731MP3045
16 COOL WHITE LIGHT	3320MP3039	STD
17 PERMANENT NO SMOKE LITE	3324MP3018	

III.

BOEING ADD & DEL

1124CG3V02 EXIT TACTILE LOCATOR (ADD)
3450MP3006 REMOVAL ADF
DELETE 144 ALL COACH SEATS
INSTALL CONTINENTAL G1/G4B GALLEYS
DELETE DRAPE MAT
INSTALL CONTINENTAL CARPET AND FLOORING
DELETE G2 GALLEY
INSTALL CO EMERGENCY EQUIPMENT
LOCATION
INSTALL CO F/C CLOSET

IV.

BOEING PAPER CHANGES

2528CG3V10 MAGAZINE STORAGE RACK
2528CG3V20 O/H BIN WITH BULL NOSE FOR B737-700
0220MP3368 HI ALT AIRPORT
0225CH3026 ETOPS

V.

MISC.

0160MS3209 A/C I.D.#'S FDRS/MODES/REGISTRY
1110MP3354 COURTAULD H.S. PAINT (COPA) 9/25/98 DEADLINE

SCHEDULE 1

PART 4

LESSEE'S POST-PRODUCTION MODIFICATIONS:

PDM

- 1 DUAL H.F. (COLLINS) Z311MP3553
- 2 THIRD VHF COMM (COLLINS) Z312MP3529
- 3 PA HANDSET INSTL IN FLT DECK AISLESTAND 2331CH3179
- 4 PAVES VIDEO SYSTEM (INSTL HARDWARE ONLY) 2332MP3742
- 5 AUDIO SELECT PNL MOVE O/B 2350CH3206
- 6 INTERPHONE BFE MIC/HANDSETS/HEADPHONES 2350CH3207
- 7 30 MIN STBY PWR WITH ADDED LOAD 2433CH3150
- 8 12/112 INTERIOR CONFIG (KOITO SEATS) 2520CH3816, 3818, 2523CG3V16
- 9 INSTL SELL G1, G2, G4B GALLEYS & INSERTS 3450CG3V09, 3450CG3V14, 3V28, 2528CG3V20, 2530CH3635, 2530CH3636, 5620CG3V02
- 10 ADD CLASS DIVIDER 2524CG3V16
- 11 ADD F/C CLOSET 2524MP3605
- 12 CONNECT SEAT MOUNT AISLE LITE 3351MP3049, 3351CH3030
- 13 INSTL FLOORING (CARPETS/LONCOIN) 2527MP3134
- 14 INTL DRAPES 2524CG3V20
- 15 BILINGUAL PLACARDS & SIGNS 2523MP3176, 2523CG3V05, 2523CG3V10
- 16 DELETE 2ND OBSERVER'S SEAT
- 17 G2 HARD POINTS RELOCATION
- 18 LIQUID SOAP DISP 2541CH3043
- 19 EMERG EQUIP P/N & RELOCATION 2502CG3V09, 3V10, 3V12, 2564CG3V03, 2564MP3136
- 20 ADD PAX LIFE VESTS 2562CG3V11
- 21 ADD LIFE RAFT 46 MAN X 3 EA 2562MP3225
- 22 RETRACTABLE EMERG EQ PNL 2564CH3095
- 23 PARK BRAKE WARNING LITE
- 24 STERILE C/P LITE 3310CH3020
- 25 PERMANENT NO SMOKE SIGNS 3324MP3018
- 26 EXTERNAL POS LIGHT SW INSTL 3343MP3044
- 27 GPWS FLAP WARNING INHIBIT ONLY 3446CH3128
- 28 BFE NAV DATA BASE 3461CG3403
- 29 2ND FMC 3461CG3496
- 30 JET 254 2900MP3035
- 31 TOTAL MISC PARTS
- 32 LIFELINE INSTL @ OVERWING EXIT 2560CG3V08
- 33 APU FIRE FIRE BOTTLE 224 IN3 RR97155-21
- 34 P.A. COLLINS P/N ARINC 700 RR97155-22
- 35 SELCAL GABLES P/N 6959-06 RR97155-24

SCHEDULE 1

PART 5

DOCUMENTS

The Documents listed below, include, but are not limited to, the following:

AIRCRAFT CURRENT OPERATING AND STATUS RECORDS.

1. Certified Interior Drawing (LOPA) with STC (FAA approved).
2. Certified Emergency Equipment Drawing certified by FAA.
3. List of Oil and Fluids.
4. Cockpit Installation Drawings.
5. Avionics Equipment List.
6. Copy of exemptions/deviations granted by the NTSB/FAA.
7. Airframe and Engine Ownership Placards.
8. Airplane Flight Manual (FAA Approved).
9. Flight Crew Operating Manual.
10. Minimum Equipment List, with Procedures (MEL).
11. Configuration Deviations List Manual (CDL).
12. All required Cockpit Manuals, Documents, and Checklists.
13. Weight and Balance Manual, with last Weighing Report.
14. Loading and Control Manual.
15. Fuel Measuring Document Manual.
16. Boeing Detailed Specification (D6-38808-27).
17. Boeing Aircraft Readiness Log.
18. Boeing Significant Rework Log (SRL).
19. Boeing Miscellaneous Brochure.
20. Boeing PRR Listing.
21. Boeing Life Limited Landing Gear Parts Report.
22. Boeing FAA Airworthiness Directive Compliance Record Status Report.
23. Boeing Service Bulletin Compliance Record Status Report.
24. Boeing Rigging Brochure.
25. Boeing Delivery Exceptions, Equipment, Shortages and Aircraft Condition Items Letter.
26. Aircraft Logbooks and certification (Manufacturer Documents).
27. Operator Maintenance Program and Requirements.
28. Aircraft Maintenance Manual.
29. Aircraft Illustrated Parts Catalogue.
30. Wiring Diagram Manual, Including Equipment List, Termination and Hook-Up Charts.
31. Structural Repair Manual (SRM).
32. Fault Reporting Manual.
33. Interior Furnishings Manual, including Galley, Seat, and IFE Manuals.
34. Engine Data Submittal Sheets and Manufacture Documentation (CFMI).

CERTIFIED LETTERS AND CERTIFICATES

1. Redelivery Letter certifying status, time and cycles of the Airframe, Engine and APU, time to next check or inspections, and time to next inspection/removal of engines and components.
2. Quality Assurance Statements.
 - (a) Status and History of Major Repairs and Alterations.
 - (b) Computerized Record System.
 - (c) Accident, Incident, and Damages.
 - (d) Assistance in acquiring outstanding records with contractual release assigned to Lessors.
 - (e) Deferred Item Status.
 - (f) Installation of Non-Lessor or Lessee equipment on Aircraft.
3. Upon request of Lessor, identification of signatures, stamps, initials utilized in the verification and authentication of Records.
4. Copy of FAA Approval of Maintenance and Inspection Program (FAA Form 1014 or equivalent).
5. Inventory List of Documents and Records transferred with the Aircraft.
6. Original Export Certificate of Airworthiness.
7. Current, or last, Certificate of Airworthiness.
8. Current, or last, Registration.
9. Current, or last, Radio License.
10. Current Export Certificate of Airworthiness, if available.
11. Supplement Type Certificates.
12. Galley Certificate of Sanitary Construction.

SCHEDULE 1

PART 6

RECORDS

The Records listed below, include, but are not limited to, the following:

AIRCRAFT MAINTENANCE RECORDS

1. Aircraft Logbooks: Flight, Maintenance, and Cabin, as applicable to the Operator.
2. Aircraft Maintenance and Flight Log Sheets for prior 12 months in service (minimum).
3. Complete cycle of all "Letter" Checks.
4. All Time Controlled Inspection/Task (out of phase) Maintenance Records.
5. Component Airworthiness Approval Tags (FAA 8130-3 Form or JAA-1 Form or equivalent) with indication of work performed at shop.
6. Time Controlled Component (hard time) records back to last overhaul, including all intermediary Repair Records.
7. Life Limited Part (LLP) Records providing status and traceability to origin and manufacturer, including installation records of each component.
8. Airworthiness Directive Records and Compliance Documentation (Airframe and Appliances) including Alternate Means of Compliance Approval.
9. Service Bulletin Status and Method of Compliance records.
10. [Intentionally omitted.]
11. Listing of all FAR revision compliance, including date of accomplishment and record of proof of compliance.
12. Accident and Incident Report Records.
13. Major Structural Damage Reports and Repair Records with necessary approvals.
14. Major Repair/Alteration Compliance Records with FAA 337 Form (or its equivalent).
15. Major and Minor Repair Records.
16. Records of current Engine, Landing Gear, and APU Installation.
17. Modification Records, copies of all engineering orders and related engineering drawings and STCs which have been accomplished on the Aircraft, components, Engines, and APU, including documentation for work accomplished by the previous owner(s) and operator(s).

AIRCRAFT CURRENT OPERATING AND STATUS RECORDS

1. Provide the following Status and Summary Report (or Reports) that furnish the following types of data and information regarding the Certified Status of the Aircraft and Engines.
 - (a) Aircraft Time & Cycle Report, including daily utilization recordings.
 - (b) Aircraft Description & Status Summary.
 - (c) Aircraft Maintenance Inspection & Status Report, including total time, interval, time-to-go, and last compliance times for all items of the Agreed Maintenance Program.
 - (d) Component Status and Listing Report (H/T, O/C, C/M, and LLP).
 - (e) Airworthiness Directive Status and Summary Report (airframe, engines, and appliances).

- (f) Service Bulletin Status and Compliance Report.
- (g) Listing of all Major Repairs/Alterations and STCs.
- (h) Aircraft Life Limited Component Status Report.
- (i) Deferred Item (non-MEL, long term) and Engineering Deviations Listings.

2. Current Weighing Report, including current Operational Weights and Weight & Balance changes since last actual weight (delta weight change).
3. Accident, Incident and Damage Report.
4. Sampling Programs, history and status.
5. Record of Last Compass Swing.
6. Record of Last Altimeter and Transponder Certification.
7. Record of Last Flight Recorder Certification.
8. Flight Control Balance Records.

ENGINE AND APU RECORDS (FOR EACH ENGINE)

1. Overhaul and Repair Records, at a minimum, back to the last overhaul of each Module (or New Manufacture). In the case of the APU back to last overhaul and HSI (minimum).
2. Component Status Report and Records, with Airworthiness Tags and Work Orders.
3. Time Controlled Component Records back to last overhaul, including all intermediary Repair Records.
4. Time Controlled Inspection Records.
5. Borescope and Isotope Inspection Records (including NDT Records & Videos).
6. Airworthiness Directive Records and Compliance Documentation.
7. Life Limited Part Status and traceability to origin and manufacture, with installation records.
8. Service Bulletin Status and Method of Compliance Instructions.
9. Current (Last) Test Cell Report.
10. Engine Condition Monitoring Reports.
11. Engine Logbooks and Manufacture Delivery Records.
12. Current Installation Records.
13. All Records, Technical Orders, STC, Major Repairs, alterations and other relevant events.

NOTES:

All records will be delivered as original hard copy, "dirty finger print" records. Computerized records will be supported with original hard copy records.

Any records not identified within this Schedule 1, Part 6 "Records" that become required due to regulatory change, FAA requirement, or export requirements shall be provided as part of the return.

All computerized reports and summaries will be certified and signed by the Director of Quality Assurance (or Authorized Official of the airline). In the case of computerized reports and summaries issued on behalf of Lessee by Lessee's third party approved maintenance provider, the Lessee will make a certified statement in writing that identifies the authenticity of such reports made on behalf of the Lessee.

SCHEDULE 2

PART 1

CERTIFICATE OF ACCEPTANCE

This Certificate of Acceptance is delivered, on the date set out below, by Compania Panamena de Aviacion, S.A. (COPA) ("Lessee"), to First Security Bank, National Association, not in its individual capacity but solely as Owner Trustee ("Lessor"), pursuant to the Aircraft Lease Agreement (MSN 29047) dated as of October 1, 1998 between Lessor and Lessee (the "Agreement"). The capitalized terms used in this Certificate shall have the meaning given to such terms in the Agreement.

1. DETAILS OF ACCEPTANCE

Lessee hereby confirms to Lessor that Lessee has at _____ o'clock on this day of _____, _____, at _____, accepted the following, in accordance with the provisions of the Agreement:

(1) AIRCRAFT:

Airframe Manufacturer's Serial No.:

TSN _____
CSN _____

(2) ENGINES:

Engine Number Manufacturer's Serial No.:

1 _____ TSN _____
CSN _____

2 _____ TSN _____
CSN _____

(3) LANDING GEAR:

NOSE MAIN LEFT MAIN RIGHT

TSN:
CSN:

(4) APU:

MSN:
TSN:
CSN:

(5) FUEL STATUS: _____ Pounds

(6) LOOSE EQUIPMENT CHECK LIST: as per list signed by Lessor and Lessee and attached hereto.

(7) DOCUMENTS AND RECORDS: as per list signed by Lessee and attached hereto.

(8) DAMAGE CHART: as per the diagram signed by Lessor and Lessee and attached hereto.

2. CONFIRMATION

Lessee confirms to Lessor that as of the time indicated above, being the Delivery Date:

- (1) the representations and warranties contained in Clause 2 of the Agreement are hereby repeated;
- (2) the Aircraft is insured as required by the Agreement;
- (3) Lessee confirms that there have been affixed to the Aircraft and the Engines the fireproof notices of the type and in the locations required by the Agreement;
- (4) Lessee's authorized technical experts have inspected the Aircraft to ensure the Aircraft conforms to Lessee's requirements. The Aircraft is in accordance with the specifications of the Agreement and satisfactory in all respects.

IN WITNESS WHEREOF, Lessee has, by its duly authorized representative, executed this Certificate on the date in paragraph 1 above.

COMPANIA PANAMENA DE AVIACION, S.A.
(COPA)

By: _____
Title: _____

ATTACHMENTS

"Loose Equipment Checklist":

Documents and Records:

Damage Chart:

etc.

Signed by Lessee and Lessor

SCHEDULE 2

PART 2

AIRCRAFT DELIVERY CONDITIONS

1.0 AIRCRAFT SPECIFICATION AT DELIVERY

- 1.1 The Aircraft shall be a Boeing Model 737-700 airplane with two CFM56-7B24 engines rated at 24,000 lbs of thrust. The Aircraft and attached Engines shall be delivered new from the Manufacturer.
- 1.2 The physical specification of the Aircraft is as defined in Parts 1, 2 and 3 of Schedule 1.
- 1.3 The Documents and Records that comprise part of the Aircraft and are delivered with the Aircraft at delivery are defined in Parts 5 and 6 of Schedule 1.

2.0 CONDITION OF AIRCRAFT

- 2.1 Except as otherwise specified in this Agreement, as between Lessor and Lessee the Aircraft will be delivered "as is, where is".
- 2.2 The Aircraft will have a Standard FAA Certificate of Airworthiness or FAA Export Certificate of Airworthiness as the case may be. The Aircraft will be suitable for immediate operation in commercial service except for specific items which the Air Authority may require of Lessee for registration, certification and operation in the Jurisdiction of Registration (this may include but is not limited to language placards and operational requirements).
- 2.3 The Aircraft will be delivered in Lessee's external livery provided that Lessee shall provide sufficient information, such as paint specification and paint drawing, to and when required by Manufacturer.

3.0 INSPECTIONS AND CORRECTIONS

- 3.1 During the course of final assembly of the Aircraft, Lessee or Lessee's representative will be provided reasonable access for inspection of the Aircraft, subject to conditions as may be set forth by the Manufacturer, to ensure conformity with this Agreement, including being provided with the Tombo Baseline Specification, a copy of which will be made available to Lessee.
- 3.2 Prior to Aircraft delivery, Lessee or Lessee's representative will be provided an opportunity to perform a walk around inspection and system checks.
- 3.3 Lessor will provide Lessee or Lessee's representative (up to 2 persons including any personnel from the Air Authority) the opportunity to participate as observers in an acceptance demonstration flight as made available to Lessor pursuant to the Purchase Agreement.

- 3.4 Lessee will notify Lessor promptly and prior to the Delivery Date of any defect or non-conformity with Manufacturer's specifications, noted during the above inspections or demonstration flight. Lessor will correct or procure the correction of the defect or non-conformity as promptly as practicable subject to provisions available to Lessor in the Purchase Agreement.
- 3.5 In the event that remedy to the noted defect or non-conformity will delay delivery of the Aircraft, subject to Clause 4.3 of the Agreement, (i) Lessor may postpone the delivery to the date which Lessor notifies Lessee that the defect or non-conformity has been rectified or (ii) provided that the Aircraft is airworthy, Lessor may elect to deliver the Aircraft but will be responsible to rectify, or cause Manufacturer to rectify, the defect or non-conformity promptly after the Delivery Date at the earliest practicable date in cooperation with the Lessee. In the case of (ii) in the preceding sentence, when such defect or non-conformity has been (a) rectified to the reasonable satisfaction of the Lessee, or (b) in the event there is no reasonable remedy available for such defect or non-conformity and to the extent that it has no material adverse effect on the use, operation and maintenance of the Aircraft, such defect or non-conformity issue will be deemed closed and Lessor will have no further responsibility to rectify such defect or non-conformity.
- 4.0 ACCEPTANCE AND DELIVERY
- 4.1 As between Lessor and Lessee, Lessee acknowledges that in accepting the Aircraft, Lessee is relying on its own inspection and knowledge of the Aircraft in determining whether it meets the requirements of this Agreement.
- 4.2 The on-board fuel provided to the Lessee at delivery will be that amount as provided by the Manufacturer in accordance with the Manufacturer's standard allowance at delivery.
- 4.3 Lessee will at its expense obtain all licenses, permits, and approvals which may be necessary to export and/or ferry the Aircraft from the Delivery Location. Lessor will furnish to Lessee any data and information available to Lessor and provide assistance to Lessee as may be reasonably required by Lessee to obtain such licenses, permits or approvals.

SCHEDULE 3

LESSEE'S COVENANTS

Sub-Index

PART 1 INFORMATION

1. General Information
2. Technical Information
3. Financial Information

PART 2 LESSEE GENERAL COVENANTS

4. General
5. Third Party
6. [Intentionally omitted.]

PART 3 OPERATION AND INSPECTION

7. Lawful and Safe Operation
8. Protection
9. Sub-Leasing
10. Inspection

PART 4 TITLE, POOLING

11. Title
12. Title on Equipment Changes
13. Pooling of Engines and Parts

PART 5 TECHNICAL COVENANTS

14. Maintenance and Repair
15. Removal of Engines and Parts
16. Installation of Engines, Landing Gear and Parts
17. Non-Installed Engines, Landing Gear and Parts
18. Equipment Changes
19. Documents and Records

PART 1 INFORMATION

1. GENERAL INFORMATION

Lessee will:

- (1) notify Lessor promptly of the occurrence of any Default or any other event which would reasonably be expected to have a material adverse affect on Lessee's ability to perform any of its obligations under this Agreement; and
- (2) furnish any information or other documents to be provided to Lessor under this Agreement in English.

2. TECHNICAL INFORMATION

Lessee will:

- (1) provide Lessor with reports in English not later than the 10th day of the end of each six-month period of the Term in the form containing the information set out in Schedule 7 in relation to the matters reportable in each reporting period;
- (2) promptly notify Lessor of:
 - (a) any loss, theft, damage or destruction to the Aircraft, Engines, APU or any Part or any repair or modification to the Aircraft if the potential cost may exceed the Damage Notification Threshold;
 - (b) any claim or other occurrence likely to give rise to a claim under the Insurances (but in the case of hull claims only in excess of the Damage Notification Threshold) and reasonable details of any material negotiations with the insurance brokers over any such claim;
 - (c) any extended periods (exceeding 7 days) of the Aircraft being out of service for any cause other than scheduled maintenance;
 - (d) any change in any engine installed on the Aircraft;
- (3) use reasonable efforts to give Lessor not less than 30 days prior written notice as to the time and location of all Major Checks; and
- (4) promptly furnish to Lessor all information Lessor from time to time reasonably requests regarding the Aircraft, any Engine or any Part, its use, location and condition including, without limitation, the hours available on the Aircraft and any Engine until the next scheduled check, inspection, overhaul or Shop Visit, as the case may be.

3. FINANCIAL INFORMATION

3.1 Lessee will provide to Lessor:

- (1) within sixty (60) days after the end of the relevant quarter, the unaudited, management prepared accounts of Lessee and COPA Holding, in each case comprising balance sheet and profit and loss statements and cash flow statement and in the original language and in English prepared for each quarter of their respective financial years prepared in accordance with Panamanian generally accepted accounting principles applicable to Lessee and to COPA Holding and consistently applied;
- (2) as soon as available and not more than 120 days after the last day of each financial year starting with 1998 of Lessee and COPA Holding in each case in English, their audited balance sheets and the audited consolidated balance sheet as of such day and their audited profit and loss statements and the audited consolidated profit and loss statement for the year ending on such day;
- (3) at the same time as it is issued to the creditors of Lessee, a copy of each notice or circular issued to Lessee's creditors generally;
- (4) on request from time to time, such other information regarding Lessee and COPA Holding and their respective business as if not proprietary and as Lessor may reasonably request;
- (5) on request, not more frequently than annually unless a Default is continuing, evidence reasonably satisfactory to Lessor that all Taxes incurred by Lessee with respect to the Aircraft have been paid and discharged in full, except to the extent that such payment is being contested in good faith by appropriate proceedings, in respect of which adequate reserves have been provided by Lessee and non-payment of which does not give rise to any material likelihood of the Aircraft or any interest therein being sold, forfeited or otherwise lost or of criminal liability on the part of Lessor; and
- (6) on request during any continuing Default, evidence satisfactory to Lessor that all charges incurred by Lessee affecting the Aircraft, including without limitation all payments due to any air traffic control authorities, airports, fuel suppliers, maintenance and repair shops and other suppliers of services have been paid and discharged in full or are being contested in good faith by appropriate proceedings and are not material in the aggregate.

3.2 Lessee shall meet with Lessor at Lessor's request no more frequently than every six months in order for Lessee to explain its financial and business position and general planning overview, and at such meeting Lessee shall discuss with Lessor Lessee's operational statistics, RPMs, ASMs, CASMs, load factors and yields; Lessor shall treat all such information as confidential.

PART 2 LESSEE GENERAL COVENANTS

4. GENERAL: Lessee will not make any substantial change in the nature of the business in which it is engaged and will preserve its corporate existence (other than in connection with a solvent reconstruction, the terms of which have been approved by Lessor, such approval not to be unreasonably withheld); and
5. THIRD PARTY: Lessee will procure that no person acting on behalf of Lessee (other than Lessor) will act in any manner inconsistent with its obligations under this Agreement and that all such persons will comply with those obligations as if references to "Lessee" included a separate reference to those persons.
6. [INTENTIONALLY OMITTED]

PART 3 OPERATION AND INSPECTION

7. LAWFUL AND SAFE OPERATION: Lessee will ensure that:
 - (1) the law in effect in any country or jurisdiction which may be applicable to the Aircraft, its maintenance and condition or, relating to the use and operation of the Aircraft is complied with, any required modification or alteration to the Aircraft, any Engine or Part will be made and all reasonable steps will be taken to ensure that the Aircraft is not used for any illegal purpose;
 - (2) the Aircraft is not used in any manner contrary to any recommendation of the relevant manufacturer of the Aircraft, any Engine or any Part or any recommendation or regulation of the Air Authority or for any purpose for which the Aircraft is not designed or reasonably suitable;
 - (3) the crew and engineers employed in connection with the operation and maintenance of the Aircraft have the qualifications and hold the licenses required by the Air Authority and applicable law;
 - (4) the Aircraft is used solely in commercial or other operations duly authorized by the Air Authority and applicable law;
 - (5) the Aircraft is not used for the carriage of:
 - (a) whole animals, living or dead, except in the cargo compartments according to I.A.T.A. regulations, and except domestic pet animals carried in a suitable container to prevent the escape of any liquid and to ensure the welfare of the animal;

- (b) acids, toxic chemicals, other corrosive materials, explosives, nuclear fuels, nuclear wastes, or any nuclear assemblies or components, except as permitted for passenger aircraft under the "Restriction of Goods" schedule issued by I.A.T.A., from time to time, and provided that all the requirements for packaging, or otherwise contained therein, are fulfilled;
 - (c) any other goods, materials or items of cargo which would reasonably be expected to cause damage to the Aircraft and which would not be adequately covered by the Insurances; or
 - (d) any illegal item or substance;
- (6) the Aircraft is not utilized for purposes of training, qualifying or re-confirming the status of cockpit personnel except for the benefit of Lessee's cockpit personnel, and then only if the use of the Aircraft for such purpose is not disproportionate to the use for such purpose of other aircraft of the same type operated by Lessee;
- (7) the Aircraft is not caused or permitted to proceed to, or remain at, any location which would for the time being violate any law, order or regulation of:
- (a) any Government Entity of the State of Registration or the Habitual Base; or
 - (b) any Government Entity of the country in which such location is situated; or
 - (c) any Government Entity having jurisdiction over Lessor or the Aircraft, and Lessor will notify Lessee as soon as reasonably practicable after Lessor becomes aware of any such prohibition order (or any similar order or directive) of the application of same;
- (8) there are obtained and maintained in full force all certificates, licenses, permits and authorizations required for the use and operation of the Aircraft for the time being, and for the making of payments required by, and the compliance by Lessee with its other obligations under, this Agreement;
- (9) a current certificate of airworthiness (in the appropriate category for the nature of the operations of the Aircraft) is maintained in good standing for the Aircraft issued by the Air Authority, except where the Aircraft is undergoing maintenance, modification or repair required or permitted by this Agreement, and Lessee will from time to time provide to Lessor a copy on request;

- (10) the Aircraft is operated and maintained in accordance with the Documents and the Records, including for the redelivery of the Aircraft hereunder, to specified contractual standards, Manufacturer's specifications and type design, and any other rules and regulations as may be applicable to ensure that the Air Authority transport category certificate of airworthiness and aircraft registration shall remain legal and valid throughout the Term, permitting commercial passenger and cargo revenue service in accordance with the rules and regulations of the Air Authority and, in addition, to a standard equivalent to that required for a USA operator to comply with all rules, regulations, and restrictions issued by the FAA for operation in accordance with FAR (including, but not limited to, Part 121 and any other rules and regulations of the FAA as may be applicable to passenger category aircraft of the same manufacture and model);
- (11) any Part installed on the Aircraft complies with FAA fire resistance regulations and U.S. TSO requirement, as applicable; and
- (12) no change occurs in the Habitual Base of the Aircraft without the prior written consent of Lessor, and Lessee shall pay to Lessor on demand any reasonable legal or other costs of Lessor relating to the consideration of such change whether or not Lessor consents thereto. Any consent of Lessor may be subject to such conditions as Lessor may require to protect its rights and interests in the Aircraft.

8. PROTECTION: Lessee will ensure that:

- (1) the registration of the Aircraft is maintained with the Air Authority reflecting (so far as permitted by applicable law) the interests of Lessor and the Lessee shall not do or allow anything to be done which might adversely affect that registration; and
- (2) subject to Clause 14 of the Agreement and, in respect of Clause (a) below, at Lessor's sole cost and expense, and otherwise at Lessee's sole cost and expense, all acts and things are done (including, without limitation, making any filing or registration with the Air Authority or any other Government Entity) and executing and delivering all documents (including, without limitation, any amendment of this Agreement) as may reasonably be required by Lessor:
 - (a) following any change or proposed change in the ownership or financing of the Aircraft; or
 - (b) following any modification of the Aircraft, any Engine or any Part or the permanent replacement of any Engine or Part in accordance with this Agreement, so as to ensure that the rights of Lessor under this Agreement and the other Lessee Documents in respect thereof, apply with the same effect as before; or
 - (c) to establish, maintain, preserve, perfect and protect the rights of Lessor under this Agreement, in the Aircraft and the other Lessee Documents; and

- (3) Lessee obtains all documents, data, and records relating to maintenance, inspection or repair performed by Lessee's contractors employed for such purpose.

9. SUB-LEASING:

9.1 Lessee will not without the prior written consent of Lessor, which consent will not be unreasonably withheld, sub-lease, sub-charter or otherwise part with possession of the Aircraft, the Engines or any Part, except that:

- (1) Lessee may part with possession with respect to the Aircraft, the Engines or any Part to the relevant manufacturer for testing or similar purposes or to the Agreed Maintenance Performer for service, repair, maintenance or overhaul work, or alterations, modifications or additions to the extent required or permitted by this Agreement;
- (2) wet leasing and chartering, being cases where Lessee retains full operational control and its own aircrew, are permitted; and
- (3) Lessee may sublease the Aircraft for a period not to extend beyond the end of the Term to Continental Airlines, Inc. pursuant to a sublease agreement reasonably satisfactory in form and substance to Lessor.

9.2 Where Lessee wishes to dry sub-lease the Aircraft, which shall be subject to the consent of the Lessor in its absolute discretion, Lessee shall give notice to Lessor of its request and pay to Lessor a fee of \$10,000 for Lessor to assess the proposed arrangements, such notice only to be effective upon confirmation by Lessor of its receipt of that fee, and in any event Lessee shall pay on demand any reasonable legal or other costs of Lessor relating to the evaluation of any wet-lease, dry sub-lease or charter whether or not Lessor consents thereto. Any consent of Lessor may be subject to such conditions as Lessor may require to protect its rights and interests in the Aircraft.

10. INSPECTION:

10.1 Lessor and any person designated by Lessor may, upon reasonable notice and at reasonable times that do not unreasonably interfere with Lessee's normal business and maintenance operations, inspect and survey the Aircraft, any Engine, the APU, any Part or the Documents and Records and for such purpose may, subject to any applicable Air Authority regulation, travel on the flight deck as an observer on any non-revenue test flights as allowed by the applicable air authority, and Lessee shall ensure that all reasonable arrangements are made for Lessor and any designated person. Lessor reserves the right to perform an inspection at least once each year and preferably during the accomplishment of a C-Check, such inspection shall be a ground inspection and shall not require the opening of any panels additional to those already opened in the course of any ongoing maintenance.

10.2 In the case of inspection of Documents and Records, Lessee shall use commercially reasonable efforts to prepare them for inspection by Lessor within 2 weeks after notice from Lessor.

10.3 Lessor will:

- (1) have no duty to make, or liability arising from any such visit, inspection or survey; and
- (2) for so long as a Default has not occurred and is continuing, not exercise such right other than on reasonable notice so as not to disrupt unreasonably the commercial operations of Lessee.

PART 4 TITLE, POOLING

11. TITLE: Lessee will ensure that:

- (1) it shall not do or permit to be done, or omit to be done or permit to be omitted to be done, any act or thing which might reasonably be expected to jeopardize the rights of Lessor as owner of the Aircraft;
- (2) on all occasions when the ownership of the Aircraft, any Engine or any Part is relevant, it is made clear to third parties that title is held by Lessor;
- (3) at any time (a) Lessor is not represented or held out as carrying goods or passengers on the Aircraft or as being in any way connected or associated with any operation or carriage (whether for hire or reward or gratuitously) which may be undertaken by Lessee or (b) it shall not pledge, or allow to be pledged, Lessor's credit;
- (4) there is always affixed, and not removed or in any way obscured, a fireproof plate (having dimensions of not less than 10 cm x 7 cm) in a reasonably prominent position on the Aircraft and on each Engine stating:

"This Aircraft/Engine which is owned by First Security Bank, National Association, not in its individual capacity but solely as Owner Trustee (Lessor), is leased to Compania Panamena de Aviacion, S.A. (COPA) and may not be operated by any other person without the prior written consent of Lessor";

- (5) there is not created or permitted to exist any Lien upon the Aircraft, any Engine or any Part other than Permitted Liens;
- (6) it shall not do or permit to be done anything which may reasonably be expected to expose the Aircraft, any Engine or any Part to penalty, forfeiture, impounding, detention, appropriation, damage or destruction and without prejudice to the foregoing, if any such penalty, forfeiture, impounding, detention or appropriation, damage or destruction occurs, give Lessor notice and use commercially reasonable efforts to procure the immediate release of the Aircraft, any Engine or the Part, as the case may be;
- (7) the Aircraft, the Engine or any Part is not abandoned;

- (8) there is paid and discharged when due and payable, or adequate provision is made by way of security, or otherwise, for all debts, damages, claims and liabilities which have given or might give rise to a Lien (other than Permitted Liens) over or affecting the Aircraft, any Engine or any Part;
- (9) it shall not attempt, or hold itself out or permit any other Person to hold itself out as having any power, to sell, lease or otherwise dispose of the Aircraft, any Engine or any Part; and
- (10) all charges relating to navigation and charges of airports, fuel suppliers, maintenance and repair shops and other suppliers of services are paid when due.

12. TITLE ON EQUIPMENT CHANGES:

12.1 Title to all Landing Gear, APU and Parts installed on the Aircraft, excluding engines whether by way of replacement, as the result of an Equipment Change, or otherwise (except those installed pursuant to Clause 16(1)(b) of this Schedule 3), will on installation, without further act, vest in Lessor subject to this Agreement free and clear of all Liens other than Permitted Liens. Lessee will at its own expense take all such steps and execute, and procure the execution of, all such instruments as Lessor may require and which are necessary to ensure that title so passes to Lessor according to all applicable laws. At any time when requested by Lessor, Lessee will provide evidence to Lessor's satisfaction (including the provision, if required, to Lessor of one or more legal opinions) that title has so passed to Lessor.

12.2 Any Landing Gear, APU or Part at any time removed from the Aircraft will remain the property of Lessor until a replacement has been made in accordance with this Agreement and until title in that replacement has passed, according to applicable laws, to Lessor subject to this Agreement free of all Liens, whereupon title to the Landing Gear, APU or Part will, provided no Default has occurred and is continuing, pass to Lessee.

12.3 Engines shall remain the property of Lessor even after any removal from the Airframe unless the Engine or Engines are:

- (1) deemed to be the subject of an Event of Loss and title to a replacement Engine passes to the Lessor pursuant to Clause 11.3; or
- (2) removed from the Aircraft in accordance with Clause 15 of this Schedule 3 and it is impractical to reinstate them, and Lessee installs a substitute engine or engines in accordance with Clause 16 of this Schedule 3, title to which was transferred to Lessor in accordance with Clause 16, provided that the obligations under Clause 16(1)(a) shall apply absolutely and not subject to Lessee's using its reasonable efforts to ensure their application, and that title shall be transferred to Lessor in accordance with the terms of Clause 16.

13. POOLING OF ENGINES AND PARTS:

- 13.1 Lessee shall not enter into any pooling agreement or make any pooling arrangement in respect of Engines without the prior written consent of the Lessor, it being understood that (i) as of the date hereof, Lessee and Continental Airlines, Inc. are contemplating an engine pooling or sharing agreement that Lessor agrees to duly consider, and (ii) Lessee shall not enter into the foregoing engine pooling or sharing agreement in respect of the Engines without the prior written consent of Lessor, which consent shall not be unreasonably withheld.
- 13.2 Lessee may make pooling arrangements in respect of Parts pursuant to a pooling agreement with the Agreed Maintenance Performer which may be inspected by Lessor on request, provided that the obligations under Clause 16.1 of this Schedule 3 shall be absolute and not subject to Lessee using its reasonable efforts to ensure their application.

PART 5 TECHNICAL COVENANTS

14. MAINTENANCE AND REPAIR

- 14.1 Lessee will insure compliance with this Part 5 subject to the requirements of the Air Authority and standards equivalent to that of a United States operator in compliance with FAA requirements under FAR 121 and otherwise in compliance with this Schedule 3.
- 14.2 The Aircraft shall be kept airworthy in all respects and in good repair and condition, ordinary wear and tear excepted.

14.3 MAINTENANCE PROGRAM

- 14.3.1 The Aircraft shall be maintained through an Agreed Maintenance Performer in accordance with applicable rules and regulations of the FAA and the Air Authority, and in compliance with the Agreed Maintenance Program and the Agreement.
- 14.3.2 [Intentionally omitted.]
- 14.3.3 The Agreed Maintenance Program shall include an anti-fungus/biological growth and contamination prevention, control and treatment program of all fuel tanks if required by Manufacturer documents in accordance with the Manufacturer's approved procedures and specifications.
- 14.3.4 Lessee shall provide Lessor with reasonable access to the Agreed Maintenance Program throughout the Term.

14.4 MAINTENANCE STANDARDS

14.4.1 Lessee shall at a minimum ensure that the Aircraft shall at all times be treated and receive the same level of attention, maintenance and improvements as Lessee affords the balance of its fleet, including but not limited, to Service Bulletin incorporation, improvements, repairs, cleanliness and correction of items of a cosmetic nature, such as, but not limited to, hail damage, except where the terms of this Agreement dictate higher standards.

14.4.2 Lessee shall, if required by the Air Authority, maintain a current certificate as to maintenance, issued by or on behalf of the Air Authority to Lessee or the Agreed Maintenance Performer in respect of the Aircraft and will from time to time provide to Lessor a copy on request.

14.4.3 In the event the Aircraft is out of service for any period exceeding 2 weeks, other than for scheduled maintenance in accordance with the Agreed Maintenance Program, Lessee shall maintain the Aircraft in accordance with Lessee's or Manufacturer's storage maintenance program.

14.5 REPAIRS

Lessee shall act as follows in respect of repairs to the Aircraft or any part thereof:

14.5.1 In the event the Aircraft requires repair, all repairs will be classified as "Major" or "Minor", in accordance with FAA regulations or its equivalent.

14.5.2 All Major repairs shall be accomplished in accordance with Manufacturer approved data as specified in Manufacturer's Structural Repair Manuals and other Manufacturer's applicable FAA approved manuals or if not contained in such manuals, provided with FAA Designated Engineering Representative approval.

14.5.3 In the event Major repair instructions are not listed in FAA approved Manufacturer Repair Manuals and other Manufacturer's applicable FAA approved manuals, Manufacturer approval and appropriate substantiating documents, including all drawings, calculations, materials list, and any other pertinent data, as available, will be provided.

14.6 [Intentionally omitted.]

14.7 SERVICE BULLETINS: Lessee shall procure all applicable service bulletin kits which are offered "No charge" by or claimable under warranty from the Manufacturer, prior to the expiration of the "No charge" warranty period.

14.8 AIRWORTHINESS DIRECTIVES

14.8.1 Lessee shall accomplish all airworthiness directives issued by the FAA and all rules and regulations and directives of the Air Authority in accordance with specific instructions issued by the Air Authority at any time during the Term, including all routine and non-routine requirements as applicable to the Aircraft, Engines, including all Parts and the APU.

14.8.2 All documentation necessary to establish the source data, method of compliance, verification of accomplishment, Quality Assurance approval and all schedules for recurring action, including Air Authority approved data used to substantiate compliance with Air Authority airworthiness directives, rules and regulations and all mandatory inspection and modification requirements shall form a permanent part of the Documents and Records.

15. REMOVAL OF ENGINES, LANDING GEAR, APU AND PARTS

15.1 Lessee will ensure that no Engine, Landing Gear, APU or Part installed on the Aircraft is at any time removed from the Aircraft other than

- (1) if replaced as expressly permitted by this Agreement; or
- (2) if the removal is of an obsolete item and is in accordance with the Agreed Maintenance Program; or
- (3) (a) during the course of maintaining, servicing, repairing, overhauling or testing that Engine, Landing Gear, APU, Part or the Aircraft, as the case may be; or
(b) as part of a normal rotation program; or
(c) for the purpose of making such modifications to the Engine, Landing Gear, APU, Part or the Aircraft, as the case may be, as are permitted under this Agreement; and then in each case only if it is reinstalled or replaced by an engine or part complying with Clause 16(1) of this Schedule 3 as soon as practicable and in any event by the earlier of within 30 days after completion of any off-Aircraft maintenance or by the Expiry Date.

15.2 Subject to Clause 11.3 of the Agreement, Lessee shall procure promptly the replacement of any Engine, Landing Gear, APU or Part which has become time, cycle or calendar expired, lost, stolen, seized, confiscated, destroyed, damaged beyond repair, unserviceable or permanently rendered unfit for use or whose removal is required under the Agreed Maintenance Program, with an engine or part complying with the conditions set out in Clause 16.1 of this Schedule 3.

16. INSTALLATION OF ENGINES, LANDING GEAR, APU AND PARTS

Lessee will:

- (1) subject to Clause 16(2) of this Schedule 3, ensure that, except as permitted by this Agreement, no engine or part is installed on the Aircraft unless:
 - (a) ENGINES, LANDING GEAR AND APU: it is in airworthy condition, is the same model, thrust rating, modification status, service bulletin and airworthiness directive compliance and incorporation status, or an improved or advanced version of the Engine (including all modules), Landing Gear or APU it replaces.

The replacement engine, including all modules, Landing Gear or APU, shall be in airworthy condition, certified serviceable, in the same or better operating condition than the installed part prior to its failure or removal, including all manufacturer's performance parameters.
 - (b) PARTS: it is in airworthy condition, is the same model, modification, status, service bulletin and airworthiness directive interchangeability status, or an improved or advanced version of the item it replaces and meets all FAA TSO requirements.

The replacement item shall be in airworthy condition, certified serviceable, in the same or better operating condition than the installed part prior to its failure or removal.

The replacement item shall have substantially equivalent value, utility and airworthiness as the replaced Part.
 - (c) Subject to (2) below, in each case, it has become and remains the property of Lessor free from Liens other than Permitted Liens and on installation on the Aircraft will without further act be subject to this Agreement; and
- (2) if no Default has occurred which is continuing, be entitled to install any engine or part on the Aircraft by way of replacement, notwithstanding (1) above, if:
 - (a) there is not available to Lessee at the time and in the place that engine or part is required to be installed on the Aircraft, a replacement engine complying with the requirements of (1) above;
 - (b) it would result in an unreasonable disruption of the operation of the Aircraft and/or the business of Lessee to ground the Aircraft until an engine or part, as the case may be, complying with (1) above becomes available for installation on the Aircraft;
 - (c) such engine or part is of the same model, is in airworthy condition and is serviceable; and

- (d) as soon as the Engine becomes available to be reinstalled on the Aircraft but in any event by the earlier of (i) the next scheduled D-Check, (ii) 45 days after completion of any off-aircraft maintenance of the Engine or (iii) the Expiry Date, Lessee removes any such engine or part and replaces it with the Engine or Part replaced by it or by an engine or part, as the case may be, complying with (1) above.

17. NON-INSTALLED ENGINES, LANDING GEAR, APU AND PARTS

Lessee will:

- (1) ensure that any Engine, Landing Gear, APU or Part which is not installed on the Aircraft (or any other aircraft as permitted by this Agreement) is, except as expressly permitted by this Agreement, properly and safely stored, and kept free from Liens other than Permitted Liens;
- (2) not be permitted to install any Engine (except as permitted in clause (3) below or elsewhere in the Agreement), Landing Gear, APU or Part on another aircraft, or in the case of a Part, another engine;
- (3) notwithstanding the foregoing provisions of this Clause 17, be permitted if no Default has occurred and is continuing, to install any Engine on an aircraft operated by Lessee; and
- (4) on Lessor's request procure that any person to whom possession of an Engine, APU or Landing Gear is given, acknowledges in writing to Lessor, in form and substance satisfactory to Lessor, that it will respect the interests of Lessor in the Engine, APU or Landing Gear and will not seek to exercise any rights whatsoever in relation thereto;

provided that:

- (a) upon Lessor's request, Lessee shall notify Lessor from time to time of the details of that aircraft or engine and of the lessor under such lease, the seller under such conditional sale agreement, the owner of such aircraft or engine or the holder of such Lien as the case may (in this Clause 17 being "interested parties"); and
- (b) the terms of any such lease, conditional sale agreement or a Lien will not have the effect of prejudicing the interests of Lessor in that Engine, Landing Gear, APU or Part.

18. EQUIPMENT CHANGES

- 18.1 Lessee will not make any modification or addition to the Aircraft, except for an Equipment Change which is permitted by this Agreement, has the prior written approval of Lessor and which does not materially diminish the value, utility, condition, or airworthiness of the Aircraft, or is required by the Air Authority, Manufacturer or Engine manufacturer.
- 18.2 So long as a Default has not occurred and is continuing, Lessee may remove any Equipment Change if it can be removed from the Aircraft without materially diminishing or impairing the value, utility, condition or airworthiness of the Aircraft.
- 18.3 At Redelivery, Lessee may elect to remove any Equipment Change and restore the Aircraft to its condition prior to that Equipment Change.
- 18.4 In the event the Aircraft requires modification or alteration, all modifications and alterations will be classified as "Major" or "Minor" in accordance with FAA regulations.
- 18.5 No modification or alteration costing more than \$100,000 shall be accomplished without the Lessor's prior consent.
- 18.6 All Major modifications and Major alterations incorporated throughout the Term which deviate from the Aircraft certified specifications, type design, or configuration shall be accomplished in accordance with Manufacturer's recommendations and instructions, as approved in any event by the Air Authority, and where they deviate from the certified configuration of the Aircraft, shall be covered by a FAA Supplemental Type Certificate ("STC") as well as by approval from the Air Authority; if an STC is not obtained, Lessee shall provide all and complete data which Lessor deems necessary to obtain an STC and such approval.
- 18.7 Any Part or equipment removed from the Aircraft pursuant to the terms hereof may be shipped by Lessee to Lessor for proper storage by Lessor. Upon Redelivery, if Lessor shall elect to have such Part or equipment reinstalled on the Aircraft, Lessor shall ship such Part or equipment to Lessee for reinstallation on the Aircraft. If Lessor does not so elect, at Lessee's written request and at Lessee's reasonable expense, Lessor shall ship such Part or equipment to Lessee and, without further action, such Part or equipment shall become Lessee's property.

19. DOCUMENTS AND RECORDS

- 19.1 Documents and Records shall at a minimum meet all Air Authority requirements and shall be prepared and maintained in accordance with FAR 121 and 145 and any other FAR applicable from time to time.

- 19.2 All documents and data as required by the FAR (including technical and engineering data, calculations and drawings) evidencing compliance with any of the requirements or procedures set out in Clause 14 above shall form a permanent part of the Documents and Records. All manufacturer and vendor manuals and documents which are affected by a Major repair, compliance with a Service Bulletin, modification or alteration, including the Manufacturer's Weight & Balance manual, shall be revised to reflect the current specification and configuration of the Aircraft.
- 19.3 The Documents and Records shall be maintained in the English language or accompanied by a certified translation thereof. All Documents and Records shall be in plain language and all coded forms must have cross references, including but not limited to parts numbers, engineering order numbers and Service Bulletin numbers.
- 19.4 All records included in the Documents and Records shall be original hard copy "dirty fingerprint" records. Documents and Records produced by Electronic Data Processing (EDP) or other computers are not acceptable, except as summary documents, without accompanying substantiating records and documents reasonably approved by Lessor, providing the means of verification of accomplishment. In addition, these summary documents shall include instructions for interpretation of the information provided.
- 19.5 All Computerized Reports and Summaries will be certified and signed by the Director of Quality Control or an authorized official of the Lessee.
- 19.6 Documents and Records and in particular serialized shop record including all airworthiness approval tags (JAA-1 Form or FAA 8130 Form) and serviceable ("yellow") tags shall form a permanent part of the Documents and Records.
- 19.7 Life Limited Parts as specified by the Aircraft and Engines types certificates shall be provided with appropriate documents and records that identify current status, life history (removal and installation), total time in service, authenticity and origin back to manufacturer.
- 19.8 Time controlled Parts as identified by the Agreed Maintenance Program, shall be provided with all records necessary to establish documentation, expressed in Flight Hours, Cycles, or calendar time, back to overhaul (including all interim repair records since overhaul).
- 19.9 Lessee shall be responsible for maintaining a revision service for all manufacturers and operators manuals, reports and documents which shall at all times contain the latest issued revisions, and reflect the current specification, configuration and status of the Aircraft and Engines, which includes APU, systems, assemblies and components. Lessee will have all modifications, wiring changes, and engineering orders (or equivalent) incorporated into the relevant manuals.

SCHEDULE 4

AIRCRAFT REDELIVERY

1.0 GENERAL CONDITION

- 1.1 The Aircraft will be in the same configuration (except as per Clause 1.5 of this Schedule 4) and operating condition as at delivery to Lessee, including post-delivery modifications as defined in Schedule 1, Parts 1 through 4, ordinary wear and tear excepted and be clean by international commercial airline standards for an aircraft exiting a C-Check (or as the case may be D-Check) and ready for flight with all of the equipment, components and systems fully functional and operating within limits and/or guidelines established by the relevant manufacturers and the FAA..
- 1.2 The Aircraft will have installed the full complement of Engines, APU, equipment, components, furnishings and loose equipment as when originally delivered to Lessee and shall not have installed thereon any engines, APU, components, parts, equipment and furnishings which are owned by any person other than the Lessor or the Lessee.
- 1.3 The Aircraft will have a current legal and valid transport category certificate of airworthiness issued by the Air Authority, or if required by Lessor, an export certificate of airworthiness, if available, for export to the USA. In such case, the Aircraft will be deregistered from the country registered at Lessee's cost upon the Redelivery.
- 1.4 Subject to Lessee's consent, Lessor may elect to retain certain Equipment Changes incorporated on the Aircraft by Lessee during the Term of this Agreement, excluding leased equipment. In this event any equipment or components that were removed from the Aircraft, not substituted by way of such Equipment Change, and not shipped to Lessee for storage, will be returned in a serviceable and airworthy condition to Lessor with the Aircraft.
- 1.5 The Aircraft will be in a condition as to immediately be eligible to receive a USA certificate of airworthiness issued by FAA in accordance with FAR part 21, and to be placed on the operating certificate of a USA airline in accordance with FAR 121.
- 1.6 The Aircraft will be free of Liens other than Lessor Liens.

2.0 AIRCRAFT CONDITION

- 2.1 The Aircraft will be fresh out of the next scheduled full and complete zonal, systems and structural C-Check (including all segments if segmented) or equivalent type maintenance check, in accordance with Appendix J of the then latest Boeing Maintenance Planning Document ("MPD"). This check will clear all lower level checks including "A", "B" and service checks. Should Lessee be required to perform any tasks in respect of the Agreed Maintenance Program in addition to the tasks required to be performed pursuant to the block C-Check in accordance with Appendix J of the MPD, such tasks shall be performed by Lessee and the reasonable costs and expenses incurred by Lessee in connection therewith shall be promptly paid for by Lessor.

- 2.2 The Aircraft will be weighed prior to Redelivery and have a current weight and balance report in form acceptable to the FAA.
- 2.3 The Aircraft will be in compliance with all Airworthiness Directives, FAR revisions and other mandatory orders issued by the FAA requiring compliance during or within 90 days or 750 Flight Hours or 500 Cycles (whichever is most limiting) after Redelivery of the Aircraft. If any waivers, extensions or other special dispensations were granted by the Air Authority (except for such waivers, extensions or dispensations granted to the industry as a whole) with respect to any Airworthiness Directive, FAR revision or other mandatory order, Lessee shall incorporate the required Airworthiness Directives, FARs or other mandatory order as if such waiver, extension or dispensation had not been granted.
- 2.4 All "No Charge" service bulletin kits procured by Lessee but not installed on the Aircraft will be returned to Lessor with the Aircraft.
- 2.5 The Aircraft will have all open and deferred items, including maintenance and temporary repair items (except those deferred to the next D-Check, in which case financial adjustments shall be negotiated at that time, but in no case shall Lessee have any repair or financial obligations for items deferred beyond the next D-Check), MEL/CDL items, and pilot/cabin/engine logbook items, rectified on a terminating action basis. Any waivers, extensions or dispensations granted to this Aircraft by the manufacturers, the FAA, or the Air Authority (except for such waivers, extensions or dispensations granted to the industry as a whole) which require incorporation of special operations, inspections or maintenance tasks to this Aircraft will be treated as if such waivers, extensions or dispensations had not been granted.
- 2.6 The Aircraft (excluding Engines) will have any and all maintenance items, including inspections and replacements of life limited/time controlled parts, required by the Agreed Maintenance Program and the MPD cleared for 3,000 Flight Hours or 2,000 Cycles, whichever is more limiting, and 12 months beyond the Redelivery Check. In the event that an item is due more often than the periods noted above, that item will be cleared for its maximum interval.
- 2.7 All tires and brakes will have at least 50% of full service life remaining.
- 2.8 All repairs made to the Aircraft will be in accordance with the Manufacturer's FAA Structural Repair Manual (SRM) or otherwise traceable to FAA or FAA DER approval.

- 2.9 The Aircraft will be properly stripped, corrosion protected and painted per Manufacturer's specifications in such external livery as advised by Lessor. This shall include corrosion protection and painting of fuselage, empennage, wings, vertical/horizontal stabilizer, flight control surfaces, engine cowling/nacelle and wheel wells. Control surfaces will be rebalanced as required. Prior to painting the Aircraft, all previous exterior markings, logos, or other distinctive insignia will be removed in accordance with Manufacturer's instructions and recommendations. All fairings and skin laps seams will be properly refinished and resealed. The repaint of the Aircraft will be of high quality; free from flaking, overspray, peeling, drips or other cosmetically unacceptable items and Lessor shall be responsible for the actual costs of repainting the Aircraft, provided that Lessee shall use its reasonable efforts to ensure that the costs are not in excess of industry practice.
- 2.10 The Aircraft, both interior and exterior, will have no evidence of untreated or uncorrected corrosion or delamination.
- 2.11 The Landing Gear assemblies or the Aircraft will have a minimum of 12 months remaining to its next expected overhaul.
- 2.12 No Engine, Landing Gear or APU will have more than 130% of the total Flight Hours or Cycles on the Aircraft.
- 2.13 No Aircraft LLP (see Clause 3.2 for Engine LLPs) will have less than 3,000 Flight Hours, 2,000 cycles or 12 months remaining to useful life replacement.
- 2.14 All fuel tanks will be at least as full as at delivery of Aircraft. All oil and fluid tanks will be full.
- 2.15 All "loose equipment", galley inserts, cargo containers will be returned with the Aircraft in good and serviceable condition, ordinary wear and tear excepted..
- 3.0 ENGINES AND APU CONDITION
- 3.1 Each Engine will be installed on the Aircraft and will be the Engine originally installed at delivery, unless such Engine was the subject of an Event of Loss and has been replaced in accordance with Clause 11.3, or unless such Engine has otherwise been replaced with a suitable replacement Engine in accordance with Clause 16 of Schedule 3.
- 3.2 The Engines will have no less than 3,000 Flight Hours and 2,000 Cycles remaining on the "mean time between unscheduled removals" as determined by the applicable manufacturer ("MTBUR"). There will be no LLP replacement scheduled within 2,000 Cycles of life remaining.
- 3.3 The Engines will not be "on-watch", nor have records or Engine Monitoring Program trend data that based on the Engine manufacturer's experience would require Engine removal or maintenance for any cause within 3,000 Flight Hours or 2,000 Cycles of operation.

- 3.4 Immediately prior to Redelivery of the Aircraft, each Engine will have a full hot and cold section video borescope and a maximum power assurance (MPA) run in accordance with the Manufacturer's procedures.
- 3.5 The APU will be in serviceable condition, fresh from a hot section inspection or borescope, and with a full APU performance run per manufacturer's procedures. The APU will not have less than 3,000 Flight Hours remaining on the MTBUR.
- 4.0 REDELIVERY INSPECTION AND DEMONSTRATION FLIGHT
 - 4.1 During the Redelivery Check and at Redelivery, Lessor or its representatives will have an opportunity to inspect the Aircraft and Documents and Records and participate in and review all aspects of the Redelivery Check to ensure to Lessor's satisfaction that Redelivery conditions are met.
 - 4.2 During the course of the Redelivery Check and Final Inspection, if corrosion or other problems are detected, Lessee will open adjacent areas as required to ensure that the detected problem is rectified in accordance with Manufacturer's specifications.
 - 4.3 Prior to the Redelivery of the Aircraft, Lessee will perform a demonstration flight of not less than two hours of the Aircraft in accordance with the Lessee's post-C-Check Flight Functional Acceptance Procedures. The demonstration flight will show that the Aircraft, its Engines, and its various components and systems are fully operational and capable of full rated performance throughout the operational envelope of the Aircraft. Lessor's representative(s) will be allowed on the flight to monitor compliance. The demonstration flight will be at Lessee's expense. Any squawks found in the flight will be corrected at Lessee's cost and expense. Lessee and Lessor will reasonably cooperate to combine this demonstration flight with the flight to the Redelivery Location.
- 5.0 DOCUMENTS AND RECORDS
 - 5.1 The Documents and Records will be made available to Lessor or Lessor's representative not less than 10 Business Days prior to scheduled Redelivery Date. Lessor or Lessor's representative will review and inventory to determine that the Documents and Records are in compliance with the requirements specified in this Agreement.
 - 5.2 Upon request of Lessor, Lessee will provide a current and complete copy of the Agreed Maintenance Program. Lessor shall use and retain the copy of the Agreed Maintenance Program on a strictly confidential basis, and shall return said Document to Lessee after integrating the Aircraft into the next operator's maintenance program.
 - 5.3 Lessee shall return all Documents and Records delivered to Lessee at delivery (as specified in Parts 5 and 6 of Schedule 1). All Documents and Records shall reflect the Redelivery condition and current status of the Aircraft at time of Redelivery, including all modifications and maintenance activity performed on the Redelivery Check.

- 5.4 In the event of missing, incomplete, or otherwise unacceptable Documents or Records, Lessee will take all necessary steps to replace such Documents or Records (whether by reaccomplishing tasks, recreating documents, reverifying, or otherwise).
- 5.5 Lessee will provide assistance as reasonably required by Lessor or Lessor's representative to locate and inventory the Documents and Records and to ensure their accuracy and completeness.
- 5.6 Lessee will provide a work scope detailing all scheduled maintenance and other activities (including any alterations, modifications, Airworthiness Directives, component changes, service bulletin and engineering order incorporation) to be accomplished during the Redelivery Check.
- 5.7 Lessee will provide Lessor with a final audited copy of all work accomplished during the Redelivery Check at Redelivery.

SCHEDULE 5

INSURANCE REQUIREMENTS

The Insurances required to be maintained are on the basis of AVN 67B and as follows:

1. HULL ALL RISKS of Loss or Damage whilst flying and on the ground with respect to the Aircraft on an "agreed value basis" for the Agreed Value and with a deductible not exceeding the Insurance Deductible Amount, or such other amount agreed by Lessor from time to time, and to include deductible insurances, if necessary, to achieve that limit.
2. WAR AND ALLIED PERILS, being such risks excluded from the Hull All Risks Policy to the fullest extent available from the leading international insurance markets including confiscation and requisition by the Jurisdiction of Incorporation for the Agreed Value.
3. ALL RISKS (INCLUDING WAR AND ALLIED RISK except when on the ground or in transit other than by air) property insurance on all Engines and Parts when not installed on the Aircraft or an "agreed value" basis for their full replacement value and including engine test and running risks.
4. AIRCRAFT THIRD PARTY, PROPERTY DAMAGE, PASSENGER, BAGGAGE, CARGO AND MAIL AND AIRLINE GENERAL THIRD PARTY (INCLUDING PRODUCTS) LEGAL LIABILITY for a Combined Single Limit (Bodily Injury/Property Damage) of an amount not less than the Minimum Liability Coverage for the time being any one occurrence (but in respect of products and personal injury liability this limit may be an aggregate limit for any and all losses occurring during the currency of the policy). War and Allied Risks are also to be covered under the Policy to the fullest extent available from the leading international insurance markets.
5. All required hull and spares insurance (as specified above), so far as it relates to the Aircraft will:
 - (1) name Lessor as sole loss payee up to the Agreed Value; (2) provide that any loss will be payable in Dollars, and:
 - (a) in respect of any claim that becomes payable on the basis of an Event of Loss, settlement shall be made to or to the order of Lessor up to the Agreed Value;
 - (b) in respect of any other claim, settlement (net of any policy deductible) shall be made with such party(ies) as may be necessary to repair the Aircraft unless otherwise agreed after consultation between the insurers, Lessee and, where the loss exceeds the Damage Notification Threshold, Lessor; and

(c) if separate Hull "all risk" and "war risks" insurances are arranged, include a 50/50 provision in accordance with market practice (AVS. 103 is the current market language).

6. All required liability insurances (specified above) will:

- (1) include Lessor, and its successors and assigns and their respective shareholders, subsidiaries, directors, officers, agents, employees and Indemnitees as additional insureds for their respective rights and interests, warranted, each as to itself only, no operational interest;
- (2) operate in all respects as if a separate policy had been issued covering each party insured, but shall not include any claim under hull and spares insurances (as specified above); notwithstanding the foregoing, the total liability of insurers shall not exceed the limits of liability stated in the policy; and
- (3) contain a provision confirming that the policy is primary without right of contribution and the liability of the insurers will not be affected by any other insurance of which Lessor or Lessee have the benefit so as to reduce the amount payable to the additional insureds under such policies.

7. All Insurances will:

- (1) be in accordance with normal industry practice of persons operating similar aircraft in similar circumstances;
- (2) provide cover denominated in Dollars and any other currencies which Lessor may reasonably require in relation to liability insurance;
- (3) operate on a world-wide basis subject to such limitations and exclusions as Lessor may reasonably agree;
- (4) provide that, in relation to the interests of each of the additional assureds the Insurances will not be invalidated by any act or omission (including misrepresentation and non-disclosure) of any other person or party which results in a breach of any term, condition or warranty of the policy, provided that the additional insured party so protected has not caused, contributed to or knowingly condoned the said act or omission;
- (5) provide that upon payment of any loss or claim to or on behalf of any additional assureds, insurers shall to the extent and in respect of such payment be thereupon subrogated to all legal and equitable rights of that additional assured indemnified hereby (but not against any additional assureds). Insurers shall not exercise such rights without the consent of those indemnified, such consent not to be unreasonably withheld. At the expense of insurers such additional assureds shall do all things reasonably necessary to assist the insurers to exercise said rights;

- (6) provide that the additional assureds will have no obligation or responsibility for the payment of any premiums due and that the insurers will not exercise any right of set-off or counter-claim in respect of any premium due against the respective interests of the additional assureds other than outstanding premiums relating to the Aircraft, any Engine or Part which is the subject of the relevant claim;
- (7) provide that, except in respect of any provision for cancellation or automatic termination specified in the Policy or any endorsement thereof, cover provided by the Insurances may only be cancelled or materially altered in a manner adverse to the additional assureds by the giving of not less than 30 days (7 days or such less period as may be customarily available in respect of war risks and allied perils) notice in writing to the appointed broker, who shall undertake to notify Lessor promptly. Notice shall be deemed to commence from the date such notice is given by the insurers. Such notice will not, however, be given the normal expiry date of the Policy or any endorsement; and
- (8) reinsurance will (a) be on the same terms as the original insurances and will include the provisions of this Schedule, (b) provide that notwithstanding any bankruptcy, insolvency, liquidation, dissolution or similar proceedings of or affecting the reinsured that the reinsurers' liability will be to make such payments as would have fallen due under the relevant policy of reinsurance if the reinsured had (immediately before such bankruptcy, insolvency, liquidation, dissolution or similar proceedings) discharged its obligations in full under the original insurance policies in respect of which the then relevant policy of reinsurance has been effected; and (c) contain a "cut-through" clause in the following form (or otherwise, satisfactory to Lessor): "The Reinsurers and the Reinsured hereby mutually agree that in the event of any claim arising under the reinsurances in respect of a total loss or other claim where as provided by the Aircraft Lease Agreement (MSN 29047) dated as of October 1, 1998 and made between Lessor and Lessee such claim is to be paid to the person named as sole loss payee under the primary insurances, the Reinsurers will in lieu of payment to the Reinsured, its successors in interest and assigns pay to the person named as sole loss payee under the primary insurances effected by the Reinsured, that portion of any loss due for which the Reinsurers would otherwise be liable to pay the original Reinsured (subject to proof of loss), it being understood and agreed that any such payment by the Reinsurers will (to the extent of such payment) fully discharge and release the Reinsurers from any and all further liability in connection therewith" subject to such provisions not contravening any law of the Jurisdiction of Incorporation.

SCHEDULE 6

FORM OF LEGAL OPINION

To: First Security Bank, National Association
Tombo Aviation, Inc.

Date: _____

Dear Sirs,

1. You have asked us to render an opinion in connection with the transaction governed, inter alia, by the under mentioned documents. Words and expressions used herein will bear the same meanings as defined in an Aircraft Lease Agreement (MSN 29047) (the "Lease") dated as of October 1, 1998 between First Security Bank, National Association, not in its individual capacity, except as otherwise expressly provided herein, but solely as Owner Trustee, and Compania Panamena de Aviacion, S.A.:

- (1) the Lease;
- (2) the constitutional documents comprising [_____] of Lessee; and
- (3) all other documents, approvals and consents of whatever nature and wherever kept which it was, in our judgment and to our knowledge, necessary or appropriate to examine to enable us to give the opinion expressed below.

2. Having considered the documents listed in paragraph 1 above, and having regard to the relevant laws of Panama, we are pleased to advise that in our opinion:

- (1) Lessee was duly constituted in accordance with the laws of Panama on [_____] as [_____] and is a validly existing separate legal entity, is subject to suit in its own name, and, to the best of our knowledge, no steps have been, or are being, taken to appoint a receiver or liquidator over, or to dissolve, Lessee;
- (2) Lessee has the corporate power to enter into and perform, and has taken all necessary corporate action to authorize the entry into, performance and delivery of, the Lease and the transactions contemplated by the Lease;
- (3) the entry into and performance by Lessee of, and the transactions contemplated by, the Lease do not and will not:
 - (a) conflict with any laws binding on Lessee;
 - (b) conflict with the constitutional documents of Lessee; or

- (c) conflict with or result in default under any document which is binding upon Lessee or any of its assets nor result in the creation of any Lien over any of its assets.
- (4) no authorizations, consents, licenses, approvals and registrations (other than those which have been obtained and of which copies are attached hereto) are necessary or desirable to be obtained from any governmental or other regulatory authorities in the Jurisdiction of Incorporation to enable Lessee:
 - (a) to enter into and perform the transactions contemplated by the Lease;
 - (b) to import the Aircraft into Panama for the duration of the Term;
 - (c) to operate the Aircraft for the transport of fare-paying passengers; or
 - (d) to make the payments provided for in the Lease in the currency, in the accounts and otherwise in accordance with the terms and conditions provided in the Lease;
- (5) other than (i) registering the Aircraft and filing this Agreement with the Panamanian Directorate of Civil Aeronautics, and (ii) recording this Agreement and the bill of sale evidencing Lessor's title to the Aircraft with the Office of the Public Registry of Panama, it is not necessary or desirable, to ensure the priority, validity and enforceability of all the obligations of Lessee under the Lease that the Lease be filed, registered, recorded or notarized in any public office or elsewhere or that any other instrument relating thereto be signed, delivered, filed, registered or recorded, that any tax or duty be paid or that any other action whatsoever be taken under the laws of Panama; accordingly, upon completion of the registration and recording set forth above, pursuant to the Lease, Lessor will be deemed to be the full legal and beneficial owner of the Aircraft and all rights and interests with respect thereto, Lessee shall not be deemed to have acquired any interest in the Aircraft other than the leasehold interest contemplated by the Lease, and such leasehold interest of Lessee at all times shall be subject to the terms and conditions provided in the Lease;
- (6) no other steps beyond (i) registering the Aircraft and filing this Agreement with the Panamanian Directorate of Civil Aeronautics, and (ii) recording this Agreement and the bill of sale evidencing Lessor's title to the Aircraft with the Office of the Public Registry of Panama are necessary or desirable to record or perfect Lessor's interest in the Aircraft in Panama;
- (7) on termination of the Lease (whether on expiry or otherwise) as contemplated in the Lease, Lessor would be entitled:
 - (a) to repossess the Aircraft; and
 - (b) to export the Aircraft from Panama;

without requiring any further consents, approvals or licenses from any governmental or regulatory authority in Panama;

- (8) the Lease has been properly signed and delivered on behalf of Lessee and the obligations on the part of Lessee contained therein, assuming them to be valid and binding according to the Governing Law, are valid and legally binding on and enforceable against Lessee respectively under the laws of Panama;
- (9) the events described in Clause 13.1(7), (8) and (9) of the Lease comprise an accurate and complete statement of all events and situations provided for by the laws Panama which may lead to the cessation of activities, winding up or dissolution of Lessee, and upon the occurrence of any such described events, and the Lessor's exercise of its rights to affect a termination of the Lease based on such Events of Default: the Lease shall terminate; Lessee shall have no further interest in the Aircraft; the Aircraft shall be excluded from any reorganization or other legal proceedings with respect to the Lessee; no receiver, trustee, liquidator, administrator, judicial official or other Person shall have any interest in or rights under or with respect to the Lessee or the Aircraft; and Lessor shall be entitled to immediate return and unrestricted possession and control of the Aircraft free and clear of any liens, claims or other encumbrances and without any liability to Lessee or any other Person;
- (10) Upon Lessor's giving the type of notice to Lessee set forth in Clause 13.2(1) following an Event of Default of the type set forth in Clause 13.1(8)(d), the Lease shall terminate (but without prejudice to the continuing obligations of Lessee under the Lease) without the need of any further action or judicial order; Lessee shall have no further interest in the Aircraft; the Aircraft shall be excluded from any liquidation or other legal proceedings with respect to the Lessee; no receiver, trustee, liquidator, administrator, judicial official or other Person shall have any interest in or rights under or with respect to the Lessor or the Aircraft; and Lessor shall be entitled to immediate return and unrestricted possession and control of the Aircraft free and clear of any liens, claims or other encumbrances and without any liability to Lessee or any other Person;
- (11) the obligations of Lessee under the Lease rank at least pari passu with all other present and future unsecured and unsubordinated (including contingent) obligations of the Lessee upon an Event of Default or other breach by Lessee of the Lease, Lessor at all times shall be entitled without restriction to set off any damage suffered or amounts owing by Lessee against any obligation of Lessor to return any deposits or other funds or otherwise make any payments or performance to Lessee or any Person claiming by, through or on behalf of Lessee;
- (12) there is no withholding tax or other Tax to be deducted from any payment whatsoever or which may be made by Lessee pursuant to the Lease; with respect to any withholdings, the provisions of Clauses 5.5, 5.6 and 5.9 of the Lease are fully effective; and the arrangements contemplated by the Lease do not give rise to any charge whatsoever to Taxes in Panama;

- (13) there is no applicable usury or interest limitation law in Panama which may restrict the recovery of payments in accordance with the Lease;
- (14) there are no registration, stamp or other taxes or duties of any kind payable in Panama in connection with the signature, performance or enforcement by legal proceedings of the Lease;
- (15) Lessor will not violate any law or regulation in Panama nor become liable to tax by reason of entering into the Lease with Lessee, or performing its obligations thereunder;
- (16) it is not necessary to establish a place of business in Panama in order to enforce any provisions of the Lease;
- (17) the choice of the Governing Law to govern the Lease will be upheld as a valid choice of law in any action in the Courts of Panama;
- (18) the consent to jurisdiction by Lessee contained in the Lease is valid and binding on Lessee and not subject to revocation;
- (19) any judgment for a definite sum given by an arbitration proceeding or court as provided in the Lease against Lessee would be recognized and accepted by the Courts of Panama without re-trial or examination of the merits of the case;
- (20) Lessee is subject to civil commercial law with respect to its obligations under the Lease, and neither Lessee nor any of its assets is entitled to any right of immunity, and the entry into and performance of the Lease by Lessee constitute private and commercial acts;
- (21) there are no circumstances under the law of Panama whereby Lessee may be deprived of the Aircraft by any Government Entity or any other person; and
- (22) The Republic of Panama has ratified the Geneva Convention without any reservations or limitations thereto, and all requirements set forth in Article XXI of the Geneva Convention for Panama to become incorporated as a member of the Geneva Convention have been completed.

3. We do not purport to be experts on, and do not purport to be generally familiar with or qualified to express legal opinions based on, any law other than the laws of Panama and accordingly express no legal opinion herein based upon any law other than the laws of Panama.

Yours faithfully,

SCHEDULE 7

FORM OF REPORT

AIRFRAME AND ENGINE STATUS REPORT
FOR EACH SIX-MONTH PERIOD ("PERIOD")

Report for the Calendar Period Ended: _____
Aircraft Type: _____
Manufacturer Serial/Registration Number: _____

1. AIRCRAFT UTILIZATION

Aircraft Total Hours: _____
Aircraft Total Cycles: _____
Flight Hours for Period: _____
Cycles for Period: _____

2. DELIVERED ENGINE STATUS

ENGINES	POS. 1	POS. 2
- - - - -	- - - - -	- - - - -
Serial No. of Present Engine:	_____	_____
Serial No. of Delivered Engine:	_____	_____
Current Location of Delivered Engine:	_____	_____
Flight Hours Since New :	_____	_____
Cycles Since New:	_____	_____
Flight Hours for Period:	_____	_____
Cycles for Period:	_____	_____

The following sections need be reported only if one of the following events has taken place during the foregoing Period:

- (A) D-Check or equivalent - Complete Section 3
- (B) C-Check or equivalent - Complete Section 3
- (C) Engine Change or Shop Visit - Complete Section 4

3. MAJOR CHECK REPORT

Date of Check: _____ Total Hours: _____ Total Cycles: _____

Location: _____ Agent: _____ Downtime: _____ Days

Type of Check: _____

MODS / ADs / SBs Accomplished During Check: _____

Next Check Due In: _____ Hours / Months / Years

Estimated Date: _____

4. ENGINE REMOVAL AND SHOP VISIT REPORT

For Removed Engine: _____

Serial Number: _____ Date of Removal: _____

Position: _____ Airframe Total Hours at Removal: _____

Engine Total Hours: _____ Airframe Total Cycles at Removal: _____

Engine Total Cycles: _____

Reason for Removal: _____

Repair Agent: _____ Location: _____

Intended Workscope: _____

MODS / ADs / SBs to be Accomplished: _____

Or Installed Engine: _____

Serial Number: _____ Time Since Last Shop Visit: _____

Position: _____ Last Shop Visit Description: _____

Engine Total Hours: _____ Next Limiter: _____

Engine Total Cycles: _____ Time to Next Limiter: _____

FIRST SECURITY BANK,
NATIONAL ASSOCIATION
79 SOUTH MAIN STREET
SALT LAKE CITY, UTAH 84111

As of November 6, 1998

Compania Panamena de Aviacion, S.A. (COPA)
Avenida Justo Arosemena y Calle 39
Panama 1, Republic of Panama

Re: Letter Agreement Amending Lease (MSN 29047)

Ladies and Gentlemen:

Reference is hereby made to (i) that certain Aircraft Lease Agreement (MSN 29047) ("Lease"), dated as of October 1, 1998 between Compania Panamena de Aviacion, S.A. (COPA), as Lessee (this and all other capitalized terms used but not defined herein shall have the respective meanings set forth in the Lease), and First Security Bank, National Association, not in its individual capacity, but solely as Owner Trustee, as Lessor, and (ii) that certain Side Letter Agreement Involving Aircraft Modification (MSN 29047), dated October 10, 1998 between Beneficiary and Lessee ("Side Letter").

Pursuant to the terms of the Lease and the commitments set forth in the Side Letter, the parties hereto hereby acknowledge and agree to the following terms regarding modifications to the Aircraft:

1. Part 4 of Schedule 1 of the Lease is hereby amended by adding the following three post-production modifications:
 - a. Category IIIa Certification (Boeing Paper)
 - b. Optical QAR
 - c. ACARS with Printer.
2. The costs of the modifications to the Aircraft described in Parts 3 and 4 of Schedule 1 of the Lease (as amended above) in excess of the Modification Limit shall be allocated between the Lessor and Lessee as follows:
 - a. Lessor shall pay for the first \$**Material Redacted** of such excess costs;
 - b. At the election of Lessee, which election must be made prior to the Delivery Date, the next \$**Material Redacted** of such excess costs shall

be paid either by Lessor or by Lessee, provided that (i) if Lessor pays for such costs, the Rent for each Rental Period shall be increased by one percent (1%) of the aggregate amount of such costs paid by Lessor, (ii) if Lessee pays for such costs, Lessee must make such payment prior to Delivery, and (iii) if any of such costs paid for by the Lessee arise from the purchase of any of the following five items of Equipment, Lessee may remove and retain such Equipment upon Redelivery in the manner provided for in the Lease, provided that Lessee must select such Equipment in the following order of priority:

- (1) Optical QAR
- (2) ACARS with Printer
- (3) 2nd FMC
- (4) Dual H.F. (Collins)
- (5) 3rd VHF Comm (Collins); and

c. Lessor and Beneficiary shall not be liable for paying any modification costs in excess of the amounts described in clauses "a" and "b" above.

This letter agreement (i) shall constitute an amendment to the Lease, (ii) shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto, (iii) constitutes the entire agreement between the parties concerning the subject matter hereof, and supersedes all previous proposals, agreements, understandings, negotiations and other written and oral communications in relation thereto, including, but not limited to, the Side Letter, and (iv) may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same letter agreement.

Very truly yours,

FIRST SECURITY BANK, NATIONAL
ASSOCIATION, not in its individual
capacity but solely as Owner Trustee

AIRCRAFT LEASE AMENDMENT AGREEMENT

(MSN 29047)

DATED AS OF

MAY 21, 2003

BETWEEN

WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION,

AS

LESSOR

AND

COMPANIA PANAMENA DE AVIACION, S.A. (COPA)

AS

LESSEE

IN RESPECT OF

ONE BOEING MODEL 737-71Q AIRCRAFT

MANUFACTURER'S SERIAL NUMBER 29047

AIRCRAFT LEASE AMENDMENT AGREEMENT

(MSN 29047)

This Aircraft Lease Amendment Agreement (MSN 29047) is made as of the 21 day of May, 2003 between:

(1) WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION (formerly known as First Security Bank, National Association) a national banking association whose principal place of business is 299 South Main Street, Salt Lake City, Utah 84111, not in its individual capacity, except as otherwise expressly provided herein, but solely as Owner Trustee ("Lessor"); and

(2) COMPANIA PANAMENA DE AVIACION, S.A. (COPA), a company incorporated under the laws of the Republic of Panama whose registered office is at Avenida Justo Arosemena y Calle 39, Panama 1, Republic of Panama ("Lessee");

WHEREAS, Lessor wishes to amend the terms of the Aircraft Lease Agreement dated as of 1 October 1998 (as amended, the "LEASE") in respect of one Boeing model B737-71Q aircraft msn 29047 and Panamanian Registration HP-1369 CMP (the "AIRCRAFT") as set out herein

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Section 1.1 of the Lease is amended by adding the following definition thereto:

"Amendment Agreement that certain Aircraft Lease Amendment Agreement dated as of May __, 2003 by and between Lessor and Lessee. From and after the date hereof, the term "Lease" shall be deemed to mean the Lease as amended by the Amendment Agreement."

1.2 Capitalised terms used herein shall, unless otherwise indicated, bear the same meanings ascribed thereto pursuant to the Lease. The provisions of Clause 1.2 of the Lease apply as if set out herein, mutatis mutandis.

2. REPRESENTATIONS AND WARRANTIES

The Lessee hereby repeats the representations and warranties contained in Clause 2.1 of the Lease as if made with reference to facts and circumstances existing as of the date of this Amendment Agreement. For avoidance of doubt, the reference to Lessee's "Accounts" set forth in Clause 2.1(13) (Material Adverse Change) shall be deemed to

refer to the accounts most recently provided by Lessee to Lessor prior to the date of this Amendment Agreement.

3. AMENDMENTS TO LEASE

3.1. TERM: Clause 4.2 of the Lease is hereby amended by adding the words "and Term" to the word "Commencement" in the heading; and by adding a new paragraph to the end thereof as follows:

"Provided that the Aircraft has not been earlier redelivered in accordance with this Agreement, this Agreement has not earlier been terminated in accordance with its terms, or Lessor has not earlier received the Agreed Value following an Event of Loss, the Term shall, unless the parties otherwise agree, be automatically extended for successive periods of one year (each an "Extension Term") up to a maximum term ending April 21, 2009 (but subject to an additional extension of one year, at Lessee's choice, commencing April 22, 2009 and ending April 21, 2010, provided that no Event of Default shall have occurred and be continuing at the time of such election and as of April 21, 2009 and that Lessee shall have given Lessor written notice (which, once given, shall be irrevocable) of its election to so extend the Term not less than 12 months prior to April 21, 2009) and the definition of "Expiry Date" set forth in Section 1.1 of the Lease shall be construed accordingly".

3.2 RENT: With effect from May 1, 2003, the definition of "Rent" set forth in Annex A to the Lease is amended by deleting paragraphs (1) and (2) thereof in their entirety and substituting the following:

"(1) For the period commencing on May 1, 2003 and throughout each yearly Extension Term up to and until April 21, 2009, ****Material Redacted**** per Rental Period;

(2) Should Lessee elect to extend the Lease from April 22, 2009 until April 21, 2010 as set forth in Clause 4.2 of the Lease (as amended by Clause 3.1 of the Aircraft Amendment Agreement), each installment of Rent in respect of each Rental Period shall be calculated on the basis of an assumed rent of ****Material Redacted**** per month (the "Assumed Rent"). The Assumed Rent is calculated on the assumption that the "Applicable LIBOR" (being 12-month The Bank of Tokyo-Mitsubishi, Ltd. LIBOR as quoted to Lessor two banking days prior to April 22, 2009) is ****Material Redacted****% per annum. To the extent that the Applicable LIBOR is higher or lower than ****Material Redacted****% per annum, the

Assumed Rent shall be increased (in the case where the Applicable LIBOR is higher than **Material Redacted**% per annum) or reduced (in the case where the Applicable LIBOR is lower than **Material Redacted**% per annum) by \$**Material Redacted** for each **Material Redacted**% difference between Applicable LIBOR and **Material Redacted**% per annum (and pro rata for fractions of a per cent) to determine the Rent payable by the Lessee on the Rent Dates for each Rental Period occurring on or after April 22, 2009."

- 3.3. BLENDED WINGLETS: Schedule 4 to the Lease is hereby amended by adding the following as paragraph 1.7 thereof:

"Lessor and Lessee agree to the installation of the blended winglets on the Aircraft during any period where it can be reasonably scheduled prior to Redelivery without affecting the commercial program of the Aircraft. Lessor and Lessee shall compare the cost of material and installation available to each of Lessor and Lessee under their respective agreements (collectively, the "APB ARRANGEMENTS") with Aviation Partners Boeing ("APB") and the procurement and installation of the winglets shall be made under and pursuant to the less expensive of the two APB arrangements. Lessor shall either pay to APB the full cost of labor and equipment or reimburse Lessee for same upon presentation to Lessor of the actual invoice. The blended winglets shall remain on the Aircraft at Redelivery."

- 3.4. ENGINE DERATE: Notwithstanding any other provision of the Lease, Lessor consents to Lessee's decreasing the Engine take-off thrust rating from 24,000lbs. to 22,000lbs. after installation of the blended winglets subject to receipt by Lessor of prior written confirmation (in form and substance satisfactory to Lessor acting reasonably) from the Engine Manufacturer that returning the Engine take-off thrust rating to 24,000lbs. will not result in any cost and, further, the parties agree that Schedule 4 to the Lease is hereby amended by adding the following as paragraph 3.6 thereof:

"The take-off thrust rating of the Engines shall be not less than 24,000lbs at Redelivery".

- 3.5. LETTERS OF CREDIT: Clause 5.1.10 of the Lease is hereby amended by deleting both references therein to "10 days" and by substituting therefor references to "thirty (30) days." Lessor and Lessee agree to attempt in good faith to consolidate the Deposit Letter of Credit and the Supplemental Letter of Credit on terms acceptable to both parties

- 3.6. MAINTENANCE PAYMENT: Clause 5.3.2(1) of the Lease is hereby amended by deleting the words "during the first 54 months of the Term" and substituting therefor the words "during the 24 month period immediately preceding the date falling six months prior to expiry of the Term".
- 3.7 AGREED VALUE: Annex A to the Lease is hereby amended by deleting the reference in the definition of "Agreed Value" to "\$**Material Redacted**" and substituting therefor: "\$**Material Redacted** to be decreased by \$**Material Redacted** upon each annual renewal of Lessee's fleet policies during the remainder of the Term".

4. OTHER AGREEMENT

- 4.1. AIRCRAFT SYSTEM MODIFICATIONS: Lessor and Lessee will separately negotiate in good faith to agree to incorporate (such incorporation to be completed on or before April 1, 2004) certain system upgrades (based on a mutually agreed upon listing of "approved system upgrades") on the Aircraft, and Lessor shall pay up to an aggregate cap of US \$**Material Redacted** for such upgrades. Lessor and Lessee agree to amend the Lease being at that time to reflect any such agreement as to incorporation of system upgrades and to reflect a corresponding increased adjustment to the Rent with effect from completion of such incorporation by **Material Redacted**% per month times the total modification costs for such incorporation. For the avoidance of doubt, nothing in this Clause 4.1 shall constitute an amendment to the Lease. For the avoidance of doubt, the cap referenced above and the rent adjustment factor detailed above do not pertain to cost of installation of the blended winglets referenced in Clause 3.3 above.
- 4.2. ENGINE MAINTENANCE: Lessee will discuss with a qualified engine maintenance services provider acceptable to Lessor acting reasonably for such provider to cover the maintenance of the Engines of the Aircraft ("ENGINES") pursuant to an agreement between such provider and Lessee which shall be in form and substance satisfactory to Lessor (in the reasonable opinion of Lessor). Lessor and Lessee agree to amend the Lease, as may be required to reflect any agreement between them in respect of maintenance of the Engines, which may deviate from the provisions concerning maintenance of the Engines currently set forth in the Lease. For the avoidance of doubt, nothing in this Clause 4.2 shall constitute an amendment to the Lease.

5. MISCELLANEOUS

- 5.1. GOVERNING LAW: This Agreement shall in all respects be governed by, and construed in accordance with, the internal laws of the State of New York, inclusive of all matters of construction, validity and performance.
- 5.2. REGISTRATION: Lessee at its expense shall cause this Agreement to be duly filed with the Civil Aeronautics Authority and to be recorded at the Office of the Public Registry of Panama. This Agreement has been negotiated, executed and delivered in English. In case of any conflict or discrepancy between the executed English version of this Agreement and any Spanish translation thereof or any extract thereof recorded at the Public Registry of Panama or any other governmental office, the English version of this Agreement shall prevail.
- 5.3. OTHER: The provisions of Clauses 17.12.2, 17.12.3, 17.12.4, 17.15. 17.16, 17.17 and 17.18 of the Lease shall apply to this Amendment Agreement as if set out herein and as if references therein to "this Agreement" were to this Amendment Agreement. Save as amended hereby, the provisions of the Lease remain in full force and effect without modification. All references in the Lease to "this Agreement" shall be construed as including reference to this Amendment Agreement.

AIRCRAFT LEASE AGREEMENT
(MSN 29048)

DATED AS OF

OCTOBER 1, 1998

BETWEEN

FIRST SECURITY BANK, NATIONAL ASSOCIATION,

AS

LESSOR

AND

COMPANIA PANAMENA DE AVIACION, S.A. (COPA)

AS

LESSEE

IN RESPECT OF

ONE BOEING MODEL 737-71Q AIRCRAFT

MANUFACTURER'S SERIAL NUMBER 29048

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AIRCRAFT LEASE AGREEMENT
(MSN 29048)

This Aircraft Lease Agreement (MSN 29048) is made as of the 1st day of October, 1998 between:

- (1) FIRST SECURITY BANK, NATIONAL ASSOCIATION, not in its individual capacity, except as otherwise expressly provided herein, but solely as Owner Trustee, a national banking association whose principal place of business is 79 South Main Street, Salt Lake City, Utah 84111 ("Lessor"); and
- (2) COMPANIA PANAMENA DE AVIACION, S.A. (COPA), a company incorporated under the laws of Panama whose registered office is at Avenida Justo Arosemena y Calle 39, Panama 1, Republic of Panama ("Lessee");

WHEREAS, Lessor wishes to lease to Lessee and Lessee is willing to lease from Lessor the Aircraft subject to the terms and conditions of this Agreement upon completion of the manufacture of the Aircraft by The Boeing Company;

IT IS AGREED as follows:

1. INTERPRETATION

1.1 DEFINITIONS

In this Agreement the following expressions have the following meanings:

AFFILIATE	With respect to a specified person, 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," "controlling" and "controlled" 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 securities having ordinary voting power for the election of directors, by contract or otherwise.
AGREED MAINTENANCE PERFORMER	Lessee, Continental Airlines, Inc., a maintenance performer approved from time to time by Continental Airlines, Inc. for its own aircraft, or any other person agreed to from time to time in writing by Lessor, such agreement not to be unreasonably withheld.
AGREED MAINTENANCE PROGRAM	The continuous airworthiness Boeing Model 737-700 maintenance program, which shall be

substantially the same as that used by Continental Airlines, Inc. for its own Boeing Model 737-700 aircraft and which shall be approved by the FAA and the Air Authority for use by Lessee, encompassing scheduled maintenance, condition monitored maintenance, and/or on-condition maintenance of Airframe, Engines and Parts, including but not limited to servicing, testing, preventative maintenance, repairs, structural inspections, system checks, overhauls, corrosion control, inspections and treatments.

AGREED VALUE As defined in Annex A.

AGREEMENT This Aircraft Lease Agreement (MSN 29048), including all annexes, schedules and exhibits hereto, as modified, supplemented and amended from time to time.

AIR AUTHORITY During that portion of the Term extending from the Delivery Date to the Deregistration Date, the FAA or any successor thereof, and during that portion of the Term extending from the Deregistration Date to the Redelivery Date, the Directorate of Civil Aeronautics of the Republic of Panama or any successor thereof.

AIRCRAFT The aircraft described in Part 1 of Schedule 1, which includes the Airframe, the Engines, and (unless the context does not permit) the Documents and Records, as it may be modified pursuant to the terms of Clause 4.6.

AIRFRAME The Aircraft including Parts, modules, APU, appliances, components, equipment and furnishings, but excluding the Engines and Documents and Records.

APU The auxiliary power unit installed on the Aircraft on the Delivery Date and any replacement auxiliary power unit installed in accordance with this Agreement.

BASELINE SPECIFICATION The Baseline Specification referred to in Part 1 of Schedule 1.

BENEFICIARY Tombo Aviation Inc., a Delaware corporation.

BUSINESS DAY	A day (other than a Saturday or Sunday) on which banks are open for business in New York, New York, and, in respect of payments to be made by Lessee hereunder, Panama.
CASH DEPOSIT	As defined in Annex A.
C-CHECK	Scheduled Airframe systems and structural checks described as a "C" Check in the Agreed Maintenance Program.
COPA HOLDINGS	COPA Holdings S.A.
CYCLE	(i) In relation to the Airframe, one take-off and landing of the Aircraft, and (ii) in relation to each Engine, the APU and the Landing Gear, one take-off and landing of the airframe (including the Airframe) on which such Engine, APU or Landing Gear, as the case may be, is from time to time installed.
DAMAGE NOTIFICATION THRESHOLD	As defined in Annex A.
D-CHECK	Those items of maintenance characterized by the Agreed Maintenance Program as a D-Check.
DEFAULT	Any Event of Default and any event which with the giving of notice, lapse of time, or fulfillment of any other applicable condition or any combination of the foregoing would constitute an Event of Default.
DELIVERY DATE	The date on which the Aircraft is tendered for delivery by Lessor to Lessee in accordance with this Agreement.
DELIVERY LOCATION	Manufacturer's facility in Seattle, Washington, USA or such other airport or location as agreed upon by Lessor and Lessee.
DEPOSIT LETTER OF CREDIT	The letter of credit in respect of the deposit referred to in Clause 5.1 and issued pursuant to Clause 5.1, and any replacement or renewal of such letter of credit issued in accordance with the terms of this Agreement.
DEPOSIT LETTER OF CREDIT DELIVERY AMOUNT	As defined in Annex A.

DEPOSIT LETTER OF CREDIT
EXECUTION AMOUNT

As defined in Annex A.

DEREGISTRATION DATE

The date the FAA deregisters the Aircraft upon the request of Lessor following satisfaction of the conditions precedent set forth in Clause 3.3.

DEREGISTRATION POWER OF
ATTORNEY

The deregistration power of attorney given by Lessee to Lessor in form and substance reasonably satisfactory to Lessor.

DOCUMENTS

(i) The Aircraft, Engine, and Part manuals, certificates, and other documentation listed in Part 5 of Schedule 1 to this Agreement; (ii) other manuals (including without limitation, operations, maintenance, repair, overhaul or parts manuals), data, drawings or other documents that are required to be maintained during the Term under the terms of this Agreement or by the Air Authority, and those that are provided to Lessee with respect to the Aircraft, and (iii) any revisions, additions, renewals, or replacements from time to time made by Manufacturer and/or Lessee in accordance with this Agreement and to comply with applicable laws and documentary requirements of the FAA under FAR Part 129 or FAR Part 145, as the case may be.

DOLLARS AND \$

The lawful currency of the USA.

ENGINE

Whether or not installed on the Aircraft,

- (1) each engine of the manufacture and model specified in Part 1 of Schedule 1 installed on the Aircraft on the Delivery Date, such engines being described as to serial numbers on the certificate of acceptance to be executed by Lessee upon delivery of the Aircraft; or
- (2) any engine which has replaced such Engine, having clear and unencumbered title which has, or should have, passed to Lessor in accordance with this Agreement;

and in each case including all modules and Parts from time to time belonging to or installed in an Engine, but excluding any properly replaced engine, title to which has, or should have, passed from Lessor pursuant to this Agreement.

ENGINE MANUFACTURER	CFM International, Inc.
EQUIPMENT CHANGE	Any modification or addition to the Aircraft, excluding structural changes.
EVENT OF DEFAULT	An event specified in Clause 13.1.
EVENT OF LOSS	With respect to the Aircraft, the Airframe or any Engine: (1) the actual or constructive total loss of the Aircraft, the Airframe or Engine (including any damage to the Aircraft, the Airframe or Engine which results in an insurance settlement on the basis of a total loss, or requisition for use or hire which results in an insurance settlement on the basis of a total loss); or (2) it being destroyed, damaged beyond economic repair or permanently rendered unfit for normal use for any reason whatsoever; or (3) the requisition of title, or other compulsory acquisition, capture, seizure, deprivation, confiscation or detention for any reason of the Aircraft, the Airframe or Engine by any Government Entity (whether de jure or de facto), but excluding the events described in clause (4) below; or (4) the hi-jacking, theft, condemnation, confiscation, seizure or requisition for use or hire of the Aircraft, the Airframe or Engine which deprives any person permitted by this Agreement to have possession and/or use of the Aircraft, the Airframe or Engine of its possession and/or use for more than 120 days or

such shorter period within which insurers consider an event of loss has taken place as a result of those events.

EXCUSABLE DELAY

With respect to the delivery of the Aircraft from Lessor to Lessee, delay or non-performance due to or arising out of any delay or failure in delivery of the Aircraft by the Manufacturer for any reason whatsoever (other than as a result of any act or omission of Lessor or any Person claiming by, through or under Lessor that is not permitted or otherwise anticipated by the terms of this Agreement); or any natural disaster, civil war, insurrection or riot, fire, flood, explosion, earthquake, accident, epidemic, quarantine restriction, nuclear or radioactive contamination, any act of government, governmental priority, allocation, regulation or order affecting directly or indirectly, the Aircraft, any manufacturer, any maintenance performer or Lessor or any materials or facilities, strike or labor dispute causing cessation, slowdown or interruption of work; inability to procure equipment, data or materials from manufacturers or suppliers in a timely manner; damage, destruction, loss or the necessity for service or repair; or any other cause to the extent that such cause is beyond the reasonable control of Lessor whether above mentioned or not and whether or not similar to the foregoing.

EXPIRY DATE

Subject to Clause 4.6, the day falling sixty (60) months plus fourteen (14) days after the Delivery Date or such earlier date on which:

- (1) the Aircraft has been redelivered in accordance with this Agreement;
- (2) this Agreement has been terminated in accordance with its terms; or
- (3) Lessor receives the Agreed Value following an Event of Loss.

FAA

The Federal Aviation Administration of the USA and any successor thereof.

FAR	The USA Federal Aviation Regulations.
FINAL INSPECTION	The series of inspections to be conducted by Lessor or Lessor's representative during the course of the Redelivery Check and up to Redelivery of the Aircraft.
FINANCIAL INDEBTEDNESS	As defined in Annex A.
FLIGHT HOUR	(i) In relation to the Airframe, each hour or part thereof (rounded to two decimal places) elapsing from the moment the wheels of the Aircraft leave the ground on take off until the wheels of the Aircraft next touch the ground, and (ii) in relation to each Engine, the APU and the Landing Gear, each hour or part thereof (rounded to two decimal places) elapsing from the moment the wheels of the airframe (including the Airframe) on which such Engine, APU or Landing Gear, as the case may be, is from time to time installed leave the ground on take off until the wheels of such airframe next touch the ground.
FSB	First Security Bank, National Association, not in its capacity as Owner Trustee, but in its individual capacity.
GOVERNING LAW	The laws of the State of New York, USA.
GOVERNMENT ENTITY	(1) any national government, political subdivision thereof, or local jurisdiction therein; (2) any instrumentality, board, commission, court, or agency of any thereof, however constituted; and (3) any association, organization, or institution of which any of the above is a member or to whose jurisdiction any thereof is subject to or in whose activities any of the above is a participant.
HABITUAL BASE	Panama City, Republic of Panama.

INDEMNITEES Lessor and Beneficiary, including any of their respective successors and assigns, and any shareholders, Affiliates, directors, officers, servants, agents, representatives and employees thereof, and the Manufacturer.

INSURANCE DEDUCTIBLE AMOUNT As defined in Annex A.

INSURANCES The insurances in respect of the Aircraft as further described in Clause 9.1.

JURISDICTION OF INCORPORATION Republic of Panama.

JURISDICTION OF REGISTRATION During that portion of the Term extending from the Delivery Date to the Deregistration Date, the USA, and during that portion of the Term extending from the Deregistration Date to the Redelivery Date, the Republic of Panama.

LANDING GEAR The nose and main landing gear assemblies of the Aircraft, excluding any rotatable components such as wheels, tires and brakes, and consumable items.

LESSEE DOCUMENTS This Agreement, the Lessee Assignment, any other agreement or document signed by Lessee, relating to this Agreement and delivered on the Delivery Date, and any other agreement or document which Lessor and Lessee agree in writing to be a Lessee Document.

LESSOR LIEN (1) Any Lien whatsoever from time to time existing created by Lessor, Beneficiary or any Person claiming by, through or under Lessor or Beneficiary in connection with the financing or refinancing of the Aircraft;

(2) Any Lien which results from the acts of, omissions of or claims against Lessor, Beneficiary, or any Person claiming by, through or under Lessor or Beneficiary not related to the transactions contemplated by or permitted under this Agreement, including, without limitation, post-delivery modifications performed on the Aircraft;

- (3) Any Lien for or in respect of Lessor Taxes; or
- (4) Any Lien arising as a result of or in connection with any voluntary or involuntary sale, assignment, transfer, conveyance or other disposition (collectively, a "Transfer") by the Lessor, the Beneficiary, any transferee of the Lessor or the Beneficiary or any successor or assign of the Lessor or Beneficiary of the Aircraft, this Agreement or any part of their respective right, title and interest in or to the Aircraft or this Agreement.

LESSOR TAXES

- (1) Taxes imposed by any federal, state, local Government Entity, any subdivision or department thereof or therein or any international or other taxing authority whether of the United States or any other country or political subdivision thereof (each a "Taxing Authority") against Lessor or Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary or all or any part of the Aircraft unrelated to (A) the licensing, location, installation, acceptance, delivery, registration, recordation of title, possession, repossession, control, operation, use, maintenance, repair, replacement, return, abandonment, storage, redelivery, leasing, subleasing, modification, importing or exporting of the Aircraft or any part thereof, (B) the rentals, receipts or earnings from any transactions contemplated by this Agreement, or (C) any other amount paid or payable pursuant to this Agreement or any document related thereto;
- (2) Taxes (i) that are based upon, measured by or with respect to the gross or net income, capital, gains, profits, net worth, franchise or conduct of business

of Lessor or Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary (including, without limitation, minimum taxes or alternative minimum taxes), other than Taxes in the nature of sales, use, rental, license, VAT, ad valorem or property Taxes, ("Income Taxes") and (ii) that are imposed on Lessor, Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary by (A) the United States federal government, (B) in the case of Lessor or any Person lawfully claiming by, through or under Lessor, the state and local taxing jurisdictions and authorities in the United States in which the Lessor maintains its principal office or principal place of business, (C) in the case of Beneficiary or any Person lawfully claiming by, through or under Beneficiary, the state and local taxing jurisdictions and authorities in the United States in which Beneficiary maintains its principal office or principal place of business, (D) any other state or local taxing jurisdiction or authority in the United States in which Lessor or Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary, as the case may be, would be subject to Income Tax without regard to the transactions contemplated by this Agreement, and (E) any foreign government or any political subdivision or taxing authority thereof, any territory or possession of the United States, or any international authority in which Lessor or Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary, as the case may be, would be subject to Income Tax without regard to the transactions contemplated by this Agreement;

- (3) Taxes imposed on Lessor or Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary to the extent imposed as a result of (i) the willful misconduct or gross negligence of Lessor or Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary, (ii) any breach by Lessor, Beneficiary or any person claiming by or through Lessor or Beneficiary of any representations, warranties, covenants or obligations contained in this Agreement or any other document or instrument delivered under or in connection with this Agreement or the transactions contemplated herein, (including, without limitation, any breach by Lessor, Beneficiary or other person claiming by or through Lessor or Beneficiary of any covenant of quiet enjoyment set forth herein or in any document or instrument delivered pursuant to or in connection with this Agreement);
- (4) Taxes imposed on Lessor or Beneficiary or any Person lawfully claiming by, through or under Lessor or Beneficiary as a result of a sale, assignment, transfer or other disposition, whether voluntary or involuntary, (each a "Transfer"), by Lessor or Beneficiary or any other Person other than Lessee, of the Aircraft or any legal or beneficial interest in the Aircraft, this Agreement or any portion hereof or thereof; provided however, that such Transfer does not result from the exercise of any remedy provided for in this Agreement or at law during the continuance of an Event of Default, in connection with the termination of this Agreement or otherwise in connection with this Agreement; and
- (5) Taxes imposed on Lessor or Beneficiary or any Person lawfully claiming by,

through or under Lessor or Beneficiary with respect to any period commencing or event occurring (i) prior to the Delivery of the Aircraft, (ii) after the Redelivery of the Aircraft in conformity with the applicable provisions of this Agreement and (iii) at any time during which Lessee shall have been deprived of the use or possession of the Aircraft as a result of a breach by Lessor or any Person claiming by, through or under Lessor of Lessee's rights of quiet and peaceful use and possession of the Aircraft as set forth in Clause 7.1 hereof or in any other instrument or document delivered in connection with this Agreement or the transactions contemplated herein.

LETTER(S) OF CREDIT

The Deposit Letter of Credit, the Supplemental Rent Letter of Credit, or both, as the case may be.

LIBOR

The offered rate appearing on page 3750 of the Telerate screen (or any replacement page) which displays the British Bankers Association Interest Settlement Rates for deposits in Dollars at or about 11:00 a.m. (London time) for the required period for value on the due date, or the preceding Business Day if such due date is not a Business Day.

LIEN

Any mortgage, pledge, lien, charge, claim, encumbrance, hypothecation, assignment, right of set-off, agreement, arrangement, lease or security interest affecting the title to or any interest in property.

LIFE LIMITED PART

A part or component on the Aircraft having a life limit identified in either the Aircraft's FAA Type Certificate, applicable manufacturers' documents and manuals, or by Airworthiness Directive, alternatively referred to as "LLP."

MAJOR CHECKS

Any C-Check, multiple C-Check or D-check or equivalent heavy maintenance visit or segment

thereof as set out in the Agreed Maintenance Program.

MANUFACTURER The Boeing Company.

MINIMUM LIABILITY COVERAGE As defined in Annex A.

MODIFICATION LIMIT As defined in Annex A.

NEW OPERATOR CREDIT As defined in Annex A.

OWNER TRUSTEE First Security Bank, National Association, not in its individual capacity, except as expressly provided herein, but solely as owner trustee under the Trust Agreement.

OWNER TRUSTEE DOCUMENTS This Agreement, the Trust Agreement and the Purchase Agreement Assignment.

PART Whether or not installed on the Aircraft:

- (1) any appliance, component, furnishing or equipment (other than a complete Engine) furnished with the Aircraft on the Delivery Date; and
- (2) any other appliance, component, furnishing or equipment (other than a complete Engine) title to which has, or should have, passed to Lessor pursuant to this Agreement;

but excluding any such items title to which has, or should have, passed from Lessor pursuant to this Agreement.

PAYMENT ACCOUNT As defined in Annex A.

PERMITTED LIEN

- (1) The rights of Lessor and Lessee provided in this Agreement;
- (2) any Lessor Lien;
- (3) any lien for Taxes of Lessee not yet assessed or, if assessed, not yet due and payable, or being contested in good faith by appropriate proceedings and not material in the aggregate; and

- (4) any lien of a repairer, mechanic, carrier, hangar keeper, airport, air navigation authority or other similar lien arising in the ordinary course of business or by operation of law in respect of obligations of Lessee or any permitted sublessee which are not overdue or are being contested in good faith by appropriate proceedings;

but only if, in the case of both (3) and (4), (a) adequate reserves have been provided by Lessee for the payment of such Taxes or obligations; and (b) such proceedings, or the continued existence of the lien, do not give rise to any material risk of the sale, forfeiture or other loss of the Aircraft or any interest therein or of criminal liability on the part of Lessor.

PERSON OR PERSON

Any individual, firm, partnership, joint venture, trust, trustee, Government Entity, organization, association, corporation, government agencies, committees, departments, authorities and other bodies, corporate or incorporate, whether having distinct legal status or not, or any number of any of the foregoing.

PURCHASE AGREEMENT

Purchase Agreement No. 1906, dated May 2, 1996, between Manufacturer and Beneficiary, pursuant to which Manufacturer has agreed to sell and Beneficiary has agreed to purchase the Aircraft.

PURCHASE AGREEMENT ASSIGNMENT

That certain Purchase Agreement Assignment (MSN 29048), dated as of October 1, 1998, between Beneficiary and Lessor.

RECORDS

- (1) the Aircraft, Engine, APU, Landing Gear and Part records, reports, and other documentation listed in Part 6 of Schedule 1 to this Agreement;
- (2) records relating to the service, inspection, maintenance, modification, testing, overhaul and repair of the Aircraft and all Parts installed therein or thereon that are required to be

maintained during the Term under the terms of this Agreement, by the Air Authority, by the Agreed Maintenance Program, or those that are provided to Lessee or otherwise maintained during the Term with respect to the Aircraft (including, without limitation, the Airframe, any Engine, the APU and Parts), other than replaced or superseded records that are permitted to be disposed of by the FAA; and

- (3) daily or periodic updates, as the case may be, to comply with applicable law and with record keeping requirements of the FAA for FAR Part 129 operation or FAR Part 145 operation, as the case may be.

REDELIVERY The return of the Aircraft with all associated Documents and Records from Lessee to Lessor at the Redelivery Location, in the condition and manner required by Clause 12 and the other provisions of this Agreement.

REDELIVERY CHECK The final exit full block "C" check, as defined in Appendix J of Manufacturer's Maintenance Planning Document, performed on the Aircraft prior to Redelivery in accordance with Clause 2.1 of Schedule 4.

REDELIVERY DATE The date on which Lessor has accepted Redelivery of the Aircraft evidenced by executing an acknowledgment of Redelivery in accordance with Clause 12.3.

REDELIVERY LOCATION An airport in the continental USA identified by Lessor or other location mutually agreed between Lessor and Lessee.

RENT As defined in Annex A.

RENTAL PERIOD Each period ascertained in accordance with Clause 5.2.2.

RENT DATE The first day of each Rental Period, except in the case of the first Rental Period, the fifteenth (15th) day of such Rental Period.

SCHEDULED DELIVERY DATE The date within the Scheduled Delivery Month as advised by Lessor from time to time in accordance with Clause 4.

SCHEDULED DELIVERY MONTH March, 1999.

SHOP VISIT In relation to Engines and APU, an engine or APU removal where engine maintenance entails separation of mating engine case flanges and/or the removal of engine modules, requiring internal repairs or the replacements of a disk, hub or spool.

SISTER LEASE Any aircraft lease agreement between (i) Lessor, Beneficiary, any Affiliate of Beneficiary, or any trust in which Beneficiary or any Affiliate of Beneficiary is the beneficiary under such trust, and (ii) Lessee for an aircraft, including the Aircraft Lease Agreement (MSN 29047) between Lessor and Lessee dated as of the date hereof in respect of a Boeing Model 737-71Q aircraft bearing Manufacturer's serial number 29047.

SUBSIDIARY (1) In relation to any reference to accounts, any company whose accounts are consolidated with the accounts of Lessee in accordance with Panamanian generally accepted accounting principles; and

 (2) for any other purpose an entity from time to time:

 (a) of which another has direct or indirect control or owns directly or indirectly more than fifty per cent (50%) of the voting share capital; or

 (b) which is a direct or indirect subsidiary of another under the laws of the jurisdiction of its incorporation.

SUPPLEMENTAL RENT All amounts payable under Clause 5.3.

SUPPLEMENTAL RENT LETTER OF CREDIT	The letter of credit in respect of Supplemental Rent issued pursuant to Clause 5.1, and any replacement or renewal of such letter of credit issued in accordance with the terms of this Agreement.
SUPPLEMENTAL RENT LETTER OF CREDIT AMOUNTS	As defined in Annex A.
TAX OR TAXES	All taxes, fees, duties, governmental charges and assessments, of any nature whatsoever, including interest, fines additions to tax, and penalties thereon, imposed by any taxing authority with respect to the Aircraft, on its ownership, delivery, possession, transportation, operation, rental, return to Lessor, transfer of title, registration, or otherwise with respect to or in connection with the transactions contemplated by this Agreement, including, but not limited to, any value-added taxes, sales and use taxes, property taxes and all license and registration fees; provided, however, that "Taxes" shall not include Lessor Taxes.
TERM	The period commencing on the Delivery Date and ending on the Expiry Date unless otherwise hereinafter provided.
TRUST AGREEMENT	That certain Trust Agreement (MSN 29048), dated as of October 1, 1998, between First Security Bank, National Association, and Beneficiary.
USA	United States of America.

1.2 CONSTRUCTION

1.2.1 In this Agreement, unless the contrary intention is stated, a reference to:

- (1) each of "Lessor" or "Lessee" or any other person includes, without prejudice to the provisions of this Agreement, any successor in title to it or, as the case may be, them and any permitted assignee or transferee;
- (2) a "person" includes, without limitation, any individual, corporation, company limited liability company, judicial entity, statutory body, partnership, joint venture, trust, estate, unincorporated association,

group or organization or any political sub-division, court, regulatory body, authority, ministry, bureau, legislative body, department or agency therein or thereof (including, without limitation, the central bank or any taxing or fiscal or other monetary authority or ministry thereof or therein);

- (3) words importing the plural shall include the singular and vice versa;
- (4) any document shall include that document as amended, novated or supplemented;
- (5) a law (a) includes any statute, decree, constitution, regulation, order, judgment or directive of any Government Entity; (b) includes any treaty, pact, compact or other agreement to which any Government Entity is a signatory or party; (c) includes any judicial or administrative interpretation or application thereof; and (d) is a reference to that provision as amended, substituted or re-enacted; and
- (6) a Clause or a Schedule is a reference to a clause of or a schedule to this Agreement.

1.2.2 The headings in this Agreement are to be ignored in construing this Agreement.

1.2.3 In this Agreement references to the "winding up", "dissolution", "examination" or "court protection" of a company or corporation, or the appointment of a "liquidator", "receiver", "examiner" or "administrator" shall be construed so as to include any equivalent or analogous proceedings or officer under the law of the jurisdiction in which such company or corporation is incorporated or established or any jurisdiction in which such company or corporation carries on business, including the seeking of liquidation, winding-up, reorganization, dissolution, administration, examination, arrangement, adjustment, protection or relief of debtors.

1.2.4 Reference to this Agreement includes reference to the Schedules.

2. REPRESENTATIONS AND WARRANTIES

2.1 LESSEE'S REPRESENTATIONS AND WARRANTIES

Lessee represents and warrants to Lessor that:

- (1) STATUS: Lessee is a company duly incorporated and validly existing under the laws of Panama and has the corporate power to own its assets and carry on its business as it is being conducted and to perform its obligations under this Agreement and each other Lessee Document, and Lessee is the holder of all necessary air transportation licenses required in connection therewith and

with the use and operation of the Aircraft, and Lessee is duly qualified to transact intrastate business and is a foreign corporation in good standing in each jurisdiction in which failure to be so qualified would have a material adverse effect on Lessee's ability to perform its obligations hereunder;

- (2) **POWER AND AUTHORITY:** Lessee has the power to enter into and perform, and has taken all necessary action to authorize the entry into, performance and delivery of, this Agreement and each other Lessee Document and the transactions contemplated by this Agreement and each other Lessee Document;
- (3) **LEGAL VALIDITY:** Assuming the due authorization, execution and delivery by all of the other parties thereto, each of this Agreement and each other Lessee Document constitutes Lessee's legal, valid and binding obligation, enforceable against Lessee in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws affecting the rights of creditors generally and general principles of equity, whether considered at a proceeding at law or in equity;
- (4) **NON-CONFLICT:** The entry into and performance by Lessee of, and the transactions contemplated by, this Agreement and the other Lessee Documents do not and will not:
 - (a) conflict with any laws binding on Lessee; or
 - (b) conflict with the organizational or constitutional documents of Lessee; or
 - (c) conflict with or result in default under any document which is binding upon Lessee or any of its assets nor result in the creation of any Lien over any of its assets other than as otherwise expressly provided herein;
- (5) **AUTHORIZATION:** Subject to Clause 2.4(5), all authorizations, consents, registrations and notifications (including with respect to any Government Entity) required in connection with the entry into, performance, validity and enforceability of this Agreement and the other Lessee Documents and the transactions contemplated by this Agreement and the other Lessee Documents, have been (or will have been on or before the Delivery Date) obtained or effected and are (or will be upon being obtained or effected) in full force and effect and no exchange control or central bank authorizations will be required;

(6) NO IMMUNITY:

- (a) Lessee is subject to civil commercial law with respect to its obligations under this Agreement and the other Lessee Documents, including without limitation the civil commercial law of Panama;
- (b) neither Lessee nor any of its assets is entitled to any right of immunity and the entry into and performance of this Agreement, and the other Lessee Documents by Lessee constitute private and commercial acts; and
- (c) to the extent that Lessee or any of its assets becomes entitled at any time to any immunity, based on sovereignty or otherwise, from any legal action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any competent court, from service of process, from attachment in aid of execution, or from execution prior to judgment, or other legal process in any jurisdiction, Lessee for itself and its assets does hereby irrevocably and unconditionally waive, and agrees not to plead or claim, any such immunity with respect to its obligations, liabilities, or any other matter under or arising out of or in connection with this Agreement and the other Lessee Documents or the subject matter hereof; such agreement shall be irrevocable and not subject to withdrawal in any and all jurisdictions;

(7) ACCOUNTS: The audited accounts (or, for any period Lessee's accounts are not audited, Lessee's unaudited accounts used by Lessee's management) of Lessee and its Subsidiaries most recently delivered to Lessor:

- (a) have been prepared in accordance with Panamanian generally accepted accounting principles and practices consistently applied; and
- (b) fairly represent the financial condition of Lessee and its Subsidiaries as at the date to which they were drawn up;

(8) ALLOWANCES: Lessee has not claimed and will not claim any capital or depreciation deductions or allowances in respect of the Aircraft for any purpose (including for tax purposes);

(9) NO DEFAULT:

- (a) no Default has occurred and is continuing or might result from the entry into or performance of this Agreement and the other Lessee Documents; and
- (b) no other event has occurred and is continuing which constitutes (or with the giving of notice, lapse of time, or the fulfillment of any other applicable condition or any combination of the foregoing, might

constitute) a material default under any document which is binding on Lessee or any assets of Lessee, including a Sister Lease;

(10) REGISTRATION:

- (a) other than registering the Aircraft, filing this Agreement for recordation with the FAA, and filing UCC-1 financing statements in the state of Florida and the District of Columbia for the period from the Delivery Date through the Deregistration Date, and other than registering the Aircraft and filing this Agreement with the Panamanian Directorate of Civil Aeronautics, and recording this Agreement and the bill of sale evidencing Lessor's title to the Aircraft with the Office of the Public Registry of Panama for the period from the Deregistration Date through the end of the Term and Redelivery, it is not necessary or advisable under the laws of the Jurisdiction of Incorporation, the Jurisdiction of Registration or the Habitual Base in order to ensure the validity, effectiveness and enforceability of this Agreement and the other Lessee Documents, or to establish, perfect or protect the property rights of Lessor in the Aircraft or any Engine or Part that this Agreement or any other instrument relating thereto be filed, registered or recorded or that any other action be taken or if any such filings, registrations, recordings or other actions are necessary or advisable, the same have been effected or will have been effected or all steps that can at such time reasonably have been taken to effect same will have been taken on or before the Delivery Date or Deregistration Date, as the case may be; and
- (b) under the laws of the Jurisdiction of Incorporation, the Jurisdiction of Registration and the Habitual Base, the property rights of Lessor in the Aircraft have been, or on or before the Delivery Date or the Deregistration Date, as the case may be, shall be fully established, perfected and protected, and this Agreement and the other Lessee Documents, other than as provided with respect to Lessee's obligations thereunder in 2.1(12), will have priority in all respects over the claims of all creditors of Lessee;

(11) LITIGATION: No litigation, arbitration or administrative proceedings are pending or to its knowledge threatened against Lessee before any court, administrative agency or arbitral tribunal which, if adversely determined, would have a material adverse effect upon its financial condition or business or its ability to perform its obligations under this Agreement;

(12) PARI PASSU: The obligations of Lessee under this Agreement and the other Lessee Documents rank at least pari passu with all other present and future unsecured and unsubordinated obligations (including contingent obligations) of Lessee, with the exception of such obligations as are mandatorily preferred by law, including, without limitation, the Governing Law, and not by virtue

of any contract, which obligations have been disclosed to and itemized for Lessor;

- (13) MATERIAL ADVERSE CHANGE: There has been no material adverse change in the financial condition or prospects of Lessee and its Subsidiaries since the date to which the accounts most recently provided to Lessor on or prior to the date of the execution of this Agreement were drawn up;
- (14) TAXES AND OTHER PAYMENTS: Lessee has delivered all necessary returns and made all payments, other than Taxes of Lessee not yet assessed or, if assessed, not yet due and payable, or being contested in good faith by appropriate proceedings and not material in the aggregate, due to (i) the tax authorities in the Jurisdiction of Incorporation, the Jurisdiction of Registration and all applicable states, provinces and municipalities thereof, (ii) the Habitual Base and all applicable subdivisions thereof and (iii) airport and other aviation authorities, and Lessee is not required by law to deduct or withhold any Taxes from any payments under this Agreement and the other Lessee Documents;
- (15) INFORMATION: The financial and other information furnished by Lessee in connection with this Agreement and the other Lessee Documents does not contain any untrue statement or omit to state any facts, the omission of which makes the statements therein, in the light of the circumstances under which they were made, misleading, nor omits to disclose any material matter to Lessor and all forecasts and opinions contained therein were made in good faith on reasonable grounds by Lessee; and
- (16) CURRENT MAINTENANCE PROGRAM: As of the Delivery Date, the Agreed Maintenance Program is approved by the Air Authority.

2.2 REPETITION

The representations and warranties in Clause 2.1 will survive the execution of this Agreement and the other Lessee Documents. The representations and warranties contained in Clause 2.1 will be deemed to be repeated by Lessee on the Delivery Date and on each Rent Date as if made with reference to the facts and circumstances then existing. The representation and warranty in Clause 2.1(13) shall be deemed to be given or repeated on each Rent Date with respect to the audited financial statements of Lessee last furnished pursuant to Schedule 3.

2.3 [Intentionally omitted.]

2.4 FSB'S REPRESENTATIONS AND WARRANTIES

FSB represents and warrants to Lessee that:

- (1) STATUS: FSB is a national banking association duly organized, validly existing and in good standing under the laws of the USA, is duly authorized

to do business as a national banking association with banking authority to execute and deliver, and to perform its obligations under, the Owner Trustee Documents;

- (2) POWER AND AUTHORITY: FSB has taken, or has caused to be taken, all necessary action to authorize the execution and filing by FSB in its individual capacity and as Owner Trustee, of each of the Owner Trustee Documents, and its performance of its obligations thereunder, and Owner Trustee holds such title to the Aircraft as was conveyed to it by Manufacturer;
- (3) LEGAL VALIDITY: The Owner Trustee Documents constitute the legal, valid and binding obligation of FSB, in its individual capacity and as Owner Trustee, and, assuming the due authorization, execution and filing thereof by the other party or parties thereto, are enforceable against FSB, in its individual capacity and as Owner Trustee, in accordance with the respective terms thereof, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium and other similar laws affecting the rights of creditors generally and general principles of equity, whether considered in a proceeding at law or in equity;
- (4) NON-CONFLICT: The entry into and performance by FSB, in its individual capacity and as Owner Trustee, of, and the transactions contemplated by, this Agreement and the other Owner Trustee Documents do not and will not:
 - (a) conflict with any federal USA banking or Utah state laws binding on FSB, in its individual capacity or as Owner Trustee; or
 - (b) conflict with the organizational or constitutional documents of FSB; or
 - (c) conflict with any document which is binding upon FSB, or any of its assets; and
- (5) AUTHORIZATION: Subject to Clause 2.1(5) so far as concerns the obligations of Lessor, all authorizations, consents, registrations and notifications required in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, this Agreement by Lessor have been (or will have been on or before the Delivery Date) obtained or effected (as appropriate) and are (or will be upon being obtained or effected) in full force and effect.

3. CONDITIONS PRECEDENT

3.1 CONDITIONS PRECEDENT TO LESSOR'S OBLIGATIONS

Lessor's obligation to deliver and lease the Aircraft under this Agreement is subject to satisfaction of each of the following conditions.

3.1.1 CASH DEPOSIT/DEPOSIT LETTER OF CREDIT: The delivery by Lessee to Lessor of the Cash Deposit and the Deposit Letter of Credit pursuant to Clause 5.1.

3.1.2 CERTAIN RECEIPTS AT EXECUTION OF AGREEMENT: Receipt by Lessor from Lessee upon execution of this Agreement of the following in form and substance (including but not limited to execution, notarization and translation where appropriate) satisfactory to Lessor:

- (1) CONSTITUTIONAL DOCUMENTS: A copy of the organizational and constitutional documents of Lessee;
- (2) RESOLUTIONS, AUTHORITY: A copy of a resolution of the board of directors of Lessee approving the terms of and the transactions contemplated by this Agreement and the other Lessee Documents, resolving that it enter into this Agreement and the other Lessee Documents and related agreements, including without limitation any amendments hereto, and authorizing a specified person or persons to execute this Agreement and the other Lessee Documents on its behalf, together with such other evidence of the authority of such person or persons to execute this Agreement and the other Lessee Documents as Lessor may reasonably request, including but not limited to extracts or certificates from Government Entities or commercial registries;
- (3) PROCESS AGENT: A letter from the process agent appointed by Lessee in this Agreement accepting that appointment in a form acceptable to Lessor;
- (4) CERTIFICATE: A certificate of a duly authorized officer of Lessee:
 - (a) setting out a specimen of each signature referred to in Clause 3.1.2(2); and
 - (b) certifying that each copy of a document specified in this Clause is correct, complete and in full force and effect;
- (5) ACCOUNTS: The latest available accounts of Lessee as described in Schedule 3, Part 1, Section 3;
- (6) OPINIONS: A signed original of the opinion substantially in the form of Schedule 6, or otherwise acceptable to Lessor, and from independent legal counsel acceptable to Lessor in the Jurisdiction of Registration, the Habitual Base and the Jurisdiction of Incorporation and as to matters applicable with respect to, among other things, Lessee's execution and delivery of this Agreement and the other Lessee Documents and the performance by Lessee of its obligations as contemplated hereunder and thereunder; and

- (7) PAYMENTS: The Cash Deposit and the Deposit Letter of Credit, in the required amounts, due upon execution of this Agreement as more fully described in Clause 5.1.

3.1.3 CERTAIN RECEIPTS AT DELIVERY DATE: Unless otherwise delivered at execution of this Agreement, receipt by Lessor from Lessee not later than the Delivery Date of the following in form and substance (including but not limited to execution, notarization and translation where appropriate) satisfactory to Lessor:

- (1) CONSTITUTIONAL DOCUMENTS: Confirmation that the copy of the organizational and constitutional documents of Lessee already provided by Lessee have not changed, and if so a copy of any changes;
- (2) RESOLUTIONS, AUTHORITY: A copy of resolutions of the board of directors of Lessee authorizing a specified person or persons to execute any other documentation relating to delivery of the Aircraft to Lessee and the transaction contemplated hereby, together with such other evidence of the authority of such person or persons to execute the same as Lessor may reasonably request, including but not limited to extracts or certificates from Government Entities or commercial registries;
- (3) [Intentionally omitted.]
- (4) CERTIFICATE: A certificate of a duly authorized officer of Lessee:
 - (a) setting out a specimen of each signature referred to in Clause 3.1.3(2); and
 - (b) certifying that each copy of a document specified in this Clause is correct, complete and in full force and effect;
- (5) OPINIONS: A signed original of the opinion substantially in the form of Schedule 6, or otherwise acceptable to Lessor, and from independent legal counsel acceptable to Lessor in the Jurisdiction of Registration, the Habitual Base and the Jurisdiction of Incorporation and as to matters applicable to the performance by Lessee of its obligations as contemplated hereunder;
- (6) APPROVALS: Evidence of the issuance of each approval, license and consent which may be required in relation to, or in connection with, the remittance to Lessor in Dollars of all amounts payable under this Agreement and the other Lessee Documents or the performance by Lessee of any of its obligations hereunder or thereunder (including, without limitation, obtaining from all applicable Panamanian

- aviation and other authorities including the FAA all applicable approvals, licenses, consents and authorizations);
- (7) EXPORT: Any required consent from the applicable Panamanian aviation and other authorities to the export of the Aircraft from the Habitual Base upon the termination of the leasing of the Aircraft under this Agreement;
 - (8) IMPORT: Evidence that any required import license, and any customs formalities, relating to the import of the Aircraft into the Habitual Base have been obtained or complied with, and that the import of the Aircraft into the Habitual Base is exempt from Taxes;
 - (9) LICENSES: Copies of Lessee's air transport license, air operator's certificates and all other licenses, certificates and permits required by Lessee in relation to, or in connection with, the operation of the Aircraft;
 - (10) [Intentionally omitted.]
 - (11) PAYMENTS: All sums due to Lessor under this Agreement on or before the Delivery Date including, without limitation, the first payment of Rent and the Cash Deposit;
 - (12) LETTERS OF CREDIT: The Deposit Letter of Credit and the Supplemental Rent Letter of Credit, in the required amounts, due upon delivery of the Aircraft as more fully described in Clause 5.1;
 - (13) INSURANCES: Certificates of insurance (and reinsurance as applicable), an undertaking from Lessee's insurance broker (and from reinsurers as applicable) and other evidence reasonably satisfactory to Lessor that Lessee has taken the required steps to ensure due compliance with the provisions of this Agreement as to Insurances with effect on and after the Delivery Date, in each case in form and substance complying with the requirements of Clause 9 and Schedule 5 hereto;
 - (14) REGISTRATION AND FILINGS: Evidence that on the Delivery Date the Aircraft has been validly registered under the laws of the Jurisdiction of Registration and that all filings, registrations, recordings and other actions have been taken which are necessary or advisable to ensure the validity, effectiveness and enforceability of this Agreement and the other Lessee Documents and to protect the property rights of Lessor in the Aircraft, including, but not limited to, filing UCC financing statements executed by Lessee in the state of Florida and the District of Columbia;

(15) MAINTENANCE PROGRAM: Evidence that Lessee's current maintenance program for maintenance of the Aircraft has been approved by the FAA for use by Lessee; and

(16) GENERAL: Such other documents and information as Lessor may reasonably request.

3.2 FURTHER CONDITIONS PRECEDENT TO LESSOR'S OBLIGATIONS

The obligations of Lessor to deliver and lease the Aircraft under this Agreement are subject to the further conditions precedent that:

- (1) the representations and warranties of Lessee under Clauses 2.1 and 2.2 are correct and would be correct if repeated on delivery of the Aircraft under this Agreement; and
- (2) no Default has occurred and is continuing or would result from the leasing of the Aircraft to Lessee under this Agreement.

3.3 CONDITIONS PRECEDENT TO LESSOR'S OBLIGATION TO REQUEST DEREGISTRATION

The obligation of Lessor to request the FAA to deregister the Aircraft is subject to satisfaction of each of the following conditions precedent:

3.3.1 POST-PRODUCTION MODIFICATION: Receipt by Lessor of evidence satisfactory to Lessor that the post-production modifications described in Part 4 of Schedule 1 have been (a) completed, (b) paid for, to the extent invoices in respect thereof are then due and payable, as provided in Clause 4.6, and (c) approved by the FAA;

3.3.2 REGISTRATION AND RECORDING IN PANAMA: Receipt by Lessor of evidence satisfactory to Lessor that as of the Deregistration Date the Aircraft has been, or is concurrently being, validly registered with the Air Authority and under the laws of the Jurisdiction of Registration and that all filings, registrations, recordings and other actions have been taken, in Panama and any other jurisdiction which are necessary or advisable to ensure the validity, effectiveness and enforceability of this Agreement and the other lessee Documents and to protect the property rights of Lessor in the Aircraft, including, but not limited to, recording this Agreement and the bill of sale evidencing Lessor's title to the Aircraft with the Office of the Public Registry of Panama; and

3.3.3 DEREGISTRATION POWER OF ATTORNEY: Receipt by Lessor of the Deregistration Power of Attorney.

3.4 WAIVER

The conditions specified in Clauses 3.1 and 3.2 are for the sole benefit of Lessor and may be waived or deferred in whole or in part and with or without conditions by Lessor in its sole discretion. If any of those conditions are not satisfied on the Delivery Date and Lessor nonetheless agrees to deliver the Aircraft to Lessee, Lessee will ensure that those conditions are fulfilled within 15 days after the Delivery Date and Lessor may treat as an Event of Default the failure of Lessee to do so.

3.5 CONDITIONS PRECEDENT TO LESSEE'S OBLIGATIONS

The obligations of Lessee to lease the Aircraft on the Delivery Date are subject to satisfaction of each of the following conditions precedent:

3.5.1 BENEFICIARY QUIET ENJOYMENT LETTER: The delivery by Beneficiary to Lessee of a letter from Beneficiary agreeing to Lessee's right to quiet enjoyment of the Aircraft in substantially the same manner as in Clause 7.1; and

3.5.2 WARRANTY ASSIGNMENTS: Assignments by Lessor to Lessee of warranties with respect to the Aircraft and the Engines made by the Manufacturer and the Engine Manufacturer, respectively, duly acknowledged by the Manufacturer and the Engine Manufacturer.

4. DELIVERY

4.1 SCHEDULED DELIVERY MONTH AND SCHEDULED DELIVERY DATE

Lessor has advised Lessee that, as of the date of this Agreement, the anticipated month of delivery of the Aircraft to Lessor, either directly or indirectly, from Manufacturer (or a Manufacturer group company) is the Scheduled Delivery Month. Lessor will notify Lessee promptly after Lessor has received notice from Manufacturer of a more specific Scheduled Delivery Date (approximately 30 days prior to the Scheduled Delivery Month and approximately 7 days prior to the actual date of delivery of the Aircraft under the Purchase Agreement), and from time to time of any significant anticipated and actual delays in delivery as advised by Manufacturer.

4.2 COMMENCEMENT

Subject to the terms and conditions of this Agreement, Lessor will offer the Aircraft for delivery and Lessee will accept delivery of the Aircraft on or about the Scheduled Delivery Date in accordance with Schedule 2 of this Agreement at the Delivery Location. Lessor will lease the Aircraft to Lessee and Lessee will take the Aircraft on lease in accordance with this Agreement for the duration of the Term.

4.3 DELAYED DELIVERY

If Lessor delays delivery or fails to deliver the Aircraft under this Agreement as a result of:

- (1) any Excusable Delay;
- (2) notification of any defect or non-conformity pursuant to Clause 3.5 of Schedule 2, Part 2;
- (3) any delay associated with Lessor not being able to receive all the approvals, consents and acceptances which are necessary for Lessor to deliver the Aircraft including those described in Clause 3.1.3(13) and making an acceptance flight under Clause 3.3 of Part 2 of Schedule 2, despite Lessor's reasonable and continuous efforts; or
- (4) any delay caused by any modification required on the Aircraft or agreed to in writing by Lessor and Lessee, which results in the Lessor not being able to receive all regulatory approvals, consents and acceptances which are necessary for Lessor to deliver the Aircraft;

then:

- (a) Lessor will not be responsible for any losses, including loss of use, damages (including consequential or incidental damages) costs or expenses suffered or incurred by Lessee arising from or in connection with such delay or failure; and
- (b) Lessee will not be entitled to terminate this Agreement or to reject the Aircraft when tendered for delivery by Lessor on the grounds of any such delay unless the Aircraft is not tendered for delivery within 12 months beyond the Scheduled Delivery Month, as such date may be further extended by mutual agreement of the parties, and upon any such termination neither Lessor nor Lessee will have any further obligation to the other under this Agreement other than as expressly set out in this Agreement, except that Lessor will return any Cash Deposit, Deposit Letter of Credit and any other amounts theretofore received by Lessor from Lessee hereunder.

4.4 ACCEPTANCE OF AIRCRAFT

If Lessee fails to accept delivery of the Aircraft when tendered for delivery by Lessor in accordance with this Agreement, Lessee will indemnify Lessor for all actual costs and expenses incurred by Lessor as a result of such failure by Lessee, and will also be liable to make payment to Lessor of Rent commencing on the date and otherwise as provided in Clause 5.2.

4.5 DELIVERY

Lessor and Lessee expressly acknowledge that delivery of the Aircraft to Lessee is subject to and conditioned upon (1) delivery of the Aircraft to Lessor, either directly or indirectly, from Manufacturer and (2) Lessee having fulfilled all of the conditions precedent to delivery set out in Clause 3. Lessee will effect acceptance of the Aircraft by execution and delivery to Lessor of the duly completed and executed Certificate of Acceptance substantially in the form of Part 1 of Schedule 2. After delivery of the Aircraft to Lessee, Lessee will bear all risk of loss, theft, damage or destruction to the Aircraft from any causes whatsoever until the Aircraft is redelivered to Lessor (including, for the avoidance of doubt, during the installation or completion of any "Post-Production Modifications" listed in Part 4 of Schedule 1 after such delivery).

4.6 POST-PRODUCTION MODIFICATION

Promptly following delivery of the Aircraft to Lessee hereunder, Lessee shall cause to be accomplished the post-production modifications described in Part 4 of Schedule 1. Such post-production modifications shall be made pursuant to a written agreement and by an entity that are reasonably satisfactory to Lessor. The cost of such post-production modifications for which Lessor shall be responsible shall be a fixed amount set forth in the written agreement which amount shall be subject to the Modification Limit. While such post-production modifications are being made, all of the terms of this Agreement, including Lessee's obligation to pay Rent, shall be and remain in full force and effect. Upon completion of such post-production modifications and submission of related invoices and other documentation reasonably requested by Lessor, Lessor shall either pay such invoices directly or, if already paid by Lessee, reimburse Lessee for the cost thereof, in either case up to the Modification Limit less the net costs of the modifications described in Part 3 of Schedule 1.

4.7 DEREGISTRATION

Upon satisfaction of all the conditions precedent set forth in Clause 3.3, Lessor shall request the FAA to deregister the Aircraft. Lessee shall be responsible for the prompt payment of all Taxes, fees, costs and expenses, including Lessor's reasonable legal fees, relating to all actions taken in connection with the deregistration of the Aircraft with the FAA and with the registration of the Aircraft with the Directorate of Civil Aeronautics of Panama, and the recordation of this Agreement and of Lessor's title to the Aircraft with the Office of the Public Registry of Panama, up to a maximum amount of \$50,000.

5. PAYMENTS

5.1 CASH DEPOSIT, DEPOSIT LETTER OF CREDIT AND SUPPLEMENTAL RENT LETTER OF CREDIT

5.1.1 Lessee shall deliver to Lessor the Cash Deposit. This Agreement shall be cross-collateralized with any Sister Lease, with respect to the Cash Deposit and with respect to any such collateral under any such Sister Lease.

5.1.2 Upon execution of this Agreement, Lessee shall provide Lessor with the Deposit Letter of Credit in the amount of the Deposit Letter of Credit Execution Amount, payable in favor of Lessor, issued or confirmed by a first class American or European bank reasonably acceptable to Lessor, and drawable in the USA. At any time after the Deregistration Date, at Lessee's option, the amount of the Deposit Letter of Credit may be increased by the amount of the Cash Deposit; the Cash Deposit shall be returned to Lessee promptly after any such increase in the amount of the Deposit Letter of Credit becomes effective. The Deposit Letter of Credit shall be further increased on or prior to the Delivery Date by an amount equal to the Deposit Letter of Credit Delivery Amount. The Deposit Letter of Credit shall be irrevocable, and shall be in form and substance reasonably acceptable to Lessor.

5.1.3 Lessor may upon the occurrence of an Event of Default which is continuing apply all or any portion of the Cash Deposit and/or draw down the Deposit Letter of Credit in accordance with its terms in whole or in part at any time or times until the later of 10 Business Days after Redelivery and until all of Lessee's obligations under this Agreement have been fulfilled to satisfy any liabilities of Lessee to Lessor under this Agreement and under any Sister Lease.

5.1.4 Prior to delivery of the Aircraft hereunder, Lessee shall provide Lessor with the Supplemental Rent Letter of Credit in the initial amount specified in the definition of Supplemental Rent Letter of Credit Amount, payable in favor of Lessor, issued or confirmed by a first class American or European bank reasonably acceptable to Lessor, and drawable in the USA. The Supplemental Rent Letter of Credit shall be increased on the dates and in the amounts specified in the definition of Supplemental Rent Letter of Credit Amount. The Supplemental Rent Letter of Credit shall be irrevocable, and shall be in form and substance reasonably acceptable to Lessor.

5.1.5 If Lessee shall fail to pay Supplemental Rent due and owing hereunder on the Expiry Date, or if Lessee shall fail to comply with the requirements of Clause 12 and Schedule 4 upon the expiration or the earlier termination of the Term as provided hereunder, Lessee may draw down the Supplemental Rent Letter of Credit in whole or in part to satisfy such obligations of

Lessee hereunder. The Supplemental Rent Letter of Credit may be drawn solely for the purposes set forth in this Clause 5.1.5.

- 5.1.6 In the event that any amount of the Cash Deposit is applied or the Deposit Letter of Credit is drawn down by Lessor, Lessee shall within 10 Business Days of receipt of notice of any such application of the Cash Deposit or draw down provide for the delivery of additional amounts of Cash Deposit and/or an additional letter of credit or an amendment to the Deposit Letter of Credit complying with the above requirements so as to restore the amounts of the Cash Deposit and/or the amount undrawn under the Deposit Letter of Credit to the original amount.
- 5.1.7 Clauses 4.3(4)(b), 5.1.2, 7.3 and 11.1 set forth the separate obligations of Lessor to return to Lessee the Letters of Credit and to refund to Lessee amounts in respect of the Cash Deposit in certain circumstances.
- 5.1.8 Lessee agrees that subject to Clauses 4.3(4)(b), 5.1.2, 7.2 and 11.1 and to Lessee's rights at law and in equity, all right, title and interest in any Cash Deposit paid by Lessee to Lessor pursuant to this Clause 5 shall vest in the recipient absolutely, irrevocably and unconditionally free and clear of any liens, claims, charges or encumbrances or any other interest of Lessee or of any third person.
- 5.1.9 Any interest earned with respect to the Cash Deposit or any draw down of a Letter of Credit shall be for Lessor's account, free and clear of any claims, charges or any interest of Lessee.
- 5.1.10 Lessee shall cause the Letters of Credit, in the respective amounts then required to be maintained by the terms of this Agreement, to be replaced or renewed from time to time in order that they remain in full force and effect through the date fifteen (15) days after the Expiry Date as required hereunder, and shall deliver to Lessor a replacement or renewal letter of credit at least 10 days prior to the date on which a Letter of Credit is to expire. If Lessee shall fail to deliver to Lessor a replacement or renewal letter of credit at least 10 days prior to the date on which the applicable Letter of Credit is to expire, Lessor may drawdown the full amount of such Letter of Credit and hold it for application in the same manner as in the case of the Cash Deposit. In any such case, if Lessee delivers a replacement letter of credit satisfying the requirements of this Agreement, Lessor shall return to Lessee the principal amount of such drawdown, so long as no Default or Event of Default has occurred and is continuing.

5.2 RENT

- 5.2.1 TIME OF PAYMENT: Lessee will pay to Lessor or its order Rent on the first Rent Date and in advance on each subsequent Rent Date. Payment must be initiated adequately in advance of each Rent Date to ensure that Lessor

receives credit for the payment of Rent payable on such Rent Date, or on the immediately preceding Business Day if such Rent Date is not a Business Day.

5.2.2 RENTAL PERIODS: The first Rental Period will commence on the Delivery Date and end on the fourteenth (14th) day of the second month following the Delivery Date. The second Rental Period will commence on the fifteenth (15th) day of the second month following the Delivery Date, with each subsequent Rental Period commencing on the fifteenth (15th) day of each subsequent month for the duration of the Term. The last Rental Period shall end on the Expiry Date.

5.3 SUPPLEMENTAL RENT

5.3.1 PAYMENT: Upon Redelivery of the Aircraft to Lessor at the time and in the manner provided hereunder, Lessee shall make a single payment to Lessor of Supplemental Rent in respect of Aircraft usage during the Term.

5.3.2 CALCULATION:

- (1) Not less than six (6) months prior to the scheduled Expiry Date, Lessee shall provide to Lessor sufficient industry estimates, reasonably satisfactory to Lessor, to enable Lessor and Lessee to calculate the estimated amount of Supplemental Rent payable by Lessee on Redelivery, such estimates to be based on Lessee's actual utilization of the Aircraft during the first 54 months of the Term. Such data shall include bona fide, arm's length market estimates from not fewer than three (3) mutually acceptable, internationally recognized aircraft maintenance providers of the cost of providing to Lessor or to another third party, other than Lessee or Continental Airlines, Inc., (i) a block D-Check, including a lower level check on the Airframe, (ii) a full restoration shop visit of each Engine, and (iii) a complete overhaul of the APU and the Landing Gear, including in each case all routine and non-routine work, material, labor and reasonable handling charges prevailing at the time, but excluding the cost of any replacement of Life Limited Parts (each of the Airframe, each Engine, the APU and the Landing Gear referred to as a "Component," and each of the respective costs described in subclauses (i) through (iii) referred to as a "Check/Overhaul Cost," for purposes of this Clause 5.3.2). Prior to the Expiry Date, Lessor and Lessee shall discuss in good faith, and agree on, the applicable Check/Overhaul Cost for each Component.
- (2) On the Expiry Date, Lessee shall pay to Lessor Supplemental Rent in respect of each Component in an amount equal to the product of (i) the Check/Overhaul Cost, times (ii) the result of (A) the time since such Component was new or since such Component had a full

restoration shop visit or complete overhaul, divided by (B) the mean time between overhaul ("Interval") for such Component as defined or estimated by the manufacturer of such Component, adjusted for the actual utilization of such Component by Lessee during the last six (6) months of the Term and as provided in clause (3) below.

- (3) The amount of Supplemental Rent calculated in accordance with clause (2) above shall be adjusted by deducting from the aggregate amount so calculated an amount equal to the sum of the Check/Overhaul Cost allocable to the first 20% of the Interval for each Component, provided that any such aggregate adjustment shall not result in a negative number and in no event shall Lessor be obligated to make any payment to Lessee under this Clause 5.3.2.
- (4) On the Expiry Date, if the time remaining on the life of any Life Limited Part is less than 80%, Lessee shall pay to Lessor an amount equal to the product of (i) the actual cost to replace such Life Limited Part, times (ii) the difference, expressed as a percentage of the life of such Life Limited Part, between (A) 80% and (B) the time remaining on the life of such Life Limited Part expressed as a percentage. If the time remaining on the life of any Life Limited Part is more than 80%, Lessee shall receive a credit against any amounts then owing by it under clauses (2) and (3) above in an amount equal to the product of (i) the cost to replace such life Limited Part as determined above, times (ii) the difference, expressed as a percentage of the life of such Life Limited Part, between (A) 20% and (B) the time used on such Life Limited Part since new, expressed as a percentage.

5.4 PAYMENTS

- 5.4.1 All payments by Lessee to Lessor under this Agreement will be made for value on the due date in Dollars, and if in relation to amounts incurred by Lessor other than in Dollars, in the Dollar equivalent advised by Lessor's bankers, and in same day funds settled through the New York Clearing House System or such other funds as may for the time being be customary for the settlement in New York City of international payments in Dollars by telegraphic transfer to the Payment Account. Lessee shall make all arrangements in advance to ensure that payment is received as above by Lessor on the due date.
- 5.4.2 All payments by Lessor to Lessee under this Agreement will be made by telegraphic transfer to the Payment Account in Dollars, and if in relation to amounts incurred by Lessee other than in Dollars, in the Dollar equivalent advised by Lessor's bankers.

5.5 GROSS-UP

- 5.5.1 All payments by Lessee under or in connection with this Agreement will be made without set-off or counterclaim, free and clear of and without deduction for or on account of any or all Taxes.
- 5.5.2 All Taxes in respect of payments under this Agreement shall be for the account of and will be paid by Lessee prior to the date on which penalties apply, except to the extent that such payment is being contested in good faith by appropriate proceedings, in respect of which adequate reserves have been provided by Lessee and non-payment of which does not give rise to any material likelihood of the Aircraft or any interest therein being sold, forfeited or otherwise lost or of criminal liability on the part of Lessor.
- 5.5.3 If Lessee is compelled by law to make payment subject to any Tax and Lessor or Beneficiary does not actually receive for its own benefit on the due date a net amount equal to the full amount provided for under this Agreement, Lessee will pay all necessary additional amounts to ensure receipt by Lessor of the full amount so provided for.

5.6 TAXES AND OTHER PAYMENTS

Except as may be otherwise expressly provided herein, Lessee will promptly pay, or promptly after demand indemnify Lessor and Beneficiary against:

- (1) all Taxes and other fees or charges of any nature imposed by any Government Entity or other person including any airport or provider of service with respect to this Agreement, including without limitation the delivery, leasing, possession, use, operation, maintenance, storage, return or replacement of any Engine or Part or any other disposition or dealing by Lessee with or relating to the Aircraft during the Term; and
- (2) all rent, fees, charges, Taxes and other amounts in respect of any premises where the Aircraft or any Part thereof is located from time to time;

except to the extent that such payment is being contested in good faith by appropriate proceedings, in respect of which adequate reserves have been provided by Lessee and non-payment of which does not give rise to any material likelihood of the Aircraft or any interest therein being sold, forfeited or otherwise lost or of criminal liability on the part of Lessor.

5.7 VALUE ADDED TAX

5.7.1 For the purposes of this sub-clause:

- (1) "VAT" means value added tax and any sales or turnover tax, imposition or levy of a like nature (other than Lessor Taxes); and

(2) "supply" includes anything on which VAT is chargeable.

5.7.2 Lessee will pay to Lessor or the relevant taxing authority, as the case may be, the amount of any VAT chargeable in respect of any supply for VAT purposes under this Agreement.

5.7.3 Each amount stated as payable by Lessee under this Agreement is exclusive of VAT (if any) and is accordingly to be construed as a reference to that amount plus any VAT in respect of it.

5.8 INFORMATION

If Lessee is required by any applicable law, or by any third party, to deliver any report or return in connection with any Taxes, Lessee will, to the extent the same shall be pertinent, state therein that Lessee is exclusively responsible for the use and operation of the Aircraft and for any Taxes arising therefrom and Lessee will on request supply a copy of the report or return to Lessor. Lessor shall provide Lessee with such information in the possession of Lessor or otherwise reasonably available to it as Lessee may reasonably request to fulfill its tax filing requirements under this Clause 5.8 and any audit information request arising in connection with the Taxes subject to this Clause 5. If any report or return is required to be made with respect to any obligations of Lessee under this Clause 5, Lessee will make such report or return, provided that Lessee shall have no obligation to file any such return or report if (A) Lessor, after Lessee's written request therefor, shall have failed to furnish Lessee with such information as is peculiarly within the control of, or reasonably available to Lessor and is necessary for the filing of such report or return, or (B) such return or report would or should have been filed by Lessor even if it had not entered into this Agreement.

5.9 TAXATION OF INDEMNITY PAYMENTS

5.9.1 If and to the extent that any sums payable to an Indemnitee by Lessee under this Agreement by way of indemnity are insufficient, by reason of any Taxes payable in respect of those sums, for such Indemnitee to discharge the corresponding liability to the relevant third party (including any taxation authority), or to reimburse such Indemnitee for the cost incurred by it to a third party (including any taxation authority), Lessee will pay to such Indemnitee such sum as will after the Tax liability has been fully satisfied leave such Indemnitee with the same amount as it would have been entitled to receive in the absence of that liability, together with interest on the amount of the deficit at the rate of interest stated in Clause 5.10 (both before and after judgment) in respect of the period commencing on the date on which the payment of the Tax is finally due until payment by Lessee.

5.9.2 If and to the extent that any sums constituting (directly or indirectly) an indemnity to an Indemnitee but paid by Lessee to any person other than

such Indemnitee are treated as taxable in the hands of such Indemnitee, Lessee will pay to such Indemnitee, within 5 Business Days of a written demand accompanied by reasonable evidence of liability, such sum as will after the tax liability has been fully satisfied indemnify such Indemnitee to the same extent as it would have been indemnified in the absence of such liability.

5.10 DEFAULT INTEREST

If Lessee fails to pay any amount payable under this Agreement or another Lessee Document on the due date, Lessee will pay on demand from time to time to Lessor or such other party as shall have a right thereto interest (both before and after judgment) on that amount, from the due date to the date of payment in full by Lessee to Lessor or such other party, at the rate calculated by Lessor to be 3% per cent per annum plus LIBOR at the rate quoted for the period closest to the length of time from such due date to such payment date. All such interest will be compounded monthly and calculated on the basis of the actual number of days elapsed and a 360 day year.

5.11 CONTEST

If a claim is made in writing against any Lessor (whether on audit or otherwise) or if Lessee disputes the amount of any Tax payable by Lessor for which Lessee is required to reimburse or indemnify hereunder for any Taxes that Lessee is required to pay or indemnify against pursuant to Clause 5.6, Lessor shall notify Lessee in writing within 10 Business Days of the receipt of such claim, provided that a failure to so notify will not diminish or relieve Lessee of any obligations under Clause 5.6, except to the extent Lessee is entitled to contest or to cause Lessor to contest such Taxes and Lessee's or Lessor's successful defense of such claim is materially prejudiced or precluded thereby. If the amount of the claim exceeds \$25,000 and if requested by Lessee in accordance with this Clause 5.11 and in writing within 30 Business Days after receipt by Lessee of the notice described in the preceding sentence, Lessor shall in good faith and with due diligence contest (including pursuing administrative and judicial appeals) in the name of Lessor or, if permitted by law and requested by Lessee in the name of Lessee, the validity, applicability or amount of such Taxes in appropriate administrative or judicial proceedings to be determined by Lessor, provided that (1) prior to taking such action, Lessee shall have agreed to pay Lessor all out-of-pocket costs and expenses that Lessor may incur in connection with contesting such claim, including, without limitation, all reasonable legal and accountant's fees and disbursements and costs of administrative and judicial proceedings, and the amount of any interest or penalties that may be attributable to and payable as a result of contesting such claim (or, at Lessor's request, Lessee shall advance to Lessor funds with which to pay the foregoing amounts, and Lessor's obligation to contest any Tax shall be suspended during any period Lessee does not advance sufficient funds to pay such amounts as they accrue or become payable), (2) if such contest is to be initiated by the payment of, and the claiming of a refund for such Taxes (and any interest and penalties that also must be paid), Lessee shall have advanced Lessor sufficient funds (on an interest-free basis)

to make such payment, (3) no Event of Default has occurred and is continuing, (4) the action to be taken will not result in a material risk of sale, forfeiture or loss of Lessor's title to the Aircraft (unless Lessee provides a bond or other security satisfactory to Lessor), (5) at Lessor's request, Lessee shall provide to Lessor a written opinion in form and substance reasonably satisfactory to Lessor of independent legal counsel reasonably satisfactory to Lessor that there is a reasonable basis for such contest and (6) Lessee acknowledges and agrees, in writing, that in the event such contest is unsuccessful Lessee shall fully indemnify Lessor against such Taxes (and any related interest and penalties). Notwithstanding that the conditions set forth in clauses (1), (2), (3), (4), (5) and (6) above may have been satisfied, Lessor, after consulting in good faith with Lessee, may elect not to pursue any contest or proceeding pursuant to the preceding sentence or elect to discontinue (by settlement or otherwise) any such contest or proceeding commenced pursuant to the preceding sentence, but such election shall constitute a waiver by Lessor of any right to payment or indemnification pursuant to Clause 5.6 with respect to the adjustment that was the subject of such proposed contest or proceeding (and any other adjustment the contest of which is precluded by such failure to contest) and, if Lessee has theretofore paid or provided Lessor with funds to pay any amount with respect to such adjustment, Lessor shall promptly repay such amount to Lessee. If Lessor shall obtain a refund in whatever form of all or any part of any Taxes that Lessee shall have paid or reimbursed to Lessor hereunder, Lessor shall, provided that no Event of Default shall have occurred and be continuing, pay to Lessee an amount that is equal to the sum of the amount of such refund or credit, plus any interest received on such refund fairly attributable to any Taxes paid by or with funds provided by Lessee prior to receipt of such refund, reduced by any Taxes incurred by Lessor by reason of the receipt or accrual of such refund and interest and net of any expenses described above that have not been previously reimbursed, and increased by any Tax benefit realized by Lessor as a result of any payment by Lessor made pursuant to this sentence, provided further that, if, at the time of such payment an Event of Default shall have occurred and be continuing, Lessor shall hold the amount of such payment as security for the obligations of Lessee to Lessor under the Lease, and at such time as there shall not be continuing any such Event of Default, shall pay such amount to the Lessee. Lessor hereby agrees that it will inform Lessee of the time and place of, and Lessor will not object to Lessee's presence at, any proceeding conducted pursuant to this clause 5.11, provided that Lessor shall be entitled to conduct any proceedings in respect of taxes for which Lessee is not obligated to indemnify Lessor outside the presence of Lessee and Lessee's presence also must be allowed by applicable law and provided further that the conditions set forth in clauses (1), (2), (3), (4), (5) and (6) above shall have been, and shall continue to be, satisfied.

5.12 COMPUTATIONS

At Lessee's request, the computation by Lessor of any amount payable by Lessee pursuant to this Clause 5 shall be verified by an independent accounting firm of national reputation selected by Lessor. The fees of such accountants shall be paid by Lessee unless such accountants determine that the amount payable to Lessee is at

least 25% more, or the amount payable by Lessee is at least 25% less, than the amount computed by Lessor, in which case such fees shall be payable by Lessor.

5.13 PAYMENTS ABSOLUTE

Lessee's obligations under this Agreement as to payment are absolute and unconditional irrespective of any contingency whatsoever including (but not limited to):

- (1) any right of set-off, counterclaim, recoupment, defense or other right which either party to this Agreement may have against the other;
- (2) any unavailability of the Aircraft for any reason, including, but not limited to, a requisition of the Aircraft or any prohibition or interruption of or interference with or other restriction against Lessee's use, operation or possession of the Aircraft;
- (3) any defect in airworthiness, merchantability, fitness for any purpose, condition, design, or operation of any kind or nature of the Aircraft for any particular use or trade, or for registration or documentation under the laws of any relevant jurisdiction, or any Event of Loss in respect of, or any damage to, the Aircraft;
- (4) any insolvency, bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, liquidation, examination or similar proceedings by or against Lessee;
- (5) any invalidity or unenforceability or lack of due authorization of, or other defect in, this Agreement; and
- (6) any other cause which but for this provision would or might otherwise have the effect of terminating or in any way affecting any obligation of Lessee under this Agreement.

Nothing in this Clause 5.13 shall be construed to prohibit Lessee from separately pursuing any claim that it may have from time to time against Lessor or any other Person with respect to any matter, provided that any such claim shall not contest the applicability or enforceability of the foregoing provisions of this Clause 5.13.

6. MANUFACTURERS' WARRANTIES

6.1 BENEFIT OF WARRANTIES

Unless an Event of Default shall have occurred and be continuing, Lessor agrees to make available to Lessee such rights as Lessor may have under any warranty with respect to the Aircraft of any Engine made by the Manufacturer or the Engine Manufacturer, respectively, pursuant to their respective standard assignment forms. To the extent that any warranties and/or rights (if any), express or implied, with

respect to or otherwise related to the Aircraft, any Engine or any Part from the Manufacturer, the Engine Manufacturer or any other manufacturer, vendor, subcontractor or supplier to Lessor, are not directly assignable by Lessor to Lessee, Lessor agrees to extend to Lessee, at Lessee's cost, the benefit of each such warranty and right to the extent possible.

6.2 PARTS

Except to the extent Lessor otherwise agrees in a particular case, Lessee will procure that all engines, components, furnishings or equipment provided by the manufacturer, vendor, subcontractor or supplier in replacement of a defective Engine or Part pursuant to the terms of any warranty will be installed promptly by Lessee and that title thereto vests in Lessor free of Liens. On installation those items will be deemed to be an Engine or Part, as applicable.

6.3 REASSIGNMENT

At the expiration or earlier termination of the Term as provided herein, Lessee shall reassign to Lessor, or its designee, without recourse or warranty, the benefit of any subsisting warranty and right assigned by Lessor to Lessee pursuant to this Agreement or otherwise. Lessee at its own cost and expense will do all such things and execute such documents as may reasonably be required for this purpose.

7. LESSOR'S COVENANTS

7.1 QUIET ENJOYMENT

Lessor covenants that so long as an Event of Default shall not have occurred and be continuing, (i) Lessee shall quietly enjoy, in accordance with the terms hereof, the Aircraft and all rents, revenues, profits and income thereof, without interference from Lessor, or from any Person lawfully claiming by or through Lessor (including, without limitation, any Person providing financing or refinancing for the Aircraft), and (ii) neither Lessor nor any Person lawfully claiming by or through Lessor shall take or cause to be taken any action contrary to such right of quiet enjoyment. Lessor shall cause any Person providing financing or refinancing for the Aircraft to provide to Lessee a comparable covenant of quiet enjoyment.

7.2 END PAYMENT

7.2.1 Promptly following:

- (1) Redelivery of the Aircraft to Lessor in accordance with and in the condition required by this Agreement; or
- (2) payment to Lessor of the Agreed Value following an Event of Loss after the delivery Date;

or, in each case, such later time as Lessor is satisfied Lessee has paid to Lessor all amounts which may then be due and payable under this Agreement, Lessor will:

- (a) pay to Lessee the amount of any Rent received in respect of any period falling after the Redelivery Date or payment of the Agreed Value, as the case may be;
- (b) return to Lessee any remaining Cash Deposit, subject to any application and reduction by Lessor pursuant to Clause 5.1; and
- (c) return the Letters of Credit to Lessee, subject to any drawings pursuant to Clause 5.1.

7.2.2 If, at the end of the Term, an Event of Default has occurred and is continuing, the rebate and payments and return of the Letters of Credit, contemplated above will only be made following (1) any cure by Lessee to Lessor's reasonable satisfaction of such Event of Default, and (2) any set-off by Lessor hereunder, but any such rebate and return of the Letters of Credit or payment shall only be to the extent of the applicable balance remaining following such set-off.

7.3 MANUFACTURER CREDIT AND PRODUCT SUPPORT

7.3.1 Lessor shall, on or prior to delivery of the Aircraft hereunder, assign or shall cause to be assigned or otherwise provided to Lessee a new operator credit memorandum in the amount of the New Operator Credit to be issued by Manufacturer under the Purchase Agreement at the time of delivery of the Aircraft under the Purchase Agreement, such credit memorandum to be used in accordance with the terms thereof for the purchase of spare parts or training from Manufacturer or for the cost of certification to comply with applicable requirements of the Panamanian aviation authorities.

7.3.2 Lessor shall, on or prior to delivery of the Aircraft hereunder, assign or cause to be assigned to Lessee training, product support and onsite technical assistance applicable to the Aircraft and to the Engines to be furnished by Manufacturer pursuant to the Purchase Agreement and by the Engine manufacturer pursuant to its agreements with Lessor or Beneficiary, as the case may be, respectively.

7.3.3 Lessee shall provide directly to Manufacturer or to Lessor, as the case may be, all indemnities and insurance coverage, and perform all related obligations, required by Manufacturer or the Engine manufacturer in connection with such training, product support and onsite technical assistance, and shall otherwise indemnify and hold harmless Lessor from and against all claims and liabilities of any kind related thereto.

7.4 AIRWORTHINESS DIRECTIVE COST SHARING

Where the cost of any single non-repetitive airworthiness directive to be accomplished pursuant to Clause 14.8 of Schedule 3 or which Lessee is otherwise required by the terms of this Agreement to accomplish exceeds US\$**Material Redacted**, Lessor shall pay to Lessee, as long as no Default has occurred and is continuing, an amount calculated in accordance with the following formula:

$$C \times (N - R) / N$$

Where

N = **Material Redacted**

R = the number of complete months remaining in the Term after completion of the modification

C = the cost of the modification in excess of US\$**Material Redacted**.

8. LESSEE'S COVENANTS

8.1 DURATION

Subject to Clause 10.2, the undertakings of Lessee under this Agreement will:

- (1) except as otherwise stated, be performed at the expense of Lessee; and
- (2) remain in force until the earlier to occur of (a) Redelivery of the Aircraft to Lessor in accordance with this Agreement either at the end of the Term, or earlier as provided herein, and payment of all obligations of Lessee hereunder or (b) receipt by Lessor of the Agreed Value pursuant to an Event of Loss.

8.2 FURTHER COVENANTS

Lessee also covenants to Lessor to perform the covenants set out in Schedule 3.

9. INSURANCE

9.1 INSURANCES

Lessee will maintain in full force during the Term insurances in respect of the Aircraft in form and substance reasonably satisfactory to Lessor and in conformity with and covering such risks as are set forth in Schedule 5 hereof (the "Insurances," which expression includes, where the context so admits, any relevant re-insurance(s)) through such brokers, with such lead underwriters being subject to such exclusions as may be approved by Lessor, such approval not to be unreasonably withheld, and in such amounts and having such deductibles as are set forth in Schedule 5 hereof. The Insurances will be effected either:

- (1) on a direct basis with insurers of recognized standing who normally participate in aviation insurances in the leading international insurance markets and led by reputable underwriter(s) approved by Lessor (such approval not to be unreasonably withheld or delayed); or
- (2) with a single insurer or group of insurers approved by Lessor who does not retain the risk but effects substantial reinsurance with reinsurers in the leading international insurance markets and through brokers each of recognized standing and acceptable to Lessor for a percentage acceptable to Lessor of all risks insured (such acceptance not to be unreasonably withheld or delayed).

9.2 REQUIREMENTS

Lessor's current requirements as to required Insurances are as specified in this Clause 9 and in Schedule 5. Also, Lessor may request the addition of additional insureds, as appropriate.

9.3 CHANGE

Lessor shall be entitled to revoke its approval of Lessee's broker or lead underwriter(s) provided that: (i) there shall have occurred after the date hereof, any event or series of events which in Lessor's reasonable opinion, after consultation with Lessee and such broker or underwriter(s), has adversely affected such broker's or underwriter's ability to perform its obligations with respect to the Insurances required to be maintained hereunder; (ii) a majority of Lessee's other lessors of aircraft consent to the resulting change in broker or lead underwriter(s); and (iii) similar insurance is then generally available through other brokers and underwriters in the major international insurance markets upon terms substantially similar to the then current policy or policies.

9.4 INSURANCE COVENANTS

Lessee will:

- (1) ensure that all legal requirements as to insurance of the Aircraft, any Engine or any Part which may from time to time be imposed by the laws of the Jurisdiction of Registration, the Jurisdiction of Incorporation, or any state to, from, or over which the Aircraft may be flown, insofar as they affect or concern the operation of the Aircraft, are complied with and in particular those requirements, compliance with which is necessary to ensure that:
 - (a) the Aircraft is not in material risk of detention or forfeiture;
 - (b) the Insurances remain valid and in full force and effect; and
 - (c) the interests of the Indemnitees in the Insurances and the Aircraft, any Engine or any Part are not thereby prejudiced;

- (2) not use, cause or permit the Aircraft, any Engine or any Part to be used for any purpose or in any manner not covered by the Insurances or outside any geographical limit imposed by the Insurances;
- (3) comply with the terms and conditions of each policy of the Insurances and not do, consent or agree to any act or omission which:
 - (a) invalidates or may reasonably be expected to invalidate the Insurances; or
 - (b) renders, or may reasonably be expected to render, void or voidable the whole or any part of any of the Insurances; or
 - (c) brings any particular liability within the scope of an exclusion or exception to the Insurances;
- (4) [Intentionally omitted.]
- (5) commence renewal procedures in due time prior to expiry of any of the Insurances and provide to Lessor:
 - (a) if requested by Lessor, a written status report of renewal negotiations 10 days prior to each expiry date;
 - (b) facsimile or telexed confirmation of completion of renewal together with summary of conditions prior to each expiry date; and
 - (c) certificates of insurance (and where appropriate certificates of reinsurance) and broker's (and any reinsurance brokers') letter of undertaking in a form reasonably acceptable to Lessor in accordance with the provisions of this Clause 9, in English, detailing the coverage and confirming the insurers' (and any reinsurers') agreement to the specified insurance requirements of this Agreement within 7 days of renewal;
- (6) [Intentionally omitted.]
- (7) [Intentionally omitted.]
- (8) not make any modification or alteration to the Insurances material and adverse to the interests of any of the Indemnitees;
- (9) be responsible for any deductible under the Insurances; and
- (10) provide any other insurance and reinsurance related information in respect of the Insurances as Lessor may reasonably require.

9.5 FAILURE TO INSURE

If Lessee fails to maintain the Insurances in compliance with this Agreement, each of the Indemnitees will be entitled but not bound (without prejudice to any other rights of Lessor under this Agreement):

- (1) to pay the premiums due or to effect and maintain insurances satisfactory to it or otherwise remedy Lessee's failure in such manner (including, without limitation to effect and maintain an "owner's interest" policy) as it considers appropriate. Any sums so expended by it will become immediately due and payable by Lessee to Lessor (or an Indemnitee) together with interest thereon at the rate specified in Clause 5.10, from the date of expenditure by it up to the date of reimbursement by Lessee; or
- (2) at any time while such failure is continuing, to require the Aircraft to remain at any airport or to proceed to and remain at any airport designated by it until the failure is remedied to its satisfaction.

9.6 CONTINUING INDEMNITY

Lessor may require Lessee to effect and to maintain insurance after the Expiry Date with respect to its liability under the indemnities in Clause 10 for such period as Lessor may reasonably require (but in no event for a period longer than the earlier to occur of two years following the Expiry Date or the next D-check, or equivalent) and which provides for each Indemnitee to be named as additional insured. Lessee's obligation in this clause shall not be affected by Lessee's ceasing to be Lessee of the Aircraft and/or any of the Indemnitees ceasing to have any interest in respect of the Aircraft.

9.7 APPLICATION OF INSURANCE PROCEEDS

As between Lessor and Lessee:

- (1) all insurance proceeds, other than proceeds of insurance described in Clause 9.8, received as the result of an Event of Loss occurring during the Term will be paid to Lessor;
- (2) all insurance proceeds of any property, damage or loss to the Aircraft, any Engine or any Part occurring during the Term not constituting an Event of Loss and in excess of the Damage Notification Threshold shall be paid to Lessor and applied in payment (or to reimburse Lessee) for repairs or replacement property upon Lessor's being satisfied that the repairs or replacement have been effected in accordance with this Agreement. Insurance proceeds in amounts below the Damage Notification Threshold may be paid by the insurer directly to Lessee or repairers in respect of repairs or replacements only;

- (3) all insurance proceeds in respect of third party liability will be paid by the insurers to the relevant third party in satisfaction of the relevant liability or to Lessor or Lessee in reimbursement of any payment so made by them with the agreement of the insurers; and
- (4) notwithstanding Clauses 9.7(1), (2) or (3), if at the time of the payment of any such insurance proceeds a Default has occurred and is continuing, all such proceeds will be paid to or retained by Lessor as security for the performance of Lessee's obligations hereunder and may be applied toward payment of any amounts which may then be payable by Lessee under this Agreement or any Sister Lease in such order as Lessor reasonably sees fit. The amount so retained or the balance thereof after application of any portion thereof as provided in this Clause 9.7(4) shall be paid to Lessee at such time as such Default shall have ceased to exist.

9.8 INSURANCE FOR LESSEE'S OWN ACCOUNTS

Nothing herein shall be deemed to prevent Lessee, at its sole expense, from carrying insurance covering the Aircraft, the Airframe, the Engines or any engine or engines from time to time installed on the Airframe or any Part in addition to the Insurances required under this Clause 9, or in amounts greater than those required under this Clause 9 (any such insurance "Additional Insurance"), provided that such Additional Insurance does not adversely affect the rights of Lessor, Beneficiary or any other Additional Insured to make any claim or obtain recovery or coverage in full under any of the Insurances required to be maintained pursuant to this Clause 9. The proceeds of any such Additional Insurance shall be paid directly to and shall be deemed the sole property of Lessee.

10. INDEMNITY

10.1 GENERAL

Except as set forth in Clause 10.3, Lessee agrees to defend, indemnify and hold harmless the Indemnitees from and against any and all claims, proceedings, losses, liabilities, suits, judgment, costs (including attorneys' fees and related costs), expenses, penalties or fines (each a "Claim") (where any such Claim relates to an occurrence suffered, incurred, or arising out of an event the happening of which was during the Term or prior to redelivery of the Aircraft, but not before the Term) regardless of when the Claim is made whether or not it arises out of or is attributable to any act or omission, negligent or otherwise, of any Indemnitee:

- (1) which may at any time be suffered or incurred directly or indirectly as a result of or connected with the possession, delivery, performance, management, registration, control, maintenance, condition, service, repair, overhaul, leasing, use, operation or return of the Aircraft, any Engine or Part (either in the air or on the ground) whether or not the Claim may be

attributable to any defect in the Aircraft, any Engine or any Part or to its design, testing or use or otherwise;

- (2) which arises otherwise from or in connection with the leasing of the Aircraft to Lessee under this Agreement and any act or omission of Lessee;
- (3) which arises out of any act or omission which invalidates or which renders voidable any of the Insurances; or
- (4) which, except as to the Manufacturer, may at any time be suffered or incurred as a consequence of any design, production, article or material in the Aircraft, any Engine or any part or its operation or use constituting an infringement of patent, copyright, trademark, design or other proprietary right or a breach of any obligation of confidentiality owed to any person;

but excluding any Claim to the extent that the Claim is covered pursuant to another indemnity provision of this Agreement or to the extent it arises solely as a result of Lessor Taxes or a Lessor Lien.

10.2 DURATION

The indemnities contained in this Agreement will continue in full force after the Expiry Date.

10.3 EXCEPTIONS

Notwithstanding anything to the contrary herein, Lessee shall not be required to indemnify any Indemnitee in respect of any Claim arising from or otherwise attributable to:

- (1) acts or events which occur prior to execution of this Agreement or after Redelivery of the Aircraft to the Lessor in the manner and in the condition required hereunder, provided that nothing herein shall be deemed to release Lessee from any of its obligations hereunder that provide for performance after termination of the Term;
- (2) the gross negligence or willful misconduct of such Indemnitee;
- (3) Lessor Taxes;
- (4) Lessor Liens;
- (5) ordinary and usual operating or overhead expenses of such Indemnitee other than arising in connection with a Default or an Event of Default hereunder;
- (6) the financing of the Aircraft or any voluntary or involuntary assignment, transfer, conveyance or other disposition (collectively a "Transfer") of all or any interest of such Indemnitee in or to the Aircraft, any Engine or Part or

this Lease by any Person other than the Lessee unless such Transfer arises in connection with the exercise by Lessor of any available remedies during the existence of an Event of Default); and

- (7) as to the Manufacturer, any breach by Manufacturer or Engine Manufacturer of any of their respective warranties as set forth in the Purchase Agreement or any other agreement or instrument between Manufacturer, Engine Manufacturer or any vendor, supplier or subcontractor of Manufacturer or Engine Manufacturer, or as a consequence of any design or production defect.

Lessee shall be subrogated to the rights and remedies which any Indemnitee may have against the Manufacturer, the Engine Manufacturer or any supplier, vendor, subcontractor or other manufacturer of any Part or any other Person claiming against such Indemnitee, provided Lessee shall have satisfied its indemnification obligations hereunder.

If any Indemnitee obtains a recovery of all or any portion of any indemnity amount which Lessee has paid in full to such Indemnitee, provided that at such time as no Default has occurred and is then continuing, such Indemnitee shall pay to Lessee the net amount recovered by such Indemnitee within ten Business Days after receipt thereof.

11. EVENTS OF LOSS

11.1 PRE-DELIVERY

If an Event of Loss occurs prior to delivery of the Aircraft to Lessee, this Agreement will immediately terminate and except as expressly stated in this Agreement neither party will have any further obligation or liability under this Agreement other than pursuant to Clause 17.9, except that Lessor will return to Lessee the Cash Deposit and the Deposit Letter of Credit.

11.2 POST-DELIVERY

If an Event of Loss occurs in respect of the Aircraft after delivery of the Aircraft to Lessee, Lessee will pay the Agreed Value to Lessor on or prior to the earlier of (1) 90 days after the Event of Loss and (2) the date of receipt of insurance proceeds in respect of that Event of Loss. Subject to the rights of any insurers and reinsurers or other third party, upon irrevocable payment in full to Lessor of that amount and all other amounts which may then be payable to Lessor under this Agreement, Lessor will without recourse or warranty (except as to Lessor's Liens) and without further act, be deemed to have transferred to Lessee all of Lessor's rights to any Engines and Parts not installed when the Event of Loss occurred, all on an as-is, where-is basis, and will at Lessee's reasonable expense (including Taxes, if any), execute and deliver such bills of sale and other documents and instruments as Lessee may reasonably request to evidence (on the public record or otherwise) the transfer and the vesting of

Lessor's rights in such Engines and Parts in Lessee, free and clear of all of Lessor Liens.

11.3 ENGINES

If an Event of Loss occurs with respect to any Engine not then installed on the Aircraft, or upon any Event of Loss with respect to an Engine installed on the Aircraft not involving an Event of Loss of the Aircraft occurring after delivery of the Aircraft to Lessee, Lessee shall give Lessor prompt written notice thereof and Lessee shall replace such Engine as soon as reasonably possible by duly conveying to Lessor title to another engine owned or to be acquired by Lessee, which engine shall be free and clear of all Liens other than Permitted Liens, and shall be of the same make or model or an improved or advanced version, in such operating condition and of such value and utility as the Engine which sustained the Event of Loss was (or would have been if it had been maintained in accordance with the terms hereof). Such replacement engine shall be deemed an "Engine" as defined herein. Lessee agrees to take such action as Lessor may reasonably request in order that any such replacement Engine shall be duly and properly titled in Lessor and leased hereunder to the same extent as the Engine replaced thereby. Lessee's obligation to pay the Rent hereunder shall continue in full force and effect, but Lessee shall be entitled to be reimbursed by Lessor the amount of insurance or condemnation proceeds, if any, received by Lessor with respect to such replaced Engine, subject to insurers' rights.

11.4 REQUISITION

During any requisition for use or hire of the Aircraft, any Engine or Part which does not constitute or has not matured into an Event of Loss and provided always that it does not arise out of any act or omission of Lessor, Beneficiary or any Person claiming by or through Lessor or Beneficiary:

- (1) the Rent and other charges payable under this Agreement will not be suspended or abated either in whole or in part, and Lessee will not be released from any of its other obligations under the Agreement (other than operational obligations with which Lessee is unable to comply solely by virtue of the requisition); and
- (2) so long as no Default has occurred and is continuing, Lessee will be entitled to any hire paid by the requisitioning authority in respect of the Term, but if a Default has occurred and is continuing, Lessor will be entitled to such hire to be held as security for Lessee's obligations hereunder and paid over to Lessee at such time as such Default shall not be continuing, if not applied in full or partial satisfaction of such obligations. Lessee will, as soon as practicable after the end of any such requisition, cause the Aircraft to be put into the condition required by this Agreement. Lessor will be entitled to all compensation payable by the requisitioning authority in respect of any change in the structure, state or condition of the Aircraft arising during the period of requisition, and Lessor will apply such compensation in

reimbursing Lessee for the cost of complying with its obligations under this Agreement in respect of any such change, but so that, if any Default has occurred and is continuing, Lessor may apply the compensation or hire in or towards settlement of any amounts owing by Lessee under this Agreement.

12. REDELIVERY OF AIRCRAFT

12.1 NOTIFICATION

Lessee will notify and provide Lessor with a schedule for the Redelivery of the Aircraft not later than 30 days prior to the commencement of the Redelivery Check, and Schedule 4 shall apply in relation to the Redelivery Check.

12.2 REDELIVERY

On the Expiry Date or termination of the leasing of the Aircraft under this Agreement, unless an Event of Loss has occurred, Lessee will, at its expense, redeliver the Aircraft including all Documents and Records to Lessor at the Redelivery Location in a condition complying with this Agreement and in particular Schedule 4, free and clear of all Liens and Permitted Liens (other than Lessor Liens).

12.3 REDELIVERY ACKNOWLEDGMENT

Provided Lessee has complied with its obligations under this Agreement, upon redelivery of the Aircraft by Lessee to Lessor at the Redelivery Location, Lessor will deliver to Lessee an acknowledgment confirming that Lessee has redelivered the Aircraft to Lessor in accordance with this Agreement.

12.4 SHORT TERM STORAGE

At the election of Lessor, the Lessee shall store the Aircraft either at Lessee's facility or, at Lessee's option, at another facility that is satisfactory to Lessor for a period of up to 30 days following Redelivery of the Aircraft by Lessee to Lessor, so long as Lessor has given Lessee 30 days' written notice of such storage intent prior to the Redelivery Date. If Lessor gives Lessee written notice of its intent to store the Aircraft less than 30 days prior to the Redelivery Date, Lessee shall only be obligated to provide such storage if space is available in the Lessee's storage facilities. Lessee will maintain the Aircraft per the Manufacturer's recommended storage program, and Lessor shall pay all actual and reasonable expenses of such storage and maintenance.

12.5 EXPENSES

All expenses associated with the Redelivery Check, in accordance with this Clause 12 and Schedule 4, and any other Redelivery requirement, will be at the expense of the Lessee, unless specifically noted in this Agreement, or otherwise mutually agreed in writing.

12.6 WARRANTY TRANSFER

Any warranties remaining from work accomplished by outside vendors or Parts installed on the Aircraft will be transferred to Lessor. For any component repair or overhaul performed by Lessee's internal shops, warranties will be transferred to Lessor on the understanding that Lessee's warranty is substantially the same as the industry standard of that component.

12.7 NON-COMPLIANCE

To the extent that at the time of Final Inspection and demonstration flight, the Aircraft does not comply with the Redelivery condition of this Agreement, Lessee will at Lessor's option:

- (1) immediately rectify the non-compliance at Lessee's expense and to the extent the non-compliance extends beyond the Expiry Date, the Term will automatically be extended and this Agreement will remain in force until the non-compliance has been rectified to the mutual satisfaction of both parties, or
- (2) redeliver the Aircraft to Lessor and indemnify Lessor, and provide to Lessor's satisfaction security for such indemnity, against the cost of putting the Aircraft into the condition required by this Agreement, and pay to Lessor such actual and reasonable costs to troubleshoot and repair the non-compliant item as incurred by Lessor within 5 business days after the receipt of Lessor's invoice therefor, provided that all such repairs shall be completed within 90 days of Redelivery.

12.8 EXPORT

At Redelivery, Lessee will provide to Lessor all documents necessary to export (if applicable) the Aircraft from the Redelivery Location if outside the USA (including without limitation, a valid and subsisting export license for the Aircraft). Lessee will also provide to Lessor all necessary assistance to enable the Lessor to obtain customs clearance and any other permissions and documentation relevant to exportation from the Redelivery Location if outside the USA and pay any Taxes incurred in respect of the exportation of the Aircraft from the Habitual Base.

12.9 LATE REDELIVERY

If the Aircraft is not duly redelivered on the Expiry Date due to delays not caused by Lessor and unforeseen or foreseen in meeting return conditions, Lessee will be liable to Lessor (1) during the one month period following the Expiry Date, for Rent on the basis of the applicable Rent in the preceding Rental Period, and (2) thereafter for 150% such Rent. If in the reasonable judgment of Lessor the delay could have been avoided by the prudent planning of Lessee, Lessee will be liable to Lessor for Rent in the amount of 150% of the otherwise applicable Rent commencing on the fifteenth (15th) day following the scheduled Expiry Date. In each case, Rent will be prorated

on a daily basis in an amount equal to 1/30th of the monthly Rent and payable on a weekly basis, in advance, for each day following the Expiry Date, until the Aircraft is duly redelivered. Following redelivery of the Aircraft, Rent will be adjusted for the actual number of days between the Expiry Date and the actual Redelivery Date. Any excess amounts paid will be returned to Lessee upon satisfaction of all open items associated with the Redelivery. During this extended period, all of the Lessee's other responsibilities and obligations will remain in full force and effect and Lessee will use its best commercially reasonable efforts to redeliver the Aircraft as soon as possible.

13. DEFAULT

13.1 EVENTS

Each of the following events will constitute an Event of Default and a repudiation of this Agreement by Lessee:

- (1) NON-PAYMENT: Lessee fails to make any payment under this Agreement or another Lessee Document on the due date and such failure shall continue for a period of 5 Business Days; or
- (2) INSURANCE: Lessee fails to comply with any provision of Clause 9 or Schedule 5 or any insurance required to be maintained under this Agreement is canceled or terminated or otherwise fails to remain in full force and effect; or
- (3) BREACH: Lessee fails to comply with any other provision of this Agreement or another Lessee Document and, if such failure is in the reasonable opinion of Lessor capable of remedy, the failure continues for 30 days after notice from Lessor to Lessee; or
- (4) REPRESENTATION: Any representation or warranty made (or deemed to be repeated) by Lessee in or pursuant to this Agreement or another Lessee Document, or in any document, certificate or statement, is, or proves to have been, incorrect in any material respect when made or deemed to be repeated and, to the extent that the same are capable of remedy the circumstances giving rise to such representation or warranty being incorrect are not remedied within 30 days after notice from Lessor to Lessee; or
- (5) CROSS DEFAULT:
 - (a) any Financial Indebtedness of Lessee or COPA Holdings is not paid when due, after giving effect to any applicable grace period; or
 - (b) any such Financial Indebtedness becomes due or capable of being declared due prior to the date when it would otherwise have become due; or

- (c) the security for any such Financial Indebtedness becomes enforceable; or
 - (d) under any Sister Lease, any "Event of Default" as therein defined occurs; or
- (6) APPROVALS: Any consent, authorization, license, certificate or approval of or registration with or declaration to any Government Entity in connection with this Agreement and the other Lessee Documents, including, without limitation:
- (a) any authorization required by Lessee to obtain and transfer freely Dollars (or any other relevant currency) out of any relevant country; or
 - (b) any authorization required by Lessee to authorize, or which may be related to, the execution, delivery, validity, enforceability or admissibility in evidence of this Agreement or the performance by Lessee of its obligations under this Agreement; or
 - (c) the registration of the Aircraft; or
 - (d) any airline license or air transport license;

is materially and adversely modified or is withheld, or is revoked, suspended, canceled, withdrawn, terminated or not renewed, or otherwise ceases to be in full force and Lessor reasonably determines, which determination shall be conclusive, that there is a material risk that such withholding, revocation, suspension, cancellation, withdrawal, termination or non-renewal or cessation will materially and adversely prejudice its rights under or in connection with this Agreement and the other Lessee Documents, have a material adverse effect on Lessee's ability to perform its obligations hereunder, jeopardize the interests of Lessor in the Aircraft, or give rise to any criminal liability on Lessor; or

(7) INSOLVENCY:

- (a) Lessee or COPA Holdings is, or is deemed for the purposes of any relevant law to be, unable to pay its debts as they fall due or to be insolvent, or admits in writing inability to pay its debts as they fall due; or
- (b) Lessee or COPA Holdings suspends making payments on all or any class of its debts or announces an intention to do so, or a moratorium is declared in respect of any of its indebtedness; or

- (c) a creditor applies for the suspension of payments of Lessee or COPA Holdings, and such application is not dismissed within sixty (60) days after the filing thereof; or
- (8) LIQUIDATION, BANKRUPTCY OR SIMILAR PROCEEDINGS:
- (a) a meeting of the shareholders or directors of Lessee or COPA Holdings is convened to consider a resolution to present an application for a moratorium, administration order, or any such resolution is passed; or
 - (b) any step (including petition proposal or convening a meeting) is taken with a view to composition, assignment or arrangement with any of its creditors of, or the rehabilitation, administration, custodianship, liquidation, or dissolution of Lessee or COPA Holdings; or any other involuntary insolvency proceedings involving Lessee or COPA Holdings are commenced and remain undismissed for a period of sixty (60) days; or
 - (c) any order is made or resolution passed for any such composition, assignment, arrangement, rehabilitation, administration, custodianship, liquidation, dissolution or insolvency proceedings, of Lessee or COPA Holdings becomes subject to or enters into any of the foregoing; or
 - (d) any order, judgment or decree is entered by any court of competent jurisdiction finding Lessee or COPA Holdings to be a bankrupt or authorizing the liquidation, reorganization, bankruptcy, composition or readjustment of debts of Lessee or COPA Holdings; or
- (9) RECEIVER:
- (a) an administrative or other receiver or manager is appointed in respect of Lessee or COPA Holdings or any part of its assets; or
 - (b) Lessee or COPA Holdings requests any person to appoint such a receiver or manager; or
 - (c) any sequestration of any substantial part of the assets of Lessee or COPA Holdings that remains in force undismissed, unstayed and unvacated for a period of 60 days; or
- (10) FINAL ADVERSE JUDGMENT: A final judgment for the payment of money in excess of \$3,000,000 that is not covered by insurance shall be rendered against Lessee and the same shall remain unpaid, unstayed or undischarged for a period of 60 days; or

- (11) OTHER JURISDICTION: There occurs in relation to Lessee or COPA Holdings any event anywhere which, in the reasonable opinion of Lessor, corresponds with any of those mentioned in Clauses 13.1(8) or (9); or
- (12) UNLAWFUL: It becomes unlawful for Lessee to perform any of its obligations under this Agreement or this Agreement becomes wholly or partly invalid or unenforceable, subject to the provision in Clause 15.1; or
- (13) SUSPENSION OF BUSINESS: Lessee or COPA Holdings suspends or ceases or threatens to suspend or cease to carry on all or a substantial part of its business or that of any of its material subsidiaries as currently conducted and any such partial suspension or cessation would materially adversely affect Lessee's ability to perform its obligations under this Agreement; or
- (14) DISPOSAL: Lessee or COPA Holdings disposes or threatens to dispose of all or a material part of its operating fixed assets (including, but not limited to, aircraft and spares), whether by one or a series of transactions, related or not, other than for the purpose of a reconstruction or amalgamation, the terms of which have received the previous consent in writing of Lessor, which consent will not be unreasonably withheld, and any such disposition would materially adversely affect Lessee's ability to perform its obligations under this Agreement; or
- (15) RIGHTS: The existence, validity, enforceability or priority of the rights of Lessor as Lessor in respect of the Aircraft are challenged by Lessee or any other person claiming by or through Lessee; or
- (16) CHANGE OF OWNERSHIP: Any person or group of persons, excluding the shareholders of Lessee or COPA Holdings and any Affiliate or Subsidiary thereof, acquires, after the date hereof, more than 50% of the equity share capital of Lessee, or control of Lessee, without the consent of Lessor, which consent shall not be unreasonably withheld, and such acquisition of equity or control shall have a material adverse affect on Lessee's ability to perform its obligations hereunder. For the purposes of this Clause 13.1(16), "control" means the power to direct the management and policy of Lessee whether by control of the composition of the board of directors (or similar governing body) of Lessee, or by contract or otherwise; or
- (17) DELIVERY: Lessee fails to accept delivery of the Aircraft when validly tendered by Lessor pursuant to this Agreement; or
- (18) ADVERSE CHANGE: Any event or series of events occurs (exclusive of events affecting the airline industry generally) which, in the reasonable opinion of Lessor, shall have had a material adverse effect on Lessee's ability to perform its obligations hereunder and such event (or series of events) shall continue unremedied for a period in excess of 60 days.

(19) LETTERS OF CREDIT:

- (a) the issuer of either Letter of Credit fails to make any payment under any Letter of Credit when due and Lessee fails to procure the making of such payments within 3 Business Days after notice from Lessor to Lessee; or
- (b) either Letter of Credit is not in full force or, for any reason ceases to constitute the legal, valid and binding obligation of the issuer; or
- (c) Lessee fails to provide and deliver replacement, renewal or further Letters of Credit pursuant to Clause 5.1; or
- (d) any of the events listed in sub-clauses 13.1(7), (8) or (9) apply to that issuer (references in those sub-clauses to Lessee being deemed to be to the issuer) and Lessee has not provided to Lessor other letters of credit in the principal amount and in substantially the same form of the Letters of Credit issued or confirmed by a bank reasonably satisfactory to Lessor in Lessor's sole discretion, within 10 days of the occurrence of that event.

13.2 RIGHTS

If an Event of Default occurs and is continuing, Lessor may at its option (and without limitation or prejudice to any other rights and remedies that may be available to Lessor under this Agreement or at law or equity), at any time thereafter:

- (1) by notice to Lessee and with immediate effect unilaterally and as a matter of law terminate the lease of the Aircraft hereunder (but without prejudice to the continuing obligations of Lessee under this Agreement), whereupon all rights of Lessee under this Agreement shall cease without any further action or judicial order; and/or
- (2) proceed by appropriate court action or actions to enforce performance of this Agreement and/or to recover damages for the breach of this Agreement; and/or
- (3) terminate the lease of the Aircraft hereunder as a matter of law and without further action or judicial order by either:
 - (a) taking possession of the Aircraft, for which purpose Lessor may enter any premises belonging to or in the occupation of or under the control of Lessee where the Aircraft may be located, or cause the Aircraft to be redelivered to Lessor at an airport designated by the Lessor (or such other location as Lessor may require), and Lessor is hereby irrevocably by way of security for Lessee's obligations under this Agreement appointed attorney for Lessee in causing the redelivery or in directing the pilots of Lessee or other pilots to fly the Aircraft to

that airport and will have all the powers and authorizations necessary for taking that action; or

- (b) serving notice requiring Lessee to redeliver the Aircraft to Lessor at an airport designated by the Lessor in the USA.

13.3 EXPORT

If an Event of Default occurs and is continuing and Lessor terminates this Agreement pursuant to Clause 13.2, Lessor may sell or otherwise deal with the Aircraft as if this Agreement had never been made and Lessee will at the request of Lessor take all steps necessary to effect (if applicable) export of the Aircraft from the country where the Aircraft is then situated and any other steps necessary to enable the Aircraft to be immediately redelivered to Lessor in accordance with this Agreement. Lessee hereby irrevocably and by way of security for its obligations under this Agreement appoints Lessor as its attorney to execute and deliver any documentation and to do any act or thing required in connection with the foregoing, including, but not limited to, filing any documents and taking any actions necessary for the purpose of requesting cancellation of the registration of the Aircraft with the Air Authority.

13.4 DEFAULT PAYMENTS

If:

- (1) Default occurs and is continuing; or
- (2) the Aircraft is not delivered on the proposed Delivery Date by reason of failure of Lessee to satisfy any conditions to that delivery except in the event of an Excusable Delay;

Lessee will indemnify Lessor on demand against any loss (including loss of profit), damage, expense, cost or inability which Lessor may sustain or incur directly or indirectly as a result thereof including but not limited to:

- (a) any loss of profit suffered by Lessor because of Lessor's inability to place the Aircraft on lease with another lessee on terms as favorable to Lessor as this Agreement or because the following are not as profitable to Lessor as such lease would have been but for such Default or non-delivery referred to in (1) and (2) above, namely (i) whatever use if any to which Lessor is able to put the Aircraft as an alternative to the Lease under this Agreement or (ii) any consequent sale or disposal by Lessor of the Aircraft and the funds arising upon such sale or disposal; and
- (b) any loss, cost, expense, or liability sustained or incurred by Lessor owing to Lessee's failure to redeliver the Aircraft on the date, at the place and in the condition required by this Agreement.

13.5 SURVIVAL

All the representations, warranties, indemnities and unperformed covenants and Lessor's rights contained in this Agreement shall survive and continue in full force after the Expiry Date, notwithstanding the termination of this Agreement or the lease of the Aircraft for any reason whatsoever.

14. ASSIGNMENT, NOVATION

14.1 LIEN

Lessee will not assign, or create or permit to exist any Lien, other than Permitted Liens, over, any of its rights under this Agreement, the other Lessee Documents or the Insurances.

14.2 LEASE ASSIGNMENT/NOVATION

Subject at all times and in all cases to Lessee's rights under this Agreement and such other restrictions as are set forth herein, Lessor, at its sole cost and expense, may sell, assign, pledge, transfer or convey (in each case a "Transfer") to any Person (each a "Transferee"), any or all of Lessor's rights, title and interest in, to and under this Agreement and in respect of the Aircraft; provided however, that no such Transfer shall, directly or indirectly, (i) materially increase Lessee's obligations, duties or liabilities under this Agreement or in respect of the Aircraft in any manner whatsoever, (ii) diminish or adversely affect Lessee's rights under this Agreement or in respect of the Aircraft; (iii) be made to any airline, or (iv) otherwise cause Lessee to incur any obligations, cost or expense in excess of those for which it would have been responsible in the absence of such Transfer; provided further however, that (a) any Transferee, whether of all or any part of Lessor's interest in and to this Agreement or the Aircraft, shall have executed and delivered to Lessee written confirmation in form reasonably satisfactory to Lessee that such Transferee agrees to be bound by all of the terms and conditions of this Agreement and (b) any Transferee, whether of all or any part of Lessor's interest in and to this Agreement or the Aircraft, shall have executed and delivered to Lessee, a letter of quiet enjoyment, in form and substance substantially equivalent to Clause 7.1 hereof. Notwithstanding the foregoing, in the case of any Transfer of this Agreement or the Aircraft as security for any obligations of Lessor (whether in respect of any financing arrangements made by Lessor in respect of the Aircraft or otherwise), Lessor shall remain fully liable to Lessee for the prompt and due payment and performance of all of its duties, liabilities and obligations under this Agreement to the full extent as if no such Transfer had been made. Lessee acknowledges and agrees that should Lessor sell, assign transfer or convey to a Transferee, other than by way of security, all of Lessor's interest under this Agreement and in the Aircraft, Lessor shall thereupon be relieved of all of its obligations hereunder and Lessor's Transferee shall succeed to all of Lessor's rights, interests and obligations under this Agreement, subject however to Lessor's compliance with the terms and provisions of this Clause.

Subject to compliance by Lessor with this Clause 14.2, lessee shall execute and deliver, at Lessor's sole cost and expense, any and all instruments or documents reasonably requested by Lessor and shall otherwise reasonably cooperate with Lessor in connection with and to effectuate any such Transfer.

15. ILLEGALITY

If, notwithstanding the provisions of Clause 17.7, it becomes unlawful in any jurisdiction for Lessor or Lessee to give effect to their respective obligations as contemplated by this Agreement, the affected party shall notify the other in writing. Lessor and Lessee will consult in good faith as to any steps which may be taken to restructure the transaction to avoid that unlawfulness but neither party will be under no obligation to take any such steps. Notwithstanding the foregoing, as Lessor in its discretion considers appropriate or advisable while any such illegality exists and prior to any such cure thereof, Lessor may by notice in writing to Lessee terminate the leasing of the Aircraft under this Agreement. Upon any such termination, Lessee will immediately redeliver the Aircraft to Lessor as follows: (i) if the illegality causing such termination relates to the rights or powers of Lessee and is attributable to the laws or regulations of the Republic of Panama or any other jurisdiction with jurisdiction over the rights or powers of Lessee, Lessee shall redeliver the Aircraft to Lessor in accordance with the requirements of Clause 12 and Schedule 4; (ii) if the illegality causing such termination relates to the rights or powers of Lessor or Beneficiary and is attributable to the laws of the USA or any other jurisdiction with jurisdiction over the rights or powers of Lessor or Beneficiary, Lessee shall return the Aircraft to Lessor in accordance with the requirements of Clauses 12.2, 12.4 12.5 12.6 and 12.8 of this Agreement, together with Clauses 1.0, 2.4, 2.8, 2.14, 2.15, 3.1, 4.1, 4.3 and 5.1 through 5.5 of Schedule 4.

16. DISCLAIMERS AND WAIVERS

16.1 EXCLUSION AND WAIVER

AS BETWEEN LESSOR AND LESSEE, THE AIRCRAFT IS BEING DELIVERED AND LEASED TO LESSEE UNDER THIS AGREEMENT "AS IS, WHERE IS" AND, EXCEPT FOR LESSOR'S REPRESENTATIONS AND WARRANTIES SET FORTH IN CLAUSE 2.4 OF THIS AGREEMENT, NEITHER LESSOR NOR ANY OTHER INDEMNITEE (OTHER THAN MANUFACTURER) MAKES ANY WARRANTIES OR REPRESENTATIONS WHATSOEVER. LESSOR'S REPRESENTATIONS AND WARRANTIES SET FORTH IN CLAUSE 2.4 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND LESSEE, FOR THE BENEFIT OF LESSOR AND ANY OTHER INDEMNITEE (OTHER THAN MANUFACTURER), HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, PATENT AND OTHER INDEMNITIES, OBLIGATIONS AND LIABILITIES OF LESSOR AND ANY OTHER INDEMNITEE (OTHER THAN MANUFACTURER), AND ANY AND ALL RIGHTS, CLAIMS AND REMEDIES OF LESSEE, ITS SUCCESSORS OR PERMITTED ASSIGNS, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ANY NONCONFORMANCE OR DEFECT IN THE AIRCRAFT, ANY PART THEREOF OR ANY OTHER THING

DELIVERED, LEASED, CHARTERED, SOLD OR TRANSFERRED UNDER THIS LEASE, INCLUDING, BUT NOT LIMITED TO:

- (1) ANY WARRANTY AS TO THE DESCRIPTION, CONFORMITY TO THE PROVISIONS OF THE PURCHASE AGREEMENT, AIRWORTHINESS, VALUE, CONDITION, DESIGN, OPERATION OF, OR QUALITY OF THE MATERIAL OR WORKMANSHIP IN, OR ANY DEFECT IN, THE AIRCRAFT, THE AIRFRAME, ANY ENGINE, ANY PART, ANY DOCUMENTS, ANY RECORDS, ANY DATA OR ANY OTHER THING DELIVERED, SOLD OR TRANSFERRED HEREUNDER;
- (2) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR USE OR FOR A PARTICULAR PURPOSE;
- (3) ANY EXPRESS OR IMPLIED WARRANTY AS TO TITLE;
- (4) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (5) ANY OBLIGATION OR LIABILITY WITH RESPECT TO ANY ACTUAL OR ALLEGED INFRINGEMENT OF ANY PATENT, TRADEMARK, COPYRIGHT OR OTHER INTELLECTUAL PROPERTY;
- (6) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT, WHETHER OR NOT IN STRICT OR ABSOLUTE LIABILITY OR ARISING FROM THE NEGLIGENCE OF LESSOR OR ANY OTHER INDEMNITEE, WHETHER ACTUAL OR IMPUTED, ACTIVE OR PASSIVE;
- (7) THE ABSENCE OF LATENT OR OTHER DEFECT OR NONCONFORMANCE IN THE AIRFRAME, ANY ENGINE, ANY PART, ANY DOCUMENTS, ANY RECORDS, ANY DATA OR ANY OTHER THING DELIVERED, SOLD OR TRANSFERRED HEREUNDER, WHETHER OR NOT DISCOVERABLE; AND
- (8) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO THE AIRCRAFT, THE AIRFRAME, ANY ENGINE, ANY PART, ANY DOCUMENT, ANY RECORD, ANY DATA OR ANY OTHER THING DELIVERED, LEASED OR TRANSFERRED HEREUNDER, FOR ANY LIABILITY OF LESSEE TO ANY THIRD PARTY OR FOR ANY LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

16.2 CERTIFICATE OF ACCEPTANCE

DELIVERY BY LESSEE TO LESSOR OF THE CERTIFICATE OF ACCEPTANCE WILL BE CONCLUSIVE PROOF AS BETWEEN LESSOR AND

LESSEE THAT LESSEE HAS EXAMINED AND INVESTIGATED THE AIRCRAFT, THAT THE AIRCRAFT AND THE DOCUMENTS AND RECORDS ARE SATISFACTORY TO LESSEE AND THAT LESSEE HAS IRREVOCABLY AND UNCONDITIONALLY ACCEPTED THE AIRCRAFT FOR LEASE HEREUNDER WITHOUT ANY RESERVATIONS WHATSOEVER EXCEPT AS MAY BE STATED THEREIN.

17. MISCELLANEOUS

17.1 WAIVERS, REMEDIES, CUMULATIVE

The rights of Lessor under this Agreement:

- (1) may be exercised as often as necessary;
- (2) are cumulative and not exclusive of its rights under any law; and
- (3) may be waived only in writing and specifically.

Delay in the exercise or non-exercise of any such right will not constitute a waiver of that right.

17.2 DELEGATION/AGENCY AGREEMENT

Lessor may delegate to any person or persons all or any of the trusts, powers or discretions vested in it under this Agreement and any such delegation may be made upon such terms and conditions and subject to such regulations (including power to sub-delegate) as Lessor determines in its absolute discretion, provided that Lessor shall remain responsible for the performance of any such trusts, powers and discretions so delegated.

Pursuant to the Purchase Agreement, certain obligations remain to be performed by Lessor in connection with the manufacture, fabrication and completion of the Aircraft by Manufacturer, which obligations, including the furnishing of certain equipment for the Aircraft, will be performed by Lessee. Lessee will act as Lessor's agent with respect to such matters as set forth in, and pursuant to, the terms of an agency agreement to be entered into by Lessor and Lessee in form and substance reasonably satisfactory to Lessor and Lessee. Lessee will perform its obligations as set forth in such agency agreement and provide the Aircraft equipment which must be provided by Lessee within the time periods required by Manufacturer, save for excusable delay.

17.3 CERTIFICATES

Except as expressly provided in this Agreement, any certificate or determination by Lessor as to any rate of interest or as to any other amount payable under this Agreement will, in the absence of manifest error, be conclusive and binding on Lessee provided that the same shall be accompanied by a written explanation, or

reasonable detail, as to the calculation or determination of any amount stated to be payable therein.

17.4 APPROPRIATION

If any sum paid or recovered in respect of the liabilities of Lessee under this Agreement is less than the amount then due, Lessor may apply that sum to amounts due under this Agreement in such proportions and order and generally in such manner as Lessor may reasonably determine.

17.5 CURRENCY INDEMNITY

17.5.1 If Lessor receives an amount in respect of Lessee's liability under this Agreement or if such liability is converted into a claim, proof, judgment or order in a currency other than the currency in which the amount is expressed to be payable under this Agreement (the "contractual currency"), then:

- (1) Lessee will indemnify Lessor as an independent obligation against any loss arising out of or as a result of such conversion;
- (2) If the amount received by Lessor, when converted into the contractual currency (at the market rate at which Lessor is able on the relevant date to purchase the contractual currency with such other currency) is less than the amount owed in the contractual currency, Lessee will, immediately on demand, pay to Lessor an amount in the contractual currency equal to the deficit; and
- (3) Lessee will pay to Lessor on demand any exchange costs and Taxes payable in connection with the conversion.

17.5.2 Lessee waives any right it may have in any jurisdiction to pay any amount under this Agreement in a currency other than the contractual currency.

17.6 SET-OFF

Lessor may set off any matured obligation owed by Lessee under this Agreement, any Sister Lease or any other agreement between Lessor (or any affiliate or subsidiary of Lessor) and Lessee (each an "Other Agreement") in respect of which an Event of Default (or similar event) has occurred and is continuing (to the extent beneficially owned by Lessor) against any obligation (whether or not matured) owed by Lessor to Lessee, regardless of the place of payment or currency. If the obligations are in different currencies, Lessor may convert either obligation at the market rate of exchange available for the purpose of the set-off. If an obligation is unascertained or unliquidated, Lessor may in good faith estimate that obligation and set off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained or liquidated. Lessor will not be obliged to pay amounts to Lessee under this Agreement or any Other Agreements in respect of

which an Event of Default has occurred and is continuing so long as any sums which are then due to Lessor by Lessee under this Agreement remain unpaid and any such amounts which would otherwise be due will fall due only if and when Lessee has paid all such sums except to the extent Lessor otherwise agrees or sets off such amounts against such payment pursuant to the foregoing.

17.7 SEVERABILITY

If any provision hereof shall be held invalid, illegal or unenforceable in any respect in any jurisdiction, then to the extent permitted by law, (a) all other provisions hereof shall remain in full force and effect in such jurisdiction and (b) such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction. If, however, any law pursuant to which such provisions are held invalid, illegal or unenforceable may be waived, such law is hereby waived by the parties hereto to the full extent permitted, to the end that this Agreement shall be deemed to be a valid and binding agreement in all respects, enforceable in accordance with its terms.

17.8 REMEDY

If Lessee fails to comply with any provision of this Agreement, Lessor may, without being in any way obliged to do so or responsible for so doing and without prejudice to the ability of Lessor to treat the non-compliance as a Default or an Event of Default, effect compliance on behalf of Lessee, whereupon Lessee shall become liable to pay immediately any sums expended by Lessor, together with all costs and expenses (including legal costs) in connection therewith.

17.9 EXPENSES

17.9.1 Whether or not the Aircraft is delivered to Lessee pursuant to this Agreement unless any failure to effect delivery results from an act or omission to act by Lessor or Beneficiary not anticipated or otherwise permitted under this Agreement, Lessee will pay to Lessor on demand all reasonable expenses (including investigation and appraisal expenses, attorneys' fees and other costs) payable or incurred by Lessor in connection with the enforcement of or preservation of any of Lessor's rights under this Agreement or any related agreement, or in respect of the repossession of the Aircraft pursuant to Clause 13.2. 17.9.2 Each party shall bear all other expenses (including legal, professional, and out-of-pocket expenses) incurred or payable by such party in connection with the negotiation, preparation, and execution of this Agreement and/or the other documents contemplated hereby.

17.9.3 All expenses payable pursuant to Clause 17.9.1 will be paid in the currency in which they are incurred by Lessor.

17.10 TIME OF ESSENCE

The time stipulated in this Agreement for all payments payable by Lessee to Lessor and for the performance of Lessee's other obligations under this Agreement will be of the essence.

17.11 NOTICES

All notices under, or in connection with, this Agreement will, unless otherwise stated, be given in writing by letter delivered by courier or by facsimile. Any such notice is deemed to be given as follows:

- (1) if by letter, when delivered; and
- (2) if by fax, when transmitted and full transmission has been separately notified by telephone by the transmitting party.

The address, telephone numbers and facsimile numbers of Lessee and Lessor and Beneficiary are as follows (or such other address, telephone number or facsimile number notified by the relevant party):

Lessee: Address: Avenida Justo Arosemena y Calle 39
 Panama 1, Republic of Panama
 Attention: Executive President
 Facsimile: 507-227-1952
 Telephone: 507-227-4551

Lessor: Address: 79 South Main Street
 Salt Lake City, Utah 84111 USA
 Attention: Corporate Trust Department
 Facsimile: 802-246-5053
 Telephone: 802-246-5630

with a copy to:

Beneficiary: Address: 3780 Kilroy Airport Way, Suite 700
 Long Beach, California 90806 USA
 Attention: Contracts Director
 Facsimile: 562-988-2694
 Telephone: 562-988-2688

17.12 LAW AND JURISDICTION

17.12.1 This Agreement shall in all respects be governed by, and construed in accordance with, the internal laws of the State of New York, inclusive of all matters of construction, validity and performance.

17.12.2 Lessee and Lessor hereby irrevocably submit to the jurisdiction of any New York state or federal court sitting in New York City in any action or proceeding arising out of or relating to this Lease, and hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in such New York state court or, to the extent permitted by law, in such federal court. Lessee and Lessor hereby irrevocably waive, to the fullest extent they may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. Lessor hereby irrevocably appoints CT Corporation System, with an office on the date hereof at 1633 Broadway, New York, New York 10019, and Lessee hereby irrevocably appoints Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, 200 Park Avenue, New York, New York 10019 (the "Process Agents"), as their respective Process Agents to receive on their behalf proper service of copies of the summons and complaint and any other process that may be served in any such action or proceeding. Such service may be made by mailing or delivering a copy of such process to Lessee or Lessor, as the case may be, in care of their respective Process Agents at such Process Agent's above address, and Lessee and Lessor hereby irrevocably authorize and direct their respective Process Agents to accept such service on their behalf. Lessee and Lessor agree that a final non-appealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Clause 17.12.2 shall affect the right of any Person to serve legal process in any other manner permitted by law or affect the right of any other party to bring any action or proceeding against Lessee or Lessor, or their respective properties in the courts of other jurisdictions. LESSEE AND LESSOR HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING TO WHICH THEY ARE PARTIES INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER ARISING OUT OF OR RELATING TO THIS LEASE.

17.12.3 Lessee agrees that any final non-appealable judgment or order of a Federal or State court located in the State of New York in connection with this Agreement and the other Lessee Documents is conclusive and binding on it and may be enforced against it in the courts of any other jurisdiction.

17.12.4 Lessee irrevocably and unconditionally:

- (1) agrees that if Lessor brings legal proceedings against it or its assets in relation to this Agreement and the other Lessee Documents, no immunity from such legal proceedings (which will be deemed to

include without limitation, suit, attachment prior to judgment, other attachment, the obtaining of judgment, execution or other enforcement) will be claimed by or on behalf of itself or with respect to its assets;

- (2) waives any such right of immunity which it or its assets now has or may in the future acquire; and
- (3) consents generally in respect of any such proceeding to the giving of any relief or the issue of any process in connection with such proceedings including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such proceedings.

17.13 SOLE AND ENTIRE AGREEMENT

This Agreement (including all Schedules hereto) is the sole and entire agreement between Lessor and Lessee in relation to the leasing of the Aircraft, and supersedes all previous agreements in relation to that leasing.

17.14 INDEMNITIES

All rights expressed to be granted to each Indemnatee under this Agreement (other than Lessor) are given to Lessor on behalf of that Indemnatee.

17.15 COUNTERPARTS

This Agreement may be executed in counterparts each of which will constitute one and the same document.

17.16 LANGUAGE

All notices to be given under this Agreement will be in English. All documents delivered to Lessor pursuant to this Agreement will be in English, or will be accompanied by a certified English translation. If there is any inconsistency between the English version of this Agreement and any version in any other language, the English version will prevail.

17.17 MODIFICATION

No modification, change, waiver or amendment to this Agreement or any related letter agreements shall be deemed to be made unless in writing signed by the party to be charged.

17.18 OWNER TRUSTEE

- (1) Except as expressly provided in this Agreement, Lessee acknowledges (i) that this Agreement is executed by First Security Bank, National Association, not in its individual capacity, but solely as owner trustee, except as otherwise expressly provided herein, under the Trust Agreement with Beneficiary as grantor, in the exercise of the power and authority conferred and vested in it as such owner trustee, (ii) this Agreement is intended to bind only the Trust Estate (as defined in the Trust Agreement) except to the extent of the representations and warranties made herein by First Security Bank, National Association in its individual capacity, and (iii) that nothing herein contained shall be construed as creating any liability on First Security Bank, National Association, individually or personally, to perform any agreement herein, all such liability, if any, being expressly waived by Lessee and by each and every person now or hereafter claiming by, through or under Lessee, except with respect to the negligence or willful misconduct of First Security Bank, National Association.

- (2) If First Security Bank, National Association shall cease to be a "citizen of the United States" within the meaning of 49 U.S.C. Section 40102 and the rules and regulations of the FAA thereunder, First Security Bank, National Association, in its individual capacity, agrees to give Lessee and Beneficiary prompt notice thereof, upon an officer of First Security Bank, National Association becoming aware thereof, and agrees to cooperate with the efforts of Beneficiary promptly to replace it as owner trustee of the trust owning the Aircraft and as Lessor hereunder with a person who is such a "citizen of the United States."

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****Material Redacted****

****3 pages****

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CERTAIN TERMS

Defined Term

Definition

[Intentionally omitted from the version of this document filed with the FAA and the Directorate of Civil Aeronautics and recorded with the Office of the Public Registry as containing confidential financial information.]

SCHEDULES

Page 1

SCHEDULE 1

PART 1

DESCRIPTION OF AIRCRAFT

AIRCRAFT

MANUFACTURER: The Boeing Company

MODEL: 737-71Q

SERIAL NUMBER: 29048

GENERAL FEATURES (subject to change and offer ability by Boeing): As set out in Part 2 of Schedule 1

AIRCRAFT SPECIFICATION

The Aircraft specification is as per Boeing Detail Specification Documents (D6-38808-27) ("Tombo Baseline Specification") (including such production improvements as may be incorporated into the Aircraft), as further modified to incorporate any change orders accepted by Manufacturer in respect of the Aircraft, and any further changes as agreed from time to time, together with Documents and Records.

ENGINES

ENGINE TYPE AND NO: Two (2) CFM56-7B24 engines rated at 24,000 lbs of thrust.

EACH OF THE ENGINES IS 750 OR MORE RATED TAKE-OFF HORSEPOWER OR ITS EQUIVALENT.

MANUFACTURER: CFM International, Inc.

SERIAL NOS: As set out in the Certificate of Acceptance

SCHEDULE 1

PART 2

GENERAL FEATURES

The following are to be incorporated on delivery in each case subject to confirmation by Boeing after signature of this Agreement that Boeing will incorporate them in the Aircraft on delivery, which Lessor shall request after signature.

0310MP3528 MTW/MTOW 153,500/153,000 LBS
7200CG3255 24,000 LBS THRUST
DUAL MMR -ILS/GPS
ENHANCED GPWS 3446 MK 3244
PREDICTIVE WINDSHEAR/WX RADAR

SCHEDULE 1

PART 3

LESSEE'S OPTIONS

This listing represents changes assumed to accommodate the desired Lessee configuration and is subject to confirmation on availability and agreed effect on lease pricing and delivery schedule.

I.

2210CG3197 G/S CAP INHIBIT BEFORE LOC (ADD)
2210CG3198 DFCS - CWS WARN (DELETE)
2210CG3232 DFCS - ALT ALERT 200/900 FT (DELETE)
2210CG3235 DFCS - ALT ALERT 300/900 (ADD)
2350CG3147 CW INTERPHONE SW - SPRING LOAD TO OFF W/LOCK (DELETE)
2350CG3158 CW INTERPHONE SW - SPRING LOAD TO OFF (ADD)
2350CG3153 FLT COMP AUDIO MUTE REVISION - ONE SIDE MUTING (ADD)
2350CG3163 DIG. AUDIO REMOTE ELECT. UNIT - DEL HEADSET AURAL (ADD)
3162CG3018 ENHANCED MACH / A/S DISPLAY (DELETE)
3162CG3019 R/A DISPLAY - ROUND DIAL (ADD)
3162CG3020 R/A ABOVE ADI (DELETE)
3162CG3021 R/A BELOW ADI (ADD)
3162CG3025 R/A ALERT 2,500 FT (DELETE)
3162CG3026 ALT. COMPARATOR - STEADY (ADD)
3162CG3027 ALT. COMPARATOR - FLASHING (DELETE)

3162CG3036 AUTOTUNED NAVIDS - DISPLAYED (ADD)
3162CG3037 AUTOTUNED NAAIDS - SUPPRESSED (DELETE)

3162CG3104 ENG INSTR DISPLAY - SIDE BY SIDE (ADD)
3162CG3105 ENG INSTR DISPLAY - OVER & UNDER (DELETE)
3162CH3135 ADDED T/O BUG - NOT DISPLAYED (ADD)
3162MP3186 WX RDR RANGE IND - RANGE MARKS IN LIEU ARCS (ADD)
3446CG3120 GPWS ACT OF DESCENT BELOW MIN (MODE 6) (DELETE)
3446CG3127 GPWS R/A CALLOUTS (100, 50, 30, 20, 10) (ADD)
3446MP3172 GPWS VOICE "HALF VOL" IN LIEU "FULL VOL" (ADD)
3461CG3432 THRUST REDUCTION ALT - T/O PROFILE (ADD)
3461CG3498 FMC ACTIVATION - 1 MEG DATA BASE (ADD) \$77,300
3461CH3562 FMC ACTIVATION - RETENTION OF WAYPOINT AFTER DIRECT TO \$9.900

II.

P/N SWAP -----	CONTINENTAL -----	TOMBO -----
1 SSCVR	LORAL/FAIRCHILD 2100-1010-00 2370MP3215	ALLIED SIG 2370CH3199
2 FLASHLIGHT	DME P2-07-0001-215 2564MP3127	P2-07-0001-214
3 DFDAU	223300-83 3131MP3883, 3131MP3999 RR97155-26, -29	TELEDYNE DFDMU 3131CH3935
4 SSDFDR	LOCKHEED 3131MP3847	?
5 NOSE & MLG WHLS/BRAKES	BF GOODRICH 3240CG3235	ALLIED SIGNAL 3240CG3226
6 MLG TIRES	H44.5 X 16.5 X 21 / 28 PLY 3245CG3031	26 PLY 3245CG3030
7 WX RDR W/PWS	COLLINS 622-5132-631 3443MP3264	ALLIED SIGNAL 3443CG3184
8 WX RDR SPLIT FUNC C/P	COLLINS 622-5129-205 3443MP3259	?
9 TCAS II	622-8971-500 COLLINS 3445MP3289	ALLIED SIG 3445CG3169
10 ATC/TCAS CONT. PNL	GABLES G6992-40 3445MP3332	?
11 FMC CDU (MULTI-PURPOSE)	FMC/ACARS/FDAU 3461CG3465	FMC CDU ONLY 3461CG3464
12 CREW O2 BOTTLE	114 CU FT 3510CE3098	76 CU FT 3510CG3097
13 POT H2O VOL.	60 GAL 3810CG3V31	40 GAL COLLECTOR
14 RADOME REV.	M&N AEROSPACE 5352MP3015	BAC STD
15 EVM	ENDEVCO W/TRIM BAL 7731CG3038	VIBROMETER 7731MP3045
16 COOL WHITE LIGHT	3320MP3039	STD
17 PERMANENT NO SMOKE LITE	3324MP3018	

III.

BOEING ADD & DEL

1124CG3V02
3450MP3006
EXIT TACTILE LOCATOR (ADD)
REMOVAL ADF
DELETE 144 ALL COACH SEATS
INSTALL CONTINENTAL G1/G4B GALLEYS
DELETE DRAPE MAT
INSTALL CONTINENTAL CARPET AND FLOORING
DELETE G2 GALLEY
INSTALL CO EMERGENCY EQUIPMENT LOCATION
INSTALL CO F/C CLOSET

IV.

BOEING PAPER CHANGES

2528CG3V10
2528CG3V20
0220MP3368
0225CH3026
MAGAZINE SORAGE RACK
O/H BIN WITH BULL NOSE FOR B737-700
HI ALT AIRPORT
ETOPS

V.

MISC.

0160MS3209
1110MP3354
A/C I.D.#'S FDRS/MODES/REGISTRY
COURTAULD H.S. PAINT (COPA) 9/25/98 DEADLINE

SCHEDULE 1

PART 4

LESSEE'S POST-PRODUCTION MODIFICATIONS:

PDM

1 DUAL H.F. (COLLINS) Z311MP3553
2 THIRD VHF COMM (COLLINS) Z312MP3529
3 PA HANDSET INSTL IN FLT DECK AISLESTAND 2331CH3179
4 PAVES VIDEO SYSTEM (INSTL HARDWARE ONLY) 2332MP3742
5 AUDIO SELECT PNL MOVE O/B 2350CH3206
6 INTERPHONE BFE MIC/HANDSETS/HEADPHONES 2350CH3207
7 30 MIN STBY PWR WITH ADDED LOAD 2433CH3150
8 12/112 INTERIOR CONFIG (KOITO SEATS) 2520CH3816, 3818, 2523CG3V16
9 INSTL SELL G1, G2, G4B GALLEYS & INSERTS 3450CG3V09, 3450CG3V14, 3V28,
2528CG3V20, 2530CH3635, 2530CH3636, 5620CG3V02
10 ADD CLASS DIVIDER 2524CG3V16
11 ADD F/C CLOSET 2524MP3605
12 CONNECT SEAT MOUNT AISLE LITE 3351MP3049, 3351CH3030
13 INSTL FLOORING (CARPETS/LONCOIN) 2527MP3134
14 INTL DRAPES 2524CG3V20
15 BILINGUAL PLACARDS & SIGNS 2523MP3176, 2523CG3V05, 2523CG3V10
16 DELETE 2ND OBSERVER'S SEAT
17 G2 HARD POINTS RELOCATION
18 LIQUID SOAP DISP 2541CH3043
19 EMERG EQUIP P/N & RELOCATION 2502CG3V09, 3V10, 3V12, 2564CG3V03, 2564MP3136
20 ADD PAX LIFE VESTS 2562CG3V11
21 ADD LIFE RAFT 46 MAN X 3 EA 2562MP3225
22 RETRACTABLE EMERG EQ PNL 2564CH3095
23 PARK BRAKE WARNING LITE
24 STERILE C/P LITE 3310CH3020
25 PERMANENT NO SMOKE SIGNS 3324MP3018
26 EXTERNAL POS LIGHT SW INSTL 3343MP3044
27 GPWS FLAP WARNING INHIBIT ONLY 3446CH3128
28 BFE NAV DATA BASE 3461CG3403
29 2ND FMC 3461CG3496
30 JET 254 2900MP3035
31 TOTAL MISC PARTS
32 LIFELINE INSTL @ OVERWING EXIT 2560CG3V08
33 APU FIRE FIRE BOTTLE 224 IN3 RR97155-21
34 P.A. COLLINS P/N ARINC 700 RR97155-22
35 SELCAL GABLES P/N 6959-06 RR97155-24

SCHEDULE 1

PART 5

DOCUMENTS

The Documents listed below, include, but are not limited to, the following:

AIRCRAFT CURRENT OPERATING AND STATUS RECORDS.

1. Certified Interior Drawing (LOPA) with STC (FAA approved).
2. Certified Emergency Equipment Drawing certified by FAA.
3. List of Oil and Fluids.
4. Cockpit Installation Drawings.
5. Avionics Equipment List.
6. Copy of exemptions/deviations granted by the NTSB/FAA.
7. Airframe and Engine Ownership Placards.
8. Airplane Flight Manual (FAA Approved).
9. Flight Crew Operating Manual.
10. Minimum Equipment List, with Procedures (MEL).
11. Configuration Deviations List Manual (CDL).
12. All required Cockpit Manuals, Documents, and Checklists.
13. Weight and Balance Manual, with last Weighing Report.
14. Loading and Control Manual.
15. Fuel Measuring Document Manual.
16. Boeing Detailed Specification (D6-38808-27).
17. Boeing Aircraft Readiness Log.
18. Boeing Significant Rework Log (SRL).
19. Boeing Miscellaneous Brochure.
20. Boeing PRR Listing.
21. Boeing Life Limited Landing Gear Parts Report.
22. Boeing FAA Airworthiness Directive Compliance Record Status Report.
23. Boeing Service Bulletin Compliance Record Status Report.
24. Boeing Rigging Brochure.
25. Boeing Delivery Exceptions, Equipment, Shortages and Aircraft Condition Items Letter.
26. Aircraft Logbooks and certification (Manufacturer Documents).
27. Operator Maintenance Program and Requirements.
28. Aircraft Maintenance Manual.
29. Aircraft Illustrated Parts Catalogue.
30. Wiring Diagram Manual, Including Equipment List, Termination and Hook-Up Charts.
31. Structural Repair Manual (SRM).
32. Fault Reporting Manual.
33. Interior Furnishings Manual, including Galley, Seat, and IFE Manuals.
34. Engine Data Submittal Sheets and Manufacture Documentation (CFMI).

CERTIFIED LETTERS AND CERTIFICATES

1. Redelivery Letter certifying status, time and cycles of the Airframe, Engine and APU, time to next check or inspections, and time to next inspection/removal of engines and components.
2. Quality Assurance Statements.
 - (a) Status and History of Major Repairs and Alterations.
 - (b) Computerized Record System.
 - (c) Accident, Incident, and Damages.
 - (d) Assistance in acquiring outstanding records with contractual release assigned to Lessors.
 - (e) Deferred Item Status.
 - (f) Installation of Non-Lessor or Lessee equipment on Aircraft.
3. Upon request of Lessor, identification of signatures, stamps, initials utilized in the verification and authentication of Records.
4. Copy of FAA Approval of Maintenance and Inspection Program (FAA Form 1014 or equivalent).
5. Inventory List of Documents and Records transferred with the Aircraft.
6. Original Export Certificate of Airworthiness.
7. Current, or last, Certificate of Airworthiness.
8. Current, or last, Registration.
9. Current, or last, Radio License.
10. Current Export Certificate of Airworthiness, if available.
11. Supplement Type Certificates.
12. Galley Certificate of Sanitary Construction.

SCHEDULE 1

PART 6

RECORDS

The Records listed below, include, but are not limited to, the following:

AIRCRAFT MAINTENANCE RECORDS

1. Aircraft Logbooks: Flight, Maintenance, and Cabin, as applicable to the Operator.
2. Aircraft Maintenance and Flight Log Sheets for prior 12 months in service (minimum).
3. Complete cycle of all "Letter" Checks.
4. All Time Controlled Inspection/Task (out of phase) Maintenance Records.
5. Component Airworthiness Approval Tags (FAA 8130-3 Form or JAA-1 Form or equivalent) with indication of work performed at shop.
6. Time Controlled Component (hard time) records back to last overhaul, including all intermediary Repair Records.
7. Life Limited Part (LLP) Records providing status and traceability to origin and manufacturer, including installation records of each component.
8. Airworthiness Directive Records and Compliance Documentation (Airframe and Appliances) including Alternate Means of Compliance Approval.
9. Service Bulletin Status and Method of Compliance records.
10. [Intentionally omitted.]
11. Listing of all FAR revision compliance, including date of accomplishment and record of proof of compliance.
12. Accident and Incident Report Records.
13. Major Structural Damage Reports and Repair Records with necessary approvals.
14. Major Repair/Alteration Compliance Records with FAA 337 Form (or its equivalent).
15. Major and Minor Repair Records.
16. Records of current Engine, Landing Gear, and APU Installation.
17. Modification Records, copies of all engineering orders and related engineering drawings and STCs which have been accomplished on the Aircraft, components, Engines, and APU, including documentation for work accomplished by the previous owner(s) and operator(s).

AIRCRAFT CURRENT OPERATING AND STATUS RECORDS

1. Provide the following Status and Summary Report (or Reports) that furnish the following types of data and information regarding the Certified Status of the Aircraft and Engines.
 - (a) Aircraft Time & Cycle Report, including daily utilization recordings.
 - (b) Aircraft Description & Status Summary.
 - (c) Aircraft Maintenance Inspection & Status Report, including total time, interval, time-to-go, and last compliance times for all items of the Agreed Maintenance Program.
 - (d) Component Status and Listing Report (H/T, O/C, C/M, and LLP).
 - (e) Airworthiness Directive Status and Summary Report (airframe, engines, and appliances).

- (f) Service Bulletin Status and Compliance Report.
- (g) Listing of all Major Repairs/Alterations and STCs.
- (h) Aircraft Life Limited Component Status Report.
- (i) Deferred Item (non-MEL, long term) and Engineering Deviations Listings.

- 2. Current Weighing Report, including current Operational Weights and Weight & Balance changes since last actual weight (delta weight change).
- 3. Accident, Incident and Damage Report.
- 4. Sampling Programs, history and status.
- 5. Record of Last Compass Swing.
- 6. Record of Last Altimeter and Transponder Certification.
- 7. Record of Last Flight Recorder Certification.
- 8. Flight Control Balance Records.

ENGINE AND APU RECORDS (FOR EACH ENGINE)

- 1. Overhaul and Repair Records, at a minimum, back to the last overhaul of each Module (or New Manufacture). In the case of the APU back to last overhaul and HSI (minimum).
- 2. Component Status Report and Records, with Airworthiness Tags and Work Orders.
- 3. Time Controlled Component Records back to last overhaul, including all intermediary Repair Records.
- 4. Time Controlled Inspection Records.
- 5. Borescope and Isotope Inspection Records (including NDT Records & Videos).
- 6. Airworthiness Directive Records and Compliance Documentation.
- 7. Life Limited Part Status and traceability to origin and manufacture, with installation records.
- 8. Service Bulletin Status and Method of Compliance Instructions.
- 9. Current (Last) Test Cell Report.
- 10. Engine Condition Monitoring Reports.
- 11. Engine Logbooks and Manufacture Delivery Records.
- 12. Current Installation Records.
- 13. All Records, Technical Orders, STC, Major Repairs, alterations and other relevant events.

NOTES:

All records will be delivered as original hard copy, "dirty finger print" records. Computerized records will be supported with original hard copy records.

Any records not identified within this Schedule 1, Part 6 "Records" that become required due to regulatory change, FAA requirement, or export requirements shall be provided as part of the return.

All computerized reports and summaries will be certified and signed by the Director of Quality Assurance (or Authorized Official of the airline). In the case of computerized reports and summaries issued on behalf of Lessee by Lessee's third party approved maintenance provider, the Lessee will make a certified statement in writing that identifies the authenticity of such reports made on behalf of the Lessee.

SCHEDULE 2

PART 1

CERTIFICATE OF ACCEPTANCE

This Certificate of Acceptance is delivered, on the date set out below, by Compania Panamena de Aviacion, S.A. (COPA) ("Lessee"), to First Security Bank, National Association, not in its individual capacity but solely as Owner Trustee ("Lessor"), pursuant to the Aircraft Lease Agreement (MSN 29048) dated as of October 1, 1998 between Lessor and Lessee (the "Agreement"). The capitalized terms used in this Certificate shall have the meaning given to such terms in the Agreement.

1. DETAILS OF ACCEPTANCE

Lessee hereby confirms to Lessor that Lessee has at _____ o'clock on this day of _____, _____, at _____, accepted the following, in accordance with the provisions of the Agreement:

(1) AIRCRAFT:

Airframe Manufacturer's Serial No.:

TSN _____
CSN _____

(2) ENGINES:

Engine Number Manufacturer's Serial No.:

1 _____ TSN _____
CSN _____

2 _____ TSN _____
CSN _____

(3) LANDING GEAR:

NOSE	MAIN LEFT	MAIN RIGHT
----	-----	-----

TSN:
CSN:

(4) APU:

MSN:
TSN:
CSN:

(5) FUEL STATUS: _____ Pounds

(6) LOOSE EQUIPMENT CHECK LIST: as per list signed by Lessor and Lessee and attached hereto.

(7) DOCUMENTS AND RECORDS: as per list signed by Lessee and attached hereto.

(8) DAMAGE CHART: as per the diagram signed by Lessor and Lessee and attached hereto.

2. CONFIRMATION

Lessee confirms to Lessor that as of the time indicated above, being the Delivery Date:

- (1) the representations and warranties contained in Clause 2 of the Agreement are hereby repeated;
- (2) the Aircraft is insured as required by the Agreement;
- (3) Lessee confirms that there have been affixed to the Aircraft and the Engines the fireproof notices of the type and in the locations required by the Agreement;
- (4) Lessee's authorized technical experts have inspected the Aircraft to ensure the Aircraft conforms to Lessee's requirements. The Aircraft is in accordance with the specifications of the Agreement and satisfactory in all respects.

IN WITNESS WHEREOF, Lessee has, by its duly authorized representative, executed this Certificate on the date in paragraph 1 above.

COMPANIA PANAMENA DE AVIACION,
S.A. (COPA)

By: _____
Title: _____

ATTACHMENTS

"Loose Equipment Checklist":

Documents and Records:

Damage Chart:

etc.

Signed by Lessee and Lessor

SCHEDULE 2

PART 2

AIRCRAFT DELIVERY CONDITIONS

1.0 AIRCRAFT SPECIFICATION AT DELIVERY

- 1.1 The Aircraft shall be a Boeing Model 737-700 airplane with two CFM56-7B24 engines rated at 24,000 lbs of thrust. The Aircraft and attached Engines shall be delivered new from the Manufacturer.
- 1.2 The physical specification of the Aircraft is as defined in Parts 1, 2 and 3 of Schedule 1.
- 1.3 The Documents and Records that comprise part of the Aircraft and are delivered with the Aircraft at delivery are defined in Parts 5 and 6 of Schedule 1.

2.0 CONDITION OF AIRCRAFT

- 2.1 Except as otherwise specified in this Agreement, as between Lessor and Lessee the Aircraft will be delivered "as is, where is".
- 2.2 The Aircraft will have a Standard FAA Certificate of Airworthiness or FAA Export Certificate of Airworthiness as the case may be. The Aircraft will be suitable for immediate operation in commercial service except for specific items which the Air Authority may require of Lessee for registration, certification and operation in the Jurisdiction of Registration (this may include but is not limited to language placards and operational requirements).
- 2.3 The Aircraft will be delivered in Lessee's external livery provided that Lessee shall provide sufficient information, such as paint specification and paint drawing, to and when required by Manufacturer.

3.0 INSPECTIONS AND CORRECTIONS

- 3.1 During the course of final assembly of the Aircraft, Lessee or Lessee's representative will be provided reasonable access for inspection of the Aircraft, subject to conditions as may be set forth by the Manufacturer, to ensure conformity with this Agreement, including being provided with the Tombo Baseline Specification, a copy of which will be made available to Lessee.
- 3.2 Prior to Aircraft delivery, Lessee or Lessee's representative will be provided an opportunity to perform a walk around inspection and system checks.
- 3.3 Lessor will provide Lessee or Lessee's representative (up to 2 persons including any personnel from the Air Authority) the opportunity to participate as observers in an acceptance demonstration flight as made available to Lessor pursuant to the Purchase Agreement.

- 3.4 Lessee will notify Lessor promptly and prior to the Delivery Date of any defect or non-conformity with Manufacturer's specifications, noted during the above inspections or demonstration flight. Lessor will correct or procure the correction of the defect or non-conformity as promptly as practicable subject to provisions available to Lessor in the Purchase Agreement.
- 3.5 In the event that remedy to the noted defect or non-conformity will delay delivery of the Aircraft, subject to Clause 4.3 of the Agreement, (i) Lessor may postpone the delivery to the date which Lessor notifies Lessee that the defect or non-conformity has been rectified or (ii) provided that the Aircraft is airworthy, Lessor may elect to deliver the Aircraft but will be responsible to rectify, or cause Manufacturer to rectify, the defect or non-conformity promptly after the Delivery Date at the earliest practicable date in cooperation with the Lessee. In the case of (ii) in the preceding sentence, when such defect or non-conformity has been (a) rectified to the reasonable satisfaction of the Lessee, or (b) in the event there is no reasonable remedy available for such defect or non-conformity and to the extent that it has no material adverse effect on the use, operation and maintenance of the Aircraft, such defect or non-conformity issue will be deemed closed and Lessor will have no further responsibility to rectify such defect or non-conformity.
- 4.0 ACCEPTANCE AND DELIVERY
- 4.1 As between Lessor and Lessee, Lessee acknowledges that in accepting the Aircraft, Lessee is relying on its own inspection and knowledge of the Aircraft in determining whether it meets the requirements of this Agreement.
- 4.2 The on-board fuel provided to the Lessee at delivery will be that amount as provided by the Manufacturer in accordance with the Manufacturer's standard allowance at delivery.
- 4.3 Lessee will at its expense obtain all licenses, permits, and approvals which may be necessary to export and/or ferry the Aircraft from the Delivery Location. Lessor will furnish to Lessee any data and information available to Lessor and provide assistance to Lessee as may be reasonably required by Lessee to obtain such licenses, permits or approvals.

SCHEDULE 3

LESSEE'S COVENANTS

Sub-Index

PART 1 INFORMATION

1. General Information
2. Technical Information
3. Financial Information

PART 2 LESSEE GENERAL COVENANTS

4. General
5. Third Party
6. [Intentionally omitted.]

PART 3 OPERATION AND INSPECTION

7. Lawful and Safe Operation
8. Protection
9. Sub-Leasing
10. Inspection

PART 4 TITLE, POOLING

11. Title
12. Title on Equipment Changes
13. Pooling of Engines and Parts

PART 5 TECHNICAL COVENANTS

14. Maintenance and Repair
15. Removal of Engines and Parts
16. Installation of Engines, Landing Gear and Parts
17. Non-Installed Engines, Landing Gear and Parts
18. Equipment Changes
19. Documents and Records

PART 1 INFORMATION

1. GENERAL INFORMATION

Lessee will:

- (1) notify Lessor promptly of the occurrence of any Default or any other event which would reasonably be expected to have a material adverse affect on Lessee's ability to perform any of its obligations under this Agreement; and
- (2) furnish any information or other documents to be provided to Lessor under this Agreement in English.

2. TECHNICAL INFORMATION

Lessee will:

- (1) provide Lessor with reports in English not later than the 10th day of the end of each six-month period of the Term in the form containing the information set out in Schedule 7 in relation to the matters reportable in each reporting period;
- (2) promptly notify Lessor of:
 - (a) any loss, theft, damage or destruction to the Aircraft, Engines, APU or any Part or any repair or modification to the Aircraft if the potential cost may exceed the Damage Notification Threshold;
 - (b) any claim or other occurrence likely to give rise to a claim under the Insurances (but in the case of hull claims only in excess of the Damage Notification Threshold) and reasonable details of any material negotiations with the insurance brokers over any such claim;
 - (c) any extended periods (exceeding 7 days) of the Aircraft being out of service for any cause other than scheduled maintenance;
 - (d) any change in any engine installed on the Aircraft;
- (3) use reasonable efforts to give Lessor not less than 30 days prior written notice as to the time and location of all Major Checks; and
- (4) promptly furnish to Lessor all information Lessor from time to time reasonably requests regarding the Aircraft, any Engine or any Part, its use, location and condition including, without limitation, the hours available on the Aircraft and any Engine until the next scheduled check, inspection, overhaul or Shop Visit, as the case may be.

3. FINANCIAL INFORMATION

3.1 Lessee will provide to Lessor:

- (1) within sixty (60) days after the end of the relevant quarter, the unaudited, management prepared accounts of Lessee and COPA Holding, in each case comprising balance sheet and profit and loss statements and cash flow statement and in the original language and in English prepared for each quarter of their respective financial years prepared in accordance with Panamanian generally accepted accounting principles applicable to Lessee and to COPA Holding and consistently applied;
- (2) as soon as available and not more than 120 days after the last day of each financial year starting with 1998 of Lessee and COPA Holding in each case in English, their audited balance sheets and the audited consolidated balance sheet as of such day and their audited profit and loss statements and the audited consolidated profit and loss statement for the year ending on such day;
- (3) at the same time as it is issued to the creditors of Lessee, a copy of each notice or circular issued to Lessee's creditors generally;
- (4) on request from time to time, such other information regarding Lessee and COPA Holding and their respective business as if not proprietary and as Lessor may reasonably request;
- (5) on request, not more frequently than annually unless a Default is continuing, evidence reasonably satisfactory to Lessor that all Taxes incurred by Lessee with respect to the Aircraft have been paid and discharged in full, except to the extent that such payment is being contested in good faith by appropriate proceedings, in respect of which adequate reserves have been provided by Lessee and non-payment of which does not give rise to any material likelihood of the Aircraft or any interest therein being sold, forfeited or otherwise lost or of criminal liability on the part of Lessor; and
- (6) on request during any continuing Default, evidence satisfactory to Lessor that all charges incurred by Lessee affecting the Aircraft, including without limitation all payments due to any air traffic control authorities, airports, fuel suppliers, maintenance and repair shops and other suppliers of services have been paid and discharged in full or are being contested in good faith by appropriate proceedings and are not material in the aggregate.

3.2 Lessee shall meet with Lessor at Lessor's request no more frequently than every six months in order for Lessee to explain its financial and business position and general planning overview, and at such meeting Lessee shall discuss with Lessor Lessee's operational statistics, RPMs, ASMs, CASMs, load factors and yields; Lessor shall treat all such information as confidential.

PART 2 LESSEE GENERAL COVENANTS

4. GENERAL: Lessee will not make any substantial change in the nature of the business in which it is engaged and will preserve its corporate existence (other than in connection with a solvent reconstruction, the terms of which have been approved by Lessor, such approval not to be unreasonably withheld); and
5. THIRD PARTY: Lessee will procure that no person acting on behalf of Lessee (other than Lessor) will act in any manner inconsistent with its obligations under this Agreement and that all such persons will comply with those obligations as if references to "Lessee" included a separate reference to those persons.
6. [INTENTIONALLY OMITTED]

PART 3 OPERATION AND INSPECTION

7. LAWFUL AND SAFE OPERATION: Lessee will ensure that:
 - (1) the law in effect in any country or jurisdiction which may be applicable to the Aircraft, its maintenance and condition or, relating to the use and operation of the Aircraft is complied with, any required modification or alteration to the Aircraft, any Engine or Part will be made and all reasonable steps will be taken to ensure that the Aircraft is not used for any illegal purpose;
 - (2) the Aircraft is not used in any manner contrary to any recommendation of the relevant manufacturer of the Aircraft, any Engine or any Part or any recommendation or regulation of the Air Authority or for any purpose for which the Aircraft is not designed or reasonably suitable;
 - (3) the crew and engineers employed in connection with the operation and maintenance of the Aircraft have the qualifications and hold the licenses required by the Air Authority and applicable law;
 - (4) the Aircraft is used solely in commercial or other operations duly authorized by the Air Authority and applicable law;
 - (5) the Aircraft is not used for the carriage of:
 - (a) whole animals, living or dead, except in the cargo compartments according to I.A.T.A. regulations, and except domestic pet animals carried in a suitable container to prevent the escape of any liquid and to ensure the welfare of the animal;

- (b) acids, toxic chemicals, other corrosive materials, explosives, nuclear fuels, nuclear wastes, or any nuclear assemblies or components, except as permitted for passenger aircraft under the "Restriction of Goods" schedule issued by I.A.T.A., from time to time, and provided that all the requirements for packaging, or otherwise contained therein, are fulfilled;
 - (c) any other goods, materials or items of cargo which would reasonably be expected to cause damage to the Aircraft and which would not be adequately covered by the Insurances; or
 - (d) any illegal item or substance;
- (6) the Aircraft is not utilized for purposes of training, qualifying or re-confirming the status of cockpit personnel except for the benefit of Lessee's cockpit personnel, and then only if the use of the Aircraft for such purpose is not disproportionate to the use for such purpose of other aircraft of the same type operated by Lessee;
- (7) the Aircraft is not caused or permitted to proceed to, or remain at, any location which would for the time being violate any law, order or regulation of:
- (a) any Government Entity of the State of Registration or the Habitual Base; or
 - (b) any Government Entity of the country in which such location is situated; or
 - (c) any Government Entity having jurisdiction over Lessor or the Aircraft, and Lessor will notify Lessee as soon as reasonably practicable after Lessor becomes aware of any such prohibition order (or any similar order or directive) of the application of same;
- (8) there are obtained and maintained in full force all certificates, licenses, permits and authorizations required for the use and operation of the Aircraft for the time being, and for the making of payments required by, and the compliance by Lessee with its other obligations under, this Agreement;
- (9) a current certificate of airworthiness (in the appropriate category for the nature of the operations of the Aircraft) is maintained in good standing for the Aircraft issued by the Air Authority, except where the Aircraft is undergoing maintenance, modification or repair required or permitted by this Agreement, and Lessee will from time to time provide to Lessor a copy on request;

- (10) the Aircraft is operated and maintained in accordance with the Documents and the Records, including for the redelivery of the Aircraft hereunder, to specified contractual standards, Manufacturer's specifications and type design, and any other rules and regulations as may be applicable to ensure that the Air Authority transport category certificate of airworthiness and aircraft registration shall remain legal and valid throughout the Term, permitting commercial passenger and cargo revenue service in accordance with the rules and regulations of the Air Authority and, in addition, to a standard equivalent to that required for a USA operator to comply with all rules, regulations, and restrictions issued by the FAA for operation in accordance with FAR (including, but not limited to, Part 121 and any other rules and regulations of the FAA as may be applicable to passenger category aircraft of the same manufacture and model);
- (11) any Part installed on the Aircraft complies with FAA fire resistance regulations and U.S. TSO requirement, as applicable; and
- (12) no change occurs in the Habitual Base of the Aircraft without the prior written consent of Lessor, and Lessee shall pay to Lessor on demand any reasonable legal or other costs of Lessor relating to the consideration of such change whether or not Lessor consents thereto. Any consent of Lessor may be subject to such conditions as Lessor may require to protect its rights and interests in the Aircraft.

8. PROTECTION: Lessee will ensure that:

- (1) the registration of the Aircraft is maintained with the Air Authority reflecting (so far as permitted by applicable law) the interests of Lessor and the Lessee shall not do or allow anything to be done which might adversely affect that registration; and
- (2) subject to Clause 14 of the Agreement and, in respect of Clause (a) below, at Lessor's sole cost and expense, and otherwise at Lessee's sole cost and expense, all acts and things are done (including, without limitation, making any filing or registration with the Air Authority or any other Government Entity) and executing and delivering all documents (including, without limitation, any amendment of this Agreement) as may reasonably be required by Lessor:
 - (a) following any change or proposed change in the ownership or financing of the Aircraft; or
 - (b) following any modification of the Aircraft, any Engine or any Part or the permanent replacement of any Engine or Part in accordance with this Agreement, so as to ensure that the rights of Lessor under this Agreement and the other Lessee Documents in respect thereof, apply with the same effect as before; or
 - (c) to establish, maintain, preserve, perfect and protect the rights of Lessor under this Agreement, in the Aircraft and the other Lessee Documents; and

- (3) Lessee obtains all documents, data, and records relating to maintenance, inspection or repair performed by Lessee's contractors employed for such purpose.

9. SUB-LEASING:

9.1 Lessee will not without the prior written consent of Lessor, which consent will not be unreasonably withheld, sub-lease, sub-charter or otherwise part with possession of the Aircraft, the Engines or any Part, except that:

- (1) Lessee may part with possession with respect to the Aircraft, the Engines or any Part to the relevant manufacturer for testing or similar purposes or to the Agreed Maintenance Performer for service, repair, maintenance or overhaul work, or alterations, modifications or additions to the extent required or permitted by this Agreement;
- (2) wet leasing and chartering, being cases where Lessee retains full operational control and its own aircrew, are permitted; and
- (3) Lessee may sublease the Aircraft for a period not to extend beyond the end of the Term to Continental Airlines, Inc. pursuant to a sublease agreement reasonably satisfactory in form and substance to Lessor.

9.2 Where Lessee wishes to dry sub-lease the Aircraft, which shall be subject to the consent of the Lessor in its absolute discretion, Lessee shall give notice to Lessor of its request and pay to Lessor a fee of \$10,000 for Lessor to assess the proposed arrangements, such notice only to be effective upon confirmation by Lessor of its receipt of that fee, and in any event Lessee shall pay on demand any reasonable legal or other costs of Lessor relating to the evaluation of any wet-lease, dry sub-lease or charter whether or not Lessor consents thereto. Any consent of Lessor may be subject to such conditions as Lessor may require to protect its rights and interests in the Aircraft.

10. INSPECTION:

10.1 Lessor and any person designated by Lessor may, upon reasonable notice and at reasonable times that do not unreasonably interfere with Lessee's normal business and maintenance operations, inspect and survey the Aircraft, any Engine, the APU, any Part or the Documents and Records and for such purpose may, subject to any applicable Air Authority regulation, travel on the flight deck as an observer on any non-revenue test flights as allowed by the applicable air authority, and Lessee shall ensure that all reasonable arrangements are made for Lessor and any designated person. Lessor reserves the right to perform an inspection at least once each year and preferably during the accomplishment of a C-Check, such inspection shall be a ground inspection and shall not require the opening of any panels additional to those already opened in the course of any ongoing maintenance.

10.2 In the case of inspection of Documents and Records, Lessee shall use commercially reasonable efforts to prepare them for inspection by Lessor within 2 weeks after notice from Lessor.

10.3 Lessor will:

- (1) have no duty to make, or liability arising from any such visit, inspection or survey; and
- (2) for so long as a Default has not occurred and is continuing, not exercise such right other than on reasonable notice so as not to disrupt unreasonably the commercial operations of Lessee.

PART 4 TITLE, POOLING

11. TITLE: Lessee will ensure that:

- (1) it shall not do or permit to be done, or omit to be done or permit to be omitted to be done, any act or thing which might reasonably be expected to jeopardize the rights of Lessor as owner of the Aircraft;
- (2) on all occasions when the ownership of the Aircraft, any Engine or any Part is relevant, it is made clear to third parties that title is held by Lessor;
- (3) at any time (a) Lessor is not represented or held out as carrying goods or passengers on the Aircraft or as being in any way connected or associated with any operation or carriage (whether for hire or reward or gratuitously) which may be undertaken by Lessee or (b) it shall not pledge, or allow to be pledged, Lessor's credit;
- (4) there is always affixed, and not removed or in any way obscured, a fireproof plate (having dimensions of not less than 10 cm x 7 cm) in a reasonably prominent position on the Aircraft and on each Engine stating:

"This Aircraft/Engine which is owned by First Security Bank, National Association, not in its individual capacity but solely as Owner Trustee (Lessor), is leased to Compania Panamena de Aviacion, S.A. (COPA) and may not be operated by any other person without the prior written consent of Lessor";

- (5) there is not created or permitted to exist any Lien upon the Aircraft, any Engine or any Part other than Permitted Liens;
- (6) it shall not do or permit to be done anything which may reasonably be expected to expose the Aircraft, any Engine or any Part to penalty, forfeiture, impounding, detention, appropriation, damage or destruction and without prejudice to the foregoing, if any such penalty, forfeiture, impounding, detention or appropriation, damage or destruction occurs, give Lessor notice and use commercially reasonable efforts to procure the immediate release of the Aircraft, any Engine or the Part, as the case may be;
- (7) the Aircraft, the Engine or any Part is not abandoned;

- (8) there is paid and discharged when due and payable, or adequate provision is made by way of security, or otherwise, for all debts, damages, claims and liabilities which have given or might give rise to a Lien (other than Permitted Liens) over or affecting the Aircraft, any Engine or any Part;
- (9) it shall not attempt, or hold itself out or permit any other Person to hold itself out as having any power, to sell, lease or otherwise dispose of the Aircraft, any Engine or any Part; and
- (10) all charges relating to navigation and charges of airports, fuel suppliers, maintenance and repair shops and other suppliers of services are paid when due.

12. TITLE ON EQUIPMENT CHANGES:

12.1 Title to all Landing Gear, APU and Parts installed on the Aircraft, excluding engines whether by way of replacement, as the result of an Equipment Change, or otherwise (except those installed pursuant to Clause 16(1)(b) of this Schedule 3), will on installation, without further act, vest in Lessor subject to this Agreement free and clear of all Liens other than Permitted Liens. Lessee will at its own expense take all such steps and execute, and procure the execution of, all such instruments as Lessor may require and which are necessary to ensure that title so passes to Lessor according to all applicable laws. At any time when requested by Lessor, Lessee will provide evidence to Lessor's satisfaction (including the provision, if required, to Lessor of one or more legal opinions) that title has so passed to Lessor.

12.2 Any Landing Gear, APU or Part at any time removed from the Aircraft will remain the property of Lessor until a replacement has been made in accordance with this Agreement and until title in that replacement has passed, according to applicable laws, to Lessor subject to this Agreement free of all Liens, whereupon title to the Landing Gear, APU or Part will, provided no Default has occurred and is continuing, pass to Lessee.

12.3 Engines shall remain the property of Lessor even after any removal from the Airframe unless the Engine or Engines are:

- (1) deemed to be the subject of an Event of Loss and title to a replacement Engine passes to the Lessor pursuant to Clause 11.3; or
- (2) removed from the Aircraft in accordance with Clause 15 of this Schedule 3 and it is impractical to reinstate them, and Lessee installs a substitute engine or engines in accordance with Clause 16 of this Schedule 3, title to which was transferred to Lessor in accordance with Clause 16, provided that the obligations under Clause 16(1)(a) shall apply absolutely and not subject to Lessee's using its reasonable efforts to ensure their application, and that title shall be transferred to Lessor in accordance with the terms of Clause 16.

13. POOLING OF ENGINES AND PARTS:

- 13.1 Lessee shall not enter into any pooling agreement or make any pooling arrangement in respect of Engines without the prior written consent of the Lessor, it being understood that (i) as of the date hereof, Lessee and Continental Airlines, Inc. are contemplating an engine pooling or sharing agreement that Lessor agrees to duly consider, and (ii) Lessee shall not enter into the foregoing engine pooling or sharing agreement in respect of the Engines without the prior written consent of Lessor, which consent shall not be unreasonably withheld.
- 13.2 Lessee may make pooling arrangements in respect of Parts pursuant to a pooling agreement with the Agreed Maintenance Performer which may be inspected by Lessor on request, provided that the obligations under Clause 16.1 of this Schedule 3 shall be absolute and not subject to Lessee using its reasonable efforts to ensure their application.

PART 5 TECHNICAL COVENANTS

14. MAINTENANCE AND REPAIR

- 14.1 Lessee will insure compliance with this Part 5 subject to the requirements of the Air Authority and standards equivalent to that of a United States operator in compliance with FAA requirements under FAR 121 and otherwise in compliance with this Schedule 3.
- 14.2 The Aircraft shall be kept airworthy in all respects and in good repair and condition, ordinary wear and tear excepted.

14.3 MAINTENANCE PROGRAM

- 14.3.1 The Aircraft shall be maintained through an Agreed Maintenance Performer in accordance with applicable rules and regulations of the FAA and the Air Authority, and in compliance with the Agreed Maintenance Program and the Agreement.
- 14.3.2 [Intentionally omitted.]
- 14.3.3 The Agreed Maintenance Program shall include an anti-fungus/biological growth and contamination prevention, control and treatment program of all fuel tanks if required by Manufacturer documents in accordance with the Manufacturer's approved procedures and specifications.
- 14.3.4 Lessee shall provide Lessor with reasonable access to the Agreed Maintenance Program throughout the Term.

14.4 MAINTENANCE STANDARDS

14.4.1 Lessee shall at a minimum ensure that the Aircraft shall at all times be treated and receive the same level of attention, maintenance and improvements as Lessee affords the balance of its fleet, including but not limited, to Service Bulletin incorporation, improvements, repairs, cleanliness and correction of items of a cosmetic nature, such as, but not limited to, hail damage, except where the terms of this Agreement dictate higher standards.

14.4.2 Lessee shall, if required by the Air Authority, maintain a current certificate as to maintenance, issued by or on behalf of the Air Authority to Lessee or the Agreed Maintenance Performer in respect of the Aircraft and will from time to time provide to Lessor a copy on request.

14.4.3 In the event the Aircraft is out of service for any period exceeding 2 weeks, other than for scheduled maintenance in accordance with the Agreed Maintenance Program, Lessee shall maintain the Aircraft in accordance with Lessee's or Manufacturer's storage maintenance program.

14.5 REPAIRS

Lessee shall act as follows in respect of repairs to the Aircraft or any part thereof:

14.5.1 In the event the Aircraft requires repair, all repairs will be classified as "Major" or "Minor", in accordance with FAA regulations or its equivalent.

14.5.2 All Major repairs shall be accomplished in accordance with Manufacturer approved data as specified in Manufacturer's Structural Repair Manuals and other Manufacturer's applicable FAA approved manuals or if not contained in such manuals, provided with FAA Designated Engineering Representative approval.

14.5.3 In the event Major repair instructions are not listed in FAA approved Manufacturer Repair Manuals and other Manufacturer's applicable FAA approved manuals, Manufacturer approval and appropriate substantiating documents, including all drawings, calculations, materials list, and any other pertinent data, as available, will be provided.

14.6 [Intentionally omitted.]

14.7 SERVICE BULLETINS: Lessee shall procure all applicable service bulletin kits which are offered "No charge" by or claimable under warranty from the Manufacturer, prior to the expiration of the "No charge" warranty period.

14.8 AIRWORTHINESS DIRECTIVES

14.8.1 Lessee shall accomplish all airworthiness directives issued by the FAA and all rules and regulations and directives of the Air Authority in accordance with specific instructions issued by the Air Authority at any time during the Term, including all routine and non-routine requirements as applicable to the Aircraft, Engines, including all Parts and the APU.

14.8.2 All documentation necessary to establish the source data, method of compliance, verification of accomplishment, Quality Assurance approval and all schedules for recurring action, including Air Authority approved data used to substantiate compliance with Air Authority airworthiness directives, rules and regulations and all mandatory inspection and modification requirements shall form a permanent part of the Documents and Records.

15. REMOVAL OF ENGINES, LANDING GEAR, APU AND PARTS

15.1 Lessee will ensure that no Engine, Landing Gear, APU or Part installed on the Aircraft is at any time removed from the Aircraft other than

- (1) if replaced as expressly permitted by this Agreement; or
- (2) if the removal is of an obsolete item and is in accordance with the Agreed Maintenance Program; or
- (3) (a) during the course of maintaining, servicing, repairing, overhauling or testing that Engine, Landing Gear, APU, Part or the Aircraft, as the case may be; or
(b) as part of a normal rotation program; or
(c) for the purpose of making such modifications to the Engine, Landing Gear, APU, Part or the Aircraft, as the case may be, as are permitted under this Agreement; and then in each case only if it is reinstalled or replaced by an engine or part complying with Clause 16(1) of this Schedule 3 as soon as practicable and in any event by the earlier of within 30 days after completion of any off-Aircraft maintenance or by the Expiry Date.

15.2 Subject to Clause 11.3 of the Agreement, Lessee shall procure promptly the replacement of any Engine, Landing Gear, APU or Part which has become time, cycle or calendar expired, lost, stolen, seized, confiscated, destroyed, damaged beyond repair, unserviceable or permanently rendered unfit for use or whose removal is required under the Agreed Maintenance Program, with an engine or part complying with the conditions set out in Clause 16.1 of this Schedule 3.

16. INSTALLATION OF ENGINES, LANDING GEAR, APU AND PARTS

Lessee will:

- (1) subject to Clause 16(2) of this Schedule 3, ensure that, except as permitted by this Agreement, no engine or part is installed on the Aircraft unless:
 - (a) ENGINES, LANDING GEAR AND APU: it is in airworthy condition, is the same model, thrust rating, modification status, service bulletin and airworthiness directive compliance and incorporation status, or an improved or advanced version of the Engine (including all modules), Landing Gear or APU it replaces.

The replacement engine, including all modules, Landing Gear or APU, shall be in airworthy condition, certified serviceable, in the same or better operating condition than the installed part prior to its failure or removal, including all manufacturer's performance parameters.
 - (b) PARTS: it is in airworthy condition, is the same model, modification, status, service bulletin and airworthiness directive interchangeability status, or an improved or advanced version of the item it replaces and meets all FAA TSO requirements.

The replacement item shall be in airworthy condition, certified serviceable, in the same or better operating condition than the installed part prior to its failure or removal.

The replacement item shall have substantially equivalent value, utility and airworthiness as the replaced Part.
 - (c) Subject to (2) below, in each case, it has become and remains the property of Lessor free from Liens other than Permitted Liens and on installation on the Aircraft will without further act be subject to this Agreement; and
- (2) if no Default has occurred which is continuing, be entitled to install any engine or part on the Aircraft by way of replacement, notwithstanding (1) above, if:
 - (a) there is not available to Lessee at the time and in the place that engine or part is required to be installed on the Aircraft, a replacement engine complying with the requirements of (1) above;
 - (b) it would result in an unreasonable disruption of the operation of the Aircraft and/or the business of Lessee to ground the Aircraft until an engine or part, as the case may be, complying with (1) above becomes available for installation on the Aircraft;
 - (c) such engine or part is of the same model, is in airworthy condition and is serviceable; and

- (d) as soon as the Engine becomes available to be reinstalled on the Aircraft but in any event by the earlier of (i) the next scheduled D-Check, (ii) 45 days after completion of any off-aircraft maintenance of the Engine or (iii) the Expiry Date, Lessee removes any such engine or part and replaces it with the Engine or Part replaced by it or by an engine or part, as the case may be, complying with (1) above.

17. NON-INSTALLED ENGINES, LANDING GEAR, APU AND PARTS

Lessee will:

- (1) ensure that any Engine, Landing Gear, APU or Part which is not installed on the Aircraft (or any other aircraft as permitted by this Agreement) is, except as expressly permitted by this Agreement, properly and safely stored, and kept free from Liens other than Permitted Liens;
- (2) not be permitted to install any Engine (except as permitted in clause (3) below or elsewhere in the Agreement), Landing Gear, APU or Part on another aircraft, or in the case of a Part, another engine;
- (3) notwithstanding the foregoing provisions of this Clause 17, be permitted if no Default has occurred and is continuing, to install any Engine on an aircraft operated by Lessee; and
- (4) on Lessor's request procure that any person to whom possession of an Engine, APU or Landing Gear is given, acknowledges in writing to Lessor, in form and substance satisfactory to Lessor, that it will respect the interests of Lessor in the Engine, APU or Landing Gear and will not seek to exercise any rights whatsoever in relation thereto;

provided that:

- (a) upon Lessor's request, Lessee shall notify Lessor from time to time of the details of that aircraft or engine and of the lessor under such lease, the seller under such conditional sale agreement, the owner of such aircraft or engine or the holder of such Lien as the case may (in this Clause 17 being "interested parties"); and
- (b) the terms of any such lease, conditional sale agreement or a Lien will not have the effect of prejudicing the interests of Lessor in that Engine, Landing Gear, APU or Part.

18. EQUIPMENT CHANGES

- 18.1 Lessee will not make any modification or addition to the Aircraft, except for an Equipment Change which is permitted by this Agreement, has the prior written approval of Lessor and which does not materially diminish the value, utility, condition, or airworthiness of the Aircraft, or is required by the Air Authority, Manufacturer or Engine manufacturer.
- 18.2 So long as a Default has not occurred and is continuing, Lessee may remove any Equipment Change if it can be removed from the Aircraft without materially diminishing or impairing the value, utility, condition or airworthiness of the Aircraft.
- 18.3 At Redelivery, Lessee may elect to remove any Equipment Change and restore the Aircraft to its condition prior to that Equipment Change.
- 18.4 In the event the Aircraft requires modification or alteration, all modifications and alterations will be classified as "Major" or "Minor" in accordance with FAA regulations.
- 18.5 No modification or alteration costing more than \$100,000 shall be accomplished without the Lessor's prior consent.
- 18.6 All Major modifications and Major alterations incorporated throughout the Term which deviate from the Aircraft certified specifications, type design, or configuration shall be accomplished in accordance with Manufacturer's recommendations and instructions, as approved in any event by the Air Authority, and where they deviate from the certified configuration of the Aircraft, shall be covered by a FAA Supplemental Type Certificate ("STC") as well as by approval from the Air Authority; if an STC is not obtained, Lessee shall provide all and complete data which Lessor deems necessary to obtain an STC and such approval.
- 18.7 Any Part or equipment removed from the Aircraft pursuant to the terms hereof may be shipped by Lessee to Lessor for proper storage by Lessor. Upon Redelivery, if Lessor shall elect to have such Part or equipment reinstalled on the Aircraft, Lessor shall ship such Part or equipment to Lessee for reinstallation on the Aircraft. If Lessor does not so elect, at Lessee's written request and at Lessee's reasonable expense, Lessor shall ship such Part or equipment to Lessee and, without further action, such Part or equipment shall become Lessee's property.

19. DOCUMENTS AND RECORDS

- 19.1 Documents and Records shall at a minimum meet all Air Authority requirements and shall be prepared and maintained in accordance with FAR 121 and 145 and any other FAR applicable from time to time.

- 19.2 All documents and data as required by the FAR (including technical and engineering data, calculations and drawings) evidencing compliance with any of the requirements or procedures set out in Clause 14 above shall form a permanent part of the Documents and Records. All manufacturer and vendor manuals and documents which are affected by a Major repair, compliance with a Service Bulletin, modification or alteration, including the Manufacturer's Weight & Balance manual, shall be revised to reflect the current specification and configuration of the Aircraft.
- 19.3 The Documents and Records shall be maintained in the English language or accompanied by a certified translation thereof. All Documents and Records shall be in plain language and all coded forms must have cross references, including but not limited to parts numbers, engineering order numbers and Service Bulletin numbers.
- 19.4 All records included in the Documents and Records shall be original hard copy "dirty fingerprint" records. Documents and Records produced by Electronic Data Processing (EDP) or other computers are not acceptable, except as summary documents, without accompanying substantiating records and documents reasonably approved by Lessor, providing the means of verification of accomplishment. In addition, these summary documents shall include instructions for interpretation of the information provided.
- 19.5 All Computerized Reports and Summaries will be certified and signed by the Director of Quality Control or an authorized official of the Lessee.
- 19.6 Documents and Records and in particular serialized shop record including all airworthiness approval tags (JAA-1 Form or FAA 8130 Form) and serviceable ("yellow") tags shall form a permanent part of the Documents and Records.
- 19.7 Life Limited Parts as specified by the Aircraft and Engines types certificates shall be provided with appropriate documents and records that identify current status, life history (removal and installation), total time in service, authenticity and origin back to manufacturer.
- 19.8 Time controlled Parts as identified by the Agreed Maintenance Program, shall be provided with all records necessary to establish documentation, expressed in Flight Hours, Cycles, or calendar time, back to overhaul (including all interim repair records since overhaul).
- 19.9 Lessee shall be responsible for maintaining a revision service for all manufacturers and operators manuals, reports and documents which shall at all times contain the latest issued revisions, and reflect the current specification, configuration and status of the Aircraft and Engines, which includes APU, systems, assemblies and components. Lessee will have all modifications, wiring changes, and engineering orders (or equivalent) incorporated into the relevant manuals.

SCHEDULE 4

AIRCRAFT REDELIVERY

1.0 GENERAL CONDITION

- 1.1 The Aircraft will be in the same configuration (except as per Clause 1.5 of this Schedule 4) and operating condition as at delivery to Lessee, including post-delivery modifications as defined in Schedule 1, Parts 1 through 4, ordinary wear and tear excepted and be clean by international commercial airline standards for an aircraft exiting a C-Check (or as the case may be D-Check) and ready for flight with all of the equipment, components and systems fully functional and operating within limits and/or guidelines established by the relevant manufacturers and the FAA..
- 1.2 The Aircraft will have installed the full complement of Engines, APU, equipment, components, furnishings and loose equipment as when originally delivered to Lessee and shall not have installed thereon any engines, APU, components, parts, equipment and furnishings which are owned by any person other than the Lessor or the Lessee.
- 1.3 The Aircraft will have a current legal and valid transport category certificate of airworthiness issued by the Air Authority, or if required by Lessor, an export certificate of airworthiness, if available, for export to the USA. In such case, the Aircraft will be deregistered from the country registered at Lessee's cost upon the Redelivery.
- 1.4 Subject to Lessee's consent, Lessor may elect to retain certain Equipment Changes incorporated on the Aircraft by Lessee during the Term of this Agreement, excluding leased equipment. In this event any equipment or components that were removed from the Aircraft, not substituted by way of such Equipment Change, and not shipped to Lessee for storage, will be returned in a serviceable and airworthy condition to Lessor with the Aircraft.
- 1.5 The Aircraft will be in a condition as to immediately be eligible to receive a USA certificate of airworthiness issued by FAA in accordance with FAR part 21, and to be placed on the operating certificate of a USA airline in accordance with FAR 121.
- 1.6 The Aircraft will be free of Liens other than Lessor Liens.

2.0 AIRCRAFT CONDITION

- 2.1 The Aircraft will be fresh out of the next scheduled full and complete zonal, systems and structural C-Check (including all segments if segmented) or equivalent type maintenance check, in accordance with Appendix J of the then latest Boeing Maintenance Planning Document ("MPD"). This check will clear all lower level checks including "A", "B" and service checks. Should Lessee be required to perform any tasks in respect of the Agreed Maintenance Program in addition to the tasks required to be performed pursuant to the block C-Check in accordance with Appendix J of the MPD, such tasks shall be performed by Lessee and the reasonable costs and expenses incurred by Lessee in connection therewith shall be promptly paid for by Lessor.

- 2.2 The Aircraft will be weighed prior to Redelivery and have a current weight and balance report in form acceptable to the FAA.
- 2.3 The Aircraft will be in compliance with all Airworthiness Directives, FAR revisions and other mandatory orders issued by the FAA requiring compliance during or within 90 days or 750 Flight Hours or 500 Cycles (whichever is most limiting) after Redelivery of the Aircraft. If any waivers, extensions or other special dispensations were granted by the Air Authority (except for such waivers, extensions or dispensations granted to the industry as a whole) with respect to any Airworthiness Directive, FAR revision or other mandatory order, Lessee shall incorporate the required Airworthiness Directives, FARs or other mandatory order as if such waiver, extension or dispensation had not been granted.
- 2.4 All "No Charge" service bulletin kits procured by Lessee but not installed on the Aircraft will be returned to Lessor with the Aircraft.
- 2.5 The Aircraft will have all open and deferred items, including maintenance and temporary repair items (except those deferred to the next D-Check, in which case financial adjustments shall be negotiated at that time, but in no case shall Lessee have any repair or financial obligations for items deferred beyond the next D-Check), MEL/CDL items, and pilot/cabin/engine logbook items, rectified on a terminating action basis. Any waivers, extensions or dispensations granted to this Aircraft by the manufacturers, the FAA, or the Air Authority (except for such waivers, extensions or dispensations granted to the industry as a whole) which require incorporation of special operations, inspections or maintenance tasks to this Aircraft will be treated as if such waivers, extensions or dispensations had not been granted.
- 2.6 The Aircraft (excluding Engines) will have any and all maintenance items, including inspections and replacements of life limited/time controlled parts, required by the Agreed Maintenance Program and the MPD cleared for 3,000 Flight Hours or 2,000 Cycles, whichever is more limiting, and 12 months beyond the Redelivery Check. In the event that an item is due more often than the periods noted above, that item will be cleared for its maximum interval.
- 2.7 All tires and brakes will have at least 50% of full service life remaining.
- 2.8 All repairs made to the Aircraft will be in accordance with the Manufacturer's FAA Structural Repair Manual (SRM) or otherwise traceable to FAA or FAA DER approval.

- 2.9 The Aircraft will be properly stripped, corrosion protected and painted per Manufacturer's specifications in such external livery as advised by Lessor. This shall include corrosion protection and painting of fuselage, empennage, wings, vertical/horizontal stabilizer, flight control surfaces, engine cowling/nacelle and wheel wells. Control surfaces will be rebalanced as required. Prior to painting the Aircraft, all previous exterior markings, logos, or other distinctive insignia will be removed in accordance with Manufacturer's instructions and recommendations. All fairings and skin laps seams will be properly refinished and resealed. The repaint of the Aircraft will be of high quality; free from flaking, overspray, peeling, drips or other cosmetically unacceptable items and Lessor shall be responsible for the actual costs of repainting the Aircraft, provided that Lessee shall use its reasonable efforts to ensure that the costs are not in excess of industry practice.
- 2.10 The Aircraft, both interior and exterior, will have no evidence of untreated or uncorrected corrosion or delamination.
- 2.11 The Landing Gear assemblies or the Aircraft will have a minimum of 12 months remaining to its next expected overhaul.
- 2.12 No Engine, Landing Gear or APU will have more than 130% of the total Flight Hours or Cycles on the Aircraft.
- 2.13 No Aircraft LLP (see Clause 3.2 for Engine LLPs) will have less than 3,000 Flight Hours, 2,000 cycles or 12 months remaining to useful life replacement.
- 2.14 All fuel tanks will be at least as full as at delivery of Aircraft. All oil and fluid tanks will be full.
- 2.15 All "loose equipment", galley inserts, cargo containers will be returned with the Aircraft in good and serviceable condition, ordinary wear and tear excepted..
- 3.0 ENGINES AND APU CONDITION
- 3.1 Each Engine will be installed on the Aircraft and will be the Engine originally installed at delivery, unless such Engine was the subject of an Event of Loss and has been replaced in accordance with Clause 11.3, or unless such Engine has otherwise been replaced with a suitable replacement Engine in accordance with Clause 16 of Schedule 3.
- 3.2 The Engines will have no less than 3,000 Flight Hours and 2,000 Cycles remaining on the "mean time between unscheduled removals" as determined by the applicable manufacturer ("MTBUR"). There will be no LLP replacement scheduled within 2,000 Cycles of life remaining.
- 3.3 The Engines will not be "on-watch", nor have records or Engine Monitoring Program trend data that based on the Engine manufacturer's experience would require Engine removal or maintenance for any cause within 3,000 Flight Hours or 2,000 Cycles of operation.

- 3.4 Immediately prior to Redelivery of the Aircraft, each Engine will have a full hot and cold section video borescope and a maximum power assurance (MPA) run in accordance with the Manufacturer's procedures.
- 3.5 The APU will be in serviceable condition, fresh from a hot section inspection or borescope, and with a full APU performance run per manufacturer's procedures. The APU will not have less than 3,000 Flight Hours remaining on the MTBUR.
- 4.0 REDELIVERY INSPECTION AND DEMONSTRATION FLIGHT
- 4.1 During the Redelivery Check and at Redelivery, Lessor or its representatives will have an opportunity to inspect the Aircraft and Documents and Records and participate in and review all aspects of the Redelivery Check to ensure to Lessor's satisfaction that Redelivery conditions are met.
- 4.2 During the course of the Redelivery Check and Final Inspection, if corrosion or other problems are detected, Lessee will open adjacent areas as required to ensure that the detected problem is rectified in accordance with Manufacturer's specifications.
- 4.3 Prior to the Redelivery of the Aircraft, Lessee will perform a demonstration flight of not less than two hours of the Aircraft in accordance with the Lessee's post-C-Check Flight Functional Acceptance Procedures. The demonstration flight will show that the Aircraft, its Engines, and its various components and systems are fully operational and capable of full rated performance throughout the operational envelope of the Aircraft. Lessor's representative(s) will be allowed on the flight to monitor compliance. The demonstration flight will be at Lessee's expense. Any squawks found in the flight will be corrected at Lessee's cost and expense. Lessee and Lessor will reasonably cooperate to combine this demonstration flight with the flight to the Redelivery Location.
- 5.0 DOCUMENTS AND RECORDS
- 5.1 The Documents and Records will be made available to Lessor or Lessor's representative not less than 10 Business Days prior to scheduled Redelivery Date. Lessor or Lessor's representative will review and inventory to determine that the Documents and Records are in compliance with the requirements specified in this Agreement.
- 5.2 Upon request of Lessor, Lessee will provide a current and complete copy of the Agreed Maintenance Program. Lessor shall use and retain the copy of the Agreed Maintenance Program on a strictly confidential basis, and shall return said Document to Lessee after integrating the Aircraft into the next operator's maintenance program.
- 5.3 Lessee shall return all Documents and Records delivered to Lessee at delivery (as specified in Parts 5 and 6 of Schedule 1). All Documents and Records shall reflect the Redelivery condition and current status of the Aircraft at time of Redelivery, including all modifications and maintenance activity performed on the Redelivery Check.

- 5.4 In the event of missing, incomplete, or otherwise unacceptable Documents or Records, Lessee will take all necessary steps to replace such Documents or Records (whether by reaccomplishing tasks, recreating documents, reverifying, or otherwise).
- 5.5 Lessee will provide assistance as reasonably required by Lessor or Lessor's representative to locate and inventory the Documents and Records and to ensure their accuracy and completeness.
- 5.6 Lessee will provide a work scope detailing all scheduled maintenance and other activities (including any alterations, modifications, Airworthiness Directives, component changes, service bulletin and engineering order incorporation) to be accomplished during the Redelivery Check.
- 5.7 Lessee will provide Lessor with a final audited copy of all work accomplished during the Redelivery Check at Redelivery.

SCHEDULE 5

INSURANCE REQUIREMENTS

The Insurances required to be maintained are on the basis of AVN 67B and as follows:

1. HULL ALL RISKS of Loss or Damage whilst flying and on the ground with respect to the Aircraft on an "agreed value basis" for the Agreed Value and with a deductible not exceeding the Insurance Deductible Amount, or such other amount agreed by Lessor from time to time, and to include deductible insurances, if necessary, to achieve that limit.
2. WAR AND ALLIED PERILS, being such risks excluded from the Hull All Risks Policy to the fullest extent available from the leading international insurance markets including confiscation and requisition by the Jurisdiction of Incorporation for the Agreed Value.
3. ALL RISKS (INCLUDING WAR AND ALLIED RISK except when on the ground or in transit other than by air) property insurance on all Engines and Parts when not installed on the Aircraft or an "agreed value" basis for their full replacement value and including engine test and running risks.
4. AIRCRAFT THIRD PARTY, PROPERTY DAMAGE, PASSENGER, BAGGAGE, CARGO AND MAIL AND AIRLINE GENERAL THIRD PARTY (INCLUDING PRODUCTS) LEGAL LIABILITY for a Combined Single Limit (Bodily Injury/Property Damage) of an amount not less than the Minimum Liability Coverage for the time being any one occurrence (but in respect of products and personal injury liability this limit may be an aggregate limit for any and all losses occurring during the currency of the policy). War and Allied Risks are also to be covered under the Policy to the fullest extent available from the leading international insurance markets.
5. All required hull and spares insurance (as specified above), so far as it relates to the Aircraft will:
 - (1) name Lessor as sole loss payee up to the Agreed Value; (2) provide that any loss will be payable in Dollars, and:
 - (a) in respect of any claim that becomes payable on the basis of an Event of Loss, settlement shall be made to or to the order of Lessor up to the Agreed Value;
 - (b) in respect of any other claim, settlement (net of any policy deductible) shall be made with such party(ies) as may be necessary to repair the Aircraft unless otherwise agreed after consultation between the insurers, Lessee and, where the loss exceeds the Damage Notification Threshold, Lessor; and

(c) if separate Hull "all risk" and "war risks" insurances are arranged, include a 50/50 provision in accordance with market practice (AVS. 103 is the current market language).

6. All required liability insurances (specified above) will:

- (1) include Lessor, and its successors and assigns and their respective shareholders, subsidiaries, directors, officers, agents, employees and Indemnitees as additional insureds for their respective rights and interests, warranted, each as to itself only, no operational interest;
- (2) operate in all respects as if a separate policy had been issued covering each party insured, but shall not include any claim under hull and spares insurances (as specified above); notwithstanding the foregoing, the total liability of insurers shall not exceed the limits of liability stated in the policy; and
- (3) contain a provision confirming that the policy is primary without right of contribution and the liability of the insurers will not be affected by any other insurance of which Lessor or Lessee have the benefit so as to reduce the amount payable to the additional insureds under such policies.

7. All Insurances will:

- (1) be in accordance with normal industry practice of persons operating similar aircraft in similar circumstances;
- (2) provide cover denominated in Dollars and any other currencies which Lessor may reasonably require in relation to liability insurance;
- (3) operate on a world-wide basis subject to such limitations and exclusions as Lessor may reasonably agree;
- (4) provide that, in relation to the interests of each of the additional assureds the Insurances will not be invalidated by any act or omission (including misrepresentation and non-disclosure) of any other person or party which results in a breach of any term, condition or warranty of the policy, provided that the additional insured party so protected has not caused, contributed to or knowingly condoned the said act or omission;
- (5) provide that upon payment of any loss or claim to or on behalf of any additional assureds, insurers shall to the extent and in respect of such payment be thereupon subrogated to all legal and equitable rights of that additional assured indemnified hereby (but not against any additional assureds). Insurers shall not exercise such rights without the consent of those indemnified, such consent not to be unreasonably withheld. At the expense of insurers such additional assureds shall do all things reasonably necessary to assist the insurers to exercise said rights;

- (6) provide that the additional assureds will have no obligation or responsibility for the payment of any premiums due and that the insurers will not exercise any right of set-off or counter-claim in respect of any premium due against the respective interests of the additional assureds other than outstanding premiums relating to the Aircraft, any Engine or Part which is the subject of the relevant claim;
- (7) provide that, except in respect of any provision for cancellation or automatic termination specified in the Policy or any endorsement thereof, cover provided by the Insurances may only be cancelled or materially altered in a manner adverse to the additional assureds by the giving of not less than 30 days (7 days or such less period as may be customarily available in respect of war risks and allied perils) notice in writing to the appointed broker, who shall undertake to notify Lessor promptly. Notice shall be deemed to commence from the date such notice is given by the insurers. Such notice will not, however, be given the normal expiry date of the Policy or any endorsement; and
- (8) reinsurance will (a) be on the same terms as the original insurances and will include the provisions of this Schedule, (b) provide that notwithstanding any bankruptcy, insolvency, liquidation, dissolution or similar proceedings of or affecting the reinsured that the reinsurers' liability will be to make such payments as would have fallen due under the relevant policy of reinsurance if the reinsured had (immediately before such bankruptcy, insolvency, liquidation, dissolution or similar proceedings) discharged its obligations in full under the original insurance policies in respect of which the then relevant policy of reinsurance has been effected; and (c) contain a "cut-through" clause in the following form (or otherwise, satisfactory to Lessor): "The Reinsurers and the Reinsured hereby mutually agree that in the event of any claim arising under the reinsurances in respect of a total loss or other claim where as provided by the Aircraft Lease Agreement (MSN 29048) dated as of October 1, 1998 and made between Lessor and Lessee such claim is to be paid to the person named as sole loss payee under the primary insurances, the Reinsurers will in lieu of payment to the Reinsured, its successors in interest and assigns pay to the person named as sole loss payee under the primary insurances effected by the Reinsured, that portion of any loss due for which the Reinsurers would otherwise be liable to pay the original Reinsured (subject to proof of loss), it being understood and agreed that any such payment by the Reinsurers will (to the extent of such payment) fully discharge and release the Reinsurers from any and all further liability in connection therewith" subject to such provisions not contravening any law of the Jurisdiction of Incorporation.

SCHEDULE 6

FORM OF LEGAL OPINION

To: First Security Bank, National Association
Tombo Aviation, Inc.

Date: _____

Dear Sirs,

1. You have asked us to render an opinion in connection with the transaction governed, inter alia, by the under mentioned documents. Words and expressions used herein will bear the same meanings as defined in an Aircraft Lease Agreement (MSN 29048) (the "Lease") dated as of October 1, 1998 between First Security Bank, National Association, not in its individual capacity, except as otherwise expressly provided herein, but solely as Owner Trustee, and Compania Panamena de Aviacion, S.A.:

- (1) the Lease;
- (2) the constitutional documents comprising [_____] of Lessee; and
- (3) all other documents, approvals and consents of whatever nature and wherever kept which it was, in our judgment and to our knowledge, necessary or appropriate to examine to enable us to give the opinion expressed below.

2. Having considered the documents listed in paragraph 1 above, and having regard to the relevant laws of Panama, we are pleased to advise that in our opinion:

- (1) Lessee was duly constituted in accordance with the laws of Panama on [_____] as [_____] and is a validly existing separate legal entity, is subject to suit in its own name, and, to the best of our knowledge, no steps have been, or are being, taken to appoint a receiver or liquidator over, or to dissolve, Lessee;
- (2) Lessee has the corporate power to enter into and perform, and has taken all necessary corporate action to authorize the entry into, performance and delivery of, the Lease and the transactions contemplated by the Lease;
- (3) the entry into and performance by Lessee of, and the transactions contemplated by, the Lease do not and will not:
 - (a) conflict with any laws binding on Lessee;
 - (b) conflict with the constitutional documents of Lessee; or

- (c) conflict with or result in default under any document which is binding upon Lessee or any of its assets nor result in the creation of any Lien over any of its assets.
- (4) no authorizations, consents, licenses, approvals and registrations (other than those which have been obtained and of which copies are attached hereto) are necessary or desirable to be obtained from any governmental or other regulatory authorities in the Jurisdiction of Incorporation to enable Lessee:
 - (a) to enter into and perform the transactions contemplated by the Lease;
 - (b) to import the Aircraft into Panama for the duration of the Term;
 - (c) to operate the Aircraft for the transport of fare-paying passengers; or
 - (d) to make the payments provided for in the Lease in the currency, in the accounts and otherwise in accordance with the terms and conditions provided in the Lease;
- (5) other than (i) registering the Aircraft and filing this Agreement with the Panamanian Directorate of Civil Aeronautics, and (ii) recording this Agreement and the bill of sale evidencing Lessor's title to the Aircraft with the Office of the Public Registry of Panama, it is not necessary or desirable, to ensure the priority, validity and enforceability of all the obligations of Lessee under the Lease that the Lease be filed, registered, recorded or notarized in any public office or elsewhere or that any other instrument relating thereto be signed, delivered, filed, registered or recorded, that any tax or duty be paid or that any other action whatsoever be taken under the laws of Panama; accordingly, upon completion of the registration and recording set forth above, pursuant to the Lease, Lessor will be deemed to be the full legal and beneficial owner of the Aircraft and all rights and interests with respect thereto, Lessee shall not be deemed to have acquired any interest in the Aircraft other than the leasehold interest contemplated by the Lease, and such leasehold interest of Lessee at all times shall be subject to the terms and conditions provided in the Lease;
- (6) no other steps beyond (i) registering the Aircraft and filing this Agreement with the Panamanian Directorate of Civil Aeronautics, and (ii) recording this Agreement and the bill of sale evidencing Lessor's title to the Aircraft with the Office of the Public Registry of Panama are necessary or desirable to record or perfect Lessor's interest in the Aircraft in Panama;
- (7) on termination of the Lease (whether on expiry or otherwise) as contemplated in the Lease, Lessor would be entitled:
 - (a) to repossess the Aircraft; and
 - (b) to export the Aircraft from Panama;

without requiring any further consents, approvals or licenses from any governmental or regulatory authority in Panama;

- (8) the Lease has been properly signed and delivered on behalf of Lessee and the obligations on the part of Lessee contained therein, assuming them to be valid and binding according to the Governing Law, are valid and legally binding on and enforceable against Lessee respectively under the laws of Panama;
- (9) the events described in Clause 13.1(7), (8) and (9) of the Lease comprise an accurate and complete statement of all events and situations provided for by the laws Panama which may lead to the cessation of activities, winding up or dissolution of Lessee, and upon the occurrence of any such described events, and the Lessor's exercise of its rights to affect a termination of the Lease based on such Events of Default: the Lease shall terminate; Lessee shall have no further interest in the Aircraft; the Aircraft shall be excluded from any reorganization or other legal proceedings with respect to the Lessee; no receiver, trustee, liquidator, administrator, judicial official or other Person shall have any interest in or rights under or with respect to the Lessee or the Aircraft; and Lessor shall be entitled to immediate return and unrestricted possession and control of the Aircraft free and clear of any liens, claims or other encumbrances and without any liability to Lessee or any other Person;
- (10) Upon Lessor's giving the type of notice to Lessee set forth in Clause 13.2(1) following an Event of Default of the type set forth in Clause 13.1(8)(d), the Lease shall terminate (but without prejudice to the continuing obligations of Lessee under the Lease) without the need of any further action or judicial order; Lessee shall have no further interest in the Aircraft; the Aircraft shall be excluded from any liquidation or other legal proceedings with respect to the Lessee; no receiver, trustee, liquidator, administrator, judicial official or other Person shall have any interest in or rights under or with respect to the Lessor or the Aircraft; and Lessor shall be entitled to immediate return and unrestricted possession and control of the Aircraft free and clear of any liens, claims or other encumbrances and without any liability to Lessee or any other Person;
- (11) the obligations of Lessee under the Lease rank at least pari passu with all other present and future unsecured and unsubordinated (including contingent) obligations of the Lessee upon an Event of Default or other breach by Lessee of the Lease, Lessor at all times shall be entitled without restriction to set off any damage suffered or amounts owing by Lessee against any obligation of Lessor to return any deposits or other funds or otherwise make any payments or performance to Lessee or any Person claiming by, through or on behalf of Lessee;
- (12) there is no withholding tax or other Tax to be deducted from any payment whatsoever or which may be made by Lessee pursuant to the Lease; with respect to any withholdings, the provisions of Clauses 5.5, 5.6 and 5.9 of the Lease are fully effective; and the arrangements contemplated by the Lease do not give rise to any charge whatsoever to Taxes in Panama;

- (13) there is no applicable usury or interest limitation law in Panama which may restrict the recovery of payments in accordance with the Lease;
- (14) there are no registration, stamp or other taxes or duties of any kind payable in Panama in connection with the signature, performance or enforcement by legal proceedings of the Lease;
- (15) Lessor will not violate any law or regulation in Panama nor become liable to tax by reason of entering into the Lease with Lessee, or performing its obligations thereunder;
- (16) it is not necessary to establish a place of business in Panama in order to enforce any provisions of the Lease;
- (17) the choice of the Governing Law to govern the Lease will be upheld as a valid choice of law in any action in the Courts of Panama;
- (18) the consent to jurisdiction by Lessee contained in the Lease is valid and binding on Lessee and not subject to revocation;
- (19) any judgment for a definite sum given by an arbitration proceeding or court as provided in the Lease against Lessee would be recognized and accepted by the Courts of Panama without re-trial or examination of the merits of the case;
- (20) Lessee is subject to civil commercial law with respect to its obligations under the Lease, and neither Lessee nor any of its assets is entitled to any right of immunity, and the entry into and performance of the Lease by Lessee constitute private and commercial acts;
- (21) there are no circumstances under the law of Panama whereby Lessee may be deprived of the Aircraft by any Government Entity or any other person; and
- (22) The Republic of Panama has ratified the Geneva Convention without any reservations or limitations thereto, and all requirements set forth in Article XXI of the Geneva Convention for Panama to become incorporated as a member of the Geneva Convention have been completed.

3. We do not purport to be experts on, and do not purport to be generally familiar with or qualified to express legal opinions based on, any law other than the laws of Panama and accordingly express no legal opinion herein based upon any law other than the laws of Panama.

Yours faithfully,

SCHEDULE 7

FORM OF REPORT

AIRFRAME AND ENGINE STATUS REPORT
FOR EACH SIX-MONTH PERIOD ("PERIOD")

Report for the Calendar Period Ended: _____
Aircraft Type: _____
Manufacturer Serial/Registration Number: _____

1. AIRCRAFT UTILIZATION

Aircraft Total Hours: _____
Aircraft Total Cycles: _____
Flight Hours for Period: _____
Cycles for Period: _____

2. DELIVERED ENGINE STATUS

ENGINES	POS. 1	POS. 2
-----	-----	-----
Serial No. of Present Engine:	_____	_____
Serial No. of Delivered Engine:	_____	_____
Current Location of Delivered Engine:	_____	_____
Flight Hours Since New :	_____	_____
Cycles Since New:	_____	_____
Flight Hours for Period:	_____	_____
Cycles for Period:	_____	_____

The following sections need be reported only if one of the following events has taken place during the foregoing Period:

- (A) D-Check or equivalent - Complete Section 3
- (B) C-Check or equivalent - Complete Section 3
- (C) Engine Change or Shop Visit - Complete Section 4

3. MAJOR CHECK REPORT

Date of Check: _____ Total Hours: _____ Total Cycles: _____

Location: _____ Agent: _____ Downtime: _____ Days

Type of Check: _____

MODS / ADs / SBs Accomplished During Check: _____

Next Check Due In: _____ Hours / Months / Years

Estimated Date: _____

4. ENGINE REMOVAL AND SHOP VISIT REPORT

For Removed Engine: _____

Serial Number: _____ Date of Removal: _____

Position: _____ Airframe Total Hours at Removal: _____

Engine Total Hours: _____ Airframe Total Cycles at Removal: _____

Engine Total Cycles: _____

Reason for Removal: _____

Repair Agent: _____ Location: _____

Intended Workscope: _____

MODS / ADs / SBs to be Accomplished: _____

Or Installed Engine: _____

Serial Number: _____ Time Since Last Shop Visit: _____

Position: _____ Last Shop Visit Description: _____

Engine Total Hours: _____ Next Limiter: _____

Engine Total Cycles: _____ Time to Next Limiter: _____

FIRST SECURITY BANK,
NATIONAL ASSOCIATION
79 SOUTH MAIN STREET
SALT LAKE CITY, UTAH 84111

As of November 6, 1998

Compania Panamena de Aviacion, S.A. (COPA)
Avenida Justo Arosemena y Calle 39
Panama 1, Republic of Panama

Re: Letter Agreement Amending Lease (MSN 29048)

Ladies and Gentlemen:

Reference is hereby made to (i) that certain Aircraft Lease Agreement (MSN 29048) ("Lease"), dated as of October 1, 1998 between Compania Panamena de Aviacion, S.A. (COPA), as Lessee (this and all other capitalized terms used but not defined herein shall have the respective meanings set forth in the Lease), and First Security Bank, National Association, not in its individual capacity, but solely as Owner Trustee, as Lessor, and (ii) that certain Side Letter Agreement Involving Aircraft Modification (MSN 29048), dated October 10, 1998 between Beneficiary and Lessee ("Side Letter").

Pursuant to the terms of the Lease and the commitments set forth in the Side Letter, the parties hereto hereby acknowledge and agree to the following terms regarding modifications to the Aircraft:

1. Part 4 of Schedule 1 of the Lease is hereby amended by adding the following three post-production modifications:
 - a. Category IIIa Certification (Boeing Paper)
 - b. Optical QAR
 - c. ACARS with Printer.
2. The costs of the modifications to the Aircraft described in Parts 3 and 4 of Schedule 1 of the Lease (as amended above) in excess of the Modification Limit shall be allocated between the Lessor and Lessee as follows:
 - a. Lessor shall pay for the first \$**Material Redacted** of such excess costs;
 - b. At the election of Lessee, which election must be made prior to the Delivery Date, the next \$**Material Redacted** of such excess costs shall

be paid either by Lessor or by Lessee, provided that (i) if Lessor pays for such costs, the Rent for each Rental Period shall be increased by one percent (1%) of the aggregate amount of such costs paid by Lessor, (ii) if Lessee pays for such costs, Lessee must make such payment prior to Delivery, and (iii) if any of such costs paid for by the Lessee arise from the purchase of any of the following five items of Equipment, Lessee may remove and retain such Equipment upon Redelivery in the manner provided for in the Lease, provided that Lessee must select such Equipment in the following order of priority:

- (1) Optical QAR
- (2) ACARS with Printer
- (3) 2nd FMC
- (4) Dual H.F. (Collins)
- (5) 3rd VHF Comm (Collins); and

c. Lessor and Beneficiary shall not be liable for paying any modification costs in excess of the amounts described in clauses "a" and "b" above.

This letter agreement (i) shall constitute an amendment to the Lease, (ii) shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto, (iii) constitutes the entire agreement between the parties concerning the subject matter hereof, and supersedes all previous proposals, agreements, understandings, negotiations and other written and oral communications in relation thereto, including, but not limited to, the Side Letter, and (iv) may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same letter agreement.

Very truly yours,

FIRST SECURITY BANK, NATIONAL
ASSOCIATION, not in its individual
capacity but solely as Owner Trustee

AIRCRAFT LEASE AMENDMENT AGREEMENT

(MSN 29048)

DATED AS OF

MAY 21, 2003

BETWEEN

WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION,

AS

LESSOR

AND

COMPANIA PANAMENA DE AVIACION, S.A. (COPA)

AS

LESSEE

IN RESPECT OF

ONE BOEING MODEL 737-71Q AIRCRAFT

MANUFACTURER'S SERIAL NUMBER 29048

AIRCRAFT LEASE AMENDMENT AGREEMENT

(MSN 29048)

This Aircraft Lease Amendment Agreement (MSN 29048) is made as of the 21 day of May, 2003 between:

(1) WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION (formerly known as First Security Bank, National Association) a national banking association whose principal place of business is 299 South Main Street, Salt Lake City, Utah 84111, not in its individual capacity, except as otherwise expressly provided herein, but solely as Owner Trustee ("Lessor"); and

(2) COMPANIA PANAMENA DE AVIACION, S.A. (COPA), a company incorporated under the laws of the Republic of Panama whose registered office is at Avenida Justo Arosemena y Calle 39, Panama 1, Republic of Panama ("Lessee");

WHEREAS, Lessor wishes to amend the terms of the Aircraft Lease Agreement dated as of 1 October 1998 (as amended, the "LEASE") in respect of one Boeing model B737-71Q aircraft msn 29048 and Panamanian Registration HP-1370 CMP (the "AIRCRAFT") as set out herein

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Section 1.1 of the Lease is amended by adding the following definition thereto:

"Amendment Agreement that certain Aircraft Lease Amendment Agreement dated as of May __, 2003 by and between Lessor and Lessee. From and after the date hereof, the term "Lease" shall be deemed to mean the Lease as amended by the Amendment Agreement."

1.2 Capitalised terms used herein shall, unless otherwise indicated, bear the same meanings ascribed thereto pursuant to the Lease. The provisions of Clause 1.2 of the Lease apply as if set out herein, mutatis mutandis.

2. REPRESENTATIONS AND WARRANTIES

The Lessee hereby repeats the representations and warranties contained in Clause 2.1 of the Lease as if made with reference to facts and circumstances existing as of the date of this Amendment Agreement. For avoidance of doubt, the reference to Lessee's "Accounts" set forth in Clause 2.1(13) (Material Adverse Change) shall be deemed to

refer to the accounts most recently provided by Lessee to Lessor prior to the date of this Amendment Agreement.

3. AMENDMENTS TO LEASE

3.1. TERM: Clause 4.2 of the Lease is hereby amended by adding the words "and Term" to the word "Commencement" in the heading; and by adding a new paragraph to the end thereof as follows:

"Provided that the Aircraft has not been earlier redelivered in accordance with this Agreement, this Agreement has not earlier been terminated in accordance with its terms, or Lessor has not earlier received the Agreed Value following an Event of Loss, the Term shall, unless the parties otherwise agree, be automatically extended for successive periods of one year (each an "Extension Term") up to a maximum term ending June 21, 2009 (but subject to an additional extension of one year, at Lessee's choice, commencing June 22, 2009 and ending June 21, 2010, provided that no Event of Default shall have occurred and be continuing at the time of such election and as of June 21, 2009 and that Lessee shall have given Lessor written notice (which, once given, shall be irrevocable) of its election to so extend the Term not less than 12 months prior to June 21, 2009) and the definition of "Expiry Date" set forth in Section 1.1 of the Lease shall be construed accordingly".

3.2 RENT: With effect from May 1, 2003, the definition of "Rent" set forth in Annex A to the Lease is amended by deleting paragraphs (1) and (2) thereof in their entirety and substituting the following:

"(1) For the period commencing on May 1, 2003 and throughout each yearly Extension Term up to and until June 21, 2009, \$**Material Redacted** per Rental Period;

(2) Should Lessee elect to extend the Lease from June 22, 2009 until June 21, 2010 as set forth in Clause 4.2 of the Lease (as amended by Clause 3.1 of the Aircraft Amendment Agreement), each installment of Rent in respect of each Rental Period shall be calculated on the basis of an assumed rent of \$**Material Redacted** per month (the "Assumed Rent"). The Assumed Rent is calculated on the assumption that the "Applicable LIBOR" (being 12-month The Bank of Tokyo-Mitsubishi, Ltd. LIBOR as quoted to Lessor two banking days prior to June 22, 2009) is **Material Redacted**% per annum. To the extent that the Applicable LIBOR is higher or lower than **Material Redacted**% per annum, the

Assumed Rent shall be increased (in the case where the Applicable LIBOR is higher than **Material Redacted**% per annum) or reduced (in the case where the Applicable LIBOR is lower than **Material Redacted**% per annum) by \$** Material Redacted** each **Material Redacted**% difference between Applicable LIBOR and **Material Redacted**% per annum (and pro rata for fractions of a per cent) to determine the Rent payable by the Lessee on the Rent Dates for each Rental Period occurring on or after June 22, 2009."

- 3.3. BLENDED WINGLETS: Schedule 4 to the Lease is hereby amended by adding the following as paragraph 1.7 thereof:

"Lessor and Lessee agree to the installation of the blended winglets on the Aircraft during any period where it can be reasonably scheduled prior to Redelivery without affecting the commercial program of the Aircraft. Lessor and Lessee shall compare the cost of material and installation available to each of Lessor and Lessee under their respective agreements (collectively, the "APB ARRANGEMENTS") with Aviation Partners Boeing ("APB") and the procurement and installation of the winglets shall be made under and pursuant to the less expensive of the two APB arrangements. Lessor shall either pay to APB the full cost of labor and equipment or reimburse Lessee for same upon presentation to Lessor of the actual invoice. The blended winglets shall remain on the Aircraft at Redelivery."

- 3.4. ENGINE DERATE: Notwithstanding any other provision of the Lease, Lessor consents to Lessee's decreasing the Engine take-off thrust rating from 24,000lbs. to 22,000lbs. after installation of the blended winglets subject to receipt by Lessor of prior written confirmation (in form and substance satisfactory to Lessor acting reasonably) from the Engine Manufacturer that returning the Engine take-off thrust rating to 24,000lbs. will not result in any cost and, further, the parties agree that Schedule 4 to the Lease is hereby amended by adding the following as paragraph 3.6 thereof:

"The take-off thrust rating of the Engines shall be not less than 24,000lbs at Redelivery".

- 3.5. LETTERS OF CREDIT: Clause 5.1.10 of the Lease is hereby amended by deleting both references therein to "10 days" and by substituting therefor references to "thirty (30) days." Lessor and Lessee agree to attempt in good faith to consolidate the Deposit Letter of Credit and the Supplemental Letter of Credit on terms acceptable to both parties

3.6. MAINTENANCE PAYMENT: Clause 5.3.2(1) of the Lease is hereby amended by deleting the words "during the first 54 months of the Term" and substituting therefor the words "during the 24 month period immediately preceding the date falling six months prior to expiry of the Term".

3.7 AGREED VALUE: Annex A to the Lease is hereby amended by deleting the reference in the definition of "Agreed Value" to "\$**Material Redacted**" and substituting therefor: "\$**Material Redacted** to be decreased by \$**Material Redacted** upon each annual renewal of Lessee's fleet policies during the remainder of the Term".

4. OTHER AGREEMENT

4.1. AIRCRAFT SYSTEM MODIFICATIONS: Lessor and Lessee will separately negotiate in good faith to agree to incorporate (such incorporation to be completed on or before June 1, 2004) certain system upgrades (based on a mutually agreed upon listing of "approved system upgrades") on the Aircraft, and Lessor shall pay up to an aggregate cap of US \$**Material Redacted** for such upgrades. Lessor and Lessee agree to amend the Lease being at that time to reflect any such agreement as to incorporation of system upgrades and to reflect a corresponding increased adjustment to the Rent with effect from completion of such incorporation by **Material Redacted**% per month times the total modification costs for such incorporation. For the avoidance of doubt, nothing in this Clause 4.1 shall constitute an amendment to the Lease. For the avoidance of doubt, the cap referenced above and the rent adjustment factor detailed above do not pertain to cost of installation of the blended winglets referenced in Clause 3.3 above.

4.2. ENGINE MAINTENANCE: Lessee will discuss with a qualified engine maintenance services provider acceptable to Lessor acting reasonably for such provider to cover the maintenance of the Engines of the Aircraft ("ENGINES") pursuant to an agreement between such provider and Lessee which shall be in form and substance satisfactory to Lessor (in the reasonable opinion of Lessor). Lessor and Lessee agree to amend the Lease, as may be required to reflect any agreement between them in respect of maintenance of the Engines, which may deviate from the provisions concerning maintenance of the Engines currently set forth in the Lease. For the avoidance of doubt, nothing in this Clause 4.2 shall constitute an amendment to the Lease.

5. MISCELLANEOUS

- 5.1. GOVERNING LAW: This Agreement shall in all respects be governed by, and construed in accordance with, the internal laws of the State of New York, inclusive of all matters of construction, validity and performance.
- 5.2. REGISTRATION: Lessee at its expense shall cause this Agreement to be duly filed with the Civil Aeronautics Authority and to be recorded at the Office of the Public Registry of Panama. This Agreement has been negotiated, executed and delivered in English. In case of any conflict or discrepancy between the executed English version of this Agreement and any Spanish translation thereof or any extract thereof recorded at the Public Registry of Panama or any other governmental office, the English version of this Agreement shall prevail.
- 5.3. OTHER: The provisions of Clauses 17.12.2, 17.12.3, 17.12.4, 17.15. 17.16, 17.17 and 17.18 of the Lease shall apply to this Amendment Agreement as if set out herein and as if references therein to "this Agreement" were to this Amendment Agreement. Save as amended hereby, the provisions of the Lease remain in full force and effect without modification. All references in the Lease to "this Agreement" shall be construed as including reference to this Amendment Agreement.

=====

AIRCRAFT LEASE AGREEMENT

dated as of November 18, 1998

between

AVIATION FINANCIAL SERVICES INC.

Lessor

and

COMPANIA PANAMENA DE AVIACION, S.A.,

Lessee

One New Boeing Model 737-700 Aircraft

Manufacturer's Serial No. 28607

=====

EXECUTION COPY

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Exhibits

Exhibit A - Schedule and Description of Aircraft

Exhibit B - Aircraft Documents

Exhibit C - Definitions, Values and other Matters

Exhibit D - Lease Supplement

Exhibit E - Return Condition Requirements

Exhibit F-1 - Lessee's Counsel Opinion

Exhibit F-2 - Lessee's Counsel Opinion

Exhibit G - Letter of Credit

Exhibit H - Technical Acceptance Receipt

AIRCRAFT LEASE AGREEMENT

THIS AIRCRAFT LEASE AGREEMENT dated as of November 18, 1998 between AVIATION FINANCIAL SERVICES INC., a Delaware Corporation, with a principal place of business at 201 High Ridge Road, Stamford, Connecticut 06927 ("Lessor"), and COMPANIA PANAMENA DE AVIACION, S.A., a corporation organized under the laws of the Republic of Panama, with its principal place of business and registered office at Avenida Justo Arosema & Calle 39, Aptdo. 1572, Panama 1, Republic of Panama ("Lessee").

Lessee desires to lease from Lessor and Lessor is willing to lease to Lessee the Aircraft upon and subject to the terms and conditions of this Lease, as hereinafter set forth.

In consideration of the mutual promises herein, Lessor and Lessee agree as follows:

Section 1. Definitions

The following terms shall have the following respective meanings for all purposes of this Lease Agreement:

AD means an Airworthiness Directive promulgated by the FAA.

Affiliate means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such persons including, without limitation, any limited partnership or grantor trust of which such person or any Affiliate of such person is the sole or co-general partner or managing agent and any trustee of a trust of which the beneficiary is such Person, any Affiliate of such Person, such a limited partnership, or such a grant or trust.

Aircraft means the Airframe together with (a) the Engines, whether or not installed on the Aircraft, (b) all Parts or components thereof, (c) spare parts or ancillary equipment or devices furnished with the Aircraft under this Lease, and (d) all substitutions, replacements and renewals of any and all thereof.

Aircraft Documents means the items identified on Exhibit B hereto, all of which shall be maintained in the English language, or accompanied by a certified English translation.

Airframe means (a) the aircraft described on Exhibit A, but not including any engine installed thereon, and (b) any and all Parts so long as the same shall be incorporated or installed on or attached, to the Airframe, or so long as title thereto shall remain vested, in Owner in accordance with the terms of Section 9, after removal from the Airframe.

Appraisal Procedure means the following procedure for determining the "fair market rental value" of the Aircraft. "Fair market rental value" shall mean the value determined by an appraisal completed on an "as is" and "where is" basis. Lessor shall elect an internationally recognized, independent aircraft appraiser certified by the International Society of Transport Aircraft Trading ("ISTAT") who shall make a determination of fair market rental value. The fees and expenses of the aircraft appraiser shall be paid by Lessee.

Approved Auditor means KPMG Peat Marwick or another auditing firm having an internationally recognized reputation and reasonably acceptable to the Lessor.

Approved Insurance Broker means J. H. Marsh & McLennan, or any other reputable insurance broker, or reinsurance broker, of internationally recognized responsibility and standing in aircraft insurance.

Approved Insurer means any insurer or reinsurer, or insurance broker, or reinsurance broker, of internationally recognized responsibility and standing in aircraft insurance in each case reasonably acceptable to the Lessor.

Basic Rent means the amount specified therefor on Exhibit C and payable throughout the Term for the Aircraft pursuant to Section 4(a).

Basic Rent Payment Date means each day for payment of Basic Rent determined in accordance with Exhibit C. It is further understood and agreed that if a Basic Rent Payment Date shall fall on a day which is not a Business Day, any payment due on such Basic Rent Payment Date shall be made on the next succeeding Business Day.

Business Day means any day other than a Saturday, Sunday or other day on which banking institutions in New York, New York or, in respect of any payments to be made by Lessee hereunder, the Republic of Panama, are authorized or required by law to be closed.

"C" Check means a "C" check in accordance with the Lessee's Maintenance Program in effect on the Delivery Date, as modified from time to time by the DAC.

Casualty Occurrence means any of the following events with respect to the Aircraft, Airframe or any Engine: (a) loss of such property or its use due to theft or disappearance for a period in excess of sixty (60) consecutive days, or destruction, damage beyond economic repair or rendition of such property permanently unfit for normal use by Lessee for any reason whatsoever; (b) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss or on the basis of a compromised or constructive total loss; or (c) the condemnation, confiscation, appropriation or seizure of, or requisition of title to such property, or the use of such property by or on the authority of any Governmental Entity or purported Governmental Entity (excluding therefrom any Governmental Entity, or purported Governmental Entity, of the United States of America), which in any such case shall have resulted in the loss of possession thereof by Lessee for a period in excess of ninety (90) consecutive days (or for such shorter period ending on the date which is seven (7) days from the date of receipt of an insurance settlement with respect to such property on the basis of a total loss).

Casualty Value means the value as specified on Exhibit C hereto.

Continental means Continental Airlines, Inc. or any of its subsidiaries or Affiliates.

"D" Check means a "D" check in accordance with the Lessee's Maintenance Program as in effect on the Delivery Date, as modified from time to time by Lessee and approved by the DAC.

DAC means the Direccion General de Aeronautica Civil of the Country of Registration, or any successor Governmental Entity exercising authority with regard to aircraft registration and airworthiness in the Country of Registration comparable to the FAA (as defined below).

Damage Notification Threshold means **Material Redacted**.

Default means an Event of Default or event which would constitute an Event of Default but for the lapse of time or the giving of notice or both.

Delivery Date means the date on which the Aircraft is delivered to Lessee for purposes of this Lease.

Delivery Location means the location specified on Exhibit C hereto for the delivery of the Aircraft by Lessor to Lessee.

Dollars or "\$" means lawful currency of the United States of America.

Engine means any engine installed on or furnished in connection with the Aircraft on the Delivery Date, such engines being identified as to manufacturer, type and manufacturer serial number on Exhibit A hereto, and any Replacement Engine which may from time to time be substituted therefor pursuant to Section 11; 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 remains vested in Owner in accordance with the terms of Section 9 after removal from such Engine. Except as otherwise set forth herein, at such time as a Replacement Engine shall be so substituted, 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.

Engine Manufacturer means CFM International.

Estimated Delivery Date means the date specified on Exhibit C hereto, which the parties anticipate to be the Delivery Date.

Estimated Acceptance Date means the date specified on Exhibit C hereto, which the parties anticipate to be the date for Technical Acceptance of the Aircraft.

Event of Default shall have the meaning specified in any one or more clauses in Section 17.

Excusable Delay means any delay in delivery or redelivery of the Aircraft hereunder not occasioned by the fault or negligence of the party hereto seeking to excuse such delay and due to or arising from any cause beyond such party's reasonable control including, without limitation, (i) acts of the public enemy, civil war, war-like operations, insurrection or riots, or quarantine restrictions, strikes, lockouts, inability to obtain materials, accessories, equipments or parts, delays in transportation or labor stoppages and/or (ii) fire, floods, explosions, earthquakes or epidemics.

Expiration Date means the date specified in the Lease Supplement for expiration of the Term.

FAA means the Federal Aviation Administration of the United States Department of Transportation or any successor.

FAR means the Federal Aviation Regulations set forth in title 14 of the United States Code of Federal Regulations, as amended and modified from time to time.

FSC Benefits has the meaning ascribed to it in Section 10(c).

GECAS means either or both of GE Capital Aviation Services, Inc. and GE Capital Aviation Services Limited.

Governmental Entity means and includes (a) the DAC; (b) any national government, or political subdivision thereof or local jurisdiction therein; (c) any board, commission, department, division, organ, instrumentality, court, or agency of any entity described in (b) above, however constituted; and (d) any association, organization, or institution of which any entity described in (b) or (c) above is a member or to whose jurisdiction any such entity is subject or in whose activities any such entity is a participant but only (except for purposes of defining Law below) to the extent that any of the preceding have jurisdiction over the Aircraft or its operations.

Head Lease means that certain Aircraft Lease Agreement, of even date herewith, between Owner, as lessor, and Lessor, as lessee, with respect to the Aircraft.

Indemnatee means Owner, Lessor, GECAS and their respective officers, directors, shareholders, subsidiaries, agents, employees and their respective successors and assigns.

Interim Rent for the Aircraft means the rent determined as provided on Exhibit C and payable on the Final Acceptance Date.

Law means and include (a) any statute, decree, constitution, regulation, order, judgment or other directive of any Governmental Entity; (b) any treaty, pact, compact or other agreement to which any Governmental Entity is a signatory or party; (c) any judicial or administrative interpretation or application of any Law described in (a) or (b) above; and (d) any amendment or revision of any Law described in (a), (b) or (c) above.

Lease means this Lease, the Lease Supplement, Letter Agreement No. 1, and any and all amendments, revisions, supplements and modifications thereto.

Lease Supplement means the Lease Supplement No. 1, substantially in the form of Exhibit D hereto, dated the Delivery Date and entered into between Lessor and Lessee.

Lessee's Actual Cost means Lessee's cost incurred in performing an obligation under this Lease determined as follows: (i) if Lessee elects that such obligation be performed by a third party, then Lessee's Actual Cost shall be the actual charges of such third party paid by Lessee (without markups or overhead by Lessee); and (ii) if Lessee elects that such obligation be performed by Lessee or Continental, then Lessee's Actual Cost shall be Lessee's or Continental's direct cost for labor and materials, plus a percentage of such direct cost to cover overhead, which percentage shall be determined by mutual agreement of Lessor and Lessee, prior to commencing performance;

provided that if Lessor and Lessee do not reach such mutual agreement such obligation shall be performed by a third party.

Lessor's Duty to Repair means the obligation of the Lessor, as expressly described in Section 3(d), to correct discrepancies agreed upon but not corrected due to the unavailability of any spare parts and shall not mean or include any other duty of the Lessor and shall not be interpreted to impose any other duty on the Lessor.

Lessor's Liens means Liens arising as a result of (a) claims against Lessor or Owner not related to the transactions contemplated by this Lease; or (b) acts of Lessor or Owner, not contemplated and expressly permitted under this Lease; or (c) Taxes imposed against Lessor or Owner which are not required to be indemnified against by Lessee pursuant to Section 10; or (d) claims against Lessor or Owner arising out of the voluntary transfer by Lessor or Owner of all or any part of their respective interests in the Aircraft or this Lease, other than a transfer pursuant to Sections 11 or 18 hereof. In each case, references in this definition to "Lessor" and "Owner" shall include their respective successors and assigns.

Letter Agreement No. 1 means that certain letter agreement dated the date of this Lease between Lessor and Lessee addressing certain related matters, which constitutes a part of this Lease and is expressly incorporated herein by reference.

Letter of Credit means an irrevocable Letter of Credit ("LC") issued and drawn upon and payable by, or confirmed by, a commercial bank domiciled and licensed in the United States of America reasonably acceptable to Lessor and in form and substance similar to Exhibit G, as security for all payment obligations of Lessee to Lessor under this Agreement (including damages), which shall remain in full force and effect until the Required LC Expiry Date. The Letter of Credit may have a validity period or periods ending prior to the Required LC Expiry Date, provided that (i) the Letter of Credit shall, in each case, be renewed and delivered to Lessor not later than 15 days prior to its expiry; and (ii) a Letter of Credit shall remain in force at all times up to the Required LC Expiry Date.

LIBOR means a rate per annum, equal to the rate at which United States dollar deposits on three month maturities are offered by prime banks in the London inter-bank market to Lessor or its nominee at or about 11 a.m. London time as of any date on which interest is to be calculated hereunder.

Lien means any mortgage, pledge, lien, charge, encumbrance, hypothecation, lease, exercise of rights, security interest or claim or other type of preferential arrangement, including without limitation any equivalent arrangement created or arising under the Law of the Country of Registration.

Maintenance Program means a DAC approved maintenance program as in effect from time to time for the Aircraft encompassing scheduled maintenance, condition monitored maintenance and on-condition maintenance of the Airframe, Engines and components of the Aircraft.

Manufacturer means Boeing Company.

Mortgage Convention means the Convention for the International Recognition of Rights in Aircraft, signed (ad referendum) at Geneva, Switzerland, on June 19, 1948, and amended from time to time, but excluding the terms of any adhesion thereto or ratification thereof containing reservations to which the United States of America does not accede.

Owner means Alcyone FSC Corporation, a company incorporated under the Laws of Barbados and having its principal place of business at c/o Corporate Services, Price Waterhouse Centre, St. Michael, Barbados.

Part 36 means part 36 of title 14 of the United States Code of Federal Regulations, as amended or modified from time to time.

Part 129 means part 129 of title 14 of the United States Code of Federal Regulations, as amended or modified from time to time.

Parts means all appliances, components, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (other than complete Engines or engines), which may now or from time to time be incorporated or installed in or attached to the Airframe or any Engine and that meet the requirements of the FAA regulations found at Part 129 and any other laws, rules or regulations relating to the Aircraft, as the same may be amended or modified from time to time, or that remain the property of the Owner pursuant to the terms of Section 9 despite removal therefrom. Except as otherwise set forth herein, at such time as a replacement part shall be substituted for a Part in accordance with Section 9 hereof, the Part so replaced shall cease to be a Part hereunder.

Permitted Sublease means a sublease with Continental or a sublease with another Person which has the prior written consent of Lessor (which consent shall not be unreasonably withheld) and which complies with all of the provisions of Section 6(a)(iii) hereof.

Person means and include any individual person, corporation, partnership, firm, joint stock company, joint venture, trust, estate, unincorporated organization, association or Governmental Entity.

Purchase Agreement means the Purchase Agreement between the Manufacturer and Owner and the Aircraft Specification D6-38808-34, Revision A - July 16, 1998, except as amended by change orders initiated by Lessor under the terms thereof prior to the date of this Lease (which change orders have been delivered to Lessee prior to the date hereof), or change orders initiated by Lessor with the consent of Lessee under the terms thereof after the date of this Lease, which change orders shall have been delivered to Lessee prior to the Delivery Date.

Related Leases means any and all leases of aircraft between Lessor or any Affiliate of Lessor, as lessor, and Lessee as lessee.

Rent means Interim Rent, Basic Rent and Supplemental Rent, collectively.

Replacement Engine means an engine of the same manufacturer and model, and having substantially equivalent value, utility, modification status, and the same certified thrust rating, as the

Engine it is intended to replace under Section 11(b) hereof, or, at Lessee's option, an engine of the same manufacturer as such Engine but of an improved model, and otherwise of an equivalent value and utility and suitable for installation and use on the Airframe without impairing the value or utility of the Airframe and compatible with the remaining installed Engine.

Required LC Expiry Date means the date which occurs thirty days after the Expiration Date.

Return Occasion means the event that occurs when possession of the Aircraft is returned from Lessee to Lessor at the end of the Term of this Lease or upon Lessor taking possession pursuant to Section 18 hereof.

Security Deposit means the Security Deposit referred to in Section 20(j) hereof.

Security Letter of Credit or the Letter of Credit means the Letter of Credit referred to in Section 20(i) hereof.

Supplemental Rent means any and all amounts, liabilities and obligations (other than Interim Rent and Basic Rent) which Lessee assumes or agrees to pay hereunder, or under any document delivered pursuant hereto, to Lessor, including without limitation, (a) any payment of Casualty Value; (b) any payment of indemnity required by Sections 10 and 13 hereof; (c) any payment of deposits; (d) any payment in respect of Maintenance Costs required by Section 16(m); and (e) to the extent permitted by applicable Law, interest at the Interest Rate (all computations of interest under this Lease to be made on the basis of a 365-day year for the actual number of days elapsed) calculated: (i) on any part of any installment of Basic Rent not paid on the due date thereof for the period the same remains unpaid and (ii) on any Supplemental Rent not paid when due hereunder until the same is paid.

Taxes means any and all Value Added Taxes, sales, use, business, gross income, personal property, transfer, fuel, leasing, occupational, excess profits, excise, gross receipts, franchise, stamp, income, levies, imposts, withholdings or other taxes or duties of any nature, or amounts in lieu thereof, together with any penalties, fines, charges or interest thereon.

Technical Acceptance of the Aircraft means acceptance of the Aircraft as described in Section 3(d).

Technical Acceptance Date of the Aircraft means the date on which Technical Acceptance of the Aircraft occurs.

Technical Acceptance Receipt means a receipt executed substantially in the form of Exhibit H hereto.

Term means the term of this Lease, specified in the Lease Supplement, as may be extended in accordance with the terms hereof.

Value Added Taxes means any value added tax and any sales or turnover tax, imposition or levy of a like nature.

Wet Lease means any arrangement whereby Lessee agrees to furnish the Aircraft to a third party pursuant to which (i) Lessee's crew at all times shall maintain full operational control of the Aircraft, (ii) the Aircraft shall be operated solely by regular employees of Lessee possessing all current appropriate DAC certificates and licenses (it is understood that cabin attendants need not be regular employees of Lessee), (iii) the insurance required under Section 12 hereof shall remain in full force and effect and (iv) the Aircraft shall be maintained by Lessee in accordance with its normal maintenance practices.

Year 2000 Compliance has the definition given to it in Section 5(a) hereof.

The terms Country of Organization, Country of Registration, Engine Manufacturer, Final Acceptance Date, Interest Rate, Last Basic Rent Payment Date, Lease Identification, Lessee's Address, Lessor's Address, Manufacturer and Payment Location have the meanings set forth on Exhibit C hereto. Where words or phrases are set forth in all upper case letters, an underscored first letter indicates that the word or phrase is a defined term hereunder.

Section 2. Lease and Conditions.

(a) Lessor hereby agrees to lease the Aircraft to Lessee, and Lessee hereby agrees to lease the Aircraft from Lessor, on the terms of this Lease, as supplemented by the Lease Supplement and Letter Agreement No. 1.

(b) Lessor's obligation to commence the leasing of the Aircraft hereunder to Lessee shall be conditioned upon the absence of any Default hereunder, the absence of any material adverse change in the financial condition, affairs or operations of Lessee, from that existing on September 30, 1998 as reflected in the financial statements of the Lessee delivered to the Lessor, and the receipt by Lessor of the following documents on or before the Delivery Date for the Aircraft (and Lessor agrees to use its reasonable efforts to co-operate in obtaining such documents), all of which shall be reasonably satisfactory in form and substance to Lessor:

(i) a Lease Supplement in the form of Exhibit D completed, executed and delivered by Lessee, and effective as of the Delivery Date of the Aircraft;

(ii) Letter Agreement No. 1, duly executed and delivered by Lessee, in the form attached hereto as Exhibit D (with appropriate insertions);

(iii) evidence of the Security Letter of Credit having been delivered pursuant to Section 20(i) hereof or, in the alternative, evidence of the Security Deposit having been delivered pursuant to Section 20(j) hereof;

(iv) a copy of the provisional certificate of registration for the Aircraft issued by the DAC, certified by a duly authorized officer of Lessee;

(v) a copy of the Memorandum and Articles of Association of Lessee, certified by a duly authorized officer of Lessee;

(vi) copies of the resolutions of the Board of Directors of Lessee approving and authorizing the execution, delivery and performance of the Lease, the Lease Supplement, Letter Agreement No. 1 and any and all other documents required to be executed and delivered on its behalf, certified by a duly authorized officer of Lessee and naming a person or persons authorized and appointed to execute and deliver each such document on behalf of Lessee and give all notices and take all other action required of Lessee thereunder;

(vii) a certificate of a duly authorized officer of Lessee setting forth the names and signatures of the persons authorized and appointed to execute and deliver on behalf of Lessee the documents referred to in (vi) above and to take any action contemplated therein;

(viii) copies, certified by a duly authorized officer of Lessee of each consent, license, authorization or approval of, and exemption by, each Governmental Entity or other authority (if any) as may be necessary to authorize the execution, delivery and performance by Lessee of the Lease and any document delivered pursuant thereto and to consummate the transactions contemplated thereby and to permit the payment and remittance of all payments to be made to the Lessor in such currency or currencies, at such times, at such places and in such manner as provided for under the Lease and any document delivered pursuant thereto;

(ix) evidence reasonably satisfactory to the Lessor of the due and binding acceptance by the Lessee's appointees of their appointments as agents for the service of process in any action or proceeding instituted in the courts of the United States of America in connection with or arising out of the Lease and any other documents executed in connection therewith;

(x) a power of attorney in form and substance satisfactory to the Lessor, duly signed by Lessee and notarized and legalized so that the power of attorney will be valid and legally binding in accordance with the laws of the Country of Registration (with Lessee to pay all costs associated with such notarization and legalization), irrevocably empowering the Lessor or Owner or their respective assignee or designee, upon termination of the Lease, pursuant to the terms of the Lease, whether as a result of an Event of Default, upon expiration of the Term or otherwise, to execute in Lessee's name and on Lessee's behalf all documents deemed necessary or desirable by the Lessor to release, terminate and void Lessee's interest in the Aircraft leased hereunder, to deregister the Aircraft and the Lease and to export (if required) the Aircraft and to file such documents for registration or recordation with the DAC, and any other appropriate Governmental Entity, and otherwise to effect any of the rights and remedies contemplated by the Lease;

(xi) a certificate of a duly authorized officer of Lessee confirming that each document (or a certified copy thereof) required to be filed by Lessee under applicable Law has been, or will after execution be, filed with the relevant Governmental Entities in the Country of Registration;

(xii) a Technical Acceptance Receipt, in the form of Exhibit H, dated, executed and delivered by Lessee;

(xiii) a certificate signed by the chief executive officer or the chief financial officer, or their equivalent, of Lessee, dated the Delivery Date, stating that: (A) the representations and warranties contained in Section 5(c) hereof are true and accurate on and as of such date as

though made on and as of such time; and (B) no event has occurred and is continuing, or would result from the lease of the Aircraft, which constitutes a Default or an Event of Default;

(xiv) one or more certificates, dated as of the Delivery Date, each signed by an Approved Insurer or by an Approved Insurance Broker which together evidence that the insurance as required by Section 12 hereof is in full force and effect and a certificate from the reinsurance broker certifying that the reinsurance required to be maintained is in full force and effect;

(xv) the legal opinions, in English, signed by Lessee's independent counsel, dated the Delivery Date, substantially in the respective forms set forth in Exhibit F-1 and Exhibit F-2 hereto; provided, however, that the opinion set forth in Exhibit F-2 may be delivered as provided in Section 8(h) hereof;

(xvi) if required, an export license with respect to the Aircraft, duly authorized and issued to Lessor by the Office of Export Licenses, United States Department of Commerce, which export licenses shall be obtained by Lessor at its sole expense;

(xvii) if required, a true and complete copy of the import license with respect to the Aircraft, duly authorized and issued to Lessor or Lessee, as appropriate, by the appropriate Governmental Entity of the Government of Organization and the Government of Registration, which licenses shall be obtained by Lessee at its sole expense; and

(xviii) such financial information concerning Lessee and such other documents and evidence (if any) with respect to Lessee's compliance with the conditions set forth in this Section 2 as the Lessor or its counsel may reasonably request.

Section 3. Delivery and Acceptance; Term.

(a) Delivery. It is anticipated that the Aircraft will become available (i) for Technical Acceptance on or about the Estimated Acceptance Date set forth on Exhibit C and (ii) for delivery on or about the Estimated Delivery Date set forth on Exhibit C.

(b) Place of Delivery and Acceptance. Technical Acceptance and delivery of the Aircraft will occur at the Acceptance Location set forth on Exhibit C.

(c) Casualty to the Aircraft, Excusable Delay Preceding Delivery or Damage to Aircraft. In the event of a Casualty Occurrence with respect to the Aircraft prior to its delivery, Lessor shall promptly notify Lessee in writing, and this Lease shall terminate upon receipt of such written notice. In the event of an Excusable Delay with respect to the Aircraft which delays the delivery of the Aircraft hereunder to a date which is more than six months beyond the Estimated Delivery Date, or such later date as may be mutually agreed to by Lessor and Lessee, Lessor shall promptly notify Lessee in writing thereof, and at the option of either Lessor or Lessee, this Lease shall terminate with respect to the Aircraft (provided that such Excusable Delay is beyond the control of and is not occasioned by the fault or negligence of the party so electing) upon receipt of written notice thereof by the other party. Upon such termination, Lessor shall return to Lessee any and all Rent or other amounts (including any Security Deposit), and any Letter of Credit, theretofore received by Lessor with respect to the Aircraft or this Lease. Neither Lessor nor Lessee shall be

responsible for the failure to deliver the Aircraft hereunder due to an Excusable Delay, provided that such Excusable Delay is beyond the control of and is not occasioned by the fault or negligence of such party.

(d) Pre-Delivery Acceptance Flight. On or about the Estimated Acceptance Date, the Manufacturer shall perform (at no cost and expense to Lessee, except for the costs of Lessee's representatives or designees, which costs shall be borne by Lessee) an operational ground check and acceptance flight of the Aircraft in accordance with the Manufacturer's ground check and acceptance flight procedures in the vicinity of the Delivery Location in order to demonstrate that the Aircraft satisfies the delivery conditions set forth in Exhibit A hereto. The Manufacturer shall perform a power assurance check with respect to each Engine in accordance with the Manufacturer's standard procedures for new aircraft deliveries if such check is part of the Manufacturer's standard acceptance procedures for such aircraft. The Aircraft Documents for the Aircraft shall be made available to Lessee for inspection during such ground check and acceptance flight periods in accordance with the Manufacturer's standard procedures for new aircraft deliveries. To facilitate such inspection Lessor, or Manufacturer, shall provide reasonable office accommodation at or near the inspection site (equipped with a telephone and having access to photocopier and telecopier facilities).

Upon completion of the pre-delivery inspection and acceptance flight, as provided in this Section 3(d) and provided the Aircraft is in the condition set forth in Exhibit A hereto, Lessee shall execute and deliver a Technical Acceptance Receipt, in the form annexed hereto as Exhibit H. Execution and delivery of the Technical Acceptance Receipt shall be deemed to constitute the Lessee's acknowledgment and acceptance that all conditions to delivery specified herein have been fully satisfied, subject to Lessor's Duty to Repair, if any.

Lessee shall indemnify and hold harmless each Indemnitee from and against any and all actions, causes of action, claims, judgments, liabilities, damages, losses, costs and expenses: (i) for all injuries to or deaths of Lessee's representatives or designees during any ground check, acceptance flights, checks or inspections under this section, except to the extent that such injuries or deaths arise out of or are caused by the gross negligence or willful misconduct of such Indemnitee, or (ii) for loss of or damage to property of Lessee or its representatives or designees pursuant to this section, except to the extent that such loss or damage arises out of or is caused by the gross negligence or willful misconduct of such Indemnitee.

In the event any claim is made or suit is brought against Lessor, Lessee, or their respective Affiliates or their respective directors, officers, employees, agents or servants for damages for deaths or injuries or property damage, the liability for which has been assumed by the other party pursuant to this section, the former shall promptly give notice to the other parties, and such parties shall have the right to assume and conduct the defense thereof, or to effect any settlement which it, in its opinion, deems proper. For the purpose of this section, any claim or suit against any of the directors, officers, employees, servants and agents of Lessor or Lessee or their respective Affiliates, as the case may be, shall be deemed to be a claim or suit against Lessor or Lessee, as the case may be.

(e) Acceptance of Aircraft. The Aircraft to be leased hereunder shall be delivered to Lessee on the Delivery Date meeting the conditions specified in Exhibit A hereto and otherwise

"AS IS," "WHERE IS" and on and after the Delivery Date SUBJECT TO EACH AND EVERY DISCLAIMER OF WARRANTY AND REPRESENTATION AS SET FORTH IN SECTIONS 5(a) AND (b) HEREOF. Upon the satisfaction of such conditions, Lessee shall execute a Technical Acceptance Certificate and the leasing of the Aircraft hereunder shall commence. Following execution and delivery of the Technical Acceptance Receipt and upon tender of delivery hereunder by Lessor, Lessee shall accept delivery of the Aircraft. Lessee shall thereupon indicate and confirm its acceptance of delivery of the Aircraft by execution and delivery to Lessor of a Lease Supplement, dated the Delivery Date, in the form set forth as Exhibit D.

(f) Term of Lease. The Term of this Lease shall commence on the Delivery Date and shall continue until the Expiration Date set forth in the Lease Supplement; provided that this Lease may be earlier terminated or extended pursuant to the provisions hereof.

(g) Lease Term Renewal Options. Lessor hereby grants Lessee the right to renew the lease for up to three (3) additional, consecutive terms (each a "Renewal Term") (the option to renew for each Renewal Term being hereafter referred to as the "Renewal Option"). Each Renewal Term shall consist of twelve (12) months, and the first Renewal Term would commence the day following the Expiry Date of the initial Basic Term. Exercise of each Renewal Option shall be subject to (i) the delivery by Lessee of written notice to Lessor (a "Renewal Notice") as to such exercise at least nine (9) months prior to the then applicable Expiry Date, and (ii) no Event of Default shall have occurred and be continuing on or as of the date the Renewal Notice is received by Lessor or the first Rent Date of the applicable Renewal Term. The Basic Rent during any such Renewal Term shall be payable monthly in advance at the average monthly Basic Rent rate paid by Lessee over the initial sixty (60) months of the Basic Term. At the commencement of a Renewal Term the Basic Term shall be deemed extended to include such Renewal Term. Except for the Rent as specified above, the revised Expiry Dates and the exercised Renewal Option which shall be deemed extinguished with the related extension of the Basic Term, all terms and conditions of this Agreement as applicable during the initial Basic Term shall remain in full force and effect for any Renewal Term.

Section 4. Rent

(a) Rent. Lessee covenants and agrees to pay to Lessor, or its assigns, the following as Rent:

(i) Interim Rent: The Interim Rent as determined pursuant to Exhibit C hereto in respect of the Aircraft on the Interim Rent Payment Date.

(ii) Basic Rent: The Basic Rent as set forth on Exhibit C hereto throughout the Term hereof, payable in consecutive installments and due on each Basic Rent Payment Date.

(iii) Supplemental Rent: Any and all Supplemental Rent as the same becomes due.

(b) Place and Method of Payment. All Interim Rent, Basic Rent and Supplemental Rent and other amounts payable under this Lease shall be paid in immediately available funds in Dollars, at the Payment Location specified on Exhibit C hereto, or at such other location in the United States

as Lessor shall designate in writing.

(c) Prohibition Against Setoff, Counterclaim, Etc.. This Lease is a net lease. Lessee's obligation to pay all Rent due hereunder (it being specifically acknowledged that upon performance in full of Lessee's obligations under Section 11(a) hereof Lessee would have no further obligation to pay Rent hereunder) shall be absolute and unconditional and shall not be affected or reduced by any circumstances, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which Lessee may have against Lessor, the Manufacturer, the Engine Manufacturer, any seller of or person providing services with respect to the Aircraft or any other Person, for any reason whatsoever; (ii) any defect in the title, airworthiness or eligibility for registration under applicable Law, or any 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 the use or possession thereof by Lessee for any reason whatsoever, whether arising out of or related to an act or omission of Lessee, or any other Person; (iii) any Liens with respect to the Aircraft; (iv) the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease or any absence of right, power or authority of Lessor or Lessee to enter into this Lease; (v) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessor or Lessee; (vi) any other circumstance or happening of any nature whatsoever, similar to any of the foregoing; or (vii) any Taxes; it being the express intention of Lessor and Lessee that all Rent payable hereunder shall be payable in all events, unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

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 Law or otherwise, to terminate this Lease or any obligation imposed upon Lessee hereunder or in relation hereto.

Nothing contained in this Lease shall be construed as a waiver of Lessee's right to seek, or its entitlement to, damages, specific performance, separate recovery of any payment of Rent made by Lessee which is not due and payable in accordance with the terms of this Lease or other remedies at law or equity and any combination thereof, as against Lessor, Owner or other Person having an interest herein through Lessor, Owner or any other Person as shall be liable therefor, on account of any failure of Lessor, Owner or any other such Person to perform its obligations under this Lease or on account of any act or omission of Lessor, Owner or any other such Person or to enforce any judgment therefor.

Nothing contained in this Section shall be construed as a waiver of Lessee's right to seek a separate recovery of any payment of Rent which is not due and payable in accordance with the terms of this Lease.

If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law, to the extent permitted by applicable Law, and provided Lessee has not been deprived of possession and use of the Aircraft under and in accordance with the provisions of this Lease as a consequence of such termination, Lessee nonetheless agrees to pay to Lessor amounts equal to the Rent payments hereunder at the time such payments would have become due and payable in accordance with the terms hereof had this Lease not been terminated, and so long as such payments are made and all other terms and conditions hereof are complied with by Lessor and Lessee, Lessor and Lessee will deem this Lease to remain in full force and effect; provided, however that if any

court validly exercising jurisdiction with respect to this Lease orders the return of the Aircraft and such order is final and non-appealable and binding upon the parties, and Lessee, in compliance with such court order, returns the Aircraft to the Lessor in accordance with the terms of this Lease (including Section 16) and such order, Lessee shall have no further obligation to pay Rent hereunder to the Lessor that otherwise would accrue from and after the date of such return.

Section 5. Representations and Warranties.

(a) Warranties and Disclaimer of Warranties.

AS AMONG LESSOR, OWNER, GECAS AND LESSEE, THE AIRCRAFT IS TO BE LEASED HEREUNDER "AS IS" AND "WHERE IS" AND ON THE DELIVERY DATE MEETING THE DELIVERY CONDITIONS SET FORTH IN EXHIBIT A HERETO. NONE OF LESSOR, OWNER AND GECAS HAS AND OR SHALL BE DEEMED TO HAVE MADE (WHETHER BY VIRTUE OF HAVING ACQUIRED THE AIRCRAFT OR LEASED IT UNDER THIS LEASE, OR HAVING DONE OR FAILED TO DO ANY ACT, OR HAVING ACQUIRED OR FAILED TO ACQUIRE ANY STATUS UNDER OR IN RELATION TO THIS LEASE OR OTHERWISE), AND LESSOR, OWNER AND GECAS HEREBY SPECIFICALLY DISCLAIM, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE (EXCEPT AS HEREIN BELOW PROVIDED), AIRWORTHINESS, VALUE, DURABILITY, COMPLIANCE WITH SPECIFICATIONS, CONDITION, DESIGN, OPERATION, MERCHANTABILITY, FREEDOM FROM CLAIMS OF INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS, OR FITNESS FOR USE FOR A PARTICULAR PURPOSE OF THE AIRCRAFT, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP, THE ABSENCE THEREFROM OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, OR AS TO ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED (INCLUDING ANY IMPLIED WARRANTY ARISING FROM A COURSE OF PERFORMANCE OR DEALING OR USAGE OF TRADE), WITH RESPECT TO THE AIRCRAFT; AND LESSEE HEREBY WAIVES, RELEASES, RENOUNCES AND DISCLAIMS EXPECTATION OF OR RELIANCE UPON ANY SUCH WARRANTY OR WARRANTIES. NONE OF LESSOR, OWNER AND GECAS SHALL HAVE ANY RESPONSIBILITY OR LIABILITY TO LESSEE OR ANY OTHER PERSON, WHETHER ARISING IN CONTRACT OR TORT OUT OF ANY NEGLIGENCE OR STRICT LIABILITY OF LESSOR, OWNER OR GECAS OR OTHERWISE, FOR (i) ANY LIABILITY, LOSS OR DAMAGE CAUSED OR ALLEGED TO BE CAUSED DIRECTLY OR INDIRECTLY BY THE AIRCRAFT OR ANY ENGINE OR BY ANY INADEQUACY THEREOF OR DEFICIENCY OR DEFECT THEREIN OR BY ANY OTHER CIRCUMSTANCE IN CONNECTION THEREWITH, (ii) THE USE, OPERATION OR PERFORMANCE OF THE AIRCRAFT OR ANY RISKS RELATING THERETO, (iii) ANY INTERRUPTION OF SERVICE, LOSS OF BUSINESS OR ANTICIPATED PROFITS OR CONSEQUENTIAL DAMAGES OR (iv) THE DELIVERY, OPERATION, SERVICING, MAINTENANCE, REPAIR, IMPROVEMENT OR REPLACEMENT OF THE AIRCRAFT. NONE OF LESSOR, OWNER AND GECAS WILL HAVE ANY LIABILITY OR OBLIGATION WHATSOEVER IN CONNECTION WITH, THE YEAR 2000 COMPLIANCE (AS HEREINAFTER DEFINED) OF THE AIRCRAFT OR ANY PART THEREOF. FOR PURPOSES OF THIS AGREEMENT, THE TERM "YEAR 2000 COMPLIANCE" SHALL MEAN AND INCLUDE THE ABILITY

OF THE AIRCRAFT AND EACH PART THEREOF TO ACCURATELY PROCESS, PROVIDE AND/OR RECEIVE DATE/TIME DATA (INCLUDING WITHOUT LIMITATION CALCULATING, COMPARING, OUTPUTTING AND SEQUENCING), WITHIN, FROM, INTO, AND BETWEEN THE TWENTIETH CENTURY AND THE TWENTY-FIRST CENTURY, INCLUDING LEAP YEAR CALCULATIONS SUCH THAT NEITHER THE AIRCRAFT NOR ANY PART THEREOF OR SERVICE RELATED THERETO WILL BE AFFECTED BY DATES/TIMES PRIOR TO, ON, AFTER OR SPANNING JANUARY 1, 2000. THE WARRANTIES AND REPRESENTATIONS SET FORTH IN THIS SECTION 5(a) ARE EXCLUSIVE AND IN LIEU OF ALL OTHER REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, AND LESSOR SHALL NOT BE DEEMED TO HAVE MADE ANY OTHER WARRANTIES, EXCEPT THAT:

(i) Lessor warrants that on the Delivery Date title to the Aircraft shall be vested in Owner and the Aircraft shall be free and clear of any and all Liens other than Lessor's Liens;

(ii) Lessor further represents and warrants that Lessor is a corporation duly organized and validly existing and in good standing under the laws of Delaware, and has the corporate power and authority to carry on its business as presently conducted and to perform its obligations under this Lease;

(iii) Lessor further represents and warrants that the Head Lease has been duly entered into by the parties thereto, remains in full force and effect as of the date hereof and no default or event of default (as defined therein) has occurred and is continuing thereunder; and the making and performance by Lessor of this Lease have been duly authorized by all necessary corporate action on the part of Lessor and will not violate any provision of law or its Articles of Incorporation; and

(iv) Lessor further represents and warrants that this Lease (including Letter Agreement No. 1 and any other document to be executed by Lessor pursuant to the terms hereof) has been duly entered into and delivered by Lessor, and that this Lease does, and such other documents when executed and delivered hereunder will, constitute legal, valid and binding obligations of Lessor, enforceable in accordance with their respective terms except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and, to the extent that certain remedies require or may require enforcement in equity, by such principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) as a court having jurisdiction may impose and by laws which may affect some of such remedies but which do not make available remedies inadequate for the substantial realization of the benefits provided herein.

(b) Manufacturers' Warranties. So long as (i) no Event of Default has occurred and is continuing, (ii) the Lease has not terminated, or (iii) Lessor has not terminated this Lease following an Event of Default, Lessor agrees to authorize Lessee to exercise for the account of Lessor and Owner such rights as Lessor or Owner may have under any warranty, express or implied, with respect to the Aircraft made by the Manufacturer, the Engine Manufacturer, or the manufacturer of any Part, to the extent that the same may be assigned or otherwise made available to Lessee, and Lessee shall be entitled to reimbursement from any monetary settlement under any such warranty; provided, however, that upon an Event of Default and termination of this Lease all such rights shall

immediately revert to Lessor to the exclusion of Lessee including all claims thereunder whether or not perfected. Upon Lessee's request, Lessor shall execute and deliver (or cause Owner to execute and deliver) to Lessee such assignments or other instruments as shall be required by the Manufacturer, the Engine Manufacturer, or the manufacturer of any Part, to enable Lessee to obtain the benefit of any assignable warranties and indemnities given to Lessor or Owner by Manufacturer, the Engine manufacturer and other vendors with respect to the Aircraft. To the extent that any warranty or indemnity given to Lessor by Manufacturer and others with respect to the Aircraft cannot be assigned, Lessee will be entitled to take such action to enforce such warranty or indemnity in the name of Lessor against Manufacturer and such other parties as Lessee sees fit, but subject to Lessee indemnifying Lessor against all costs and expenses associated with such action.

(c) Lessee's Representations and Warranties. Lessee hereby makes the following representations and warranties, which representations and warranties shall survive the execution and delivery of this Lease and the delivery of the Aircraft:

(i) Lessee is a corporation duly organized, and existing in good standing under the Laws of the Country of Organization and has the corporate power and authority to carry on its business as presently conducted and to perform its obligations under this Lease;

(ii) this Lease has been duly authorized by all necessary corporate action on the part of Lessee and does not require any approval of stockholders of Lessee (or if such approval is required, such approval has been obtained), and neither the execution and delivery hereof nor the consummation of the transactions contemplated hereby nor compliance by Lessee with any of the terms and provisions hereof will contravene any Law applicable to Lessee or result in any breach of, or constitute any default under, or result in the creation of any lien, charge or encumbrance upon any property of Lessee under, any credit agreement or instrument, corporate charter or by-law or other agreement or instrument to which Lessee is a party or by which Lessee or its properties or assets are bound or affected;

(iii) Lessee has received every consent, approval or authorization of, and has given every notice to, each Governmental Entity having jurisdiction with respect to the execution, delivery or performance of this Lease (including all monetary and other obligations hereunder) that is required for Lessee to execute and deliver this Lease and each such consent, approval or authorization is valid and effective and has not been revoked, and on or before the Delivery Date Lessee will have received such consents, approvals or authorizations, or will have given such notices in order to perform the transactions contemplated hereby;

(iv) this Lease (including Letter Agreement No. 1) has been duly executed and delivered by Lessee, and the Lease does, and the Lease Supplement when executed and delivered by Lessee will, constitute legal, valid and binding obligations of Lessee, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and, to the extent that certain remedies require or may require enforcement by a court of equity, by such principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) as a court having jurisdiction may impose and by laws which may affect some of such remedies but which do not make the available remedies inadequate for the substantial realization of the benefits provided herein;

(v) there are no suits or proceedings pending or, to the knowledge of Lessee, threatened in any court or before any regulatory commission, board or other administrative Governmental Entity against or affecting Lessee which would reasonably be expected to materially and adversely affect Lessee's ability to perform its obligations hereunder;

(vi) Lessee has filed or caused to be filed all tax returns which are required to be filed by it, and has paid or caused to be paid all Taxes shown to be due or payable on said returns or on any assessment received by Lessee, except to the extent the same are being contested by Lessee in good faith by appropriate proceedings;

(vii) except for compliance with the rules and regulations of the DAC with respect to the filing for recordation of this Lease and the Lease Supplement, and the placing on the Aircraft and on each Engine of the plates containing the legends referred to in Section 6(f) hereof, no further filing or recording of this Lease or of any other document and no further action, are necessary under the Laws of any Governmental Entity (including without limitation any Governmental Entity of the Government of Organization or the Government of Registration) in order to (A) fully protect and establish Owner's title to the Aircraft, and Owner's and Lessor's interests in and property rights with respect to the Aircraft as against Lessee or any third party and to ensure that property rights of Owner and Lessor therein will have priority in all respects over the claims of all creditors of Lessee, or (B) ensure the validity, effectiveness and enforceability of this Lease;

(viii) Lessee is not in default in the performance of any of its obligations (A) for the payment of indebtedness for borrowed money or of any interest or premium thereon or (B) for the payment of rent under any lease or agreement to lease real, personal or mixed property, in each case in respect of obligations in amounts in excess of ****Material Redacted****;

(ix) the Maintenance Program for the Aircraft complies with all DAC requirements;

(x) there are no withholding or other Taxes of the Country of Registration to be deducted from any payment to be made by Lessee under this Lease; provided that Lessor is, and remains, an entity organized under the laws of a country which has in effect a tax reciprocity treaty or agreement with Panama which so provides;

(xi) the choice of law to govern this Lease, as specified in Section 20(b) hereof, is a valid choice of law and such choice will be upheld in the courts of the Country of Organization and the Country of Registration; and

(xii) Lessee is subject to private commercial law and suit under the Laws of the Country of Organization and the Country of Registration. Lessee is not entitled to sovereign immunity under the Laws of the Country of Organization, the Country of Registration or such other jurisdiction, and neither Lessee nor its properties or assets have the right of immunity from suit or execution on the grounds of sovereignty in the Country of Organization, the Country of Registration, the United States of America or any other jurisdiction. To the extent that Lessee, in any jurisdiction in which proceedings may at any time be taken for the determination of any

question arising under or for the enforcement of this Lease (including any interlocutory proceedings or the execution of any judgment or award arising therefrom), may be entitled to claim or otherwise be accorded for itself or its property, assets or revenues immunity from suit or attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction, there may be attributed to Lessee, or its property, assets or revenues such immunity (whether or not claimed), Lessee hereby irrevocably agrees not to claim and waives such immunity to the fullest extent permitted by the law of such jurisdiction.

Section 6. Possession and Use.

(a) Possession

(i) SUBLEASE, ASSIGNMENT AND TRANSFER. EXCEPT AS PROVIDED IN SECTION 14, LESSEE WILL NOT ASSIGN, PLEDGE OR OTHERWISE ENCUMBER THIS LEASE OR SUBLET OR TRANSFER POSSESSION OF THE AIRCRAFT, 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 DEFAULT OR EVENT OF DEFAULT SHALL HAVE OCCURRED AND BE CONTINUING AND AS LONG AS THE ACTION TO BE TAKEN SHALL NOT AFFECT THE REGISTRATION OF THE AIRCRAFT AND SO LONG AS ALL NECESSARY APPROVALS OF EACH GOVERNMENTAL ENTITY HAVING JURISDICTION OVER THE AIRCRAFT HAVE BEEN OBTAINED, THEN LESSEE, WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR, MAY:

(A) SUBJECT ANY ENGINE OR PART TO NORMAL INTERCHANGE OR POOLING AGREEMENTS OR SIMILAR ARRANGEMENTS IN EACH CASE CUSTOMARY IN THE AIRLINE INDUSTRY AND ENTERED INTO IN THE ORDINARY COURSE OF ITS BUSINESS WITH AN AIR CARRIER HOLDING A PART 121 OR 129 CERTIFICATE OR AN ENGINE OR PART (AS APPROPRIATE) OVERHAUL AGENCY CERTIFICATED BY THE FAA OR THE DAC, PROVIDED THAT: (I) NO SUCH AGREEMENT OR ARRANGEMENT RESULTS IN OR REQUIRES THE TRANSFER OF TITLE TO SUCH ENGINE OR SUCH PART; OR (II) IF OWNER'S TITLE TO SUCH ENGINE SHALL BE DIVESTED UNDER ANY SUCH AGREEMENT OR ARRANGEMENT, SUCH DIVESTITURE SHALL BE DEEMED TO BE A CASUALTY OCCURRENCE WITH RESPECT TO SUCH ENGINE AND LESSEE SHALL COMPLY WITH SECTION 11(b) HEREOF IN RESPECT THEREOF;

(B) DELIVER POSSESSION OF THE AIRCRAFT, THE AIRFRAME OR ANY ENGINE OR ANY PART THEREOF TO THE MANUFACTURER THEREOF FOR TESTING OR OTHER SIMILAR PURPOSES OR TO ANY ORGANIZATION FOR SERVICE, REPAIR, MAINTENANCE, TESTING OR OVERHAUL WORK ON THE AIRCRAFT, AIRFRAME OR ENGINE OR ANY PART THEREOF OR FOR ALTERATIONS OR MODIFICATIONS IN OR ADDITIONS TO THE AIRCRAFT, AIRFRAME OR ENGINE TO THE EXTENT REQUIRED OR PERMITTED BY THE TERMS OF SECTION 9 HEREOF;

(C) INSTALL AN ENGINE ON AN AIRFRAME (OTHER THAN THE AIRFRAME) OWNED OR OPERATED BY LESSEE, PROVIDED SUCH AIRFRAME IS MAINTAINED IN ACCORDANCE WITH THE MAINTENANCE PROGRAM AND IS FREE

AND CLEAR OF ALL LIENS EXCEPT: (I) THOSE OF THE TYPE PERMITTED UNDER CLAUSE (D) OF SECTION 14 HEREOF AND THOSE WHICH APPLY ONLY TO ENGINES (OTHER THAN THE ENGINE), APPLIANCES, PARTS, INSTRUMENTS, APPURTENANCES, ACCESSORIES, FURNISHINGS AND OTHER EQUIPMENT (OTHER THAN PARTS) INSTALLED ON SUCH AIRFRAME; AND (II) THE RIGHTS OF THE PARTICIPANTS UNDER NORMAL INTERCHANGE AGREEMENTS WHICH ARE CUSTOMARY IN THE AIRLINE INDUSTRY AND DO NOT CONTEMPLATE, PERMIT, RESULT IN OR REQUIRE THE TRANSFER OF TITLE TO THE AIRFRAME, ENGINES OR PARTS INSTALLED THEREON;

(D) INSTALL AN ENGINE ON AN AIRFRAME LEASED TO LESSEE OR OWNED BY LESSEE SUBJECT TO A CONDITIONAL SALE OR OTHER SECURITY AGREEMENT, PROVIDED, THAT: (i) SUCH AIRFRAME IS MAINTAINED IN ACCORDANCE WITH THE MAINTENANCE PROGRAM; (ii) 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 (I) AND (II) OF SECTION 6(a)(i)(c), AND THE LIEN OF ANY MORTGAGE OR OTHER SECURITY INTEREST WHICH EITHER BY ITS TERMS DOES NOT APPLY TO THE ENGINE OR WHICH EFFECTIVELY PROVIDES THAT AN ENGINE LEASED TO LESSEE HEREBY SHALL NOT BECOME SUBJECT TO THE LIEN THEREOF OR TO ANY RIGHTS OF ANY PARTY THEREUNDER OTHER THAN LESSEE (WITH RESPECT TO LESSEE'S RIGHTS EXPRESSLY GRANTED HEREUNDER), NOTWITHSTANDING THE INSTALLATION OF SUCH ENGINE ON ANY AIRFRAME SUBJECT TO THE LIEN OF SUCH MORTGAGE OR OTHER SECURITY INTEREST UNLESS AND UNTIL LESSEE SHALL BECOME THE OWNER OF SUCH ENGINE AND LESSOR AND OWNER SHALL HAVE NO FURTHER INTEREST THEREIN; (iii) THERE SHALL BE IN EFFECT A WRITTEN AGREEMENT OF THE LESSOR OR SECURED PARTY OF SUCH AIRFRAME (WHICH MAY BE THE LEASE OR CONDITIONAL SALE OR OTHER SECURITY AGREEMENT COVERING SUCH AIRFRAME) SUBSTANTIALLY SIMILAR IN EFFECT TO THE AGREEMENT OF LESSOR IN SECTION 6(b) BELOW WHEREBY SUCH LESSOR OR SECURED PARTY EFFECTIVELY AND 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, AND A COPY OF SUCH AGREEMENT SHALL BE PROVIDED TO LESSOR UPON WRITTEN REQUEST; AND (iv) UPON REQUEST OF THE LESSOR, THE LESSOR SHALL HAVE RECEIVED FROM COUNSEL FOR THE LESSEE AN OPINION, IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE LESSOR, BASED ON APPLICABLE LAW, TO THE EFFECT THAT THE LESSOR OR SECURED PARTY OF SUCH AIRFRAME WILL NOT ACQUIRE ANY RIGHT, TITLE OR INTEREST IN SUCH ENGINE BY REASON OF SUCH ENGINE BEING INSTALLED ON SUCH AIRFRAME AT ANY TIME WHILE SUCH ENGINE IS SUBJECT TO THIS LEASE AND IS OWNED BY OWNER;

(E) ENTER INTO ANY WET LEASE OF THE AIRCRAFT PROVIDED SUCH WET LEASE DOES NOT EXTEND BEYOND THE TERM HEREOF; AND

(F) SUBLEASE THE AIRCRAFT TO A PERMITTED SUBLESSEE, PURSUANT TO A PERMITTED SUBLEASE, PROVIDED THAT THE TERM OF SUCH SUBLEASE DOES NOT EXTEND BEYOND THE TERM HEREOF.

(ii) CERTAIN LIMITATIONS ON TRANSFERS. WITH RESPECT TO ANY TRANSFER PURSUANT TO THIS SECTION 6(a):

(A) THE RIGHTS OF ANY TRANSFEREE THAT RECEIVES POSSESSION BY REASON OF A TRANSFER PERMITTED BY THIS SECTION 6(a) SHALL BE SUBJECT AND SUBORDINATE TO ALL THE TERMS OF THIS LEASE;

(B) LESSEE SHALL REMAIN PRIMARILY LIABLE HEREUNDER FOR THE PERFORMANCE OF ALL OF THE TERMS OF THIS LEASE TO THE SAME EXTENT AS IF SUCH TRANSFER HAD NOT OCCURRED; AND

(C) NO INTERCHANGE AGREEMENT OR OTHER RELINQUISHMENT OF POSSESSION PURSUANT TO THE TERMS OF THIS SECTION 6(a) SHALL IN ANY WAY DISCHARGE OR DIMINISH ANY OF LESSEE'S OBLIGATIONS TO LESSOR HEREUNDER.

(iii) CERTAIN LIMITATIONS ON SUBLEASE. With respect to any transfer pursuant to Section 6(a) which is a Permitted Sublease:

(A) the term of such sublease (including, without limitation, any option of the sublessee to renew or extend the sublease), shall not extend beyond the end of the Term;

(B) the rights of the sublessee shall be subject and subordinate to all the terms of this Lease, including without limitation the right of repossession pursuant to Section 18 and to avoid such sublessee's right to possession upon such repossession;

(C) Lessee shall remain primarily liable hereunder for the performance of all the terms of this Lease to the same extent as if any such sublease had not occurred;

(D) such sublease shall provide that (i) the Aircraft, Airframe or any Engine may not be operated or used other than as provided in Section 6 hereof, (ii) Lessor may avoid or terminate such sublease following an Event of Default hereunder and (iii) to the extent not accomplished by an assignment of sublease, upon the occurrence of an Event of Default, Lessee's rights under such sublease shall automatically be deemed assigned to Lessor until such time as the Event of Default has been cured;

(E) no sublease of the Aircraft or any Engine shall in any way destroy or diminish any of Lessor's rights hereunder or Owner's rights under the Head Lease and such rights shall continue as if such sublease or transfer has not occurred;

(F) Lessee shall provide a copy of such proposed sublease to Lessor for its review and approval (which approval shall not be unreasonably withheld) at least ten (10) Business Days prior to the proposed effective date of such sublease and Lessee shall reimburse Lessor within

ten (10) Business Days after demand for Lessor's actual out-of-pocket cost for such review whether or not Lessor gives approval.

(G) such sublease shall expressly provide (x) that such sublessee will not transfer possession or control of the Aircraft, the Airframe or an Engine to anyone other than Lessee or Lessor (except as provided in Subsection (a)(i)(A)-(E) of this Section 6) and (y) that all rights of the sublessee are subject and subordinate to all the terms of this Lease including, without limitation, in each instance, Lessor's rights to repossession pursuant to Section 18 and Lessor's rights to avoid such sublessee's right to possession upon such repossession;

(H) such sublease shall include appropriate provisions (whether by requiring such obligations to be performed by the sublessee, Lessee, or both) for the operation, maintenance and insurance of the Aircraft and the Engines subleased thereby which are comparable to, or more restrictive than, the provisions of this Lease; and

(I) such sublease shall expressly prohibit any assignment or further sublease (other than as permitted by Subsection (a)(i) clauses (A)-(E) of this Section 6) of the Aircraft, the Airframe or any Engine and any of the rights under such sublease.

(b) Reciprocal Recognition of Rights. In the event Lessee shall have received from the lessor or secured party of any airframe leased to Lessee or owned by Lessee subject to a conditional sale or other security agreement a written agreement complying with clause (II) of Section 6(a)(i)(D) hereof (which agreement may be contained in the lease, conditional sale agreement or security agreement relating to such airframe), and such lease or conditional sale or other security agreement covering such airframe also covers an 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, Lessor hereby agrees for the benefit of such lessor or secured party that Lessor will not acquire or claim, as against such lessor or secured party, any right, title or interest in any such engine as the result of such engine being installed on the Airframe and any time while such engine is subject to such lease or conditional sale or other security agreement and owned by such lessor or subject to a security interest in favor of such secured party. Lessor also hereby agrees for the benefit of the mortgagee under any mortgage complying with clause (I) of Section 6(a)(i)(D) hereof, relating to installation of an Engine on an airframe leased to Lessee, that Lessor will not acquire or claim, as against such mortgagee, any right, title or interest in any engine subject to the lien of such mortgage as the result of such engine being installed on the Airframe at any time while such engine is subject to the lien of such mortgage.

(c) Lawful Insured Operations. Lessee will not permit the Aircraft to be maintained, used or operated in violation of any Law of any Governmental Entity of the Country of Registration, the Country of Organization or any other jurisdiction in which Lessee operates the Aircraft, or in violation of any airworthiness certificate, or license or registration issued by any such authority, or contrary to the Manufacturer's or Engine Manufacturer's operating manuals or instructions for the Aircraft or the Engines. In the event that any such Law requires alteration of the Aircraft, Lessee shall comply therewith at its sole expense and shall maintain the same in proper condition for operation under such Laws. Lessee agrees not to operate the Aircraft, or permit the Aircraft to be operated during the Term, (i) unless the Aircraft is covered by insurance as required by the provisions hereof, or (ii) contrary to the terms of such insurance. Lessee also agrees not to operate

or locate the Aircraft or suffer or permit the Aircraft to be operated or located during the Term in (A) any area excluded from coverage by any insurance policy issued pursuant to the requirements of this Lease, (B) any location that is prohibited or not permitted under:

- (i) any Law or government regulation applicable to the Aircraft or to Lessee; or
- (ii) any requirement of a Government Entity of the Country of Registration; or
- (iii) any requirement of a Government entity of the country in which such location is situated.

Lessee will not be deemed in non-compliance with the obligations set forth in the immediately preceding sentence to the extent such non-compliance occurs when Lessee has been deprived of possession of the Aircraft by a breach of the Covenant of Quiet Enjoyment under Section 20(f).

Lessee shall comply with the Law for the time being in force in any country or jurisdiction to, from, in or over which the Aircraft is flown. Lessee shall use the Aircraft solely in commercial operations for which Lessee is duly authorized by applicable Law and shall not use or permit the Aircraft to be used for any purpose for which the Aircraft is not designed or reasonably suitable. Lessee shall not knowingly use the Aircraft for the carriage of: (A) whole animals living or dead except pets and food products unless all of the rules and regulations prescribed by the International Air Transport Association ("IATA") as in effect from time to time for such carriage, to the extent the same exist and are applicable to the particular form of carriage, are followed, (B) goods characterized as dangerous goods by the regulations of IATA unless all of the rules and regulations prescribed by IATA as in effect from time to time for such carriage, to the extent the same exist and are applicable to the particular form of carriage, are followed or (C) any other goods, materials or items of cargo which could reasonably be expected to cause damage to the Aircraft and which would not be adequately covered by the insurance required by or obtained pursuant to the terms of this Lease. Lessee shall not at any time during the Term do or permit to be done anything which may expose the Aircraft or any part thereof to penalty, forfeiture, seizure, arrest, impounding, detention, confiscation, taking in execution, attachment, appropriation or destruction nor abandon the Aircraft or any part thereof and, if any such penalty, forfeiture, seizure, arrest, impounding, detention, confiscation, taking in execution, attachment or appropriation shall occur, Lessee shall give Lessor notice thereof and shall endeavor to procure the immediate release therefrom of the Aircraft or the relevant part thereof as the case may be.

(d) Maintenance. Lessee, at its own cost and expense, shall: (i) perform all mandatory service, inspections, repair, maintenance, overhaul and testing, (A) as may be required under DAC rules and regulations applicable to the Aircraft and in compliance with the Maintenance Program, (B) in the same manner and with the same care as shall be the case with similar aircraft and engines owned by or operated by Lessee without discrimination and (C) so as to keep the Aircraft in as good operating condition as when delivered to Lessee, ordinary wear and tear excepted; (ii) keep the Aircraft in such condition as is necessary to enable the airworthiness certification of the Aircraft to be maintained in good standing at all times under DAC regulations and any other applicable Law; (iii) maintain, as accurate, complete, current, and in the English language, all records, logs and other materials required by, and in a manner acceptable to, the DAC and any other Governmental Entity having jurisdiction over the Aircraft and (iv) permit Lessor or any authorized representative

of Lessor to examine such records at any reasonable time and upon prior written notice (as provided in Section 7).

(e) Registration. During the Term Lessee shall at its expense keep the Aircraft at all times registered under the applicable Laws of the Country of Registration or such other country approved by Lessor in the name of Owner as owner and Lessor as lessor of the Aircraft or, using its best efforts, in the name of such Person as Lessor may reasonably designate, including, without limitation any successor lessor under this Lease. During such time as the Aircraft is registered in the Country of Registration, the certificate of registration shall register the Aircraft in the name of Owner and include such information concerning Owner and Lessor as permitted by applicable Law in the Country of Registration.

(f) Insignia. Upon delivery of the Aircraft, Lessee agrees to place the Lease Identification as set forth in Exhibit C in the cockpit in a prominent location and to place the Lease Identification on each Engine. Lessee agrees to make such changes to the Lease Identification as Lessor may reasonably request from time to time.

Section 7. Information.

From and after the Delivery Date, Lessee agrees to furnish Lessor the following:

(a) within sixty (60) days following the end of each quarter of Lessee's fiscal year, except the last such quarter of such year, an unaudited consolidated balance sheet of Lessee prepared as of the close of each quarterly period, together with the related unaudited profit and loss statement for such period, together with a certificate of the chief financial officer of Lessee stating that such reports fairly present the financial position of Lessee in accordance with Panamanian generally accepted accounting principles;

(b) within one hundred twenty (120) days after the close of each fiscal year of Lessee, balance sheet, profit and loss statement, and statement of stockholders' equity of Lessee (prepared on a consolidated basis), as of the close of such fiscal year and audited by an Approved Auditor;

(c) within one hundred twenty (120) days after the close of each fiscal year of Lessee, a certificate signed by a duly authorized officer of Lessee, stating (i) that such officer is familiar with the relevant terms of this Lease and has made a review of Lessee's compliance herewith during the preceding fiscal year, and (ii) that no event has occurred and is continuing which constitutes a Default, or, if such an event has occurred, the nature thereof and action Lessee has taken or is taking to cure the same;

(d) within ten (10) days following each six (6) month anniversary of the Delivery Date, Lessee shall provide Lessor with a report with respect to the Aircraft specifying: (i) total hours and total cycles of the Airframe and the Engines; (ii) any scheduled maintenance above a "C" Check performed in the prior six (6) month period; (iii) any significant modifications performed to the Aircraft; (iv) any damage to or destruction of the Aircraft, an Engine or Part, the potential cost of which exceeds the Damage Notification Threshold; and (v) the status of the accomplishment of airworthiness directives and manufacturer's service bulletins, including method of compliance (e.g., terminating action or surveillance);

(e) notice in writing of (A) any proceeding by or against Lessee the adverse determination of which would materially adversely affect Lessee's ability to perform under this Lease and (B) any other matter which materially adversely affects the Lessee's ability to perform under this Lease; and

(f) from time to time such other information as Lessor may reasonably request, including the location, condition, use and operation of the Aircraft.

Lessee shall permit Lessor or its designee on three (3) days' prior written notice to visit and inspect the Aircraft, its condition, use and operation and the records maintained in connection therewith. In conducting any such visit or inspection as contemplated herein, Lessor shall not interfere with Lessee's operation or require Lessee to open panels of the Aircraft which are not open under an inspection then being conducted by Lessee. Lessor shall have no duty to make any such inspection and shall not incur any liability or obligation by reason of not making any such inspection. Lessor's failure to object to any condition or procedure observed or observable in the course of an inspection hereunder shall not be deemed to waive or modify any of the terms of this Lease with respect to such condition or procedure.

Section 8. Covenants of Lessee.

Lessee covenants and agrees that:

(a) Maintenance of Corporate Existence. Except as provided in Section 8(d) below, until the Return Occasion, Lessee will preserve and maintain its corporate existence and such of its rights, privileges, licenses and franchises in any jurisdiction where failure to obtain such licensing or qualification would have a material adverse effect upon Lessee.

(b) Maintenance of Status. Lessee is, and shall remain so long as it shall be Lessee under this Lease, duly qualified to operate the Aircraft under applicable Law.

(c) Payment of Taxes. Lessee will pay or cause to be paid all Taxes and governmental charges or levies imposed upon it, or upon its income or profits, or upon any property belonging to it, prior to the date on which penalties attach thereto and prior to the date on which any lawful claim, if not paid, would become a Lien upon any of the material property of Lessee, except to the extent the same are being contested by Lessee in good faith by appropriate proceedings..

(d) Consolidation, Merger, Etc. Without the prior written consent of Lessor (which consent shall not be unreasonably withheld), 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 other Person.

(e) Place of Business. Without prior written notice to Lessor, Lessee shall not change its principal place of business.

(f) Notice of Default. Within seven (7) Business Days after any responsible officer of Lessee obtains knowledge of a Default hereunder, Lessee shall notify Lessor in writing of such Default.

(g) Governmental Consents. Lessee undertakes to maintain in full force and effect all governmental consents, licenses, authorizations, approvals, declarations, filings and registrations obtained or effected in connection with this Lease and every document or instrument contemplated hereby (including without limitation foreign exchange and transfer permits regarding Dollar amounts due hereunder and thereunder) and to take all such additional action as may be proper or advisable in connection herewith or therewith. Lessee further undertakes to obtain or effect any new or additional governmental consents, licenses, authorizations, approvals, declarations, filings or registrations as may become necessary for the performance of any of the terms and conditions of this Lease or any other document or instrument contemplated hereby.

(h) Registration, Certification and Filing. Lessee undertakes to register the Aircraft with the DAC, to secure a valid and effective provisional certificate of airworthiness for operation in the Country of Registration within seven (7) days of the Delivery Date and to provide to the Lessor a copy of the provisional certificate(s) of registration issued by the DAC relating to the Aircraft, reflecting the Owner as the owner and Lessor as lessor of the Aircraft to the extent permitted by applicable Law in the Country of Registration, and a copy of the certificate of airworthiness issued by the DAC relating to the Aircraft, each certified by a duly authorized officer of Lessee and in a form satisfactory to the Lessor so as to enable counsel to the Lessee to provide an opinion that (A) the Aircraft has been duly registered with the DAC and that the Head Lease, the Lease, the Lease Supplement, and any other documents evidencing title necessary or advisable to be filed have been duly filed for recordation with the relevant Governmental Entities, (B) or such other action with respect to, this Lease as may be required to make a public record of the respective interests of Lessor and Lessee in the Aircraft and (C) such other matters as Lessor may reasonably request and substantially in the form of Exhibit F-2 hereto. Lessee shall obtain the definitive certificate of airworthiness in replacement of the provisional certificate as soon as possible after the Delivery Date and shall promptly provide to Lessor a copy thereof, certified by a duly authorized officer of Lessee. Lessee shall timely renew the provisional certificate(s) of registration as required by the DAC during the Term hereof.

(i) Suspension, Cessation, Etc. Lessee shall not at any time during the Term (i) voluntarily suspend its certificated operations; or (ii) voluntarily or involuntarily permit to be revoked, canceled or otherwise terminated all or substantially all of the franchises, concessions, permits, rights or privileges required for the conduct of business and operations of Lessee or the free and continued use and exercise thereof.

(j) No Operation until Registration and Certification. Lessee shall not at any time operate the Aircraft until it has received a provisional certificate of registration for the Aircraft and a provisional certificate of airworthiness for the Aircraft and has provided certified copies of each thereof to the Lessor.

Section 9. Replacement of Parts; Alterations, Modifications and Additions.

(a) Replacement of Parts Lessee, at its own cost and expense, shall promptly replace all Parts which, from time to time, may become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. In addition, in the ordinary course of maintenance, service, repair, overhaul or testing during the Term, Lessee may at its own cost and expense cause to be removed any Parts, whether or not worn out, destroyed, damaged beyond repair or permanently rendered unfit for use, provided that Lessee shall replace at its own cost and expense such Parts as promptly as practicable. All replacement Parts shall be free and clear of all Liens, other than Liens permitted by Section 14 hereof, shall be in at least the same modification status and service bulletin accomplishment status, shall be fully interchangeable as to form, fit and function, shall have been overhauled, repaired and inspected by an agency acceptable to the DAC and shall be in as good an operating condition as, and have a utility at least equal to and a value and remaining warranty reasonably approximating, the Parts replaced (assuming such replaced parts were in the condition and repair in which they were required to be maintained by the terms hereof). All historical records relating to such Parts shall be maintained by Lessee. Notwithstanding the foregoing provision, the right of Lessee to utilize an agency acceptable to the DAC shall not be construed as modifying Lessee's obligations under Section 16 and Exhibit E with respect to return of the Aircraft in accordance with the standards and requirements of the DAC as therein provided.

All Parts owned by Owner or Lessor which are at any time removed from the Aircraft shall remain the property of Owner or Lessor, as the case may be, and subject to this Lease, 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 Aircraft and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to the Aircraft as above provided, (i) title to the removed part shall thereupon vest in Lessee, free and clear of all rights of Owner and Lessor and of Lessor's Liens, (ii) title to such replacement part shall thereupon vest solely in Owner and (iii) such replacement part shall become subject to this Lease and be deemed a Part for all purposes hereof to the same extent as the Part which it has replaced.

(b) Alterations, Modifications and Additions. Lessee, at its own expense, shall make such alterations and modifications and additions to the Aircraft as may be required from time to time to meet the applicable standards of the DAC or to comply with any Law, rule, directive, mandatory bulletin, regulation or order of any Governmental Entity having jurisdiction over the Aircraft or of the manufacturer of the Aircraft, Engines or Parts. Lessee's records shall document the method and date of compliance with FAA requirements to the extent required for certification by the FAA under Part 129 (with no material variance, extension, carry-overs or deferrals). In addition, Lessee, at its own expense, may from time to time make alterations and modifications in and additions to the Aircraft, provided no such alteration, modification or addition materially diminishes the remaining warranty, value or utility, or impairs the condition or airworthiness, of the Aircraft. Title to all Parts (other than leased Parts) incorporated or installed in or attached or added to the Aircraft as the result of such alteration, modification or addition shall vest immediately in Lessor and become subject to this Lease, without the necessity for any further act of transfer, document or notice. In no event shall Lessor bear any liability or cost for any alteration, modification or addition to, or for any grounding or suspension of certification of, the

Aircraft, or for any loss of revenue arising therefrom. Notwithstanding the foregoing, so long as no Default or Event of Default shall be continuing, Lessee may 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 Aircraft or any 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 the Aircraft or such Engine pursuant to the terms of this Lease, and (iii) such Part can be removed from the Aircraft or such Engine without impairing or materially diminishing the value, utility, condition or airworthiness required to be maintained by the terms of this Lease that the Aircraft or such Engine would have had at such time had such Parts not been installed and such removal not occurred. Upon the removal by Lessee of any Part as provided in the immediately preceding sentence, title thereto shall, without further act, vest in Lessee and such Part shall no longer be deemed part of the Aircraft or such Engine from which it was removed. Lessee shall make no material alterations, modifications or additions to the Aircraft (such as removal of galleys, lavatories, major avionics equipment or the like) that would adversely affect the marketability of the Aircraft without Lessor's prior written consent. If Lessor grants such consent, which shall not be unreasonably withheld, title to such removed Parts shall remain with Owner and Lessor may request Lessee to reinstall such Parts prior to termination of this Lease, provided Lessor shall be responsible for the reasonable costs to store such Parts pending such re-installation. If Lessor requests Lessee to reinstall such Parts, title to the Parts removed shall vest in Lessee. All costs associated with such removal and reinstallation shall be borne by Lessee. In addition to the foregoing, Lessee will not make any alterations, modifications or additions to the Aircraft or any Part that may adversely affect its ability to comply with Year 2000 Compliance (as defined in Section 5(a) hereof) in relation to the Aircraft or any Part.

Section 10. Tax Indemnity.

(a) General Tax Indemnity Lessee agrees for the benefit of each Indemnatee that all payments by Lessee in connection with the transactions contemplated by this Lease shall be free of all withholdings or deductions of any nature whatsoever (including, without limitation, withholding taxes, monetary transfer fees, or similar taxes and charges), and in the event any withholding or deduction is required (other than a withholding or deduction in respect of Taxes for which Lessee is not responsible to indemnify any Indemnatee pursuant to Section 10(b) hereof), Lessee shall pay the same together with such additional amount as is required so that each such payment shall be, under any circumstances and in any event, after any such withholding or deduction, in the amount as set forth or referred to in this Lease. Lessee agrees for the benefit of each Indemnatee to pay and, on written demand, to indemnify and hold each Indemnatee (which term as used in this Section 10 shall include each Indemnatee, their respective affiliates, agents, employees, directors, successors and assigns, and any transferee of an Indemnatee with respect to any interest in the Aircraft) harmless from, all license and registration fees, duties, imposts, deductions, charges and, without limitation, all Taxes, howsoever levied or imposed, whether levied or imposed upon or asserted against any Indemnatee, Lessee, the Lease, the Aircraft, or any part thereof or interest therein, or otherwise by any Federal, state or local government, or instrumentality thereof, or other taxing authority in the United States of America ("U.S. Taxing Authority") or by any government other than that of the United States of America or any taxing authority or governmental subdivision or instrumentality of any other country or of a territory or possession of the United States of America or by any international taxing authority ("Foreign Taxing Authority"), upon or with respect to, based upon or measured by:

(i) the Aircraft, or any part thereof, or interest therein,

(ii) the exportation, importation, ownership, delivery, non-delivery, warehousing, removal, leasing, exchange, acceptance, assigning, possession, repossession, condition, recording, use, operation, settlement of any insurance claim, sale, subleasing, rental, retirement, imposition of any Lien, abandonment, registration, preparation, installation, modification, repair, maintenance, replacement, transportation, storage, transfer of title, return or other disposition of the Aircraft or any part thereof or interest therein,

(iii) the rentals, receipts or earnings arising from any one or more of the items or acts described in clause (i) or (ii) above (including, without limitation, the Rent),

(iv) upon or with respect to this Lease, or

(v) otherwise with respect to or in connection with the transactions contemplated and permitted by the Lease; and any documented out-of-pocket costs and expenses fairly attributable to any of the foregoing incurred by any Indemnatee.

(b) Exclusions. Except as provided in subsections (c), (d) and (e) below, there shall be excluded from the indemnity provided in Section 10(a) the following:

(i) Taxes upon or with respect to the gross or net income, capital gains or

capital or net worth of any Indemnitee (including, without limitation, any such Taxes which are minimum or alternative minimum Taxes, Taxes on or measured by items of tax preference and franchise Taxes levied in lieu of income taxes, but excluding, without limitation, any Taxes in the nature of sales, rental, use, value-added, license, withholding or property taxes) ("Income Taxes") which are imposed by any U.S. Taxing Authority;

(ii) Income Taxes imposed by any Foreign Taxing Authority, but excluding any such Income Taxes imposed by a Foreign Taxing Authority to the extent that such Income Taxes result from the location or use of the Aircraft or any part thereof in such taxing jurisdiction or other activities of Lessee or any Person that obtains from Lessee possession or control or the right to use the Aircraft or any part thereof (an "Aircraft User");

(iii) Taxes imposed as a result of any Lessor Lien or (A) a voluntary sale, transfer of title, mortgaging, pledging, financing, voluntary transfer or other voluntary disposition by an Indemnitee of the Aircraft or part thereof or interest therein, or any interest in the Rent or part thereof or any interest in this Lease or part thereof, unless such sale, transfer, mortgage, pledge or disposition occurs by reason of the exercise of an Indemnitee's remedies under this Lease upon an Event of Default, or (B) any involuntary transfer or disposition of any of the foregoing interests in connection with any bankruptcy, foreclosure or similar proceeding with respect to any Indemnitee unless such transfer or disposition occurs by reason of an Event of Default;

(iv) Taxes for any taxable period or portion thereof, relating to events occurring prior to the Delivery Date or after the expiration of the Term of the Lease (and any renewal term) and the redelivery of the Aircraft in accordance with the Lease, except to the extent that any such Taxes are imposed in connection with remedies exercised by Lessor following an Event of Default;

(v) Taxes imposed by any Governmental Entity or international taxing authority in any jurisdiction which would not have been imposed but for some connection of any Indemnitee with such jurisdiction other than a connection arising by reason of, relating to or attributable to Lessee, any Aircraft User, this Lease, any sublease, the operation by Lessee, any sublessee or any Aircraft User of the Aircraft, the location of the Aircraft or arising pursuant to the transactions contemplated hereby in such jurisdiction, except that the exclusion contained in this clause (vi) shall not apply to the extent that such Taxes are imposed in connection with Lessor's exercise of remedies following an Event of Default;

(vi) Taxes imposed on or with respect to a successor or assignee of an Indemnitee to the extent such Taxes exceed the amount of Taxes that would have been imposed on or with respect to such Indemnitee had such succession or assignment not occurred, provided, however, that the exclusion contained in this clause (iv) shall not apply to any successor or assignee if such succession or assignment shall have occurred at any time in connection with Lessor's exercise of remedies after the occurrence of an Event of Default;

(vii) Taxes and any fines, penalties, or additions thereto to the extent the same would not have been incurred but for the failure of Lessor, Owner, GECAS or any other Person other than Lessee to make any filing or election required by it to be made, provided that this exclusion shall not apply if the failure to file or make the election results from the failure of the Lessee to notify the Lessor, Owner, or GECAS of such requirement (unless the Lessor, Owner, or GECAS is otherwise aware of such requirement).

Notwithstanding the foregoing, Income Taxes resulting directly or indirectly (whether by inclusion of an item in gross income, disallowance of a deduction or credit, or otherwise) from any payment on or after the Delivery Date by any supplier in satisfaction of a claim against such supplier with respect to the Aircraft or any part thereof and inclusions in income in any taxable year of any amounts relating to improvements, alterations, modifications, or additions by or on behalf of Lessee of the Aircraft, any Engine or any part thereof (other than improvements, alterations, modifications or additions required by this Lease) or any substitution or replacement of any engine, or any part thereof, shall not be excluded from the indemnity provided in Section 10(a).

(c) FSC Indemnity. Owner has assumed that United States income tax benefits, as provided in sections 921 et seq of the United States Internal Revenue Code of 1986, as amended (the "Code") (i.e. that United States income taxation of the net income or gain from the sale or lease of the Aircraft will be limited in each calendar year to taxation on only seventy per cent (70%) of such net income or gain (the "FSC Benefits")) will be available to Owner and the other Indemnitees. Accordingly, in order to support Owner entitlement to the FSC Benefits, Lessee covenants that:

(i) in each calendar year during the Term, the Aircraft will be located outside the United States (used in this Section 10(c) to include the Commonwealth of Puerto Rico) more than fifty per cent (50%) of the time or more than fifty per cent (50%) of the miles traversed in the use of the Aircraft will be traversed outside the United States (regarding for this purpose any flight between two points in the United States without an intervening stop in a foreign jurisdiction of at least 12 hours as being entirely within the United States);

(ii) except as required by applicable Law (including compliance with any AD) and except for the Modifications as defined in Letter Agreement No. 1 to which Lessor expressly consents, it will not (A) undertake any alterations, modifications or additions to the Aircraft or any Part without the prior written consent of Lessor (x) involving a modification, re-manufacturing or alteration of the Aircraft, which modification, re-manufacturing or alteration is of a permanent nature or (y) which could not be removed from the Aircraft without material damage to the Aircraft or (z) which together with prior related and future related expected alterations, modifications or additions would involve a cost (including labor, overhead, engineering, supplies, materials and third-party costs) in excess of **Material Redacted**, or (B) undertake any replacement of any Engine that involves Owner's relinquishment of title thereto and does not arise from a Casualty Occurrence; and

(iii) after delivery of the Aircraft to Lessee pursuant to this Agreement, the first flight of the Aircraft shall occur as soon as practicable but in any event within 24 hours of the Delivery Date save for any reasonable delays beyond 24 hours due to (i) adverse weather conditions or (ii) Lessee crew staffing restrictions, or (iii) any other cause which is beyond the reasonable control of Lessee, provided in all cases that Lessee shall work diligently to promptly remedy any such delay to the first flight. The first flight shall be a non-revenue producing flight from the Delivery Location to a location outside the United States. After arrival at such location outside the United States, the Aircraft will not begin any return flight to the United States prior to the expiration of 12 hours after its arrival at such location outside the United States. In addition, between the time of delivery to Lessee and such first flight, Lessee shall make no use of the

Aircraft except for such fuelling, loading and provisioning required in connection with such first flight.

Lessor acknowledges that the covenants contained in Section 10(c)(i), (ii) and (iii) are given by Lessee solely for the purpose of the indemnification requirements in Section 10 (d) and shall not prevent or restrict Lessee from taking any action otherwise permitted under this Agreement. Lessee will make available to Lessor any records relating to the use and location of the Aircraft that Lessor may reasonably request, in order to fulfill Lessor's or any Indemnitee's tax reporting, filing, audit or litigation requirements, and will otherwise reasonably cooperate with any reasonable requests of Lessor with respect to compliance with requirements for the FSC Benefits; provided, that any such cooperation shall not result in costs in excess of those which Lessee would have incurred in the absence of such cooperation nor result in any additional obligation of Lessee nor adversely affect Lessee's rights hereunder. Except as expressly set forth in Section 10(c) (i), (ii) and (iii), there are no other events intended to be covered by the indemnification set forth in Section 10 (d).

(d) FSC Benefits

(i) Lessor's remedy for the breach of any of the covenants contained in Section 10(c)(i), (ii) and (iii), if such breach shall directly result in a loss of FSC Benefits, shall be the right to receive the indemnity payments specified in this Section 10 (d) from Lessee. Any such indemnity payments will be due within 30 days after Lessee's receipt of a written request from Lessor certifying that there has been a loss of FSC Benefits describing in reasonable detail the circumstances of such loss and that such loss is a direct result of the breach by Lessee of a covenant contained in Section 10 (c) hereof.

(ii) Owner, GECAS and Lessor acknowledge and agree that Lessee's indemnity obligation for an Indemnitee's entitlement to the FSC Benefits shall be limited in amount with respect to any calendar year, subject to Section 10(e), to the lesser of (x) the amount of FSC Benefits lost or disallowed for such calendar year which are a direct result of a breach of the covenants set forth in Section 10(c)(i), (ii) or (iii) and (y) the amount set forth as the FSC Indemnity Maximum Amounts in Exhibit C plus in either case the amount of any interest, penalties and additions to tax payable by Owner or the relevant Indemnitee as a result of the loss or disallowance of the FSC Benefits, but not including any interest, penalties or additions to tax resulting solely from acts or omissions of Lessor, Owner, GECAS, or any Person other than Lessee. For the avoidance of doubt, if the FSC Benefits are lost or disallowed for any calendar year, the maximum amount which Lessee shall pay to Lessor with respect to such calendar year, subject to Section 10(e), is the amount for such calendar year as set forth as the FSC Indemnity Maximum Amounts in Exhibit C plus the amount of any interest, penalties, and additions to tax payable by Owner or the relevant Indemnitee as a direct result of such loss or disallowance (but not as a result solely of acts or omissions of Lessor, Owner, GECAS, or any Person other than Lessee) and if such FSC Benefits are determined to be lost or disallowed with respect to a subsequent sale of the Aircraft after any termination of the Lease (irrespective of whether the Term of the Lease is extended pursuant to Section 3(g)) as a direct result of Lessee's breach of its covenants set forth in Section 10(c)(ii) or (iii), Lessee's indemnity payment shall be limited to the lesser of the actual amount of FSC Benefits lost or disallowed which arise directly as a result of any such breach and the amount set forth as the FSC Indemnity Maximum Amounts in Exhibit C

with respect to the Residual Period (as enumerated in Exhibit C), plus the amounts set forth as the FSC Indemnity Maximum Amounts in Exhibit C for any calendar years which have not elapsed at the time the Lease is terminated, plus any interest, penalties and additions to tax but not including any penalties or additions resulting principally from any act or omission of Lessor, Owner, GECAS or any other Person other than Lessee that is not in turn attributable to an act or omission of Lessee. For avoidance of doubt, the loss or disallowance of any FSC Benefits resulting solely from any act or omission of Lessor, Owner, GECAS, or any Person other than Lessee and not directly the result of a breach by Lessee of the covenants set forth in Sections 10(c)(i),(ii) or (iii) or arising for any reason other than a breach by Lessee of its covenants set forth in Section 10(c) shall not be deemed to be included in the indemnities provided in this Section 10.

(iii) If the Aircraft is leased after any termination of this Agreement, Lessee's indemnity obligation, subject to Section 10(e), with respect to a loss or disallowance of FSC Benefits as a result of Lessee's breach of its covenants set forth in Section 10(c)(ii) or (iii) will be (in addition to any applicable interest, penalties or additions to tax) the actual amount of FSC Benefits lost or disallowed, as a direct result of such breach, for any calendar year during any subsequent lease of the Aircraft for such calendar year.

(e) After Tax Basis of Payments. Notwithstanding anything in this Section 10 to the contrary (including, without limitation, subparagraphs (i) and (ii) of Section 10(b) above), Lessee further agrees that, with respect to any payment or indemnity under this Section 10, such payment or indemnity shall include any amount necessary to hold the recipient of the payment or indemnity harmless on an after-tax basis from all Taxes required to be paid by such recipient with respect to such payment or indemnity to any U.S. Taxing Authority or any Foreign Taxing Authority, taking into account any reductions in such recipient's taxes by reason of any deductions, credits, or other allowances in respect of the payment or accrual of the amount indemnified against. Any subsequent reduction in such recipient's deductions, credits, or other allowances in respect of the payment or accrual of the amount indemnified against shall be treated as a Tax that is indemnifiable under this Section without regard to the exclusions set forth in Section 10(b) above.

(f) Payments. The Lessee shall pay all Taxes for which it assumes liability hereunder when such Taxes are due. If a claim is made against any Indemnatee for any such Taxes, such Indemnatee shall promptly notify Lessee provided, however, the failure to provide such notice shall not affect the Lessee's obligations hereunder to any Indemnatee unless Lessee's rights to contest such Taxes are materially prejudiced by such failure. Any amount payable as an indemnity to any Indemnatee or any amount payable to Lessee pursuant to this Section 10 is to be paid to such party directly, in immediately available funds, by bank wire transfer at such bank or to such account as specified by the payee in written directions to the payor, or, if such directions shall not have been given, by check of the payor payable to the order of the payee and mailed to the payee by certified mail, postage prepaid at its address as set forth in this Lease, within thirty (30) days after receipt of a written demand therefor from such Indemnatee or Lessee, as the case may be, but in no event more than ten (10) days prior to the due date thereof. In the event Lessee fails to make any such payment following a request by an Indemnatee and such Indemnatee makes a tax payment with respect to any such Taxes (other than with funds advanced to such Indemnatee on an interest-free basis by Lessee pursuant to this Section 10), Lessee shall pay to the Indemnatee interest on the amount of such payment at the Interest Rate set forth in Exhibit C from the date of such

Indemnitee's payment to the relevant taxing authority to the date of such payment by Lessee to the Indemnitee hereunder. In the event an amount is payable to Lessee under this Section 10, the Indemnitee owing such amount shall pay interest on such amount at the Interest Rate set forth in Exhibit C from the date of receipt by such Indemnitee of any amount giving rise to such obligation to pay Lessee until the date of payment to Lessee.

(g) Contests. If requested by Lessee in writing within forty-five (45) days after its receipt of notice pursuant to this Section 10 of a claim against an Indemnitee, upon receipt of indemnity reasonably satisfactory to it and at the sole expense of Lessee (including, without limitation, all reasonable out-of-pocket costs and expenses, reasonable legal and accounting and investigatory fees and disbursements, additions to tax because of underpayments of estimated Taxes, losses, penalties, and interest) such Indemnitee shall in good faith contest or permit Lessee, if desired by Lessee, to contest in the name of Lessee and/or the Indemnitee the validity, applicability or amount of such Taxes by, in the reasonable discretion of such Indemnitee (or, where the Lessee is not permitted to conduct the contest in the name of the Indemnitee, in the sole discretion of such Indemnitee), (i) resisting payment thereof if practicable and legally permissible, (ii) not paying the same except under protest with funds advanced by Lessee on an interest-free basis, if protest is necessary and proper, and (iii) if payments are made, using reasonable efforts to obtain a refund thereof in appropriate administrative and judicial proceedings; provided, however, that Lessee shall not be permitted to contest in the name of such Indemnitee if such contest involves Income Taxes imposed by a U.S. Taxing Authority, Income Taxes imposed by a Foreign Taxing Authority, or any Taxes imposed against such Indemnitee that are unrelated to the transactions contemplated by the Lease, in which event such Indemnitee shall follow the direction of Lessee with respect to the method of pursuing that portion of any such contest that does not relate to Income Taxes unless with respect to issues that do not relate to the settlement of any portion of the contest involving Taxes for which indemnification is provided by this Section 10, such direction would, in the judgment of such Indemnitee, adversely affect in a material manner interests of such Indemnitee unrelated to the transactions hereby contemplated; provided further, however, that in no event shall an Indemnitee settle such portion of any claim for which Lessee has an indemnity obligation pursuant to this Section 10 without Lessee's written consent; provided further, however, that the Indemnitee shall not be required to undertake any contest or allow Lessee to contest in the name of such Indemnitee unless:

(A) no Event of Default shall have occurred and be continuing,

(B) prior to the commencement of any contest undertaken by the Lessee or any contest undertaken by such Indemnitee with respect to which such Indemnitee is required to follow the direction of the Lessee with respect to the method of pursuing that portion of the contest that relates to the transactions hereby contemplated, the Lessee shall have delivered to such Indemnitee a written acknowledgment of its obligation to indemnify fully such Indemnitee to the extent that the contest is not successful,

(C) Lessee shall have provided such Indemnitee with an opinion of legal counsel reasonably acceptable to such Indemnitee to the effect that a reasonable basis exists to contest such claim and, prior to the commencement of any appeal of an adverse administrative or judicial decision, with an opinion of such tax counsel to the effect that a reasonable basis exists to appeal such adverse administrative or judicial decision (which opinions shall be obtained at Lessee's sole

cost and expense),

(D) if such contest is to be initiated by the payment of, and the claiming of a refund for, such Taxes, Lessee shall have advanced to such Indemnitee sufficient funds (on an interest-free basis) to make such payments, provided, however, that the Lessee shall indemnify such Indemnitee for any adverse tax consequences resulting from such advance,

(E) such proceedings do not involve any material risk or danger of the sale, forfeiture, or loss of the Aircraft or any part thereof or the creation of any Lien (other than a Lien for taxes not yet due or being contested in good faith by appropriate proceedings, and for the payment of which such reserves, if any, as are required to be provided under generally accepted accounting principles have been provided), and

(F) in the event that the subject matter of the contest is of a continuing nature and has previously been resolved adversely pursuant to the contest provisions of this Section 10 and there has been a change in the law (including, without limitation, amendments to statutes or regulations, administrative rulings and court decisions) after such claim shall have been so previously resolved, such Indemnitee shall have received an opinion of independent tax counsel selected by such Indemnitee and reasonably acceptable to Lessee, which opinion shall be obtained at Lessee's sole expense, to the effect that, as a result of such change, it is as likely as not that the position which such Indemnitee or Lessee, as the case may be, had asserted in such previous contest would prevail.

If any Indemnitee shall obtain a refund of all or any part of such Taxes (including interest, penalties, or additions thereto) paid by Lessee, such Indemnitee shall pay Lessee, the amount of such refund reduced by the amount of any Taxes payable by such Indemnitee in respect of the receipt of such refund and increased by the amount of any savings realized by such Indemnitee in respect to any such Taxes by reason of deductions, credits, allocations or allowances in respect of such payment to Lessee; provided that such amount shall not be payable (x) before such time as Lessee shall have made all payments or indemnities then due to or on behalf of all Indemnitees under this Lease, (y) while an Event of Default is outstanding and continues unremedied, or (z) to the extent it exceeds the amount of all payments made by Lessee with respect to such Taxes. If in addition to such refund any Indemnitee shall receive an amount representing interest on the amount of such refund, Lessee shall be paid that proportion of such interest which is fairly attributable to Taxes paid by Lessee prior to the receipt of such refund; provided, however, that no amount shall be payable under this or the preceding sentence during any period in which an Event of Default has occurred and is continuing unremedied unless the Lease has terminated and Lessee has paid all amounts due Lessor hereunder. If any such refund or tax savings taken into account under this paragraph in Taxes is subsequently disallowed or canceled, such disallowance or cancellation shall be treated as a Tax that is indemnifiable under this Section 10 without regard to the exclusions set forth in Section 10(b).

(h) Reports. In case any report or return is required to be made with respect to any Taxes which are an obligation of Lessee under this Section 10, Lessee, if lawfully able to do so and appropriate and in receipt of notice from Lessor in circumstances where Lessor, but not Lessee, could reasonably be expected to have knowledge of such obligation, will either make such report or return in such manner as will show the ownership of the Aircraft and the Engines in Owner and

send a copy of such report or return to Lessor or will notify Lessor of such requirement and if lawfully able to do so, will make such report or return in such manner as shall be reasonably satisfactory to Lessor (and the Lessee shall hold each Indemnatee harmless from and against any liabilities, obligations, losses, damages, penalties, claims, actions, suits and reasonable costs arising out of any insufficiency or inaccuracy in any such return, statement, report or information). As soon as practicable after the beginning of each calendar year (but in no event later than February 28 of such year), Lessee shall provide Lessor with any information that Lessor shall reasonably request in writing (by January 31 of such year) and Lessee can reasonably compile to enable Lessor and Owner to allocate accurately for foreign, state and local tax purposes its rental income for the preceding calendar year.

(i) Value Added Taxes. Each amount stated as payable by Lessee under this Lease is exclusive of Value Added Taxes (if any) and is accordingly to be construed as a reference to that amount plus any Value Added Taxes in respect of it.

(j) Affiliated Group. In the event that the Indemnatee is a member of an Affiliated Group (within the meaning of Section 1504(a) of the U.S. Internal Revenue Code) which files a consolidated Federal income tax return, the term "Indemnatee" shall mean and include such Affiliated Group and all the members thereof.

(k) Survival. All of the obligations of Lessee and each Indemnatee under this Section 10 with respect to the Aircraft and the Engines or any part thereof shall survive the assignment, expiration or other termination of this Lease. Such obligations are expressly undertaken by Lessee for the benefit of, and shall be enforceable by, Lessor and each other Indemnatee. Lessee's obligations under this Section 10 shall not be affected by any circumstances, including, without limitation, any setoff, counterclaim, recoupment, defense or other right which Lessee may have against Lessor or any other person for any reason whatsoever. Lessee will pay to an Indemnatee, on demand, and an Indemnatee will pay to Lessee, if applicable, to the extent permitted by applicable law, interest at the Interest Rate set forth in Exhibit C hereto on any amount not paid when due pursuant to this Section 10 until the same shall be paid. All indemnities, obligations, adjustments and payments provided for in this Section 10 shall survive, and remain in full force and effect, notwithstanding the expiration or other termination of this Lease. The obligations of Lessee in respect of all such indemnities, obligations, adjustments and payments are expressly made for the benefit of, and shall be enforceable by, an Indemnatee, without declaring this Lease to be in default or taking other action thereunder, and notwithstanding any provision to the contrary contained herein.

(l) Tax Treaty Elections. Lessor agrees to make, at Lessee's request, any available election under an applicable tax treaty to the extent that making such election would serve to reduce or eliminate any indemnification obligation of the Lessee under this Section 10, but only to the extent that such election can be made on a transaction-by-transaction basis and such election has no adverse consequences to Lessor or any Indemnatee.

(m) Verification. At Lessee's request, the computation by any Indemnatee of any amount of Taxes or other amounts paid or payable by or to Lessee under this Section 10 shall be verified by such Indemnatee's independent public accountants. In the event the amount of Taxes or other amounts computed by such independent public accountants differs from the amounts paid or

payable by or to Lessee, appropriate adjustments shall be made between Lessee and such Indemnitee.

Section 11. Casualty Occurrences.

(a) Casualty Occurrence with Respect to the Airframe. Within fifteen (15) days after a Casualty Occurrence during the Term with respect to the Airframe and any Engine then installed thereon, Lessee shall give Lessor written notice of such occurrence. On or before one hundred twenty (120) days after the date of the Casualty Occurrence, but in no event later than the date of receipt of insurance proceeds in respect of such Casualty Occurrence, Lessee shall pay to Lessor in immediately available funds an amount equal to the sum of (i) the Casualty Value of the Aircraft computed as of the date of payment less an amount equal to the daily equivalent of Basic Rent (computed on the basis of a 360-day year) for each day during the period commencing with the day after payment of such Casualty Value and extending to, but excluding, the Basic Rent Payment Date immediately following payment of such Casualty Value, and (ii) all Supplemental Rent accrued or due and unpaid (other than Maintenance Payments which would have been payable by Lessee pursuant to Section 16(m) and amounts paid pursuant to clause (i) above), computed as of the date of payment less any Security Deposit then held by Lessor. Upon such payment (A) the obligation of Lessee to make further payments of Basic Rent hereunder shall terminate, (B) this Lease shall terminate with respect to the Aircraft and (C) Lessor will cause Owner to transfer to Lessee or its insurers (as directed by Lessee), without recourse or warranty, all of Owner's right, title and interest, if any, in and to the Airframe and Engines (if any) suffering the Casualty Occurrence, as well as all of Owner's right, title and interest in and to any Engine constituting part of the Aircraft but not installed thereon at the time of the Casualty Occurrence in each case free of any Lessor's Liens.

(b) Casualty Occurrence with Respect to an Engine. Upon a Casualty Occurrence with respect to an Engine only, Lessee shall give Lessor prompt written notice thereof and shall, within ninety (90) days after such occurrence, convey to Owner, as replacement for the Engine suffering a Casualty Occurrence, title to a Replacement Engine. Each Replacement Engine shall be free of all Liens (except those Liens which are permitted by Section 14 hereof) and shall be in as good an operating condition and shall have a value and utility at least equal to, and shall have a substantially equivalent number of cycles remaining on its life limited parts as the Engine being replaced, assuming the Engine being replaced was in the condition and repair required by the terms hereof immediately prior to the Casualty Occurrence and shall be compatible with the remaining installed Engine. Upon full compliance by Lessee with the terms of this paragraph, Lessor will cause the Owner to transfer to Lessee all of Owner's right, title and interest in and to the Engine which suffered the Casualty Occurrence free of any Lessor's Liens. Prior to or at the time of any such conveyance, Lessee, at its own expense, will promptly (i) furnish Lessor with a full warranty bill of sale conveying title free and clear of all Liens except Lessor Liens, in form and substance reasonably satisfactory to Lessor, with respect to such Replacement Engine; (ii) cause a supplement hereto, in form and substance reasonably satisfactory to Lessor, subjecting such Replacement Engine to this Lease, to be duly executed by Lessee, and recorded pursuant to applicable Law; (iii) furnish Lessor with such evidence of title to such Replacement Engine and of compliance with the insurance provisions of Section 12 hereof with respect to such Replacement Engine as Lessor may reasonably request; (iv) furnish Lessor with an opinion of Lessee's counsel (which counsel shall be

reasonably acceptable to Lessor) to the effect that title to such Replacement Engine has been duly conveyed to Owner as provided in clause (i) above, and that such Replacement Engine is duly leased hereunder; (v) furnish a certificate signed by a duly authorized financial officer or executive of Lessee certifying that, upon consummation of such replacement, no Default or Event of Default will exist hereunder; (vi) furnish Lessor with such documents as Lessor may reasonably request in connection with the consummation of the transactions contemplated by this Section 11(b), in each case in form and substance reasonably satisfactory to Lessor; and (vii) furnish such financing statement covering the Replacement Engine as may be reasonably requested by Lessor. Upon full compliance by Lessee with the terms of this Section 11(b), Lessor will cause Owner to transfer by bill of sale to Lessee "AS IS AND WHERE IS" and without recourse or warranty (except as to the absence of Lessor's Liens) all of the right, title and interest in the Engine which suffered the Casualty Occurrence and which was originally leased to Lessee. For all purposes hereof, each such Replacement Engine shall be deemed part of the property leased hereunder, shall be deemed an "Engine" as defined herein and shall be deemed part of the same Aircraft as was the Engine replaced thereof. No Casualty Occurrence covered by this Section 11(b) shall result in any reduction in Rent.

(c) Application of Proceeds and Payments. Any payments received at any time by Lessor or by Lessee from any insurer under any policy of insurance (other than liability insurance) or any other person (other than an insurer under insurance maintained by Lessor) shall be applied in the manner specified in Sections 12(d), 12(e) or 12(f) hereof as applicable. Subject to Section 11(f) hereof, any payments received at any time by Lessor or Lessee from any Governmental Entity or other Person with respect to a Casualty Occurrence will be applied as follows:

(i) unless clause (ii) below is applicable, so much of such payments as shall not exceed the sum of accrued, unpaid Rent plus the Casualty Value required to be paid by Lessee pursuant to Section 11(a) of this Lease shall be paid to Lessor in reduction of Lessee's obligation to pay such unpaid Rent and Casualty Value if not already paid by Lessee, or, if already paid by Lessee (unless a Default or an Event of Default shall have occurred and be continuing) shall be applied by Lessor to reimburse Lessee for its payment of such Casualty Value and the balance of such payment, if any, remaining thereafter (if such payment is received with respect to insurance other than liability insurance) (unless a Default or an Event of Default shall have occurred and be continuing) shall be paid over to, or retained by, Lessee; or

(ii) if such payments are received as a result of a Casualty Occurrence with respect to an Engine which is being replaced pursuant to Section 11(b), unless a Default or Event of Default shall have occurred and be continuing, all such payments shall be paid over to, or retained by, Lessee if Lessee shall have fully performed or, concurrently therewith will fully perform, the terms of Section 11(b) and of Section 15 hereof with respect to the Casualty Occurrence for which such payments are made.

(d) Requisition for Use by Government with Respect to the Aircraft.. In the event of the requisition for use by a Governmental Entity of the Airframe or any Engine (other than a requisition constituting a Casualty Occurrence), all Lessee's obligations under this Lease with respect to the Airframe or Engine shall continue to the same extent as if such requisition had not occurred, except to the extent such obligations cannot be performed by Lessee as a consequence of such requisition. All payments received by Lessor or Lessee from the Governmental Entity for the

use of the Airframe or Engine prior to the time (if at all) such requisition becomes a Casualty Occurrence shall be paid over to, or retained by, Lessee if no Default or Event of Default shall have occurred and be continuing; and all payments received by Lessor or Lessee from the Governmental Entity for the use of such item thereafter shall be paid over to, or retained by, Lessor.

(e) Other Dispositions. Any amounts not payable to or retainable by Lessee pursuant to this Section 11 or Section 12 hereof because a Default or an Event of Default shall have occurred and be continuing shall be held by Lessor and shall be paid over to Lessee when such Default or Event of Default shall cease to be continuing, except that if Lessor shall have theretofore declared this Lease to be in default pursuant to Section 18 hereof, such amounts shall be retained by Lessor and disposed of in accordance with the provisions thereof.

(f) Application in Default. Any amount referred to in clause (i) or (ii) of Section 11(c) which is otherwise payable to Lessee shall not be paid to Lessee, or, if it has been previously paid to Lessee, and not yet applied by Lessee as permitted or required hereunder, shall be delivered from Lessee to Lessor, if at the time of such payment a Default or an Event of Default shall have occurred and be continuing. In such case, all such amounts shall be paid to and held by Lessor as security for the obligations of Lessee, or, at the option of Lessor, applied by Lessor toward payment of any of Lessee's obligations at the time due hereunder, as Lessor may elect. At such time as there shall not be continuing any such Event of Default or Default, all such amounts at the time held by Lessor in excess of the amount, if any, which Lessor has elected for application as provided above, shall be paid to Lessee.

(g) ICAO Rules and Procedures. It is agreed that any investigation of an accident involving the Aircraft or a Casualty Occurrence will be carried out with the participation of Lessor and Lessee in accordance with the Rules and Procedures of the International Civil Aviation Organization ("ICAO") from time to time in effect. All necessary information required by ICAO, to the extent reasonably available to the Lessor, shall be promptly furnished by the Lessor.

Section 12. Insurance.

(a) Public Liability and Property Damage Insurance. Lessee shall carry and maintain in full force and effect, at its own expense, with Approved Insurers, airline public liability insurance (including, to the extent generally available in the insurance markets but not limited to, contractual liability, third party legal liability, passenger, baggage, cargo, mail and airline general liability, including premises hangar keepers and products liability) and property damage insurance with respect to the Aircraft of the type usual and customary by commercial scheduled passenger airline carriers similarly situated to Lessee and operating similar aircraft. Such policy shall include war and allied risks in accordance with standard market practice (currently "The Extended Coverage Endorsement - AVN 52C"). Such insurance shall be in an amount not less than the amount under "Public Liability and Property Damage Insurance" as set forth on Exhibit C hereto. Lessee shall not discriminate against the Aircraft in providing such insurance.

(b) Insurance Against Loss or Damage. Lessee, at its own expense, shall maintain in full force and effect throughout the Term with Approved Insurers during the Term "all-risk" ground and flight aircraft hull insurance (which shall include, but not be limited to, vandalism, war risk and allied perils, hijacking, disappearance clause and coverage against strikes, riots, commotions or

labor disturbances, malicious acts or acts of sabotage and unlawful seizure (including confiscation, confiscation by the Country of Registration, arrest, nationalization, seizure, restraint, detention, appropriation, requisition or destruction thereof, by or under authority of any Governmental Entity), or wrongful exercise of control of the Aircraft in flight by a person on board the Aircraft acting without the consent of Lessee) covering the Aircraft, and "all-risk" coverage insurance with respect to Engines and Parts while not installed on the Aircraft or an aircraft, which in each case is at least as broad as coverage maintained by commercial scheduled passenger airlines similarly situated to Lessee and operating similar aircraft and engines as Lessee's fleet. Such insurance shall be for an amount not less than the Casualty Value for the Aircraft and shall incorporate a 50/50 clause with respect to "all-risk" hull and war risk coverage and shall be as further specified in Exhibit C. Such insurance may include provisions for deductibles in an amount usual and customary for commercial scheduled airline carriers similarly situated and operating similar aircraft provided that (i) the amount of such deductibles must be no greater than the lowest deductible amount applying to any similar aircraft in Lessor's fleet, and (ii) in no event shall the amount of such deductibles exceed the amount under "Deductible Amount" set forth on Exhibit C hereto.

(c) Required Policy Designations and Provisions. Each and any policy of insurance obtained and maintained pursuant to this Section, and each and any policy obtained in substitution or replacement for any such policies, shall: (i) designate Owner as owner and Lessor as lessor of the aircraft covered thereby and designate Owner the sole loss payee in respect of the insurance covering the Aircraft required to be maintained by Lessee pursuant to Section 12(b), and shall designate Lessor, GECAS, and Owner and their respective named successors and assigns (and in respect of coverage specified in Section 12(a) hereof, their respective directors, officers, agents, shareholders, subsidiaries and employees), as additional named insureds (the "Additional Insureds") (and the policy shall be promptly amended upon the request of Lessor to add any additional named successors or assigns of Lessor, GECAS, or Owner) as their interests may appear (but without imposing upon the Additional Insureds, any obligation imposed upon the insured, including, without limitation, the liability to pay any premiums for, any such policies); (ii) expressly provide that, in respect of the interests of the Additional Insureds, in such policies, the insurance shall not be invalidated by any action or inaction of Lessee, and shall insure the Additional Insureds, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Lessee or any other party other, and provided the Person so protected has not caused, contributed to or knowingly condoned such action or inaction, other than with respect to an Additional Insured in connection with a breach or violation by such Additional Insured; (iii) provide that if there is a cancellation or material adverse alteration of the insurance, such cancellation or alteration shall not be effective as to the Additional Insureds for thirty (30) days (seven (7) days or such lesser period as from time to time may be applicable in the case of any war risks for allied perils coverage) after issuance to Lessor of written notice by telecopy or overnight courier, by such insurer or insurers of such prospective cancellation or change; (iv) include coverage for the territorial limits of any country (including its airspace) in which the Aircraft operates on a worldwide basis subject to such limitations and exclusions as Lessor may reasonably agree; (v) provide that, as against the Additional Insureds, the insurer waives any rights of set-off, counterclaim or any other deduction (except to the extent set forth in an insurance certificate which shall have been approved by Lessor), whether by attachment or otherwise, and agrees to waive rights of subrogation against the Additional Insureds, provided, however, that such waiver of subrogation need not extend to claims against third parties; (vi) provide that no amount due from the Lessee or any other Person to any insurer or broker shall be deducted from any amount payable to a third party under such insurance

policy; (vii) provide that in the event of any damage or loss, whether or not a Casualty Occurrence hereunder, and which results in a payment, such payment shall be payable directly to Lessor or its assignee as loss payees, for the account of all interests; provided, however, that so long as no Default or Event of Default shall have occurred and be continuing, payments with respect to property damage loss to the Airframe or Engine not constituting a Casualty Occurrence, or any Part, in any amount not to exceed ****Material Redacted**** may be paid to Lessee to be applied for the repair or replacement necessitated by such property damage and Lessee shall notify Lessor in writing of any such payments in excess of the Damage Notification Threshold and the nature of the property damage giving rise to such payments; (viii) provide that none of the Additional Insureds shall be liable for any insurance premium; (ix) expressly exclude any fleet aggregate, ground aggregate or any other type of sublimit, limiting coverage to the Aircraft unless (A) Lessee, all other loss payees and all other insureds, other than Lessor, execute and deliver a subordination agreement, in form reasonably acceptable to Lessor, whereby such parties agree to subordinate their rights to the rights of Lessor or (B) Lessee obtains an excess policy of insurance which provides insurance coverage in an amount not less than the Casualty Value of the Aircraft for the express and exclusive benefit of Lessor or (C) any such aggregate or sublimit is set forth in an insurance certificate which shall have been approved by Lessor; and (x) be reinsured outside the Country of Registration with an Approved Insurer in the international reinsurance markets for an amount not less than 97.5% of the insured risk for each type of coverage required to be maintained hereunder and, to the extent of any reinsurance, include a cut-through provision permitting the Additional Insureds to file claims and to obtain payment directly from the reinsurers under the reinsurance policies. Each such policy shall be primary without right of contribution (except to the extent set forth in an insurance certificate which shall have been approved by Lessor), from any other insurance which may be carried by any of the Additional Insureds, and, with respect to liability coverage, shall expressly provide that all of the provisions thereof shall operate in the same manner as if there were a separate policy covering each insured, provided that such policies shall not operate to increase the insurer's limit of liability and shall not operate to permit claims recoverable under the hull policy to be recoverable as liability claims.

Lessee shall have the right to carry insurance in excess of the amounts required hereunder and the proceeds of such excess insurance shall be payable to Lessee; provided, however that no such excess insurance shall prejudice any insurance coverages required to be maintained by Lessee hereunder. Similarly, Lessor shall have the right to carry additional and separate insurance for its own benefit at its own expense, without, however, thereby limiting Lessee's obligations under this Section 12, provided that no such insurance maintained by Lessor shall prejudice any insurance coverage required to be maintained by Lessee hereunder or the recovery by Lessee thereunder.

(d) Application of Insurance Proceeds for a Casualty Occurrence. It is agreed that insurance payments which arise from any policy of insurance carried by Lessee and received as the result of the occurrence of a Casualty Occurrence shall be applied as follows:

(i) if such payments are received with respect to a Casualty Occurrence relating to the Airframe and Engines or engines installed on the Airframe, so much of such payments as shall not exceed the amounts due under Section 11(a) hereof shall be paid to Owner, and the balance to Lessee; and

(ii) if such payments are received with respect to a Casualty Occurrence relating

to an Engine under circumstances contemplated by Section 11(b) hereof, such payment shall be adjusted with Lessee (provided that Lessee has not breached any warranty, declaration or condition contained in the applicable insurance policy) and paid over to Lessee, provided that Lessee shall have fully performed or, concurrently therewith, will fully perform the terms of Section 11(b) hereof.

(e) Application of Insurance Proceeds for Other than a Casualty Occurrence. Subject to the proviso in Section 12(c)(vi) above, the insurance payments for any property damage loss to the Airframe or any Engine not constituting a Casualty Occurrence, or to any Part, will be applied in payment (or to reimburse Lessor/Lessee) for repairs or replacement property upon Lessor's receipt of evidence reasonably satisfactory to it that repairs or replacement have been effected in accordance with this Agreement.

(f) Application in Default. Any amount referred to in Section 12(d)(i) or (ii) of Section 12(e) which is otherwise payable to Lessee shall not be paid to Lessee, or, if it has been previously paid to Lessee, and not yet applied by Lessee as permitted or required hereunder, shall be delivered by Lessee to Lessor, if at the time of such payment, a Default or an Event of Default shall have occurred and be continuing. In either case, all such amounts shall be held by Lessor as security for the obligations of Lessee, or, at the option of Lessor, applied by Lessor toward payment of any of Lessee's obligations at the time due hereunder. At such time as there shall not be continuing any such Default or Event of Default, all such amounts at the time held by Lessor in excess of the amount, if any, which Lessor has elected for application as provided above, shall be paid to Lessee.

(g) Certificates of Insurance. On or before the Delivery Date, and thereafter on each renewal by Lessee of the insurance required hereby, but not less often than annually, Lessee will furnish to Lessor one or more certificates (substantially in the form of Exhibits G and H hereto or such other form to which Lessor shall have agreed) each executed and delivered by an Approved Insurance Broker who is authorized by one or more Approved Insurers, appointed by Lessee, which together shall describe in reasonable detail insurance carried on the Aircraft and confirming the Approved Insurers' agreement to the specified insurance requirements of this Lease. Lessee will cause each such Approved Insurance Broker who is authorized by an Approved Insurer to agree to advise Lessor in writing at least thirty (30) days (seven (7) days or such lesser period as may from time to time be applicable in the case of any war risk and allied perils coverage) prior to the non-renewal, termination or cancellation by the underwriters for any reason (including, without limitation, failure to pay the premium therefor) of any such insurance or as soon as possible in respect of "non-renewal" or automatic termination for war risk.

Section 13. Indemnification.

Lessee agrees to indemnify, reimburse and hold harmless each Indemnatee from and against any and all claims, damages, losses, liabilities, demands, suits, judgments, causes of action, legal proceedings, whether civil or criminal, penalties, fines and other sanctions, and any attorneys' fees and other reasonable costs and expenses in connection herewith or therewith, including any of the foregoing arising or imposed with or without Lessor's fault or negligence (whether passive or active) or under the doctrine of strict liability (any and all of which are hereafter referred to as "Claims") which in any way may result from, pertain to or arise in any manner out of, or are in any manner related to (a) the Aircraft or this Lease, or the breach of any representation, warranty or covenant made by Lessee hereunder, or (b) the condition, ownership, manufacture, purchase, delivery, non-delivery, lease, acceptance, rejection, possession, return, disposition or use, or operation of the Aircraft either in the air or on the ground, or (c) any defect in the Aircraft (whether or not discovered or discoverable by Lessee or Lessor) arising from the material or any articles used therein or from the design, testing, or use thereof or from any maintenance, service, repair, overhaul, or testing of the Aircraft, whether or not the Aircraft is in the possession of Lessee, and regardless of where the Aircraft may then be located, or (d) any transaction, approval, or document contemplated by this Lease or given or entered into in connection herewith; provided, however, that Lessee shall be subrogated to all rights and remedies which any Indemnatee may have against the Manufacturer of the Aircraft and its subcontractors as to any such Claims, but only to the extent that Lessee satisfies its indemnification obligation to such Indemnatee hereunder with respect to such Claims. In the event Lessee is required to indemnify any Indemnatee hereunder, Lessee shall pay to such Indemnatee an amount which, after deduction of all Taxes and like charges required to be paid by such Indemnatee in respect of such payment, is equal to the amount of the indemnification required.

Lessee shall not be required to indemnify any Indemnatee for any attorneys' fees and expenses incurred by such Indemnatee in seeking indemnification from Lessee and relating to an alleged breach of any representation, warranty or covenant made by Lessee hereunder unless such Indemnatee prevails in the action seeking such indemnification.

Lessee hereby waives, and releases each Indemnatee from, any Claims (whether existing now or hereafter arising) for or on account of or arising or in any way connected with injury to or death of personnel of Lessee or loss or damage to property of Lessee or the loss of use of any property which may result from or arise in any manner out of or in relation to the ownership, leasing, condition, use or operation of the Aircraft, either in the air or on the ground, of which may be caused by any defect in the Aircraft from the material or any article used therein or from the design or testing thereof, or use thereof, or from any maintenance, service, repair, overhaul or testing of the Aircraft regardless of when such defect may be discovered, whether or not the Aircraft is at the time in the possession of Lessee, and regardless of the location of the Aircraft at any such time excluding Claims resulting from the gross negligence or willful misconduct of an Indemnatee.

The indemnities contained in this Section 13 shall continue in full force and effect notwithstanding the expiration or other termination of this Lease and are expressly made for the benefit of and shall be enforceable by each Indemnatee.

Notwithstanding the foregoing provisions of this Section 13:

Lessee shall not be obligated to make any payment by way of indemnity in respect of any Claims against an Indemnitee:

(i) which result from or arise out of the gross negligence or willful misconduct of such Indemnitee or its Affiliates or out of a breach of such Indemnitee's or its Affiliate's representations, warranties or covenants hereunder or under any documents, agreement or instrument delivered in connection herewith; or

(ii) in respect to the Aircraft to extent that the same are attributable to acts or events which occur after the Aircraft has been redelivered to Lessor in accordance with Section 16 hereof and is no longer subject to this Lease unless any such act or event shall itself directly result from an act or omission of Lessee which occurred during the Term (provided, however, that to the extent an Indemnitee is indemnified by Lessee for Claims arising from acts or events which occur prior to the Delivery Date, such Indemnitee shall assign to Lessee any rights it may have against other Persons to recover for such Claims); or

(iii) which represent Taxes which are excluded under Section 10(b);

(iv) arising from the financing of the Aircraft or the voluntary or involuntary sale, transfer or other disposition (other than in connection with the exercise of an Indemnitee's remedies following an Event of Default or Casualty Occurrence) of the Aircraft or this Lease or any part thereof or interest therein, or the Rent or any interest therein, by any Person other than Lessee;

(v) which would not have occurred but for the existence of a Lien (other than this Lease or a Lien arising by or through Lessee) which Lessee is not responsible for discharging under this Lease; and

(vi) which constitute ordinary and usual operating or overhead expenses other than any such expense arising in connection with Lessor's exercise of remedies hereunder following an Event of Default.

Section 14. Liens.

LESSEE SHALL NOT DIRECTLY OR INDIRECTLY CREATE, INCUR, ASSUME OR SUFFER TO EXIST ANY LIEN ON OR WITH RESPECT TO THE AIRCRAFT OR ANY ENGINE, TITLE THERETO OR ANY INTEREST THEREIN, EXCEPT (a) THE RESPECTIVE RIGHTS OF LESSOR AND LESSEE AS HEREIN PROVIDED; (b) LESSOR'S LIENS WITH RESPECT TO THE AIRCRAFT OR ANY ENGINE; (c) LIENS FOR TAXES EITHER NOT YET DUE OR BEING CONTESTED IN ACCORDANCE WITH SECTION 10 HEREOF AND SO LONG AS ADEQUATE RESERVES ARE MAINTAINED WITH RESPECT TO SUCH LIENS; AND (d) INCHOATE MATERIALMEN'S, MECHANICS', WORKMEN'S, REPAIRMEN'S, EMPLOYEES' OR OTHER LIKE LIENS ARISING IN THE ORDINARY COURSE OF BUSINESS, WHICH EITHER ARE NOT DELINQUENT OR ARE BEING CONTESTED IN GOOD FAITH BY LESSEE, SO LONG AS THE AIRCRAFT OR SUCH ENGINE IS NOT IN DANGER OF BEING LOST, SOLD, CONFISCATED, FORFEITED OR SEIZED AS A RESULT OF ANY SUCH LIEN. LESSEE SHALL PROMPTLY, AT ITS OWN EXPENSE, TAKE SUCH ACTION AS MAY BE NECESSARY TO DULY DISCHARGE ANY LIEN (EXCEPT FOR THE LIENS REFERRED TO IN CLAUSES (a) AND (b) OF THIS SECTION 14) IF THE SAME SHALL ARISE AT ANY TIME WITH RESPECT TO THE AIRCRAFT OR ANY ENGINE.

Section 15. Perfection of Title and Further Assurances.

If at any time subsequent to the initial recordation of title under this Lease, any filing or recording is reasonably necessary to protect the interests of Owner or Lessor, Lessee, at its own cost and expense and upon request by Lessor, shall cause this Lease, any financing statements with respect hereto, and any and all additional instruments which shall be executed pursuant to the terms hereof, to be kept, filed and recorded and to be reexecuted, refiled and re-recorded in the appropriate office or offices pursuant to applicable Laws, to perfect, protect and preserve the rights and interests of Lessor hereunder and in the Aircraft. At the reasonable request of Lessor, Lessee shall furnish to Lessor an opinion of counsel or other evidence satisfactory to Lessor of each such filing or re-filing and recordation or re-recordation.

Without limiting the foregoing, Lessee shall do or cause to be done, at Lessee's cost and expense, any and all acts and things which may be required under the terms of the Mortgage Convention to perfect and preserve the title of Owner and the interests of Owner and Lessor in the Aircraft within the jurisdiction of any signatory which has ratified the Mortgage Convention if such jurisdiction is in the territory in which Lessee may operate the Aircraft, as Lessor may reasonably request. Lessee shall also do or cause to be done, at its own expense, any and all acts and things which may be required under the terms of any other Law involving any jurisdiction in which Lessee may operate, or any and all acts and things which Lessor may reasonably request, to perfect and preserve Lessor's ownership rights regarding the Aircraft within any such jurisdiction.

In addition, Lessee will promptly and duly execute and deliver to Lessor such further documents and assurances and take such further actions as it may from time to time reasonably request in order to more effectively carry out the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of Lessor hereunder, including without limitation, if reasonably requested by Lessor at the expense of Lessee, the

execution and delivery of supplements or amendments hereto in recordable form, subjecting to this Lease any Replacement Engine and the recording or filing of counterparts thereof, in accordance with the laws of any appropriate jurisdiction.

Section 16. Return of Aircraft and Records.

(a) Return. On the Expiration Date, Lessee, at its own expense, shall return the Aircraft to Lessor in the condition specified on Exhibit E hereto at the location specified as "Return Location" set forth on Exhibit C hereto, fully equipped with all required Parts and Engines, duly installed thereon, together with Aircraft Documents and records which are complete and acceptable to the DAC, by delivering the same to Lessor at such location.

(b) Legal Status Upon Return. Upon the Return Occasion, the Aircraft shall be: (i) free and clear of all Liens, except Lessor's Liens; (ii) duly certified as an airworthy aircraft by the DAC with the current and valid airworthiness certificate installed on the Aircraft; (iii) equipped and in full airworthy condition required to allow the Aircraft to be operated in commercial transportation of passengers under applicable rules and regulations of the DAC and in full compliance with Part 129; (iv) duly registered under the applicable Law of the Country of Registration; (v) in full compliance with the Maintenance Program; (vi) in full compliance with all FAA Airworthiness Directives which by their terms require compliance on or before the ninety (90) days following the Expiration Date; and (vii) in compliance with the requirements of the FAA regulations found at Part 36, Appendix C, Stage 3, noise compliance, without waiver or performance restriction.

(c) Engines. Lessee may return the Aircraft on the Return Occasion with an engine not owned by Lessor, so long as (i) such engine was not installed on the Aircraft solely for the purpose of reducing the number of hours or cycles (whichever is the more limiting factor) remaining until the next scheduled restriction in accordance with the Maintenance Program under which the Engines are maintained; (ii) such engine conforms to the requirements set forth in Section 11(b) hereof with respect to a Replacement Engine without regard to flight hours or cycles remaining on LLPs or time since heavy maintenance, except Lessor may in its discretion choose among the engines presented by Lessee as candidates for substitution; (iii) such engine shall conform to the return condition requirements set forth in Section 16(f) hereof; and (iv) Lessee, at its own expense and concurrently with such delivery, furnishes Lessor with a bill of sale, in form and substance reasonably satisfactory to Lessor, with respect to such engine and with evidence that Lessee is transferring full and unencumbered title to such engine (including, if requested, an opinion of Lessee's counsel to the effect of the opinion required by Section 11(b)(iv) hereof) and takes such other action as Lessor may reasonably request in order that title to such engine shall be duly and fully vested in Owner. Lessee's obligation to comply with the terms of this Section 16(c) shall be conditioned on Lessor's transferring, or causing to be transferred, to Lessee title to any Engine not installed on the Aircraft at the Return Occasion, without any representation, warranty or recourse of any kind whatsoever, express or implied, except a warranty that such Engine is free and clear of Liens, other than Liens which Lessee is required to discharge hereunder, or defects in title resulting from acts of Owner or Lessor.

(d) Records. Upon the Return Occasion, Lessee shall deliver to Lessor all logs, manuals, and data and inspection, modification and overhaul records which are required to be maintained with respect to the Aircraft and Engines under the Maintenance Program and in

accordance with applicable rules and regulations of the DAC. Lessee shall deliver to Lessor a copy of such portions of Lessee's Maintenance Program as are necessary to enable the subsequent operator of the Aircraft to bridge the maintenance of the Aircraft to its own maintenance program; provided, that Lessor agrees to maintain such information in strict confidence and to use such information only for the foregoing purpose, and, prior to providing such information to any other Person, Lessor shall obtain a written agreement to the same effect from such other Person in form and substance reasonably satisfactory to Lessee. All such documents shall have been maintained in English, or be accompanied by a certified English translation.

(e) Service Bulletin and Modification Kits. At or upon the return of the Aircraft pursuant to this Section 16, Lessee shall deliver to Lessor, at no cost to Lessor, all service bulletin kits furnished without charge by a manufacturer for installation on the Aircraft which have not been so installed together with appropriate instructions for installation. In the event such uninstalled kits were purchased or manufactured by Lessee for the Aircraft, then Lessor shall have a right to purchase such kits at Lessee's cost for a period of ninety (90) days after return.

(f) Condition of Aircraft. Upon the Return Occasion applicable to the Aircraft, Lessee shall return the Aircraft to Lessor in such condition that the Aircraft shall comply with all of the conditions set forth on Exhibit E hereto.

(g) Final Inspection. Upon the Return Occasion, Lessee shall make the Aircraft available to Lessor at Lessee's principal maintenance base or at the location at which the "C" check referred to below is being performed for detailed inspection, at Lessee's expense (provided, that Lessee shall not bear any costs or expenses associated with Lessor's representatives), in order to verify that the condition of the Aircraft complies with the requirements set forth above (such inspection being hereinafter referred to as the "Final Inspection"). The Final Inspection shall be conducted concurrently with the "C" Check to be performed immediately prior to the Return Occasion. Lessee shall give Lessor not less than ten (10) days prior written notice of the commencement date of such "C" Check. The period allowed for the Final Inspection shall have such duration as to permit Lessor to verify Lessee's satisfaction of the requirements of Exhibit E and shall continue on consecutive days until all activity required above to be conducted during the Final Inspection has been concluded; provided, however, that Lessor shall use its best efforts to complete the Final Inspection contemporaneously with the completion of such "C" Check. To the extent that any portion of the Final Inspection extends beyond the Expiration Date, the Term shall be deemed to have been automatically extended, and the obligation to pay Rent hereunder continued on a daily basis until the Final Inspection shall have been concluded, provided that such Rent shall be payable only if (i) Lessor provided on a timely basis sufficient personnel to complete the Final Inspection in a timely manner and (ii) the cause of such extension is not directly attributable to Lessor or its personnel. All storage expenses attributable to any extension of the Term pursuant to the preceding sentence shall be payable by Lessee.

(h) Aircraft Documentation. In order to enable Lessor to prepare for the Final Inspection of the Aircraft pursuant to Section 16(g) above, Lessee agrees to make available to Lessor at Lessee's principal maintenance base not later than ten (10) days prior to the commencement of such Final Inspection, the Aircraft Documents listed on Exhibit B hereto, together with such other documentation regarding the condition, use, maintenance, operation and history of the Aircraft during Lessee's possession as Lessor may reasonably request.

(i) Corrections and Subsequent Corrections. In the event that the Aircraft or any Engine fails upon the Return Occasion to conform to any return condition requirement imposed by this Lease and particularly Section 16(f) and (Exhibit E), Lessor may, without prejudice to the right of Lessee to claim that the Aircraft did comply with such return condition requirement, (i) continue the Lease in effect in the manner provided for in Section 16(g) above with regard to automatic extension until such time as the Aircraft is brought up to the condition required by Section 16(f) above or (ii) accept the return of the Aircraft and thereafter have any such nonconformance corrected, at such time as Lessor may deem appropriate but not to occur later than ninety (90) days following the return of the Aircraft, at commercial rates then charged by the Person selected by Lessor to perform such correction. Any direct expense incurred by Lessor for such correction shall become Supplemental Rent payable by Lessee within thirty (30) days following the submission of a written statement by Lessor to Lessee, identifying the items corrected and setting forth the expense of such correction. Lessee's obligations to pay such Supplemental Rent shall survive the passage of the Expiration Date or other termination of this Lease.

(j) Additional Maintenance, Repair or Overhaul. Upon the Return Occasion and upon written request of Lessor made at least fifteen (15) days prior to the Expiration Date, Lessee shall (subject to the availability to Lessee of facilities and manpower) store and insure the Aircraft for a period of up to forty-five (45) days, and perform such additional maintenance, repair, or overhaul of the Aircraft as is requested by Lessor in the same manner and with the same care as used for similar aircraft and engines owned by Lessee, provided that Lessor shall reimburse Lessee for its documented costs, at Lessee's standard contract rate, for such storage, maintenance, repair, or overhaul. Lessor shall reimburse Lessee for its actual cost of insurance in connection with maintaining the Aircraft under Lessee's insurance coverage during the storage period. Such additional maintenance, repair or overhaul shall not extend this Lease. Maintenance requested by Lessor other than that specifically required by the terms of this Lease shall be performed by Lessee and paid for by Lessor at Lessee's standard contract rate for such maintenance as agreed to by Lessor.

(k) Functional Check Flight. Immediately prior to the expiration of the Term, a qualified pilot and not more than two (2) technical representatives selected by Lessor, in conjunction with Lessee's flight crew, will accomplish a functional check flight of not more than two (2) hour's durations in accordance with Lessee's procedures and at Lessee's expense to demonstrate the airworthiness of the Aircraft and proper functioning of all systems and components; provided, Lessor shall be responsible for the charges of Lessor's technical representatives. At all times during such functional check flight Lessee's flight crew shall be in command of the Aircraft. Any discrepancy or malfunction detected of an airworthiness or operational nature by normal airline standards shall be corrected at Lessee's expense. To the extent possible, the functional check flight shall be combined with the return of the Aircraft under Section 16(a).

(l) Technical Acceptance at Return. Provided that Lessor is reasonably satisfied that all of the conditions for return of the Aircraft set forth in this Lease have been satisfied (either through performance or through the payment of the amounts in lieu thereof specified in Exhibit E hereto), Lessor shall execute and deliver a Technical Acceptance Receipt substantially in the form annexed hereto as Exhibit H with appropriate changes to reflect the circumstances of redelivery of

the Aircraft.

(m) Maintenance Payments at Redelivery. On the Return Occasion, Lessee shall make Maintenance Payments to Lessor pursuant to Paragraph 5 of Exhibit C, by wire transfer in immediately available funds to the account specified as the Payment Location in Exhibit C.

(n) Excusable Delay. Lessee shall not have to pay Rent for any period after the end of the Term during which Lessee did not return the Aircraft to Lessor due to an Excusable Delay.

Section 17. Events of Default

Any one or more of the following occurrences or events shall constitute an Event of Default:

(a) Lessee shall fail to make any payment of Rent to Lessor when due, in full and in the manner and at the place required under this Lease and such payment shall be overdue for a period of ****Material Redacted**** Business Days following written notice from Lessor;

(b) Lessee shall fail to obtain and maintain any insurance required under the provisions of Section 12 hereof; or shall operate the Aircraft outside of the scope of the insurance coverage maintained with respect to the Aircraft;

(c) Any representation or warranty made by Lessee herein or in any document or certificate furnished Lessor in connection herewith or therewith or pursuant hereto is incorrect at the time given in any material respect and, if capable of being cured, shall not have been remedied within ****Material Redacted**** days after notice thereof is given by Lessor to Lessee;

(d) Lessee shall fail to timely comply with the provisions of Section 20(i) hereof;

(e) Lessee shall fail to timely comply with its obligation under Section 3 hereof to accept delivery of the Aircraft when tendered by Lessor meeting the delivery conditions set forth in Exhibit A and such failure is not cured within ****Material Redacted**** Business Days;

(f) Lessee shall fail to timely comply with its obligations pursuant to Section 14 hereof and such failure shall continue for a period of ****Material Redacted**** days after written notice thereof is given by Lessor to Lessee;

(g) Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest therein, or of the right to possession of the Aircraft, the Airframe, or any Engine;

(h) Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it pursuant to this Lease and such failure shall continue for a period of ****Material Redacted**** days after written notice thereof is given by Lessor to Lessee (provided, however, that if such failure relates to a covenant, condition or agreement which is not material (as determined by Lessor in its reasonable discretion) and such failure results from circumstances beyond Lessee's reasonable control and Lessee demonstrates to the reasonable satisfaction of Lessor that Lessee is diligently taking all commercially reasonable actions necessary to remedy such

failure, such failure shall not constitute an Event of Default hereunder for as long as such failure remains not material (as determined by Lessor in its reasonable discretion) and outside of the control of Lessee and Lessee is so acting to remedy such failure);

(i) ****Material Redacted****;

(j) Lessee consents to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property, or Lessee admits in writing its inability to pay its debts generally as they come due, or makes a general assignment for the benefit of creditors, or Lessee files a voluntary petition in bankruptcy or a voluntary petition 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 by voluntary petition, answer or consent seeks relief under the provisions of any bankruptcy or other similar law providing for the reorganization or winding-up of corporations, or provides for an agreement, composition, extension or adjustment with its creditors;

(k) An order, judgment or decree is entered by any court, with or without the consent of Lessee, appointing a receiver, trustee or liquidator for Lessee or of all or any substantial part of its property, or all or any substantial part of the property of Lessee is sequestered, and any such order, judgment or decree of appointment or sequestration remains in effect, undismissed, unstayed or unvacated for a period of forty-five (45) days after the date of entry thereof;

(l) A petition against Lessee in a proceeding under the bankruptcy, insolvency or other similar Laws (as now or hereafter in effect) of any Governmental Entity is filed and is not withdrawn or dismissed within ****Material Redacted**** days thereafter, or if, under the provisions of any Law providing for reorganization or winding-up of corporations which may apply to Lessee, any court of competent jurisdiction assumes jurisdiction over, or custody or control of, Lessee or of all or any substantial part of its property and such jurisdiction, custody or control remains in effect, unrelinquished, unstayed or unexpired for a period of ****Material Redacted**** days;

(m) A final judgment for the payment of money not covered by insurance in excess of ****Material Redacted****, or final judgments for the payment of money not covered by insurance in excess of ****Material Redacted**** in the aggregate, shall be rendered against Lessee and the same shall remain undischarged for a period of ****Material Redacted**** days during which execution thereof shall not be effectively stayed by agreement of the parties involved, stayed by court order or adequately bonded or attachments or other Liens, except for security interests;

(n) Attachments or other Liens shall be issued or entered against substantially all of the property of Lessee and shall remain undischarged or unbonded for ****Material Redacted**** days except for security interests created in connection with monies borrowed or obligations agreed to by Lessee in the ordinary course of its business;

(o) Lessee shall default in the payment of any obligation for the payment of borrowed money, for the deferred purchase price of property or for the payment of rent or hire under any lease of aircraft which has a principal amount of ****Material Redacted**** or more (determined in the case of borrowed money by the amount outstanding under the agreement pursuant to which such borrowed money was borrowed, in the case of a deferred purchase price by the remaining balance

and in the case of a lease by the present discounted value of the remaining rent or hire payable thereunder (ignoring any fair market renewal)) when the same becomes due and after giving effect to any applicable grace period, if such nonpayment results in the acceleration of any such indebtedness or any lessor shall have demanded the payment of any liquidated damages or similar amount or has exercised its rights to repossession of such property; or Lessee shall default in the performance of any other term, agreement or condition contained in any material agreement or instrument under or by which any such obligation is created, evidenced or secured, if the effect of such default is to cause such obligation to become due prior to its stated maturity;

(p) Lessee voluntarily suspends all or substantially all of its operations or the franchises, concessions, permits, rights or privileges required for the conduct of the business and operations of Lessee shall be revoked, canceled or otherwise terminated or the free and continued use and exercise thereof curtailed or prevented, and as a result of any of the foregoing the preponderant business activity of Lessee shall cease to be that of a commercial airline; or

(q) Without the prior written consent of Lessor, the Letter of Credit shall have been canceled, revoked or otherwise terminated prior to its original termination date or amended, modified, altered or replaced or there shall, for any reason, cease to be a letter of credit or letters of credit, as applicable, with terms and conditions and in the amount required hereunder in full force and effect at any time during the Term.

Lessee hereby acknowledges that the occurrence of any one of the foregoing Events of Default would represent a material default in the performance of its obligations under this Lease.

Section 18. Remedies.

Upon the occurrence of any Event of Default and any time thereafter so long as the same shall be continuing, Lessor may, at its option and without notice to Lessee, exercise one or more of the following remedies as Lessor in its sole discretion shall elect, to the extent available and permitted by, and subject to compliance with any mandatory requirements of, applicable Law then in effect; provided that, upon the occurrence of any Event of Default specified in paragraphs (j), (k) or (l) of Section 17, the Lessor shall be entitled automatically, as of the day prior to such occurrence, to exercise any of the following remedies without making demand or giving notice or the taking of any other action:

(a) Demand that Lessee, and Lessee shall upon the written demand of Lessor and at Lessee's expense, immediately return the Aircraft to Lessor in the manner specified in such notice, in which event such return shall not be delayed for purposes of complying with the return conditions specified in Section 16 hereof (none of which conditions shall be deemed to affect Lessor's possession of the Aircraft) or delay for any other reason. Notwithstanding the foregoing, at Lessor's option Lessee shall be required thereafter to take such actions as would be required by the provisions of this Lease if the Aircraft were being returned at the end of the Term hereof and Lessor agrees to cooperate with Lessee's required actions. In addition, Lessor, at its option and to the extent permitted by applicable Law, may enter upon the premises where all or any part of the Aircraft is located and take immediate possession of and, at Lessor's sole option, remove the same (and/or any engine which is not an Engine but which is installed on the Airframe, subject to the rights of the owner, lessor or secured party thereof) by summary proceedings or otherwise, all

without liability accruing to Lessor for or by reason of such entry or taking of possession whether for the restoration of damage to property, or otherwise, caused by such entry or taking, except damages caused by gross negligence or willful misconduct.

(b) Sell at private or public sale, as Lessor may determine, or hold, use, operate or lease to others the Aircraft as Lessor in its sole discretion may determine, all free and clear of any rights to Lessee.

(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) of this Section 18, Lessor, by thirty (30) days written notice to Lessee specifying a payment date, may demand that Lessee pay to Lessor, and Lessee shall pay to Lessor, on the payment date specified in such notice, as liquidated damages for loss of bargain and not as a penalty (in lieu of the Basic Rent due for the period commencing after the date specified for payment in such notice), any unpaid Rent for the Aircraft (prorated in the case of Basic Rent on a daily basis) to and including the payment date specified in such notice, plus the amount, if any, by which the aggregate Basic Rent for the remainder of the Term, discounted periodically (equal to installment frequency) to present worth at the interest rate of four percent (4%) per annum, exceeds the fair market rental value (determined pursuant to the Appraisal Procedure) of the Aircraft for the remainder of the Term, after discounting such fair market rental value periodically (equal to installment frequency) to present worth as of the payment date specified in such notice at the interest rate of four percent (4%) per annum.

(d) In the event that Lessor, pursuant to Section 18(b) above, shall have relet the Aircraft under a lease which extends at least to the date upon which the Term for the Aircraft would have expired but for Lessee's default, Lessor, in lieu of exercising its rights under Section 18(c) above with respect to the Aircraft, may, if it shall so elect, demand that Lessee pay Lessor, and Lessee shall pay Lessor, as liquidated damages for loss of bargain and not as a penalty (in lieu of the Basic Rent for the Aircraft due after the time of reletting) any unpaid Rent for the Aircraft due up to the date of reletting, plus the amount, if any, by which the aggregate Basic Rent for the Aircraft, which would otherwise have become due over the Term, discounted periodically (equal to installment frequency) to present worth and of the date of reletting at the interest rate of four percent (4%) per annum, exceeds the aggregate basic rental payments to become due under the reletting from the date of such reletting to the date upon which the Term for the Aircraft would have expired but for Lessee's default, discounted periodically (equal to installment frequency) to present worth as of the date of the reletting at the interest rate of four percent (4%) per annum.

(e) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Lessee of the applicable covenants of this Lease and to recover damages for the breach thereof and to rescind this Lease.

(f) Terminate this Lease by written notice (which notice shall be effective upon dispatch) and repossess the Aircraft.

(g) Draw upon all amounts under the Security Letter of Credit, Security Deposit, Supplemental Rent, and other supplemental rent, security deposits or letters of credit held by Lessor or Lessor's Affiliates under any of the Related Leases and apply such amounts to amounts owing to Lessor hereunder.

In addition to the foregoing, Lessee shall be liable for any and all unpaid Rent, together with interest on such unpaid amounts at the Interest Rate, until satisfaction of all of Lessee's obligations to Lessor hereunder and for all reasonable legal fees and other reasonable costs and expenses incurred by Lessor 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 return of the Aircraft in accordance with the terms of Section 16 hereof or in placing the Aircraft in the condition and with airworthiness certification as required by such Section.

In effecting any repossession, Lessor and its representatives and agents, to the extent permitted by law, shall: (i) have the right to enter upon any premises where it reasonably believes the Aircraft, the Airframe, an Engine or Part to be located; (ii) not be liable, in conversion or otherwise, for the taking of any personal property of Lessee which is in or attached to the Aircraft, the Airframe, an Engine or Part which is repossessed; provided, however, that Lessor shall return to Lessee all personal property of Lessee, its passengers or other Persons (such as lessors) which were on the Aircraft at the time Lessor re-takes possession of the Aircraft; (iii) not be liable or responsible, in any manner, for any inadvertent damage or injury to any of Lessee's property in repossessing and holding the Aircraft, the Airframe, an Engine or Part, except for that caused by or in connection with Lessor's gross negligence or willful acts; (iv) have the right to maintain possession of and dispose of the Aircraft, the Airframe, an Engine or Part on any premises owned by Lessee or under Lessee's control; and (v) have the right to obtain a key to any premises at which the Aircraft, the Airframe, an Engine or Part, may be located from the landlord or owner thereof.

If reasonably required by Lessor, Lessee, at its sole expense, shall assemble and make the Aircraft, the Airframe, an Engine or Part available at a place designated by Lessor in accordance with Section 16 hereof. Lessee hereby agrees that, in the event of the return to or repossession by Lessor of the Aircraft, the Airframe, an Engine or Part, any rights in any warranty (express or implied) heretofore assigned to Lessee or otherwise held by Lessee shall without further act, notice or writing be assigned or reassigned to Lessor, if assignable. Lessee shall be liable to Lessor for all reasonable expenses, disbursements, costs and fees incurred in (i) repossessing, storing, preserving, shipping, maintaining, repairing and refurbishing the Aircraft, the Airframe, an Engine or Part to the condition required by Section 16 hereof and (ii) preparing the Aircraft, the Airframe, an Engine or Part for sale or lease, advertising the sale or lease of the Aircraft, the Airframe, an Engine or Part and selling or releasing the Aircraft, the Airframe, an Engine or Part. Lessor is hereby authorized and instructed, at its option, to make reasonable expenditures which Lessor considers advisable to repair and restore the Aircraft, the Airframe, an Engine or Part to the condition required by Section 16 hereof, all at Lessee's sole expense.

At any public sale of the Aircraft, the Airframe, an Engine or Part pursuant to this Section, Lessor may bid for and purchase such property and Lessee agrees that the amounts paid therefor shall be used in the computation contemplated herein.

No remedy referred to in this Section 18 is intended to be exclusive, but, to the extent permissible hereunder or under applicable Law, 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 Default or Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Default or Event of Default. Lessor acknowledges a duty under New York law to mitigate damages resulting from any Default or Event of Default on the part of Lessee.

Section 19. Alienation.

LESSOR SHALL HAVE THE RIGHT AT ITS SOLE COST AND EXPENSE TO ASSIGN, SELL OR ENCUMBER ANY INTEREST OF LESSOR IN THE AIRCRAFT OR THIS LEASE AND/OR THE PROCEEDS HEREOF SUBJECT TO THE RIGHTS OF LESSEE UNDER THE PROVISIONS OF THIS LEASE. NO ASSIGNMENT, SALE OR OTHER TRANSFER OF LESSOR'S INTEREST OR CREATION OF ANY LIEN SHALL DIMINISH OR ADVERSELY AFFECT LESSEE'S RIGHTS HEREUNDER OR INCREASE LESSEE'S DUTIES OR THE LIABILITIES OF LESSEE IN RESPECT OF ANY TAX OR UNDER ANY OF ITS INDEMNIFICATION OBLIGATIONS, OR CAUSE LESSEE TO INCUR ANY OBLIGATIONS, COST OR EXPENSE IN EXCESS OF THOSE FOR WHICH IT WOULD HAVE BEEN RESPONSIBLE IN THE ABSENCE OF SUCH ASSIGNMENT, SALE OR TRANSFER. LESSOR AGREES TO OBTAIN THE WRITTEN ACKNOWLEDGMENT OF ANY ASSIGNEE TO LESSEE'S RIGHT TO QUIET ENJOYMENT AS DESCRIBED IN SECTION 20(f). TO EFFECT OR FACILITATE ANY SUCH ASSIGNMENT, SALE OR ENCUMBRANCE, LESSEE AGREES TO PROVIDE, AT LESSOR'S SOLE COST AND EXPENSE, SUCH AGREEMENTS, CONSENTS, CONVEYANCES OR DOCUMENTS AS MAY BE REASONABLY REQUESTED BY LESSOR, WHICH SHALL INCLUDE, WITHOUT LIMITATION, PROVIDED THAT LESSEE CONSENTS TO SUCH A RELEASE, AN UNRESTRICTED RELEASE OF LESSOR FROM ITS OBLIGATIONS UNDER THIS LEASE. LESSEE SHALL NOT UNREASONABLY WITHHOLD ITS CONSENT TO SUCH A RELEASE, AND LESSEE SHALL IN ANY EVENT BE REQUIRED TO SO CONSENT IF LESSOR PROVIDES ADEQUATE ASSURANCE OF PERFORMANCE OF LESSOR'S OBLIGATIONS HEREUNDER BY AN ASSIGNEE. LESSOR SHALL ALSO REIMBURSE LESSEE FOR ANY FEES, EXPENSES OR OTHER COSTS ASSOCIATED WITH ANY FILINGS AND REGISTRATIONS IN THE COUNTRY OF REGISTRATION OR OTHER JURISDICTIONS THAT ARE REQUIRED TO BE MADE IN CONNECTION WITH ANY SUCH SALE, ASSIGNMENT OR OTHER TRANSFER OR THE PERFECTION AND MAINTENANCE OF ANY SUCH LIEN. LESSEE HEREBY AGREES THAT IT WILL NOT ASSERT AGAINST AN ASSIGNEE ANY CLAIM OR DEFENSE WHICH IT MAY HAVE AGAINST LESSOR. THE AGREEMENTS, COVENANTS, OBLIGATIONS, AND LIABILITIES CONTAINED HEREIN INCLUDING, BUT NOT LIMITED TO, ALL OBLIGATIONS TO PAY RENT AND INDEMNIFY EACH INDEMNITEE ARE MADE FOR THE BENEFIT OF EACH INDEMNITEE AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS.

Section 20. Miscellaneous.

(a) Severability and Construction. 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; any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable Law, Lessee hereby waives any provisions of Law which render any provisions hereof prohibited or unenforceable in any respect. 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 or any Engine or Part except as a lessee only. The headings in this Lease are for convenience of reference only and shall not define or limit any of the terms of provisions hereof. Whenever required by the context hereof, the singular shall include the plural and vice versa. Reference to this Lease shall mean this Lease as amended or supplemented from time to time.

(b) Governing Law; Jurisdiction. THIS LEASE SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE BUT WITHOUT REFERENCE TO CONFLICT OF LAWS PRINCIPLES) EXCEPT FOR THE PROVISIONS OF SECTION 7-101 OF THE NEW YORK GENERAL OBLIGATIONS LAW (WHICH PROVISIONS THE PARTIES HAVE AGREED FOR AVOIDANCE OF DOUBT ARE INAPPLICABLE TO THIS TRANSACTION) AND EXCEPT FOR MATTERS GOVERNED BY THE FEDERAL LAWS OF THE UNITED STATES. LESSEE AND LESSOR HEREBY IRREVOCABLY CONSENT THAT ANY LEGAL ACTION OR PROCEEDING AGAINST IT OR ANY OF ITS ASSETS WITH RESPECT TO THE LEASE MAY BE BROUGHT IN ANY JURISDICTION WHERE LESSEE OR LESSOR OR ANY OF ITS ASSETS MAY BE FOUND, OR IN ANY COURT OF THE STATE OF NEW YORK OR ANY FEDERAL COURT OF THE UNITED STATES OF AMERICA LOCATED IN NEW YORK, NEW YORK, AS LESSOR MAY ELECT, AND BY EXECUTION AND DELIVERY OF THIS LEASE LESSEE AND LESSOR HEREBY IRREVOCABLY SUBMIT TO AND ACCEPT WITH REGARD TO ANY SUCH ACTION OR PROCEEDINGS, FOR ITSELF AND IN RESPECT OF ITS ASSETS, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. LESSEE AND LESSOR HEREBY AGREE THAT IN THE EVENT THAT ANY JUDICIAL PROCEEDINGS ARE BROUGHT IN THE COUNTRY OF REGISTRATION, NEITHER OWNER NOR THE LESSOR SHALL BE REQUIRED TO POST ANY SECURITY IN ORDER FOR THE LESSOR TO TAKE POSSESSION OF THE AIRCRAFT IN ACCORDANCE WITH THE TERMS OF THIS LEASE. LESSEE AND LESSOR FURTHER IRREVOCABLY CONSENT TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED AIRMAIL, POSTAGE PREPAID, TO LESSEE OR LESSOR AT ITS ADDRESS SET FORTH ON EXHIBIT C HERETO. THE FOREGOING, HOWEVER, SHALL NOT LIMIT THE RIGHTS OF LESSOR OR LESSEE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING ANY LEGAL ACTION OR PROCEEDING OR TO OBTAIN EXECUTION OF JUDGMENT IN ANY JURISDICTION. LESSEE AND LESSOR FURTHER AGREE THAT FINAL JUDGMENT AGAINST LESSEE OR LESSOR IN ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS LEASE SHALL BE

CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION WITHIN OR OUTSIDE THE UNITED STATES OF AMERICA BY SUIT ON THE JUDGMENT, A CERTIFIED OR EXEMPLIFIED COPY OF WHICH SHALL BE CONCLUSIVE EVIDENCE OF THE FACT AND THE AMOUNT OF LESSEE'S OR LESSOR'S INDEBTEDNESS. LESSEE AND LESSOR HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH LESSEE OR LESSOR MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS LEASE BROUGHT IN THE STATE OF NEW YORK, AND HEREBY FURTHER IRREVOCABLY WAIVE ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN THE STATE OF NEW YORK HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

The foregoing notwithstanding, the parties agree that they shall endeavor during a period of ten (10) Business Days to settle all disputes which may arise from the application or interpretation of this Lease through direct bilateral talks in the spirit of mutual understanding.

(c) Notices. All notices required under the terms and provisions hereof shall be in writing, shall be sent to Lessor or Lessee at their respective addresses set forth on Exhibit C hereto (or such other addresses as the parties may designate from time to time in writing) and, except as otherwise provided herein, such notice shall become effective upon the earlier of actual receipt or the fifth day following the date such notice is sent.

(d) Lessor's Right to Perform for Lessee. If Lessee fails to make any payment of Supplemental Rent required to be made by it hereunder or fails to perform or comply with any covenant, agreement or obligation contained herein, Lessor shall have the right but not the obligation to make such payment or conform or comply with such agreement, covenant or obligation, and the amount of such payment and the amount of the reasonable expenses of Lessor incurred in connection with such payment or the performance thereof or compliance therewith, together with interest thereon at the Interest Rate, shall be payable by Lessee to Lessor (as Supplemental Rent) upon demand. Lessor agrees to notify Lessee in writing prior to making any payment under this Section 20(d), unless the Aircraft will be in danger of loss, sale, confiscation, forfeiture or seizure should such payment not be made. The taking of any such action by Lessor pursuant to this Subsection 20(d) shall not constitute a waiver or release of any obligation of Lessee under the Lease, nor a waiver of any Event of Default which may arise out of Lessee's nonperformance of such obligation, nor an election or waiver of any remedy or right available to Lessor under or in relation to this Lease.

(e) Counterparts. This Lease may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. 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 counterpart which has been marked "Original" on the signature page thereof.

(f) Quiet Enjoyment. Lessor covenants that so long as an Event of Default shall not have occurred and be continuing, Lessee shall quietly enjoy the Aircraft and all rents, revenues, profits and income thereto, without interference by Owner, Lessor, or by any Person lawfully

claiming by or through Owner or Lessor; provided, however, that the proper exercise by Lessor of its rights under or in connection with this Agreement will not constitute such an interference. The foregoing covenant is in lieu of any quiet enjoyment covenant of Lessor which may be available to Lessee under Section 2A-211(i) of the New York Uniform Commercial Code or as may otherwise be implied under applicable Law.

(g) Brokers. Each of the parties hereby represents and warrants to the other that it has not paid, agreed to pay or caused to be paid directly or indirectly in any form, any commission, percentage, contingent fee, brokerage or other similar payments of any kind, in connection with the establishment or operation of this Agreement, to any Person (other than fees payable by Lessor and Lessee to their respective legal advisers or compensation payable by Lessor to GECAS for the portfolio management services performed on behalf of Lessor). Each party agrees to indemnify and hold the other harmless from and against any and all claims, suits, damages, costs and expenses (including, but not limited to reasonable attorneys' fees) asserted by any agent, broker or other third party for any commission or compensation of any nature whatsoever based upon this Agreement or the Aircraft, if such claim, suit, damage, cost or expense arises out of any breach by the indemnifying party, its employees or agents of the representation and warranty given hereby.

(h) Payments in U.S. Dollars. All amounts to be paid hereunder shall be paid in Dollars, in immediately available funds, and all letters of credit delivered hereunder shall provide for payment in Dollars. Lessee acknowledges that the specification of Dollars in this transaction is of the essence and that Dollars shall be the currency of account in any and all events. The obligations of Lessee hereunder shall not be discharged by an amount paid in another currency, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on prompt conversion to Dollars and transfer to the account specified in Exhibit C under the heading, "Payment Location" under normal banking procedures does not yield the amount of Dollars owing to Lessor. In the event that any payment by Lessee, whether pursuant to judgment or otherwise, upon conversion does not yield such amount of Dollars, Lessor shall have a separate cause of action against Lessee for the additional amount necessary to yield the amount of Dollars due and owing to Lessor.

(i) Security Letter of Credit. Subject to the provisions of Section 20(j) below, on the dates of execution and delivery of this Lease, Lessee shall deliver, or shall have delivered, to Lessor, unconditional and irrevocable Letters of Credit, in the amounts specified in Exhibit C hereto under the heading "Deposit". The Letters of Credit are also herein referred to as the "Security Letter of Credit". The Letters of Credit shall remain in full force and effect during a period commencing on the date of delivery of the Letter of Credit and ending on the Required LC Expiry Date. If Lessee fails to pay Rent hereunder or to pay any other sums due or to perform any of the other terms and provisions of this Lease or any document delivered pursuant hereto or is otherwise in Default hereunder, in addition to all other rights Lessor may have under law or hereunder, Lessor may draw upon all or a portion of the amounts of the Security Letters of Credit and may use, apply or retain all or any portion of the funds paid pursuant to the Security Letters of Credit in partial payment for sums due to Lessor by Lessee, to compensate Lessor for any sums it may in its discretion advance as a result of a Default by Lessee, or to apply toward losses or expenses Lessor may suffer or incur as a result of Lessee's Default hereunder. If Lessor draws upon all or any portion of the Security Letters of Credit, such application shall not be deemed a cure of any Default, and within ten (10) days after written demand therefor, Lessee shall cause each of the

Security Letters of Credit to be reinstated to the original amounts thereof or cause replacement Letters of Credit to be issued in the original amounts of the Security Letters of Credit and the failure of Lessee to do so shall be a material breach of this Lease by Lessee.

(j) Security Deposit. In the event that any portion of the Security Letters of Credit pursuant to the terms of Section 20(i) above are posted in cash on or after the Delivery Date, such cash Security Deposit shall be non-refundable during the term of the Lease, unless and until such time as Lessee provides Lessor a Security Letter of Credit in the amount of such cash Security Deposit. If Lessee fails to pay Rent hereunder or to pay any other sums due or to perform any of the other terms and provisions of this Lease or any document delivered pursuant hereto or is otherwise in Default hereunder, in addition to all other rights Lessor may have under law or under this Lease, Lessor may draw upon all or a portion of the amount of the cash Security Deposit and may use, apply or retain all or any portion of the funds drawn in partial payment for sums due to Lessor by Lessee, to compensate Lessor for any sums it may in its discretion advance as a result of a Default by Lessee, or to apply toward losses or expenses Lessor may suffer or incur as a result of Lessee's Default under this Lease. If Lessor draws upon all or any portion of the cash Security Deposit, such application shall not be deemed a cure of any default, and within five (5) days after written demand therefor, Lessee shall cause such Security Deposit to be reinstated to the original amount thereof and the failure to do so shall be a material breach of this Lease by Lessee. Provided Lessee is not then in default of its obligations under this Lease, such Security Deposit shall be returned to Lessee upon termination of this Lease.

(k) Transaction Costs. Lessor and Lessee shall each be responsible for its own costs and expenses incurred in connection with the preparation, negotiation and delivery of this Lease and any other documents or instruments delivered in connection herewith and the transactions contemplated hereby except as otherwise expressly set forth herein. However, Lessee shall be responsible for all costs associated with perfecting the lease in the Country of Registration (and such other filings as may be required pursuant to Section 15 hereof), including (but not limited to) the provision of legal advice and opinions (excluding the fees and expenses of Lessor's Panamanian or other local counsel for the initial perfection of the Lease), stamp duties, translations and registrations, whether required by Lessor or Lessee. Lessee shall also be responsible for all reasonable costs incurred by Lessor in connection with the enforcement or preservation of Lessor's (and Owner's) rights under the Lease (including the fees and expenses of Lessor's Panamanian or other outside local counsel), other than registration of mortgages or liens on the Aircraft initiated by Owner or Lessor.

(l) Time is of the Essence. The time stipulated in this Agreement (without prejudice to any grace periods specified in Section 17) for all payments payable by Lessee and Lessor and the prompt, punctual performance of Lessee's or Lessor's other obligations under this Agreement are of the essence of this Agreement.

(m) Disclaimer of Consequential Damages. LESSEE AND LESSOR EACH AGREE THAT IT SHALL NOT BE ENTITLED TO RECOVER, AND HEREBY DISCLAIMS AND WAIVES ANY RIGHT THAT IT MAY OTHERWISE HAVE TO RECOVER, CONSEQUENTIAL DAMAGES AS SUCH TERM IS DEFINED IN SECTION 2-A-520 OF THE NEW YORK UNIFORM COMMERCIAL CODE AS A RESULT OF ANY BREACH OR ALLEGED BREACH OF ANY OF THE AGREEMENTS, REPRESENTATIONS OR WARRANTIES MADE BY IT CONTAINED IN THIS LEASE.

(n) Agent for Service of Process. Without prejudice to any other mode of service, Lessee:

- (i) appoints Greenberg, Traurig, et al. 200 Park Avenue, New York, New York 10019 as its agent for service of process relating to any proceedings before the New York courts in connection with this Lease and agrees to maintain the process agent in New York notified to Lessor;
- (ii) agrees that failure by a process agent to notify Lessee of the process shall not invalidate the proceedings concerned; and
- (iii) consents to the service of process relating to any such proceedings by prepaid mailing of a copy of the process to Lessee's agent at the address identified in clause (i) above or by prepaid mailing by air mail, certified or registered mail of a copy of the process to Lessee at the address set forth in Exhibit C of this Lease.

(o) Entire Agreement; Modification or Revision. This Lease, which shall be deemed to include Lease Supplement No. 1 when signed and delivered by Lessor and Lessee, and Letter Agreement No. 1 are intended to be a complete and exclusive statement of the terms of the agreement of the parties hereto, and this Lease and Letter Agreement No. 1 supersede any prior or contemporaneous agreements, whether oral or in writing. Neither this Lease, Letter Agreement No. 1, nor any term of this Lease or Letter Agreement No. 1 may be modified, rescinded, changed, waived, discharged or terminated except by a writing signed by the party to be charged. Lessor and Lessee acknowledge their agreement to the provision of this Section 20(o) by their initials below.

EXHIBIT A
to
Aircraft Lease Agreement

SCHEDULE AND DESCRIPTION OF AIRCRAFT

Item	Manufacturer	Model and Configuration	Manufacturer's Serial Number
Aircraft	The Boeing Company	737-700	28607
Engine*	CFM	56-7B24	[_____]
Engine*	CFM	56-7B24	[_____]

* Each of such Engines has 750 or more rated takeoff horsepower or the equivalent of such horsepower.

The serial numbers stated under "Aircraft" and "Engines" above, if any are shown, are those advised to Lessor by the Manufacturer as at the date of this Agreement. If the Manufacturer advises of any change to any serial number, the new number will be deemed inserted under "Serial Number" under "Aircraft" and "Engines" above, as the case may be, above.

DELIVERY CONDITION REQUIREMENTS

On Delivery, the Aircraft shall be as described above and shall be new, ex factory and painted in Lessee's livery. The Aircraft will be in the condition required for delivery pursuant to the Purchase Agreement between the Manufacturer and Lessor and the Aircraft Specification D6-38808-34, Revision A - July 16, 1998, except as amended by change orders initiated by Lessor thereunder, prior to the date of this Lease (which change orders have been delivered to Lessee prior to the date hereof), or change orders initiated by Lessor with the consent of Lessee under the terms thereof after the date of this Lease, which change orders shall have been delivered to Lessee prior to the Delivery Date, and except as further amended by change orders or otherwise pursuant to Letter Agreement No. 1 between Lessor and Lessee so that the Aircraft also conforms to the technical specification and interior configuration for new Boeing 737-700 Aircraft being delivered to Continental.

EXHIBIT B
to
Aircraft Lease Agreement

AIRCRAFT DOCUMENTS

A. CERTIFICATES

1. Certificate of Airworthiness (original and one paper copy)

B. AIRCRAFT DOCUMENTS AND RECORDS

At delivery of the Aircraft the Manufacturer will furnish (or Lessor will furnish, if previously received from Manufacturer) to Lessee such Aircraft and Engine Records as is normally and customarily furnished by the Manufacturer pursuant to the Purchase Agreement between the Manufacturer and Lessor and the Aircraft Specification D6-38808-34, Revision A - July 16, 1998, except as amended by change orders initiated by Lessor thereunder, prior to the date of this Lease (which change orders have been delivered to Lessee prior to the date hereof), or change orders initiated by Lessor with the consent of Lessee under the terms thereof after the date of this Lease, which change orders shall have been delivered to Lessee prior to the Delivery Date, and except as further amended by change orders or otherwise pursuant to Letter Agreement No. 1 between Lessor and Lessee so that the Aircraft also conforms to the technical specification and interior configuration for new Boeing 737-700 Aircraft being delivered to Continental.

EXHIBIT C
to
Aircraft Lease Agreement

CERTAIN FINANCIAL TERMS

1. CONFIDENTIALITY

Lessor and Lessee understand that the commercial and financial information contained in this Exhibit C to this Lease Agreement are considered by Lessor and Lessee as proprietary and confidential. Lessor and Lessee each hereby agree, and any of their assignees, upon becoming such shall agree that it will treat this Exhibit C as proprietary and confidential and will not, without the prior written consent of the other, disclose or cause to be disclosed, the terms hereof or thereof to any Person, except to its employees, counsel, underwriters and auditors as necessary or appropriate for the leasing transaction which is the subject hereof, or except (a) as may be required by applicable Law or pursuant to an order, or a valid and binding request, issued by any court or other government entity having jurisdiction over Lessor, Lessee or the assignee of either of them, as the case may be, or (b) as necessary to enable Lessor or its assignee to make transfers, assignments or other dispositions to potential transferees, assignees or participants of its interest in and to the Agreement.

2. DEFINITIONS OF CERTAIN TERMS

ACCEPTANCE LOCATION: Seattle, Washington, or such other location as Lessor and Lessee may mutually agree.

BASIC RENT: The Basic Rent payable during the Basic Term shall be payable in sixty (60) consecutive monthly installments, in advance on each Basic Rent Payment Date, with each such installment equal to: (a) ****Material Redacted**** for the first twenty four monthly installments, (b) ****Material Redacted**** for the next twenty-four monthly installments, and ****Material Redacted**** for the last twenty four monthly installments, .

BASIC RENT PAYMENT DATE: On the first day of the calendar month immediately succeeding the Delivery Date (or on the Delivery Date if delivery occurs on the first day of the calendar month) and on the first day of each succeeding month to and including the Last Basic Rent Payment Date specified below.

CASUALTY VALUE: ****Material Redacted****

COUNTRY OF ORGANIZATION: Panama.

COUNTRY OF REGISTRATION: Panama, or such other country approved in writing by Lessor prior to registration of the Aircraft therein.

DEDUCTIBLE AMOUNT: The Deductible Amount shall be ****Material Redacted****

DELIVERY LOCATION: Seattle, Washington, or such other location as Lessor and Lessee may mutually agree.

DEPOSIT: The Deposit will equal ****Material Redacted****, payable as follows:

- (a) ****Material Redacted**** in cash, receipt whereof is hereby acknowledged,
- (b) An irrevocable Letter of Credit in the amount of ****Material Redacted**** at signing of this Agreement, upon receipt of which Lessor shall refund to Lessee the cash deposit referred to in clause (a) above, and
- (c) An additional irrevocable Letter of Credit in the amount of ****Material Redacted**** not less than two days prior to delivery of the Aircraft to Lessee.

ENGINE MANUFACTURER: CFM INTERNATIONAL

ESTIMATED DELIVERY DATE: October, 1999.

ESTIMATED ACCEPTANCE DATE: October, 1999.

FINAL ACCEPTANCE DATE: The earlier to occur of the date when the Aircraft meets the conditions specified in Exhibit A and is tendered for delivery to Lessee.

FSC INDEMNITY MAXIMUM AMOUNTS: For the purposes of determining the amount payable by Lessee under Section 10 (d) (ii) the following maximum amounts shall apply:

1999	**Material Redacted**
2000	**Material Redacted**
2001	**Material Redacted**
2002	**Material Redacted**
2003	**Material Redacted**
2004	**Material Redacted**
2005	**Material Redacted**
2006	**Material Redacted**
2007	**Material Redacted**
Residual Period	**Material Redacted**

INTEREST RATE: LIBOR plus ****Material Redacted**** per annum, but not to exceed the maximum amount permitted by Law.

INTERIM RENT: If the Aircraft is delivered to Lessee on a date which is not the first day of a calendar month, Interim Rent shall be payable in one installment on the Delivery Date in an amount equal to the product of ****Material Redacted**** per day times the number of days from and including the Delivery Date to but excluding the First Basic Rent Payment Date.

LAST BASIC RENT PAYMENT DATE: The Last Basic Rent Payment Date for the Aircraft shall be the later to occur of October 1, 2004 and the 59th monthly anniversary of the first Basic Rent Payment Date, or such later date as may result from exercise of the Lease Term Renewal Options.

LEASE IDENTIFICATION: "Leased from Aviation Financial Services Inc. as Lessor. Owned by Alcyone FSC Corporation."

LESSEE'S ADDRESS: Compania Panamena de Aviacion, S.A.
Avenida Justo Arosemena y Calle 39
Aptdo. 1572
Panama 1, Republic of Panama
Attention: President
Telecopier No.: 507-227-1952
Phone No.: 507-227-4551

LESSOR'S ADDRESS: Aviation Financial Services Inc.
c/o GE Capital Aviation
201 High Ridge Road
Stamford, Connecticut 06927-4900
Attention: Sr. Vice President -
Portfolio Management
Telecopier No.: 203-357-4585
Phone No.: 203-357-4279

MANUFACTURER: The Boeing Company.

MINIMUM LIABILITY COVERAGE: ****Material Redacted****

OTHER AGREEMENTS: Any aircraft lease agreement, conditional sale agreement or other aircraft secured financing agreement from time to time heretofore or hereafter entered into and in effect between Lessor, any subsidiary, associate or affiliate of Lessor ("a Lessor Affiliate"), or an owner trustee acting on behalf of Lessor or a Lessor Affiliate, on the one hand, and Lessee, on the other hand.

PAYMENT LOCATION: Citibank, N.A., New York, New York, ABA 021000089 for the account of Citibank, N.A. San Juan, Puerto Rico, Account No. 10991506 for further credit to Alcyone FSC Credit Corporation, Account No. 0013228019.

PUBLIC LIABILITY AND PROPERTY DAMAGE INSURANCE: ****Material Redacted****

RETURN LOCATION: Panama City, Panama, or such other location as may be mutually agreed by Lessor and Lessee.

3. AIRWORTHINESS DIRECTIVES COST SHARING.

Notwithstanding any provisions of the Lease which would require the Lessee, at its expense, to comply with ADs by making repairs, alterations or modifications to the Aircraft to accomplish terminating action of the ADs, in the event that Lessee's actual cost, without mark-up, of compliance with an AD for the Aircraft exceeds ****Material Redacted****, Lessor will reimburse Lessee a portion of such cost in excess of such ****Material Redacted**** as determined by the formula:

$$R = [C - \text{**Material Redacted**}] \times [1 - (N-M) / \text{**Material Redacted**}]$$

where: R = Amount to be reimbursed by Lessor to Lessee

C = Lessee's actual cost, without mark-up, of modifying the Aircraft to comply with the AD; and

M = the month of the Lease Term in which the AD modification is completed.

N = the number of months in the Term (or the Term as extended upon Lessee's exercise of Renewal Options hereunder but in no event shall it be less than ****Material Redacted****).

Following completion of any such modification work, Lessee shall provide Lessor with a written notice signed by an officer or management employee of Lessee specifying the modifications completed, the cost thereof and the amount to be reimbursed by Lessor hereunder and certifying that at the date of such notice no Default arising from Lessee's failure to pay any amounts due or owing under the Lease when due and no Event of Default had occurred and was continuing. Lessee shall provide Lessor with such additional information as Lessor may reasonably request to verify that such modifications have been completed and the cost thereof. Within thirty days following Lessor's verification of the modification work, cost thereof and calculation of the amount of reimbursement owing to Lessee hereunder and providing no Event of Default has occurred and is then continuing, Lessor shall remit to Lessee the amount owing to Lessee hereunder.

4. MAINTENANCE PAYMENTS AT REDELIVERY: Upon redelivery of the Aircraft to Lessor on the Return Occasion but not after the occurrence of a Casualty Occurrence with respect to the Aircraft, and independent of the redelivery conditions required by Exhibit E to the Lease Agreement, maintenance payments shall be made in accordance with the following:

- (a) The Airframe shall be returned with 80% of the time remaining until next scheduled D-check or equivalent as specified in the Maintenance Program.
- (b) Each Engine shall be returned with 80% of the time remaining until next heavy maintenance visit as determined by the expected life remaining based on industry standard mean time between removals for heavy maintenance as reported by the Engine Manufacturer.
- (c) Each Engine shall be returned with 80% of the time remaining until next scheduled removal on each LLP installed in each engine as specified in the Maintenance Program.
- (d) Each Landing Gear shall be returned with 80% of the time remaining until next scheduled overhaul as specified in the Maintenance Program.
- (e) Each APU shall be returned with 80% of the time remaining until next heavy maintenance visit as determined by the expected life remaining based on industry standard mean time between removals for heavy maintenance as reported by the APU manufacturer.
- (f) Notwithstanding the foregoing, if an item of equipment is returned with fewer hours remaining than specified above, Lessee will pay Lessor for each hour/cycle below 80% of the time remaining. The per hour cost shall be determined by dividing Lessee's average cost for performing the specified maintenance or, in the case of LLPs, the actual purchase cost on the item divided by the interval between maintenance events or, in the case of LLPs, the life limit, as specified above.
- (g) If an item of equipment is returned with more hours remaining than specified above, Lessee will be entitled to a credit, for each hour above 80% of the time remaining, that can be used to offset any payments required above for the Aircraft or any other Aircraft leased by Lessee from Lessor. The per hour cost shall be determined by dividing Lessee's average cost for performing the specified maintenance or, in the case of LLPs, the actual purchase cost on the item divided by the interval between maintenance events or, in the case of LLPs, the life limit, as specified above.

In the event that Lessee's average cost as determined in sub-paragraphs 19 (f) and (g) above is based upon insufficient Lessee experience as reasonably determined by Lessor, than the average of quotes by three independent FAA repair stations to perform such maintenance shall be used in such sub-paragraphs in lieu thereof.

EXHIBIT C

to Lease Agreement

CERTAIN CONFIDENTIAL AND PROPRIETARY INFORMATION HAS BEEN
INTENTIONALLY OMITTED FROM THIS VERSION OF THE EXHIBIT TO
PRESERVE ITS CONFIDENTIALITY.

CERTAIN DEFINITIONS

ACCEPTANCE LOCATION: Seattle, Washington, or such other location as Lessor and Lessee may mutually agree.

BASIC RENT PAYMENT DATE: On the first day of the calendar month immediately succeeding the Delivery Date (or on the Delivery Date if delivery occurs on the first day of the calendar month) and on the first day of each succeeding month to and including the Last Basic Rent Payment Date specified below.

COUNTRY OF ORGANIZATION: Panama.

COUNTRY OF REGISTRATION: Panama, or such other country approved in writing by Lessor prior to registration of the Aircraft therein.

DELIVERY LOCATION: Seattle, Washington, or such other location as Lessor and Lessee may mutually agree.

ENGINE MANUFACTURER: CFM INTERNATIONAL

ESTIMATED DELIVERY DATE: October, 1999.

ESTIMATED ACCEPTANCE DATE: October, 1999.

FINAL ACCEPTANCE DATE: The earlier to occur of the date when the Aircraft meets the conditions specified in Exhibit A and is tendered for delivery to Lessee.

LAST BASIC RENT PAYMENT DATE: The Last Basic Rent Payment Date for the Aircraft shall be the later to occur of October 1, 2004 and the 59th monthly anniversary of the first Basic Rent Payment Date, or such later date as may result from exercise of the Lease Term Renewal Options.

LEASE IDENTIFICATION: "Leased from Aviation Financial Services Inc. as Lessor. Owned by Alcyone FSC Corporation."

LESSEE'S ADDRESS: Compania Panamena de Aviacion, S.A.
Avenida Justo Arosemena y Calle 39
Aptdo. 1572
Panama 1, Republic of Panama
Attention: President
Telecopier No.: 507-227-1952
Phone No.: 507-227-4551

LESSOR'S ADDRESS: Aviation Financial Services Inc.
c/o GE Capital Aviation
201 High Ridge Road
Stamford, Connecticut 06927-4900
Attention: Sr. Vice President -
Portfolio Management
Telecopier No.: 203-357-4585
Phone No.: 203-357-4279

MANUFACTURER: The Boeing Company.

OTHER AGREEMENTS: Any aircraft lease agreement, conditional sale agreement or other aircraft secured financing agreement from time to time heretofore or hereafter entered into and in effect between Lessor, any subsidiary, associate or affiliate of Lessor ("a Lessor Affiliate"), or an owner trustee acting on behalf of Lessor or a Lessor Affiliate, on the one hand, and Lessee, on the other hand.

PAYMENT LOCATION: Citibank, N.A., New York, New York, ABA 021000089 for the account of Citibank, N.A. San Juan, Puerto Rico, Account No. 10991506 for further credit to Alcyone FSC Credit Corporation, Account No. 0013228019.

RETURN LOCATION: Panama City, Panama, or such other location as may be mutually agreed by Lessor and Lessee.

EXHIBIT D
to
Aircraft Lease Agreement

LEASE SUPPLEMENT NO. 1

LEASE SUPPLEMENT NO. 1, dated _____, 199__, between Aviation Financial Services Inc., a Delaware corporation ("Lessor"), and Compania Panamena de Aviacion, S.A., a corporation organized under the laws of Panama ("Lessee").

Lessor and Lessee have previously entered into that certain Aircraft Lease Agreement dated as of November 18, 1998 (herein called the "Lease" and the defined terms therein being hereinafter used with the same meaning). The Lease provides for the execution and delivery from time to time of a Lease Supplement substantially in the form hereof for the purpose of leasing the aircraft described below under the Lease as and when delivered by Lessor to Lessee in accordance with the terms thereof.

The Lease relates to the Aircraft, Parts and Engines as more precisely described below. A counterpart of the Lease is attached hereto and this Lease Supplement and the Lease shall form one document.

In consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

1. Lessor hereby delivers and leases to Lessee under the Lease and Lessee hereby accepts and leases from Lessor under the Lease, that certain new Boeing Model 737-700 commercial jet aircraft and Airframe and the two (2) CFM 56-7B24 Engines (each of which Engines has 750 or more rated takeoff horsepower or the equivalent of such horsepower) described in Schedule 1 hereto ("Delivered Aircraft").

2. The Delivery Date of the Delivered Aircraft is the date of this Lease Supplement set forth in the opening paragraph hereof.

3. The Term for the Delivered Aircraft shall commence on the Delivery Date and shall end on the Expiration Date, which shall be the later to occur of October 31, 2004 and the day preceding the 60th monthly anniversary of the first Basic Rent Payment Date; subject to earlier termination or extension as provided in the Lease.

4. Lessee hereby confirms to Lessor that (i) the Delivered Aircraft and each Engine installed thereon or belonging thereto have been duly marked in accordance with the terms of Section 6(f) of the Lease, (ii) Lessee has accepted the Delivered Aircraft for all purposes hereof and of the Lease, (iii) Lessee has inspected the Delivered Aircraft and the Delivered Aircraft satisfies all of the delivery conditions set forth in the Lease; and (iv) the information set forth on Schedule 2 hereto pertaining to the Airframe, Landing Gear, Engines, Auxiliary Power Unit, and fuel on board at Delivery are correct as of the date hereof.

5. All of the terms and provisions of the Lease are hereby incorporated by reference in this Lease Supplement to the same extent as if fully set forth herein.

6. This Lease Supplement may be executed in any number of counterparts, each of such counterparts, except as provided in Section 20(e) of the Lease, shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same Lease Supplement.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Lease Supplement No. 1 to Aircraft Lease Agreement to be duly executed as of the day and year first above written.

LESSOR:

AVIATION FINANCIAL SERVICES INC.,
a Delaware corporation

By: _____
Title: _____
Executed at: _____

LESSEE:

COMPANIA PANAMENA DE AVIACION, S.A.,
a Panama corporation

By: _____
Title: _____
Executed at: _____

STATE OF CONNECTICUT)
) ss. (STAMFORD)
COUNTY OF FAIRFIELD)

On _____, _____, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public
My commission expires: -----

(Seal)

SCHEDULE 1

TO

LEASE SUPPLEMENT NO. 1

One New
Boeing
737-700
Airframe

Manufacturer's Serial No.	Total Time*	Total Cycles*
28607	_____	_____

Installed CFM
Engines

Model No.	Serial No.	Total Time*	Total Cycles*
CFM 56-7B24	[_____]	_____	_____
CFM 56-7B24	[_____]	_____	_____

Each of the above-described Aircraft Engines is 750 or more rated takeoff horsepower or its equivalent.

* The total time and total cycles referred to above are as of _____ Time, _____, _____. Such times and cycles are within _____ hours and _____ cycles of the actual hours and cycles at the time of this Lease Supplement.

SCHEDULE 2

TO

LEASE SUPPLEMENT NO. 1

Aircraft Status on The Delivery Date

Airframe:

Number of Hours Since Last Heaviest Maintenance Inspection:

_____ hours

"C" Check (or Equivalent):

Interval: _____

Time Since: _____

Landing Gear Overhaul:

Number of Hours Since Last Overhaul:

Left Gear _____ hours

Right Gear _____ hours

Nose Gear _____ hours

Interval: Left Gear _____ hours

Right Gear _____ hours

Nose Gear _____ hours

Engines:

Number of Hours Since Last Hot Section Refurbishment:

S/N _____:_____ hours

S/N _____:_____ hours

Number of Hours Since Last Cold Section Refurbishment:

S/N _____:_____ hours

S/N _____:_____ hours

Hot Section Inspection:

Interval: _____

Time Since (S/N _____): _____

Time Since (S/N _____): _____

Time Remaining to First Restriction:

Engine S/N: _____

Hours: _____ Restriction: _____

Cycles: _____ Restriction: _____

Engine S/N: _____

Hours: _____ Restriction: _____

Cycles: _____ Restriction: _____

Average Hours and Cycles in Life-Limited Parts:

Hours: _____

Cycles: _____

Auxiliary Power Unit:

Number of Hours Since Last Heavy Shop Visit:

_____ hours

Hot Section Inspection:

Interval: _____

Time Since: _____

Fuel on Board at Technical Acceptance:

Components:

P/N	Name	Overhaul Interval	Time Since New
-----	-----	-----	-----

EXHIBIT E
to
Aircraft Lease Agreement

RETURN CONDITION REQUIREMENTS

In addition to the requirements set forth in Section 16 of the Lease, on or before the Expiration Date, Lessee, at its own expense, shall return the Aircraft in compliance with all of the following provisions:

(1) The Aircraft shall have theretofore been maintained in accordance with Section 6(d) of the Lease with the same care and consideration for the technical condition of the Aircraft as if it were to have been kept in continued regular service by Lessee.

(2) The Aircraft shall be clean by commercial airline standards. The cockpit shall be "touched-up" as reasonably required in accordance with standard international airline practice and placards replaced as reasonably required, but without requiring removal of panels or instruments.

(3) The Aircraft shall have installed the full complement of Engines (as used herein the term "Engines" includes engines for which title will be transferred to Lessor pursuant to Section 16(c) of the Lease) and other equipment, parts, components, accessories, furnishings and loose equipment as when originally delivered to Lessee (excluding leased equipment) and as should remain installed on the Aircraft were Lessee to continue operating the same in continued regular service, each such item properly functioning in accordance with its intended use.

(4) The Aircraft shall comply with FAR Part 129, all outstanding DAC Regulations and Airworthiness Directives issued by the FAA affecting such model aircraft which by their terms require compliance on or before ninety (90) days after the Expiration Date of this Lease.

(5) The Aircraft shall have a current and valid DAC Certificate of Airworthiness, or at Lessor's request an export certificate of airworthiness issued by DAC. Lessee will permanently repair any damage to the Aircraft that exceeds the DAC's or manufacturer's limits for operation without restrictions.

(6) The Aircraft shall be in as good operating condition as when delivered to Lessee hereunder, ordinary wear and tear excepted.

(7) Lessee's distinctive markings, such as name, logo and stripes, shall be removed from the Aircraft in a workmanlike manner in accordance with standard industry practice and the Aircraft shall be re-painted all white.

(8) The Aircraft shall have the same amount of fuel as it had on the Technical Acceptance Date, but if it has a lesser amount, then the Lessee shall pay to the Lessor on the Return Occasion an amount which equals the current market price for Aircraft jet fuel times the

amount by which the quantity of fuel on the Technical Acceptance Date exceeds the amount of fuel on the Return Occasion.

(9) The Aircraft will meet the requirements of FAA regulations found at Part 36, Appendix C, Stage 3 noise compliance as then in effect without waiver or restriction.

(10) Lessee shall adhere strictly to the corrosion prevention and treatment cards as prescribed in the Maintenance Program.

(11) The Aircraft, except as otherwise provided in the Lease, Letter Agreement No. 1, or as consented to by Lessor, shall be in substantially the same configuration (including, but not limited to, interior seating configuration, galleys and lavatories) as when the Aircraft was originally delivered to Lessee hereunder.

(12) Neither the Aircraft nor any Engine shall have any open, deferred, continued, carry over or placarded log book items.

(13) At the end of the Term of the Lease, Lessee, at its expense, shall obtain an Export Certificate of Airworthiness for the Aircraft issued by the DAC, if available from DAC.

(14) The Aircraft shall receive a complete block "C" Check (or its equivalent), including all phases and multiples and structural inspections as are normally part of such check immediately prior to the Return Occasion in accordance with Lessee's DAC approved Maintenance Program, with all deficiencies corrected.

(15) Return of Engines

(a) Each Engine (including, without limitation, burner cans) shall have just completed a hot and cold section borescope inspection (which inspection Lessee shall cause to be recorded on videotape and shall provide a copy of such videotape to Lessor on the Return Occasion), and a power assurance shall have been run in accordance with the Maintenance Program or the manufacturer's maintenance manual and any defects discovered in such inspection exceeding manufacturer's in service limits for normal operations shall be corrected at Lessee's expense. Both the borescopes and the power assurance runs shall take place at the Return Location.

(b) No Engine shall be on "Watch" for excessive oil consumption, high Exhaust Gas Temperature or any special or out of sequence inspection and each such Engine shall comply with the operations specification of Lessee.

(c) No Engine will have less than 3,500 Engine flight hours and 2,500 Engine cycles (3,000 Engine flight hours and 2,000 Engine cycles if the Aircraft is returned at the end of second or third Renewal Term) of expected life remaining to the next scheduled removal. The expected life remaining will be determined in accordance with this Lease by review of the Engine LLP records and the borescope inspection and power assurance run referred to in subparagraph (a) above.

(16) Return of Auxiliary Power Unit

The Auxiliary Power Unit ("APU") will be serviceable and be in the same operational condition as it was on the Delivery Date, with temperatures and air outputs within the manufacturer's limits at all operational settings and have a minimum of 3,000 flight hours or half time remaining whichever is less, based on industry standard mean time between removals for heavy maintenance as reported by engine manufacturer.

(17) Return of Landing Gear

On a Return Occasion, the Landing Gear and wheel wells will be clean, free of leaks and repaired as necessary. Each installed Landing Gear shall have not less than 3,500 flight hours, 2,500 cycles (3,000 flight hours and 2,000 cycles if the Aircraft is returned at the end of second or third Renewal Term) and 12 months remaining to the next scheduled removal as applicable to a particular component in accordance with the Lessee's Maintenance Program. The wheels and brakes will have not less than half of their useful life remaining.

(18) Return of Time, Cycle or Calendar Controlled Components

On the Return Occasion each time controlled or calendar controlled component on the Aircraft, excluding the Engines (but including any time controlled components thereon), shall have at least 3,500 flight hours, 2,500 cycles (3,000 flight hours and 2,000 cycles if the Aircraft is returned at the end of second or third Renewal Term) and 12 calendar months remaining to next scheduled check or its equivalent overhaul or replacement as applicable to a particular component in accordance with the Lessee's Maintenance Program. Lessee may remove and replace any time controlled component in order to comply with return conditions herein set forth, provided that the replacement component has an equivalent or later part number, has a value, remaining warranty and modification status at least equal to the replaced component and is completely interchangeable as to form, fit and function as the replaced component.

EXHIBIT F-1
to
Aircraft Lease Agreement
LESSEE'S COUNSEL OPINION

[Letterhead of Lessee's Counsel]

[Date of Delivery Date]

Aviation Financial Services Inc.
c/o GE Capital Aviation Services
201 High Ridge Road
Stamford, Connecticut 06927-4900

Re: Compania Panamena de Aviacion, S.A.
Lease of New Boeing Model 737-700
Aircraft Manufacturer's Serial No. 28607

Dear Sirs:

We act as counsel for Compania Panamena de Aviacion, S.A., a company organized under the laws of Panama (the "Lessee") and have reviewed (i) an Aircraft Lease Agreement dated as of November 18, 1998 (the "Lease") between the Lessee and Aviation Financial Services Inc. (the "Lessor"), together with Lease Supplement No. 1 thereto dated the Delivery Date between the Lessee and the Lessor and Letter Agreement No. 1 dated as of November 18, 1998 between the same parties (collectively, the "Lease"). Except as otherwise defined herein, capitalized terms used herein shall have the meanings set forth in the Lease.

You have requested us to render an opinion in connection with the transactions governed by the Lease. We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records and other instruments as we have deemed necessary or advisable for the purpose of rendering this opinion. We have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies or facsimiles.

Based upon the foregoing, we are of the opinion that:

1. The Lessee is a company duly organized and validly existing in good standing under the laws of Panama, is duly qualified to hold property and to transact business as an air carrier under the laws of Panama and is duly qualified to carry on business in each jurisdiction in which it conducts business, has full power and authority to carry on its business as presently conducted, to hold and operate property under lease and to enter into and to perform its obligations under the Lease and each other document related thereto to which the Lessee is a

party.

2. The execution, delivery and performance by the Lessee of the Lease have been duly authorized by all necessary corporate action on the part of the Lessee, do not require any approval of the shareholders of the Lessee or consent of any or holder of any indebtedness or obligation of the Lessee, and the execution and delivery of the Lease, the consummation of the transactions contemplated therein, and compliance by the Lessee with the terms and provisions thereof, do not contravene any law applicable to the Lessee, or result in the breach of, or constitute any default under, or result in the creation of any lien, charge or encumbrance upon any property of the Lessee under any credit agreement or instrument, corporate charter or bylaw or other agreement to which the Lessee is a party or by which the Lessee or its properties or assets are bound or affected.

3. The Lessee received every consent, license, approval or authorization of, and exemption by, and gave every notice to, each Governmental Entity having jurisdiction with respect to the execution, delivery and performance of the Lease (including all monetary and other obligations thereunder) that is required for the Lessee to execute and deliver the Lease and to perform the transactions contemplated thereby and each such consent, license, approval, authorization and exemption is valid and effective and has not been revoked or rescinded.

4. The Lease has been duly executed and delivered by the Lessee and constitutes the legal, valid and binding agreement of the Lessee enforceable against the Lessee in accordance with its terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) as a court having jurisdiction may impose and by laws which may affect some of the remedies provided therein but which do not make the available remedies inadequate for the substantial realization of the benefits intended to be provided therein.

5. There are no actions, suits or proceedings pending or, to our best knowledge after due inquiry, threatened against or affecting the Lessee in any court or before any regulatory commission, arbitrator, board or other administrative Governmental Entity which, if adversely determined to the Lessee, could have a material adverse effect on the current business or financial conditions of the Lessee or on the ability of the Lessee to perform its obligations under the Lease.

6. The Lessee is not in default under any indenture, mortgage, loan agreement or lease agreement of which we have knowledge and to which the Lessee is now a party or by which it is bound nor is the Lessee in default under any other agreement or instrument of a material nature of which we have knowledge and to which the Lessee is now a party or by which it is bound; nor to our knowledge is the Lessee in violation of any law, order, injunction, decree, rule or regulation applicable to the Lessee of any court or administrative body, which violation could materially and adversely affect the business, property or assets, operations or condition, financial or otherwise, of the Lessee; and no event has occurred and is continuing which, under the provisions of any such indenture, mortgage, loan agreement or lease agreement, with the

lapse of time or the giving of notice, or both, would constitute a default thereunder.

7. There is no Tax (whether payable by withholding or deduction and including, without limitation, monetary transfer fees, or similar taxes and charges) (i) on or by virtue of the execution, delivery, performance or enforcement of the Lease, or any other document furnished or contemplated to be furnished thereunder, or (ii) to be deducted or withheld from any payment to be made by the Lessee pursuant to the Lease.

8. The obligations of the Lessee under the Lease rank at least equally and ratably (pari passu) in all respects with all other unsecured obligations of the Lessee except for claims preferred by the laws of Panama. Such claims are [____].

9. The Lessee is subject to private commercial laws and suit under the laws of Panama and any other jurisdiction affecting the Lessee. The Lessee is not entitled to sovereign immunity under the laws of Panama or any such other jurisdiction, and neither the Lessee nor any of its respective properties or assets have the right of immunity from suit or jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise) on the grounds of sovereign immunity in Panama, the United States or any other jurisdiction.

10. The choice of New York law to govern the Lease will be upheld as a valid choice of law in any action in the courts of Panama.

11. The consent of the Lessee to the jurisdiction of the courts referred to in Section 20(b) of the Lease is valid and binding upon the Lessee and not subject to revocation. If any action in respect of the Lease were brought in a court of Panama, such court would apply the law of the State of New York.

12. Any judgment or order given by a Federal State or local court in New York under the Lease may be enforced in Panama by suit on the judgment, and would be recognized and accepted by the courts of Panama and would be enforceable by the courts of Panama without re-trial or examination of the merits of the original action, provided that any such courts have taken the necessary procedural and service of process required by Panamanian law and said judgment is not considered against public policy.

13. No stamp or registration or similar taxes or charges are payable in Panama in respect of the execution or performance of the Lease or the enforcement thereof in the courts of Panama other than [_____].

14. Except for compliance with the requirements set forth in Paragraph 15 hereof, and the placing on the Aircraft and on each Engine of the plates containing the legends referred to in Section 6(f) of the Lease, no further filing, recording or notarization of the Lease or of any other document, and no further action is necessary or advisable (including without limitation the filing or recording of the Head Lease with the DAC or any other Governmental Entity in Panama), under the laws of any Governmental Entity in order to (a) fully establish and protect Alcyone FSC Corporation's title to, interest in and property rights with respect to, and Lessor's leasehold

interests in, the Aircraft as against the Lessee or any third party and to ensure that the property rights of Alcyone FSC Corporation and the Lessor therein will have priority in all respects over the claims of all creditors of the Lessee or (b) ensure the validity, effectiveness and enforceability of the Lease and the practical realization of the benefits and rights intended to be afforded thereby.

15. The only filings, recordings, notarizations, or other actions that have not been taken and in full force and effect on the date hereof which are necessary or advisable to be taken under the laws of Panama in order to (i) fully establish and protect the Lessor's title to, interest in and property rights with respect to the Aircraft as against the Lessee or any third party and to ensure that the property rights of the Lessor therein which have priority in all respects over the claims of all creditors of the Lessee, and (ii) ensure the validity, effectiveness and enforceability of the Lease are (x) filing of the Lease (but not including Letter Agreement No. 1) for recordation with the DAC, (y) due registration of the Aircraft with the DAC in Panama and (z) recordation of the Owner's title to the Aircraft with the Aeronautics Section of the Public Registry of Panama. We know of no reason such recordations and registration should not be timely accomplished.

16. The Aircraft will be duly registered with the DAC, in the name of Alcyone FSC Corporation as owner and Lessor as lessor and in the name of Lessee as lessee and operator once it is imported into Panama.

17. Lessee is a licensed air carrier under the laws of Panama. The Lessee is qualified to operate the Aircraft in passenger and cargo revenue service to, from and within Panama.

18. The irrevocable instrument appointing Lessor or its agents as attorney-in-fact for Lessee to take all necessary actions on behalf of Lessee to remove the Aircraft (i) from the jurisdiction of Panama and (ii) from the registry of Panama upon termination of the Lease has been duly executed and delivered by Lessee and is irrevocable, legal, valid and effective under the laws of Panama to permit Lessor to so remove the Aircraft from the jurisdiction and registry of Panama.

19. On the termination of the Lease (whether by expiration of the Term or otherwise) as contemplated in the Lease, the Lessor will be entitled (i) to repossess the Aircraft, (ii) to deregister the Aircraft from the Register of Panama and (iii) to export the Aircraft from Panama, all without requiring any further consents, approvals or licenses from, and without requiring the posting of any security with, any Governmental Entity of Panama. If the export is not permitted or if deregistration of the Aircraft shall not be effected by the DAC, the Lessor has an adequate remedy at law to cause a prompt deregistration and to cause prompt issuance of any necessary export license without any posting of security.

20. The Lessor is not required to qualify to do business under the laws of Panama or any political subdivision thereof as a condition to, and the failure so to qualify does not affect, the exercise by it of any right, privilege or remedy accorded it under the Lease, or any other document delivered in connection therewith or the enforcement of such right, privilege or remedy. Neither the execution and delivery of, nor the performance by the Lessee of any action required under any of the Lease or any document delivered in connection therewith, nor the

exercise of remedies thereunder will result in any tax liability to Lessor pursuant to the laws of Panama or any political subdivision thereof or tax authority therein.

21. The Lessor, either in connection with the exercise of any rights or remedies available to it under the Lease, or any document delivered in connection therewith, or as the result of its interest in the Aircraft or as a result of receiving performance under the Lease, or any document delivered in connection therewith, shall not be deemed to have set up a permanent establishment in Panama under any applicable law of Panama relating to any Tax.

We do not purport to be experts on and do not purport to be generally familiar with or qualified to express legal opinions based on any law other than the laws of Panama and, accordingly, express no legal opinion herein based upon any other laws.

Yours very truly,

EXHIBIT F-2
to
Aircraft Lease Agreement

LESSEE'S COUNSEL OPINION

[Letterhead of Lessee's Counsel]

[Date of Delivery Date]

Aviation Financial Services Inc.
c/o GE Capital Aviation Services
201 High Ridge Road
Stamford, Connecticut 06927-4900

Re: Compania Panamena de Aviacion, S.A.
Lease of Boeing Model 737-700
Aircraft Manufacturer's Serial No. 28607

Dear Sirs:

We have acted as special Panamanian counsel at the request of Compania Panamena de Aviacion, S.A., a company organized under the laws of Panama (the "Lessee") in connection with the lease of one new Boeing Model 737-700 (Serial No. 28607) to Lessee. In rendering this opinion we have reviewed an Aircraft Lease Agreement dated as of November 18, 1998 (the "Lease") between the Lessee and Aviation Financial Services Inc. (the "Lessor"), together with Lease Supplement No. 1 thereto dated the Delivery Date between the Lessee and the Lessor and Letter Agreement No. 1 dated as of November 18, 1998 between the same parties (collectively, the "Lease"). Except as otherwise defined herein, capitalized terms used herein shall have the meanings set forth in the Lease.

We have been requested to render an opinion relating to the recordation of the Head Lease and the Lease as hereinafter described and the registration of the Aircraft with the DAC. We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, records and other instruments as we have deemed necessary or advisable for the purpose of rendering this opinion. More specifically we have examined the governmental consents, licenses, approvals, authorizations and exemptions listed on Schedule 1 hereto. We have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies or facsimiles.

Based upon the foregoing, we are of the opinion that:

1. The Lease (but not including Confidential Exhibit C or Letter Agreement No. 1) and any other documents necessary or advisable to be recorded have been duly recorded by the DAC.

2. It is neither necessary no advisable to file or record the Head Lease with the DAC or any other Governmental Entity in Panama for the Lease to be fully enforceable in accordance with its terms in the courts of Panama and in order to (a) fully establish and protect Alcyone FSC Corporation's title to, interest in and property rights with respect to, and Lessor's leasehold interests in, the Aircraft as against the Lessee or any third party and to ensure that the property rights of Alcyone FSC Corporation and the Lessor therein will have priority in all respects over the claims of all creditors of the Lessee or (b) ensure the validity, effectiveness and enforceability of the Lease and the practical realization of the benefits and rights intended to be afforded thereby.

3. The Aircraft has been duly registered with the Direccion General de Aeronautica Civil of Panama in the name of Alcyone FSC Corporation as owner and Lessor as lessor and in the name of Lessee as lessee and operator with registration no. _____ on _____, ____.

4. Once validly registered, the DAC will not cause or permit deregistration of the Aircraft without prior consent of Lessor.

5. Lessee is a licensed air carrier under the laws of Panama under a permit issued to the Lessee by the DAC with the type and number of the Aircraft duly endorsed thereon, and the Lessee is qualified to operate the Aircraft in passenger and cargo revenue service to, from and within Panama.

We hereby confirm the opinions set forth in paragraphs 14 and 15 of our opinion letter to you dated _____, _____, in each case without exception or qualification.

We do not purport to be experts on and do not purport to be generally familiar with or qualified to express legal opinions based on any law other than the laws of Panama and, accordingly, express no legal opinion herein based upon any other laws.

Yours very truly,

EXHIBIT G
to
Aircraft Lease Agreement

FORM OF LETTER OF CREDIT

[NAME OF ISSUING BANK]
IRREVOCABLE STANDBY LETTER OF CREDIT
DATED: __, ____

Aviation Financial Services Inc.
c/o GE Capital Aviation Services
201 High Ridge Road
Stamford, Connecticut 06927-4900

RE: Letter of Credit
Account Party: Compania Panamena de Aviacion, S.A.

Gentlemen:

At the request and for the account of Compania Panamena de Aviacion, S.A. ("Lessee"), a corporation organized and existing under the laws of Panama, we hereby establish in your favor, as lessor under that certain Aircraft Lease Agreement dated as of November 18, 1998 (the "Lease Agreement"), between Aviation Financial Services Inc. as lessor and Lessee as lessee, our Irrevocable Standby Letter of Credit No. _____, in the aggregate maximum amount of [as specified in Exhibit C to the Lease Agreement], effective on the date set forth above and expiring on the LOC Expiration Date (as defined below).

(vii) Funds under this Letter of Credit will be made available to you by wire transfer in immediately available funds in United States Dollars to an account to be designated by you in the sight draft referred to below on any Business Day (as defined below) occurring on or before the LOC Expiration Date, upon presentation at our offices located at [_____], of a sight draft in the form attached hereto as Annex A setting forth the amount of the drawing and referring expressly thereon to the number of this Letter of Credit. We hereby confirm with you that drafts in conformity with the terms of this Letter of Credit will be duly honored on the date of such presentation as set forth herein. All payments hereunder shall be made, free and clear of, and without deduction for, any present or future fees, taxes, restriction or conditions of any nature, and without setoff or counterclaim for any reason whatsoever.

(viii) You are hereby authorized to make multiple drawings hereunder in accordance with the terms and conditions described herein, each drawing upon the presentation of the documentation referred hereinabove, provided, however, subject to the provisions of paragraph 5 below, that the aggregate amount of all drawings hereunder shall in no event exceed the aggregate maximum amount of the Letter of Credit.

(ix) This Letter of Credit shall expire, and no drawing hereunder may be made thereafter, at 5:00 p.m. (EST) on the earliest of the following dates (the "LOC Expiration Date"): (i) the day which is ten (10) Business Days after the expiration date (as defined in the Lease Agreement), or (ii) on the Business Day on which the aggregate amount of all drawings hereunder, is equal (subject to the provisions of paragraph 5 hereinbelow) to the aggregate maximum amount of this Letter of Credit. With respect to clause 3(i) above, it is hereby expressly provided that in the event that if on or before sixty (60) days prior to the LOC Expiration Date you do not receive written notice from us whereunder this Letter of Credit will be renewed on, or a new letter of credit issued in substantially the form hereof to be effective as of, the LOC Expiration Date referred to in such clause 3(i), then you may draw against this Letter of Credit in the manner described herein.

(x) For the purpose hereof "Business Day" shall mean any day up to 5:00 p.m. (EST), on such day, other than Saturday and Sunday, on which banks in the United States of America are not authorized or required to close.

(v) Upon payment by us, or on our behalf, of the amount specified in any draft drawn hereunder, we shall be fully discharged of our obligation under this Letter of Credit solely in respect of such draft, and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such draft to you or to any other person.

(vi) This Letter of Credit may only be transferred to any person who is the lessor under the Lease Agreement at the time of such transfer.

(vii) This Letter of Credit sets forth in full our understanding, and such understanding shall not in any way be modified, amended, amplified or limited by reference to any document or agreement other than the sight drafts referred to herein, or a written agreement among you, us and Lessee.

(viii) Communications with respect to this Letter of Credit shall be in writing and if directed to us shall be addressed to us at [_____], specifically referring to the number of this Letter of Credit, and, if directed to you, shall be addressed to you at Polaris Holding Company, [_____].

(ixxi) All banking charges in connection with this Letter of Credit and any drawings made hereunder shall be for the account of Compania Panamena de Aviacion, S.A.

(x) This Letter of Credit shall be governed by the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500, and, as to matters not covered therein, by the laws of the State of New York.

[NAME OF ISSUER]

BY

Authorized Signature

ANNEX A
To Irrevocable Standby
Letter of Credit No.

(FORM OF SIGHT DRAFT)

(DATE)

(Location)

At sight of this draft pay to the order of (beneficiary) the amount of U.S.
\$(amount in figures) (the sum of (amount in Letters) United States Dollars).

To (payment instructions).

Drawn under Letter of Credit No. _____, dated as of _____,
_____, of

(beneficiary signature)

Endorsement

(beneficiary signature) 2

EXHIBIT H
to
Aircraft Lease Agreement

TECHNICAL ACCEPTANCE RECEIPT

Compania Panamena de Aviacion, S.A. ("Lessee") hereby acknowledges that on the ____ day of _____, _____, Polaris Holding Company ("Lessor") did deliver for inspection to Lessee, one (1) New Boeing Model 737-700 Aircraft, bearing manufacturer's serial number 28607, together with two (2) new installed CFM 56-7B24 Engines, bearing manufacturer's serial numbers [_____] and [_____] , together with all Parts, and Aircraft Documents in accordance with and as defined by the Aircraft Lease Agreement made between Lessor and Lessee dated as of November 18, 1998 (the "Lease").

The undersigned hereby further acknowledges that: (i) it did conduct an inspection of the aforementioned Aircraft, Engines, Parts, and Aircraft Documents as contemplated by the Lease; (ii) the Parts reflected in Schedule I hereto are in the condition set forth therein; (iii) the same are technically acceptable to it and in the condition for delivery and acceptance as required under the Lease; and (iv) the execution and delivery of this Technical Acceptance Receipt by Lessee signifies the absolute and irrevocable acceptance by Lessee of the Aircraft, Engines, Parts and Aircraft Documentation under the Lease.

IN WITNESS WHEREOF, this Technical Acceptance Receipt has been executed and delivered this ____ day of _____, _____.

COMPANIA PANAMENA DE AVIACION, S.A.

By: _____
Title: _____

Exhibit 10.8

EXECUTION COPY

As of November 18, 1998

COMPANIA PANAMENA DE AVIACION, S.A.
Avenida Justo Arosema 7 Calle 39
Apto. 1572
Panama 1
REPUBLIC OF PANAMA

Re: Letter Agreement No. 1 to Aircraft Lease Agreement dated as of
November 18, 1998 between Aviation Financial Services Inc.,
Lessor, and Compania Panamena de Aviacion, S.A., Lessee - 1.
Certain Conditions to Leasing

Gentlemen:

Reference is made to that certain Aircraft Lease Agreement dated as of
November 18, 1998 (the "Lease") between Aviation Financial Services Inc., as
lessor ("Lessor"), and Compania Panamena de Aviacion, S.A., as lessee
("Lessee"), for the lease of one new Boeing Model 737-700 commercial aircraft
bearing manufacturer's serial number 28607 (the "Aircraft"). Terms not otherwise
defined herein shall have the meanings assigned to them in the Lease.

Each Party hereby agrees that such Party shall preserve the
confidentiality of, and shall not disclose, the information set forth in this
Letter Agreement No. 1 to any other Person without obtaining the prior written
consent of the other Party; provided, however such Person may disclose such
information (i) to its attorneys and auditors and (ii) to the extent required by
applicable law; provided, further that Lessor shall not be required to seek such
consent of Lessee following the occurrence and during the continuance of an
Event of Default. In that connection and in order to preserve the
confidentiality of certain business terms of the Lease, Lessor and Lessee have
agreed that two special conditions to leasing should be enumerated in this
letter rather than in the body of the Lease. Those conditions relate to the
Aircraft Specification and to amendment of the existing leases of three Boeing
737-200 Aircraft presently leased to Lessee by Lessor's Affiliate Polaris
Holding Company, as follows:

1. Aircraft Specification and Interior Configuration.

Lessor has agreed that the Aircraft will be delivered to Lessee meeting the Aircraft Specification and Interior Configuration applicable to new Boeing 737-700 Aircraft being delivered to Continental. Meeting such conditions will require special amendment to the Purchase Agreement including Aircraft Specification D6-38808-34, Revision A - July 16, 1998, which would otherwise be applicable thereto and other modifications after delivery of the Aircraft (collectively, the "Modifications"). Lessor will absorb up to **Material Redacted** of the cost per Aircraft to accomplish such Modifications. Lessor and Lessee have agreed that for any Modifications costs over **Material Redacted**, Lessor will fund the Modifications up to a total of **Material Redacted** per Aircraft, but with a corresponding increase in the monthly Basic Rent by an amount equal to **Material Redacted** of the amount by which such Modifications costs per Aircraft actually incurred by Lessor exceed **Material Redacted**. Lessee agrees to fund any excess Modification cost which exceeds **Material Redacted** without recourse to or reimbursement from Lessor or any lien upon or ownership claim in the Aircraft.

Lessor and Lessee agree to have their technical experts meet with those of Continental and the Aircraft Manufacturer during the next 60 days in a good faith effort to establish the most appropriate methodology for achieving the Modifications. In order to implement those Modifications, it will be necessary for Lessor to obtain certain BFE parts and components particular to and furnished by Continental's BFE vendors. Accordingly, to the extent so required, Lessee undertakes to make available for purchase by Owner or Lessor, the BFE parts and components required for the Modifications contemplated herein and to cause the vendors of such BFE parts to furnish any necessary technical data or information and appropriate warranties. The Modifications will also require incorporation (by supplements to the Purchase Agreement referenced above) of a detailed aircraft technical specification similar to that utilized by Boeing for the construction of B737-700 aircraft for Continental. Lessee will be responsible for obtaining the technical information required to accomplish the Modifications.

2. Amendments to Existing Leases for Boeing 737-200 Aircraft.

Lessee has agreed to lease the Aircraft pursuant to the Lease and to lease a companion new Boeing 737-700 Aircraft for delivery in October, 1999 (the two 737-700 Aircraft being hereinafter referred to as the "737-700 Aircraft") on condition that the leases for three Boeing 737-200 Aircraft bearing Serial Numbers 21359, 21612 and 21677 (the "737-200 Aircraft") be amended to provide for reductions in the amount of monthly rentals commencing as of September 1, 1998 and for the addition of certain lease renewal options, all as more detailed in that certain Letter of Intent No. 98323-03, dated September 8, 1998. Lessor and Lessee have agreed that the rental reductions to be implemented as of September 1, 1998 during the existing lease terms of the 737-200 Aircraft (but not during the optional renewal terms) will not be accomplished by way of an amendment to the amount of Basic Rent specified in the 737-200 Aircraft leases but will be effected by way of a credit in the amount of **Material Redacted** per month per aircraft to be applied as Basic Rent becomes due. Lessor confirms that the lessor and headlessor of the leases for 737-200 Aircraft are in agreement with the substance of such amendments and will cause GECAS to produce and negotiate in good faith appropriate documentation to implement such amendments as soon as reasonably possible after execution by Lessee of the Lease for the Aircraft and the lease for the companion Boeing 737-700 Aircraft.

Lessor and Lessee have also agreed that in the event that Lessee does not take delivery of either of the 737-700 aircraft after proper tender of delivery by Lessor, Lessee shall immediately reimburse Lessor the full amount of any and all rental credits applied to Lessee's Basic Rent obligations for the 737-200 Aircraft, as described in the paragraph above, and Lessor shall be entitled to treat a failure by Lessee to make such reimbursement as an Event of Default under the Lease.

3. Delivery Delays.

In the event of an Excusable Delay in the delivery of the Aircraft past the Estimated Delivery Date, Lessor will, notwithstanding any provision of the Lease to the contrary, pay Lessee ****Material Redacted**** for each day that the Aircraft is so delayed commencing with (a) the 60th day in the case of an Excusable Delay attributable to Lessor or (b) the 90th day in the case of an Excusable Delay on the part of the Manufacturer, to and including the day preceding the sixth (6th) monthly anniversary of the Estimated Delivery Date.

Exhibit 10.9

As of March 8, 1999

COMPANIA PANAMENA DE AVIACION, S.A.
Avenida Justo Arosema 7 Calle 39
Aptdo. 1572
Panama 1
REPUBLIC OF PANAMA

Re: Letter Agreement No. 2 to Aircraft Lease Agreement dated as of
November 18, 1998 between Aviation Financial Services Inc.,
Lessor, and Compania Panamena de Aviacion, S.A., Lessee -
Correction to Exhibit C (Basic Rent)

Gentlemen:

Reference is made to that certain Aircraft Lease Agreement dated as of
November 18, 1998 (the "Lease") between Aviation Financial Services Inc., as
lessor ("Lessor"), and Compania Panamena de Aviacion, S.A., as lessee
("Lessee"), for the lease of one new Boeing Model 737-700 commercial aircraft
bearing manufacturer's serial number 28607 (the "Aircraft"). Terms not otherwise
defined herein shall have the meanings assigned to them in the Lease.

Each Party hereby agrees that such Party shall preserve the
confidentiality of the information set forth in this Letter Agreement No. 2, and
shall not disclose such information to any other Person, without obtaining the
prior written consent of the other Party; provided, however, such Person may
disclose such information (i) to its attorneys and auditors and (ii) to the
extent required by applicable law; provided, further that Lessor shall not be
required to seek such consent of Lessee following the occurrence and during the
continuance of an Event of Default.

Lessor and Lessee have determined that the definition of Basic Rent as
set forth in Exhibit C (the longer, non-public version) to the Lease contains an
error in that the middle rental period is stated as being 24 months, whereas in
fact the Parties had agreed to a middle rental period of 12 months as evidenced
in their letter of intent dated September 8, 1998. Lessor and Lessee now wish to
correct that error. Accordingly, the definition of Basic Rent set forth in said
Exhibit C of the Lease is amended in its entirety to read:

"BASIC RENT: The Basic Rent payable during the Basic Term shall be
payable in sixty (60) consecutive monthly installments, in advance on
each Basic Rent Payment Date, with each such installment equal to: (a)
Material Redacted for the first twenty four monthly installments,
(b) **Material Redacted** for the next twelve monthly installments,
and (c) **Material Redacted** for the last twenty four monthly
installments."

Except as expressly provided herein, Lessor and Lessee acknowledge that nothing contained in this Letter Agreement No. 2 is intended to discharge, amend or otherwise modify their obligations under the Lease. The Lease is hereby ratified and confirmed, but only as amended hereby, in all respects.

This Letter Agreement No. 2 has been duly authorized, executed and delivered by each of Lessor and Lessee and constitutes the legal, valid and binding obligation of each of them enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally and subject to principles of equity. This Letter Agreement No. 2 shall be governed by the Laws of the State of New York.

=====

EXECUTION VERSION

LEASE EXTENSION AND AMENDMENT AGREEMENT

dated as of

April 30, 2003

to

AIRCRAFT LEASE AGREEMENT

dated as of November 18, 1998

BETWEEN

AVIATION FINANCIAL SERVICES, INC.

as Lessor

AND

COMPANIA PANAMENA DE AVIACION, S.A.

as Lessee

One Boeing Model 737-7V3 Aircraft

Manufacturer's Serial No. 28607

=====

LEASE EXTENSION AND AMENDMENT AGREEMENT

to

Aircraft Lease Agreement

This is a LEASE EXTENSION AND AMENDMENT AGREEMENT dated as of April 30, 2003 to the Aircraft Lease Agreement dated as of November 18, 1998 (the "Lease Agreement") between AVIATION FINANCIAL SERVICES, INC. ("Lessor"), and COMPANIA PANAMENA DE AVIACION, S.A. ("Lessee") as the Lease Agreement has been heretofore supplemented, amended and modified by Lease Supplement No. 1 dated October 21, 1999 ("Lease Supplement No. 1"), by Letter Agreement No. 1 dated as of November 18, 1998 ("Letter Agreement No. 1") and by Letter Agreement No. 2 dated as of March 8, 1999 ("Letter Agreement No. 2"), in each case between Lessor and Lessee (the Lease Agreement as so supplemented, amended and modified is hereinafter referred to as the "Lease").

WHEREAS, the Lease is in respect of one Boeing 737-7V3 Aircraft Manufacturer's Serial No. 28607 and Registration No. HP-1372CM, together with two CFM International Model CFM 56-7B24 engines bearing manufacturer's serial numbers 874969 and 874961 and certain related equipment (the "Aircraft"), and

WHEREAS, Lessee and Lessor desire to extend the Term of the Lease and to amend certain other terms thereof; and

WHEREAS, capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Lease.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. Amendments to Lease.

The Lease is hereby amended as follows:

A. Section 3(g) is hereby amended and restated as follows:

"(g) Lease Term Renewal Options: Lessor hereby grants Lessee the right to renew the lease for up to three (3) additional, consecutive terms (each a "Renewal Term") (the option to renew for each Renewal Term being hereafter referred to as the "Lease Term Renewal Option"). Each Renewal Term shall consist of twelve (12) months, and the first Renewal Term would commence the day following the Expiration Date of the Basic Term. Exercise of each Lease Term Renewal Option shall be subject to (i) the delivery by Lessee of written notice to Lessor (a "Renewal Notice") as to such exercise at least nine (9) months prior to the then applicable Expiration Date, and (ii) no Event of Default having occurred and continuing on or as of the date the Renewal Notice is received by

Lessor or the first Basic Rent Payment Date of the applicable Renewal Term. The Basic Rent during any such Renewal Term shall be payable monthly in advance at the same monthly Basic Rent rate paid by Lessee during the Basic Term (as extended by any previous extension or exercise of a Lease Term Renewal Option) that would otherwise be expiring. Upon commencement of a Renewal Term the Basic Term shall be deemed extended so that the new Expiry Date becomes the date which occurs on the twelfth monthly anniversary of the Expiration Date in effect prior to the renewal and the new Last Basic Rent Payment Date becomes the date which occurs on the twelfth monthly anniversary of the Last Basic Rent Payment Date in effect prior to the renewal. Upon exercise of any Lease Term Renewal Option such Option shall be deemed extinguished and not be available for any subsequent re-exercise."

- B. In Exhibit C, Part 2. DEFINITIONS OF CERTAIN TERMS, the following definitions are amended and restated to read:

"BASIC RENT: The Basic Rent payable during the Basic Term shall be payable in one hundred twenty (120) consecutive monthly installments, in advance on each Basic Rent Payment Date, with each such installment equal to: (a) **Material Redacted** for the first twenty four monthly installments, (b) **Material Redacted** for the next twelve monthly installments, (c) **Material Redacted** for the twenty four monthly installments commencing with the thirty seventh (37th) installment and (d) **Material Redacted** for the sixty monthly installments of Basic Rent commencing November 1, 2004 and for each installment of Basic Rent during any Renewal Term which may be commenced in a period subsequent to the Expiration Date."

"CASUALTY VALUE: For the period of the Lease through April 30, 2003 **Material Redacted**; for the period May 1, 2003 through December 15, 2004 **Material Redacted**; and for the one year period commencing December 16, 2004 and each one year period in the Lease Term commencing December 16 thereafter the amount of the Casualty Value in the immediately preceding one year period less **Material Redacted**."

"LAST BASIC RENT PAYMENT DATE: The Last Basic Rent Payment Date for the Aircraft shall be October 1, 2009, or such later date as may result from exercise of the Lease Term Renewal Options.

- C. In Exhibit C, a new Part 5 is added after the current Part 4, as follows:

"5. INSTALLATION AND COST AMORTIZATION OF WINGLETS:

Notwithstanding any provision of the Lease to the contrary, Lessor will reimburse Lessee, Lessee's actual cost of installing winglets on the

Aircraft ("Winglets Actual Cost") up to a maximum of **Material Redacted**, provided such installation occurs no later than April 2004. Each monthly installment of Basic Rent will be increased by **Material Redacted** of the Winglets Actual Cost commencing on the first Basic Rent Payment Date following winglet installation. Upon installation, such winglets shall become a part of the Aircraft and title thereto shall vest in Owner in accordance with Section 9 (b) of the Lease."

D. In Exhibit C, a new Part 6 is added after the new Part 5, as follows:

"6. INSTALLATION AND COST AMORTIZATION OF ADDITIONAL MODIFICATIONS:

Notwithstanding any provision of the Lease to the contrary, Lessor will reimburse Lessee, Lessee's actual cost of installing on the Aircraft up to an aggregate maximum (for all installations) of **Material Redacted** ("Additional Modifications Actual Cost") the following additional modifications:

- (I) ACARS: Installation of upgrade from single ARINC 724B Rockwell ACARS Management Unit,
- (II) ISFD: Integrated Standby Flight Display, provided that such retrofit allows for the restoration of the original units back onto the Aircraft,
- (III) FULL FACE OXYGEN MASKS, and
- (IV) VSD: Vertical Situation Display;

provided such installation occurs no later than April 30, 2004. After each installation of such additional modifications each monthly installment of Basic Rent will be increased by **Material Redacted** of the Additional Modifications Actual Cost commencing on the first Basic Rent Payment Date following such installation. Upon installation, such additional modifications shall become a part of the Aircraft and title thereto shall vest in Owner in accordance with Section 9 (b) of the Lease."

E. In Exhibit C, a new Part 7 is added after the new Part 6, as follows:

"7. MCPH

Subject to mutual agreement, Lessee and Lessor may enter into a Maintenance Cost Per Hour arrangement (MCPH) with GE Engine Services (GEES) to cover engine scheduled refurbishments for the Engines subject to the Lease. Related workscopes, engine repair specifications and

general terms and conditions covered by MCPH shall be mutually agreed between Lessor, Lessee and GEES."

F. To clarify the ownership impact of alterations, modifications, and additions the following amendments are made to Section 9 (b) of the Lease:

1. In the fourth sentence the word "Lessor" is replaced by "Owner"; and
2. In the fifth sentence the phrase "or Owner" is added after the word "Lessor".

G. For the purpose of correcting certain typographical errors in the prior exhibit, Revised Exhibit G (Form of Letter of Credit attached hereto as Schedule 1) shall replace in entirety the existing Exhibit G for all purposes of the Lease.

2. Lease Supplement.

Section 3 of Lease Supplement No. 1 is hereby amended by deleting the text thereof and by substituting therefor the following:

"3. The Term for the Delivered Aircraft shall commence on the Delivery Date and shall end on the Expiration Date, as hereinafter defined, or such later date as may result from exercise of the Lease Term Renewal Options." The Expiration Date shall be October 31, 2005 but shall be automatically extended on such date and on each of October 31, 2006, October 31, 2007, and October 31, 2008 to provide additional successive one (1) year Terms through and until a final extended Expiration Date of October 31, 2009 unless Lessor and Lessee shall mutually agree in writing that any such automatic extension shall not take place."

3. Ratification.

Except as expressly provided herein, Lessee and Lessor acknowledge that nothing contained in this Amendment is intended to discharge, amend or otherwise modify their respective rights and/or obligations under the Lease. The Lease and the Lease Supplement are hereby ratified and confirmed, as amended hereby, in all respects.

4. Representations and Warranties of Lessee.

Lessee represents and warrants to Lessor that:

(a) Lessee is a corporation duly formed, validly existing, and in good standing under the laws of the Republic of Panama;

(b) Lessee has full corporate power, authority and legal right to own its property and to carry on its business as now being conducted and is duly authorized to execute and deliver this Lease Extension and Amendment Agreement, and to perform its obligations hereunder;

(c) This Lease Extension and Amendment Agreement have been duly authorized, executed and delivered by Lessee and constitute the legal, valid and binding obligations of Lessee enforceable in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally and subject to principles of equity;

(d) The execution and delivery by Lessee of this Lease Extension and Amendment Agreement will not conflict with or result in any breach of, constitute any default under, or result in the creation of any lien, charge or encumbrance pursuant to, any applicable law, any term or provision of Lessee's articles of incorporation or by-laws or any judgment, order, writ, injunction, or decree of any court, commission, board or Governmental Entity, or contravene any indenture, mortgage, credit agreement, lease, license, contract or other agreement to which Lessee is a party or by which it is bound;

(e) All consents or approvals required of Lessee by any Governmental Entity or other Person in connection with the execution and delivery of this Lease Extension and Amendment Agreement and the consummation by Lessee of the transactions contemplated hereby and thereby have been duly obtained or waived; and except for the filing of this Amendment with the DAC, no other filings, recording, notarizations or other actions are necessary or advisable under the laws of Panama in order to ensure the validity, effectiveness and enforceability of the Lease as amended hereby;

(f) There are no pending or threatened actions or proceedings before any court or administrative agency or other matters which might materially adversely affect the ability of Lessee to perform its obligations under this Lease Extension and Amendment Agreement; and

(g) Lessee is subject to private commercial law and suit under the Laws of the Republic of Panama and any other jurisdiction affecting the Lessee. Lessee is not entitled to sovereign immunity under the Laws of the Republic of Panama or such other jurisdiction, and neither Lessee nor its properties or assets have the right of immunity from suit or execution on the grounds of sovereignty in the Republic of Panama or any other jurisdiction. To the extent that Lessee may in any jurisdiction in which proceedings may at any time be taken for the determination of any question arising under or for the enforcement of this Lease Extension and Amendment Agreement (including any interlocutory proceedings or the execution of any judgment or award arising therefrom) be entitled to claim or otherwise be accorded for itself or its property, assets or revenues immunity from suit or attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction, there may be attributed to Lessee or its private assets or revenues, such immunity (whether or not claimed), Lessee hereby irrevocably agrees not to claim and waives such immunity to the fullest extent permitted by the law of such jurisdiction;

5. Representations and Warranties of Lessor.

Lessor represents and warrants to Lessee that:

(a) Lessor is a corporation duly formed, validly existing and in good standing under the laws of Delaware;

(b) Lessor has full corporate power, authority and legal right to own its property and to carry on its business as now being conducted and is duly authorized to execute and deliver this Lease Extension and Amendment Agreement, and to perform its obligations hereunder and thereunder;

(c) This Lease Extension and Amendment Agreement have been duly authorized, executed and delivered by Lessor and constitute the legal, valid and binding obligations of Lessor enforceable in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally and subject to principles of equity;

(d) The execution and delivery by Lessor of this Lease Extension and Amendment Agreement will not conflict with or result in any breach of, constitute any default under, or result in the creation of any lien, charge or encumbrance pursuant to, any applicable law, any term or provision of Lessor's articles of incorporation or by-laws or any judgment, order, writ, injunction, or decree of any court, commission, board of Governmental Entity, or contravene any indenture, mortgage, credit agreement, lease, license, contract or other agreement to which Lessor is a party or by which it is bound;

(e) All consents or approvals required of Lessor by any Governmental Entity in connection with the execution and delivery of this Lease Extension and Amendment Agreement and the consummation by Lessor of the transactions contemplated hereby and thereby have been duly obtained or waived;

(f) There are no pending or threatened actions or proceedings before any court or administrative agency or other matters which might materially adversely affect the ability of Lessor to perform its obligations under this Lease Extension and Amendment Agreement; and

(g) Head Lessor has given its consent to this Amendment and, to the extent necessary, the Head Lease has been amended accordingly.

6. Conditions Precedent.

This Amendment and Lessor's obligation to extend the Lease shall take effect upon the satisfaction of each of the following conditions and receipt of the following documents by Lessor:

(a) Legal Opinion: at Lessee's expense, a legal opinion of Lessee's Panamanian counsel in form and substance satisfactory to Lessor and confirming, inter alia, that this Lease Extension and Amendment Agreement have been duly signed and delivered on behalf of Lessee, that this Lease Extension and Amendment Agreement constitute Lessee's legal, valid and binding obligations (subject to customary exclusions), and that all approvals, licenses, consents, filings and registrations which are necessary or desirable in connection with this Lease Extension and Amendment Agreement and the performance by Lessee of its obligations hereunder, thereunder and under the Lease as extended hereby and thereby have been obtained and are in full force and effect; and

(b) No Default: No Default or Event of Default shall have occurred and be continuing as of the date hereof and the date of the commencement of the renewed terms contemplated hereby.

7. Miscellaneous.

(a) Amendment. No amendment, modification or waiver of any provision of this Lease Extension and Amendment Agreement shall in any event be effective unless the same shall be in writing and signed by the parties hereto or, in the case of a waiver, by the party waiving compliance, and then such waiver shall be effective only in the specific instance and for the specific purpose for which given.

(b) Notices. Any notices, requests, demands or other communications required or permitted to be made hereunder shall be in writing and shall be delivered by reputable courier service, by hand and/or facsimile as follows:

To Lessor: Aviation Financial Services Inc.
c/o GE Capital Aviation Services
201 High Ridge Road
Stamford, Connecticut 06927
Attention: Contracts Leader
Facsimile: 203-357-4585
Telephone: 203-357-3776
Email: notices@gecas.com

To Lessee: Compania Panamena De Aviacion, S.A.
Avenida Justo Arosemena y Calle 39
Aptdo. 1572
Panama 1, Republic of Panama
Attn: Executive President
Facsimile number: 507-227-1952

or in each case to such other person or address or addresses as one party may notify in writing to the other party. All other communications and any notice of change of address shall be deemed

to have been received (and reference herein to receipt by any party shall include deemed receipt) by the party to whom it is addressed when received, in the case of notice given facsimile, or on delivery, if delivered by reputable courier service or by hand.

(c) Governing Law. THIS AMENDMENT, SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(d) Severability. If any one or more of the provisions contained in this Amendment or any document executed in connection herewith shall be invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired.

(e) Counterparts. This Amendment may be executed in counterparts and any single counterpart or set of counterparts signed in either case, by all of the parties hereto shall for all purposes be deemed to be an original, and all such counterparts when taken together shall constitute one and the same instrument. A facsimile signature on any counterpart hereto will be deemed an original for all purposes.

(f) Entire Agreement. The terms and conditions contained in the Lease, this Lease Extension and Amendment Agreement and the other documents and instruments executed in connection therewith or herewith constitute the entire agreement among the parties pertaining to the subject matter thereof and hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties.

(g) Headings. The headings in this Amendment are for reference only, and do not form part of and are not to be used to interpret this Amendment.

(h) Expenses and Brokers. Lessee shall be responsible for all costs associated with perfecting this Lease Extension and Amendment Agreement in the Country of Registration, the state of habitual base of the Aircraft (and other states as appropriate given the operation of the Aircraft), including (but not limited to) the provision of stamp duties, translations and registrations, whether required by Lessor or Lessee. Each of the parties hereby represents and warrants to the other that it has not paid, agreed to pay or caused to be paid directly or indirectly in any form, any commission, percentage, contingent fee, brokerage or other similar payments of any kind, in connection with the establishment or operation of this Lease Extension and Amendment Agreement, to any Person (other than fees payable to Lessee's or Lessor's legal advisers or compensation to GECAS for the portfolio management services performed on behalf of Lessor). Each party agrees to indemnify and hold the other harmless from and against any and all claims, suits, damages, costs and expenses (including, but not limited to reasonable attorneys' fees) asserted by any agent, broker or other third party for any commission or compensation of any nature whatsoever based upon this Lease Extension and Amendment Agreement or the Aircraft, if such claim, suit, damage, cost or expense arises out of any breach by the indemnifying party, its employees or agents of the representation and warranty given hereby.

(i) Filing and Recordation. Lessee at its expense shall cause this Amendment to be duly filed with the Civil Aeronautics Authority and to be recorded at the Office of the Public Registry of Panama.

(j) Further Assurances. Each party shall cooperate with the other and execute and deliver such instruments and other documents as may be necessary to effectuate and carry out the provisions of this Lease Extension and Amendment Agreement.

(k) Successors and Assigns. This Amendment shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns.

(l) Time is of the Essence. Except as otherwise provided herein, time is of the essence with respect to each provision of this Lease Extension and Amendment Agreement.

(m) Controlling Version. This Lease Extension and Amendment Agreement has been negotiated, executed and delivered in English. In case of any conflict or discrepancy between the executed English version of this Lease Extension and Amendment Agreement and any Spanish translation thereof or any extract thereof recorded at the Public Registry of Panama or any other governmental office, the English version of this Lease Extension and Amendment Agreement shall prevail.

EXHIBIT G
(Revised)

to

Aircraft Lease Agreement

FORM OF LETTER OF CREDIT

[NAME OF ISSUING BANK]
IRREVOCABLE STANDBY LETTER OF CREDIT
DATED: _____, _____

Aviation Financial Services Inc.
c/o GE Capital Aviation Services
201 High Ridge Road
Stamford, Connecticut 06927-4900

A. RE: Letter of Credit _____
Account Party: Compania Panamena de Aviacion, S.A.

Gentlemen:

At the request and for the account of Compania Panamena de Aviacion, S.A. ("Lessee"), a corporation organized and existing under the laws of Panama, we hereby establish in your favor, as lessor under that certain Aircraft Lease Agreement dated as of November 18, 1998 (the "Lease Agreement"), between Aviation Financial Services Inc. as lessor and Lessee as lessee, our Irrevocable Standby Letter of Credit No. _____, in the aggregate maximum amount of [as specified in Exhibit C to the Lease Agreement], effective on the date set forth above and expiring on the LOC Expiration Date (as defined below).

(i) Funds under this Letter of Credit will be made available to you by wire transfer in immediately available funds in United States Dollars to an account to be designated by you in the sight draft referred to below on any Business Day (as defined below) occurring on or before the LOC Expiration Date, upon presentation at our offices located at [_____], of a sight draft in the form attached hereto as Annex A setting forth the amount of the drawing and referring expressly thereon to the number of this Letter of Credit. We hereby confirm with you that drafts in conformity with the terms of this Letter of Credit will be duly honored on the date of such presentation as set forth herein. All payments hereunder shall be made, free and clear of, and without deduction for, any present or future fees, taxes, restriction or conditions of any nature, and without setoff or counterclaim for any reason whatsoever.

(ii) You are hereby authorized to make multiple drawings hereunder in accordance with the terms and conditions described herein, each drawing upon the presentation of the documentation referred herein above, provided, however, subject to the provisions of paragraph

(v) below, that the aggregate amount of all drawings hereunder shall in no event exceed the aggregate maximum amount of the Letter of Credit.

(iii) This Letter of Credit shall expire, and no drawing hereunder may be made thereafter, at 5:00 p.m. (EST) on the earliest of the following dates (the "LOC Expiration Date"): (i) the day which is thirty (30) Days after the Expiration Date (as defined in the Lease Agreement), or (ii) on the Business Day on which the aggregate amount of all drawings hereunder, is equal (subject to the provisions of paragraph (v) herein below) to the aggregate maximum amount of this Letter of Credit. With respect to paragraph (i) above, it is hereby expressly provided that in the event that if on or before sixty (60) days prior to the LOC Expiration Date you do not receive written notice from us whereunder this Letter of Credit will be renewed on, or a new letter of credit issued in substantially the form hereof to be effective as of, the LOC Expiration Date referred to in such paragraph (i), then you may draw against this Letter of Credit in the manner described herein.

(iv) For the purpose hereof "Business Day" shall mean any day up to 5:00 p.m. (EST), on such day, other than Saturday and Sunday, on which banks in the United States of America are not authorized or required to close.

(v) Upon payment by us, or on our behalf, of the amount specified in any draft drawn hereunder, we shall be fully discharged of our obligation under this Letter of Credit solely in respect of such draft, and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such draft to you or to any other person.

(vi) This Letter of Credit may only be transferred to any person who is the lessor under the Lease Agreement at the time of such transfer.

(vii) This Letter of Credit sets forth in full our understanding, and such understanding shall not in any way be modified, amended, amplified or limited by reference to any document or agreement other than the sight drafts referred to herein, or a written agreement among you, us and Lessee.

(viii) Communications with respect to this Letter of Credit shall be in writing and if directed to us shall be addressed to us at [_____], specifically referring to the number of this Letter of Credit, and, if directed to you, shall be addressed to you at Aviation Financial Services, Inc., c/o GE Capital Aviation Services, 201 High Ridge Road, Stamford, Connecticut 06927-4900.

(ix) All banking charges in connection with this Letter of Credit and any drawings made hereunder shall be for the account of Compania Panamena de Aviacion, S.A.

(x) This Letter of Credit shall be governed by the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500, and, as to matters not covered therein, by the laws of the State of New York.

[NAME OF ISSUER]

BY _____
Authorized Signature

ANNEX A
To Irrevocable Standby
Letter of Credit No.

(FORM OF SIGHT DRAFT)

(DATE)

(Location)

At sight of this draft pay to the order of (beneficiary) the amount of U.S. \$(amount in figures) (the sum of (amount in Letters) United States Dollars).

To (payment instructions).

Drawn under Letter of Credit No.____, dated as of _____, _____, of

(beneficiary signature)

=====

AIRCRAFT LEASE AGREEMENT

dated as of November 18, 1998

between

AVIATION FINANCIAL SERVICES INC.

Lessor

and

COMPANIA PANAMENA DE AVIACION, S.A.,

Lessee

One New Boeing Model 737-700 Aircraft

Manufacturer's Serial No. 30049

=====

EXECUTION COPY

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Exhibits

- Exhibit A - Schedule and Description of Aircraft
- Exhibit B - Aircraft Documents
- Exhibit C - Definitions, Values and other Matters
- Exhibit D - Lease Supplement
- Exhibit E - Return Condition Requirements
- Exhibit F-1 - Lessee's Counsel Opinion
- Exhibit F-2 - Lessee's Counsel Opinion
- Exhibit G - Letter of Credit
- Exhibit H - Technical Acceptance Receipt

AIRCRAFT LEASE AGREEMENT

THIS AIRCRAFT LEASE AGREEMENT dated as of November 18, 1998 between AVIATION FINANCIAL SERVICES INC., a Delaware Corporation, with a principal place of business at 201 High Ridge Road, Stamford, Connecticut 06927 ("Lessor"), and COMPANIA PANAMENA DE AVIACION, S.A., a corporation organized under the laws of the Republic of Panama, with its principal place of business and registered office at Avenida Justo Arosema & Calle 39, Aptdo. 1572, Panama 1, Republic of Panama ("Lessee").

Lessee desires to lease from Lessor and Lessor is willing to lease to Lessee the Aircraft upon and subject to the terms and conditions of this Lease, as hereinafter set forth.

In consideration of the mutual promises herein, Lessor and Lessee agree as follows:

Section 1. Definitions

The following terms shall have the following respective meanings for all purposes of this Lease Agreement:

AD means an Airworthiness Directive promulgated by the FAA.

Affiliate means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such persons including, without limitation, any limited partnership or grantor trust of which such person or any Affiliate of such person is the sole or co-general partner or managing agent and any trustee of a trust of which the beneficiary is such Person, any Affiliate of such Person, such a limited partnership, or such a grant or trust.

Aircraft means the Airframe together with (a) the Engines, whether or not installed on the Aircraft, (b) all Parts or components thereof, (c) spare parts or ancillary equipment or devices furnished with the Aircraft under this Lease, and (d) all substitutions, replacements and renewals of any and all thereof.

Aircraft Documents means the items identified on Exhibit B hereto, all of which shall be maintained in the English language, or accompanied by a certified English translation.

Airframe means (a) the aircraft described on Exhibit A, but not including any engine installed thereon, and (b) any and all Parts so long as the same shall be incorporated or installed on or attached, to the Airframe, or so long as title thereto shall remain vested, in Owner in accordance with the terms of Section 9, after removal from the Airframe.

Appraisal Procedure means the following procedure for determining the "fair market rental value" of the Aircraft. "Fair market rental value" shall mean the value determined by an appraisal completed on an "as is" and "where is" basis. Lessor shall elect an internationally recognized, independent aircraft appraiser certified by the International Society of Transport Aircraft Trading ("ISTAT") who shall make a determination of fair market rental value. The fees and expenses of the aircraft appraiser shall be paid by Lessee.

Approved Auditor means KPMG Peat Marwick or another auditing firm having an internationally recognized reputation and reasonably acceptable to the Lessor.

Approved Insurance Broker means J. H. Marsh & McLennan, or any other reputable insurance broker, or reinsurance broker, of internationally recognized responsibility and standing in aircraft insurance.

Approved Insurer means any insurer or reinsurer, or insurance broker, or reinsurance broker, of internationally recognized responsibility and standing in aircraft insurance in each case reasonably acceptable to the Lessor.

Basic Rent means the amount specified therefor on Exhibit C and payable throughout the Term for the Aircraft pursuant to Section 4(a).

Basic Rent Payment Date means each day for payment of Basic Rent determined in accordance with Exhibit C. It is further understood and agreed that if a Basic Rent Payment Date shall fall on a day which is not a Business Day, any payment due on such Basic Rent Payment Date shall be made on the next succeeding Business Day.

Business Day means any day other than a Saturday, Sunday or other day on which banking institutions in New York, New York or, in respect of any payments to be made by Lessee hereunder, the Republic of Panama, are authorized or required by law to be closed.

"C" Check means a "C" check in accordance with the Lessee's Maintenance Program in effect on the Delivery Date, as modified from time to time by the DAC.

Casualty Occurrence means any of the following events with respect to the Aircraft, Airframe or any Engine: (a) loss of such property or its use due to theft or disappearance for a period in excess of sixty (60) consecutive days, or destruction, damage beyond economic repair or rendition of such property permanently unfit for normal use by Lessee for any reason whatsoever; (b) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss or on the basis of a compromised or constructive total loss; or (c) the condemnation, confiscation, appropriation or seizure of, or requisition of title to such property, or the use of such property by or on the authority of any Governmental Entity or purported Governmental Entity (excluding therefrom any Governmental Entity, or purported Governmental Entity, of the United States of America), which in any such case shall have resulted in the loss of possession thereof by Lessee for a period in excess of ninety (90) consecutive days (or for such shorter period ending on the date which is seven (7) days from the date of receipt of an insurance settlement with respect to such property on the basis of a total loss).

Casualty Value means the value as specified on Exhibit C hereto.

Continental means Continental Airlines, Inc. or any of its subsidiaries or Affiliates.

"D" Check means a "D" check in accordance with the Lessee's Maintenance Program as in effect on the Delivery Date, as modified from time to time by Lessee and approved by the DAC.

DAC means the Direccion General de Aeronautica Civil of the Country of Registration, or any successor Governmental Entity exercising authority with regard to aircraft registration and airworthiness in the Country of Registration comparable to the FAA (as defined below).

Damage Notification Threshold means ****Material Redacted****.

Default means an Event of Default or event which would constitute an Event of Default but for the lapse of time or the giving of notice or both.

Delivery Date means the date on which the Aircraft is delivered to Lessee for purposes of this Lease.

Delivery Location means the location specified on Exhibit C hereto for the delivery of the Aircraft by Lessor to Lessee.

Dollars or "\$" means lawful currency of the United States of America.

Engine means any engine installed on or furnished in connection with the Aircraft on the Delivery Date, such engines being identified as to manufacturer, type and manufacturer serial number on Exhibit A hereto, and any Replacement Engine which may from time to time be substituted therefor pursuant to Section 11; 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 remains vested in Owner in accordance with the terms of Section 9 after removal from such Engine. Except as otherwise set forth herein, at such time as a Replacement Engine shall be so substituted, 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.

Engine Manufacturer means CFM International.

Estimated Delivery Date means the date specified on Exhibit C hereto, which the parties anticipate to be the Delivery Date.

Estimated Acceptance Date means the date specified on Exhibit C hereto, which the parties anticipate to be the date for Technical Acceptance of the Aircraft.

Event of Default shall have the meaning specified in any one or more clauses in Section 17.

Excusable Delay means any delay in delivery or redelivery of the Aircraft hereunder not occasioned by the fault or negligence of the party hereto seeking to excuse such delay and due to or arising from any cause beyond such party's reasonable control including, without limitation, (i) acts of the public enemy, civil war, war-like operations, insurrection or riots, or quarantine restrictions, strikes, lockouts, inability to obtain materials, accessories, equipments or parts, delays in transportation or labor stoppages and/or (ii) fire, floods, explosions, earthquakes or epidemics.

Expiration Date means the date specified in the Lease Supplement for expiration of the Term.

FAA means the Federal Aviation Administration of the United States Department of Transportation or any successor.

FAR means the Federal Aviation Regulations set forth in title 14 of the United States Code of Federal Regulations, as amended and modified from time to time.

FSC Benefits has the meaning ascribed to it in Section 10(c).

GECAS means either or both of GE Capital Aviation Services, Inc. and GE Capital Aviation Services Limited.

Governmental Entity means and includes (a) the DAC; (b) any national government, or political subdivision thereof or local jurisdiction therein; (c) any board, commission, department, division, organ, instrumentality, court, or agency of any entity described in (b) above, however constituted; and (d) any association, organization, or institution of which any entity described in (b) or (c) above is a member or to whose jurisdiction any such entity is subject or in whose activities any such entity is a participant but only (except for purposes of defining Law below) to the extent that any of the preceding have jurisdiction over the Aircraft or its operations.

Head Lease means that certain Aircraft Lease Agreement, of even date herewith, between Owner, as lessor, and Lessor, as lessee, with respect to the Aircraft.

Indemnatee means Owner, Lessor, GECAS and their respective officers, directors, shareholders, subsidiaries, agents, employees and their respective successors and assigns.

Interim Rent for the Aircraft means the rent determined as provided on Exhibit C and payable on the Final Acceptance Date.

Law means and include (a) any statute, decree, constitution, regulation, order, judgment or other directive of any Governmental Entity; (b) any treaty, pact, compact or other agreement to which any Governmental Entity is a signatory or party; (c) any judicial or administrative interpretation or application of any Law described in (a) or (b) above; and (d) any amendment or revision of any Law described in (a), (b) or (c) above.

Lease means this Lease, the Lease Supplement, Letter Agreement No. 1, and any and all amendments, revisions, supplements and modifications thereto.

Lease Supplement means the Lease Supplement No. 1, substantially in the form of Exhibit D hereto, dated the Delivery Date and entered into between Lessor and Lessee.

Lessee's Actual Cost means Lessee's cost incurred in performing an obligation under this Lease determined as follows: (i) if Lessee elects that such obligation be performed by a third party, then Lessee's Actual Cost shall be the actual charges of such third party paid by Lessee (without markups or overhead by Lessee); and (ii) if Lessee elects that such obligation be performed by Lessee or Continental, then Lessee's Actual Cost shall be Lessee's or Continental's direct cost for labor and materials, plus a percentage of such direct cost to cover overhead, which percentage shall

be determined by mutual agreement of Lessor and Lessee, prior to commencing performance; provided that if Lessor and Lessee do not reach such mutual agreement such obligation shall be performed by a third party.

Lessor's Duty to Repair means the obligation of the Lessor, as expressly described in Section 3(d), to correct discrepancies agreed upon but not corrected due to the unavailability of any spare parts and shall not mean or include any other duty of the Lessor and shall not be interpreted to impose any other duty on the Lessor.

Lessor's Liens means Liens arising as a result of (a) claims against Lessor or Owner not related to the transactions contemplated by this Lease; or (b) acts of Lessor or Owner, not contemplated and expressly permitted under this Lease; or (c) Taxes imposed against Lessor or Owner which are not required to be indemnified against by Lessee pursuant to Section 10; or (d) claims against Lessor or Owner arising out of the voluntary transfer by Lessor or Owner of all or any part of their respective interests in the Aircraft or this Lease, other than a transfer pursuant to Sections 11 or 18 hereof. In each case, references in this definition to "Lessor" and "Owner" shall include their respective successors and assigns.

Letter Agreement No. 1 means that certain letter agreement dated the date of this Lease between Lessor and Lessee addressing certain related matters, which constitutes a part of this Lease and is expressly incorporated herein by reference.

Letter of Credit means an irrevocable Letter of Credit ("LC") issued and drawn upon and payable by, or confirmed by, a commercial bank domiciled and licensed in the United States of America reasonably acceptable to Lessor and in form and substance similar to Exhibit G, as security for all payment obligations of Lessee to Lessor under this Agreement (including damages), which shall remain in full force and effect until the Required LC Expiry Date. The Letter of Credit may have a validity period or periods ending prior to the Required LC Expiry Date, provided that (i) the Letter of Credit shall, in each case, be renewed and delivered to Lessor not later than 15 days prior to its expiry; and (ii) a Letter of Credit shall remain in force at all times up to the Required LC Expiry Date.

LIBOR means a rate per annum, equal to the rate at which United States dollar deposits on three month maturities are offered by prime banks in the London inter-bank market to Lessor or its nominee at or about 11 a.m. London time as of any date on which interest is to be calculated hereunder.

Lien means any mortgage, pledge, lien, charge, encumbrance, hypothecation, lease, exercise of rights, security interest or claim or other type of preferential arrangement, including without limitation any equivalent arrangement created or arising under the Law of the Country of Registration.

Maintenance Program means a DAC approved maintenance program as in effect from time to time for the Aircraft encompassing scheduled maintenance, condition monitored maintenance and on-condition maintenance of the Airframe, Engines and components of the Aircraft.

Manufacturer means Boeing Company.

Mortgage Convention means the Convention for the International Recognition of Rights in Aircraft, signed (ad referendum) at Geneva, Switzerland, on June 19, 1948, and amended from time to time, but excluding the terms of any adhesion thereto or ratification thereof containing reservations to which the United States of America does not accede.

Owner means Alcyone FSC Corporation, a company incorporated under the Laws of Barbados and having its principal place of business at c/o Corporate Services, Price Waterhouse Centre, St. Michael, Barbados.

Part 36 means part 36 of title 14 of the United States Code of Federal Regulations, as amended or modified from time to time.

Part 129 means part 129 of title 14 of the United States Code of Federal Regulations, as amended or modified from time to time.

Parts means all appliances, components, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (other than complete Engines or engines), which may now or from time to time be incorporated or installed in or attached to the Airframe or any Engine and that meet the requirements of the FAA regulations found at Part 129 and any other laws, rules or regulations relating to the Aircraft, as the same may be amended or modified from time to time, or that remain the property of the Owner pursuant to the terms of Section 9 despite removal therefrom. Except as otherwise set forth herein, at such time as a replacement part shall be substituted for a Part in accordance with Section 9 hereof, the Part so replaced shall cease to be a Part hereunder.

Permitted Sublease means a sublease with Continental or a sublease with another Person which has the prior written consent of Lessor (which consent shall not be unreasonably withheld) and which complies with all of the provisions of Section 6(a)(iii) hereof.

Person means and include any individual person, corporation, partnership, firm, joint stock company, joint venture, trust, estate, unincorporated organization, association or Governmental Entity.

Purchase Agreement means the Purchase Agreement between the Manufacturer and Owner and the Aircraft Specification D6-38808-34, Revision A - July 16, 1998, except as amended by change orders initiated by Lessor under the terms thereof prior to the date of this Lease (which change orders have been delivered to Lessee prior to the date hereof), or change orders initiated by Lessor with the consent of Lessee under the terms thereof after the date of this Lease, which change orders shall have been delivered to Lessee prior to the Delivery Date.

Related Leases means any and all leases of aircraft between Lessor or any Affiliate of Lessor, as lessor, and Lessee as lessee.

Rent means Interim Rent, Basic Rent and Supplemental Rent, collectively.

Replacement Engine means an engine of the same manufacturer and model, and having

substantially equivalent value, utility, modification status, and the same certified thrust rating, as the Engine it is intended to replace under Section 11(b) hereof, or, at Lessee's option, an engine of the same manufacturer as such Engine but of an improved model, and otherwise of an equivalent value and utility and suitable for installation and use on the Airframe without impairing the value or utility of the Airframe and compatible with the remaining installed Engine.

Required LC Expiry Date means the date which occurs thirty days after the Expiration Date.

Return Occasion means the event that occurs when possession of the Aircraft is returned from Lessee to Lessor at the end of the Term of this Lease or upon Lessor taking possession pursuant to Section 18 hereof.

Security Deposit means the Security Deposit referred to in Section 20(j) hereof.

Security Letter of Credit or the Letter of Credit means the Letter of Credit referred to in Section 20(i) hereof.

Supplemental Rent means any and all amounts, liabilities and obligations (other than Interim Rent and Basic Rent) which Lessee assumes or agrees to pay hereunder, or under any document delivered pursuant hereto, to Lessor, including without limitation, (a) any payment of Casualty Value; (b) any payment of indemnity required by Sections 10 and 13 hereof; (c) any payment of deposits; (d) any payment in respect of Maintenance Costs required by Section 16(m); and (e) to the extent permitted by applicable Law, interest at the Interest Rate (all computations of interest under this Lease to be made on the basis of a 365-day year for the actual number of days elapsed) calculated: (i) on any part of any installment of Basic Rent not paid on the due date thereof for the period the same remains unpaid and (ii) on any Supplemental Rent not paid when due hereunder until the same is paid.

Taxes means any and all Value Added Taxes, sales, use, business, gross income, personal property, transfer, fuel, leasing, occupational, excess profits, excise, gross receipts, franchise, stamp, income, levies, imposts, withholdings or other taxes or duties of any nature, or amounts in lieu thereof, together with any penalties, fines, charges or interest thereon.

Technical Acceptance of the Aircraft means acceptance of the Aircraft as described in Section 3(d).

Technical Acceptance Date of the Aircraft means the date on which Technical Acceptance of the Aircraft occurs.

Technical Acceptance Receipt means a receipt executed substantially in the form of Exhibit H hereto.

Term means the term of this Lease, specified in the Lease Supplement, as may be extended in accordance with the terms hereof.

Value Added Taxes means any value added tax and any sales or turnover tax, imposition or

levy of a like nature.

Wet Lease means any arrangement whereby Lessee agrees to furnish the Aircraft to a third party pursuant to which (i) Lessee's crew at all times shall maintain full operational control of the Aircraft, (ii) the Aircraft shall be operated solely by regular employees of Lessee possessing all current appropriate DAC certificates and licenses (it is understood that cabin attendants need not be regular employees of Lessee), (iii) the insurance required under Section 12 hereof shall remain in full force and effect and (iv) the Aircraft shall be maintained by Lessee in accordance with its normal maintenance practices.

Year 2000 Compliance has the definition given to it in Section 5(a) hereof.

The terms Country of Organization, Country of Registration, Engine Manufacturer, Final Acceptance Date, Interest Rate, Last Basic Rent Payment Date, Lease Identification, Lessee's Address, Lessor's Address, Manufacturer and Payment Location have the meanings set forth on Exhibit C hereto. Where words or phrases are set forth in all upper case letters, an underscored first letter indicates that the word or phrase is a defined term hereunder.

Section 2. Lease and Conditions.

(a) Lessor hereby agrees to lease the Aircraft to Lessee, and Lessee hereby agrees to lease the Aircraft from Lessor, on the terms of this Lease, as supplemented by the Lease Supplement and Letter Agreement No. 1.

(b) Lessor's obligation to commence the leasing of the Aircraft hereunder to Lessee shall be conditioned upon the absence of any Default hereunder, the absence of any material adverse change in the financial condition, affairs or operations of Lessee, from that existing on September 30, 1998 as reflected in the financial statements of the Lessee delivered to the Lessor, and the receipt by Lessor of the following documents on or before the Delivery Date for the Aircraft (and Lessor agrees to use its reasonable efforts to co-operate in obtaining such documents), all of which shall be reasonably satisfactory in form and substance to Lessor:

(i) a Lease Supplement in the form of Exhibit D completed, executed and delivered by Lessee, and effective as of the Delivery Date of the Aircraft;

(ii) Letter Agreement No. 1, duly executed and delivered by Lessee, in the form attached hereto as Exhibit D (with appropriate insertions);

(iii) evidence of the Security Letter of Credit having been delivered pursuant to Section 20(i) hereof or, in the alternative, evidence of the Security Deposit having been delivered pursuant to Section 20(j) hereof;

(iv) a copy of the provisional certificate of registration for the Aircraft issued by the DAC, certified by a duly authorized officer of Lessee;

(v) a copy of the Memorandum and Articles of Association of Lessee, certified by a duly authorized officer of Lessee;

(vi) copies of the resolutions of the Board of Directors of Lessee approving and authorizing the execution, delivery and performance of the Lease, the Lease Supplement, Letter Agreement No. 1 and any and all other documents required to be executed and delivered on its behalf, certified by a duly authorized officer of Lessee and naming a person or persons authorized and appointed to execute and deliver each such document on behalf of Lessee and give all notices and take all other action required of Lessee thereunder;

(vii) a certificate of a duly authorized officer of Lessee setting forth the names and signatures of the persons authorized and appointed to execute and deliver on behalf of Lessee the documents referred to in (vi) above and to take any action contemplated therein;

(viii) copies, certified by a duly authorized officer of Lessee of each consent, license, authorization or approval of, and exemption by, each Governmental Entity or other authority (if any) as may be necessary to authorize the execution, delivery and performance by Lessee of the Lease and any document delivered pursuant thereto and to consummate the transactions contemplated thereby and to permit the payment and remittance of all payments to be made to the Lessor in such currency or currencies, at such times, at such places and in such manner as provided for under the Lease and any document delivered pursuant thereto;

(ix) evidence reasonably satisfactory to the Lessor of the due and binding acceptance by the Lessee's appointees of their appointments as agents for the service of process in any action or proceeding instituted in the courts of the United States of America in connection with or arising out of the Lease and any other documents executed in connection therewith;

(x) a power of attorney in form and substance satisfactory to the Lessor, duly signed by Lessee and notarized and legalized so that the power of attorney will be valid and legally binding in accordance with the laws of the Country of Registration (with Lessee to pay all costs associated with such notarization and legalization), irrevocably empowering the Lessor or Owner or their respective assignee or designee, upon termination of the Lease, pursuant to the terms of the Lease, whether as a result of an Event of Default, upon expiration of the Term or otherwise, to execute in Lessee's name and on Lessee's behalf all documents deemed necessary or desirable by the Lessor to release, terminate and void Lessee's interest in the Aircraft leased hereunder, to deregister the Aircraft and the Lease and to export (if required) the Aircraft and to file such documents for registration or recordation with the DAC, and any other appropriate Governmental Entity, and otherwise to effect any of the rights and remedies contemplated by the Lease;

(xi) a certificate of a duly authorized officer of Lessee confirming that each document (or a certified copy thereof) required to be filed by Lessee under applicable Law has been, or will after execution be, filed with the relevant Governmental Entities in the Country of Registration;

(xii) a Technical Acceptance Receipt, in the form of Exhibit H, dated, executed and delivered by Lessee;

(xiii) a certificate signed by the chief executive officer or the chief financial officer, or their equivalent, of Lessee, dated the Delivery Date, stating that: (A) the representations

and warranties contained in Section 5(c) hereof are true and accurate on and as of such date as though made on and as of such time; and (B) no event has occurred and is continuing, or would result from the lease of the Aircraft, which constitutes a Default or an Event of Default;

(xiv) one or more certificates, dated as of the Delivery Date, each signed by an Approved Insurer or by an Approved Insurance Broker which together evidence that the insurance as required by Section 12 hereof is in full force and effect and a certificate from the reinsurance broker certifying that the reinsurance required to be maintained is in full force and effect;

(xv) the legal opinions, in English, signed by Lessee's independent counsel, dated the Delivery Date, substantially in the respective forms set forth in Exhibit F-1 and Exhibit F-2 hereto; provided, however, that the opinion set forth in Exhibit F-2 may be delivered as provided in Section 8(h) hereof;

(xvi) if required, an export license with respect to the Aircraft, duly authorized and issued to Lessor by the Office of Export Licenses, United States Department of Commerce, which export licenses shall be obtained by Lessor at its sole expense;

(xvii) if required, a true and complete copy of the import license with respect to the Aircraft, duly authorized and issued to Lessor or Lessee, as appropriate, by the appropriate Governmental Entity of the Government of Organization and the Government of Registration, which licenses shall be obtained by Lessee at its sole expense; and

(xviii) such financial information concerning Lessee and such other documents and evidence (if any) with respect to Lessee's compliance with the conditions set forth in this Section 2 as the Lessor or its counsel may reasonably request.

Section 3. Delivery and Acceptance; Term.

(a) Delivery. It is anticipated that the Aircraft will become available (i) for Technical Acceptance on or about the Estimated Acceptance Date set forth on Exhibit C and (ii) for delivery on or about the Estimated Delivery Date set forth on Exhibit C.

(b) Place of Delivery and Acceptance. Technical Acceptance and delivery of the Aircraft will occur at the Acceptance Location set forth on Exhibit C.

(c) Casualty to the Aircraft, Excusable Delay Preceding Delivery or Damage to Aircraft. In the event of a Casualty Occurrence with respect to the Aircraft prior to its delivery, Lessor shall promptly notify Lessee in writing, and this Lease shall terminate upon receipt of such written notice. In the event of an Excusable Delay with respect to the Aircraft which delays the delivery of the Aircraft hereunder to a date which is more than six months beyond the Estimated Delivery Date, or such later date as may be mutually agreed to by Lessor and Lessee, Lessor shall promptly notify Lessee in writing thereof, and at the option of either Lessor or Lessee, this Lease shall terminate with respect to the Aircraft (provided that such Excusable Delay is beyond the control of and is not occasioned by the fault or negligence of the party so electing) upon receipt of written notice thereof by the other party. Upon such termination, Lessor shall return to Lessee any and all Rent or other amounts (including any Security Deposit), and any Letter of Credit, theretofor

received by Lessor with respect to the Aircraft or this Lease. Neither Lessor nor Lessee shall be responsible for the failure to deliver the Aircraft hereunder due to an Excusable Delay, provided that such Excusable Delay is beyond the control of and is not occasioned by the fault or negligence of such party.

(d) Pre-Delivery Acceptance Flight. On or about the Estimated Acceptance Date, the Manufacturer shall perform (at no cost and expense to Lessee, except for the costs of Lessee's representatives or designees, which costs shall be borne by Lessee) an operational ground check and acceptance flight of the Aircraft in accordance with the Manufacturer's ground check and acceptance flight procedures in the vicinity of the Delivery Location in order to demonstrate that the Aircraft satisfies the delivery conditions set forth in Exhibit A hereto. The Manufacturer shall perform a power assurance check with respect to each Engine in accordance with the Manufacturer's standard procedures for new aircraft deliveries if such check is part of the Manufacturer's standard acceptance procedures for such aircraft. The Aircraft Documents for the Aircraft shall be made available to Lessee for inspection during such ground check and acceptance flight periods in accordance with the Manufacturer's standard procedures for new aircraft deliveries. To facilitate such inspection Lessor, or Manufacturer, shall provide reasonable office accommodation at or near the inspection site (equipped with a telephone and having access to photocopier and telecopier facilities).

Upon completion of the pre-delivery inspection and acceptance flight, as provided in this Section 3(d) and provided the Aircraft is in the condition set forth in Exhibit A hereto, Lessee shall execute and deliver a Technical Acceptance Receipt, in the form annexed hereto as Exhibit H. Execution and delivery of the Technical Acceptance Receipt shall be deemed to constitute the Lessee's acknowledgment and acceptance that all conditions to delivery specified herein have been fully satisfied, subject to Lessor's Duty to Repair, if any.

Lessee shall indemnify and hold harmless each Indemnitee from and against any and all actions, causes of action, claims, judgments, liabilities, damages, losses, costs and expenses: (i) for all injuries to or deaths of Lessee's representatives or designees during any ground check, acceptance flights, checks or inspections under this section, except to the extent that such injuries or deaths arise out of or are caused by the gross negligence or willful misconduct of such Indemnitee, or (ii) for loss of or damage to property of Lessee or its representatives or designees pursuant to this section, except to the extent that such loss or damage arises out of or is caused by the gross negligence or willful misconduct of such Indemnitee.

In the event any claim is made or suit is brought against Lessor, Lessee, or their respective Affiliates or their respective directors, officers, employees, agents or servants for damages for deaths or injuries or property damage, the liability for which has been assumed by the other party pursuant to this section, the former shall promptly give notice to the other parties, and such parties shall have the right to assume and conduct the defense thereof, or to effect any settlement which it, in its opinion, deems proper. For the purpose of this section, any claim or suit against any of the directors, officers, employees, servants and agents of Lessor or Lessee or their respective Affiliates, as the case may be, shall be deemed to be a claim or suit against Lessor or Lessee, as the case may be.

(e) Acceptance of Aircraft. The Aircraft to be leased hereunder shall be delivered to

Lessee on the Delivery Date meeting the conditions specified in Exhibit A hereto and otherwise "AS IS," "WHERE IS" and on and after the Delivery Date SUBJECT TO EACH AND EVERY DISCLAIMER OF WARRANTY AND REPRESENTATION AS SET FORTH IN SECTIONS 5(a) AND (b) HEREOF. Upon the satisfaction of such conditions, Lessee shall execute a Technical Acceptance Certificate and the leasing of the Aircraft hereunder shall commence. Following execution and delivery of the Technical Acceptance Receipt and upon tender of delivery hereunder by Lessor, Lessee shall accept delivery of the Aircraft. Lessee shall thereupon indicate and confirm its acceptance of delivery of the Aircraft by execution and delivery to Lessor of a Lease Supplement, dated the Delivery Date, in the form set forth as Exhibit D.

(f) Term of Lease. The Term of this Lease shall commence on the Delivery Date and shall continue until the Expiration Date set forth in the Lease Supplement; provided that this Lease may be earlier terminated or extended pursuant to the provisions hereof.

(g) Lease Term Renewal Options. Lessor hereby grants Lessee the right to renew the lease for up to three (3) additional, consecutive terms (each a "Renewal Term") (the option to renew for each Renewal Term being hereafter referred to as the "Renewal Option"). Each Renewal Term shall consist of twelve (12) months, and the first Renewal Term would commence the day following the Expiry Date of the initial Basic Term. Exercise of each Renewal Option shall be subject to (i) the delivery by Lessee of written notice to Lessor (a "Renewal Notice") as to such exercise at least nine (9) months prior to the then applicable Expiry Date, and (ii) no Event of Default shall have occurred and be continuing on or as of the date the Renewal Notice is received by Lessor or the first Rent Date of the applicable Renewal Term. The Basic Rent during any such Renewal Term shall be payable monthly in advance at the average monthly Basic Rent rate paid by Lessee over the initial sixty (60) months of the Basic Term. At the commencement of a Renewal Term the Basic Term shall be deemed extended to include such Renewal Term. Except for the Rent as specified above, the revised Expiry Dates and the exercised Renewal Option which shall be deemed extinguished with the related extension of the Basic Term, all terms and conditions of this Agreement as applicable during the initial Basic Term shall remain in full force and effect for any Renewal Term.

Section 4. Rent

(a) Rent. Lessee covenants and agrees to pay to Lessor, or its assigns, the following as Rent:

(i) Interim Rent: The Interim Rent as determined pursuant to Exhibit C hereto in respect of the Aircraft on the Interim Rent Payment Date.

(ii) Basic Rent: The Basic Rent as set forth on Exhibit C hereto throughout the Term hereof, payable in consecutive installments and due on each Basic Rent Payment Date.

(iii) Supplemental Rent: Any and all Supplemental Rent as the same becomes due.

(b) Place and Method of Payment. All Interim Rent, Basic Rent and Supplemental Rent and other amounts payable under this Lease shall be paid in immediately available funds in Dollars,

at the Payment Location specified on Exhibit C hereto, or at such other location in the United States as Lessor shall designate in writing.

(c) Prohibition Against Setoff, Counterclaim, Etc.. This Lease is a net lease. Lessee's obligation to pay all Rent due hereunder (it being specifically acknowledged that upon performance in full of Lessee's obligations under Section 11(a) hereof Lessee would have no further obligation to pay Rent hereunder) shall be absolute and unconditional and shall not be affected or reduced by any circumstances, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which Lessee may have against Lessor, the Manufacturer, the Engine Manufacturer, any seller of or person providing services with respect to the Aircraft or any other Person, for any reason whatsoever; (ii) any defect in the title, airworthiness or eligibility for registration under applicable Law, or any 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 the use or possession thereof by Lessee for any reason whatsoever, whether arising out of or related to an act or omission of Lessee, or any other Person; (iii) any Liens with respect to the Aircraft; (iv) the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease or any absence of right, power or authority of Lessor or Lessee to enter into this Lease; (v) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessor or Lessee; (vi) any other circumstance or happening of any nature whatsoever, similar to any of the foregoing; or (vii) any Taxes; it being the express intention of Lessor and Lessee that all Rent payable hereunder shall be payable in all events, unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

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 Law or otherwise, to terminate this Lease or any obligation imposed upon Lessee hereunder or in relation hereto.

Nothing contained in this Lease shall be construed as a waiver of Lessee's right to seek, or its entitlement to, damages, specific performance, separate recovery of any payment of Rent made by Lessee which is not due and payable in accordance with the terms of this Lease or other remedies at law or equity and any combination thereof, as against Lessor, Owner or other Person having an interest herein through Lessor, Owner or any other Person as shall be liable therefor, on account of any failure of Lessor, Owner or any other such Person to perform its obligations under this Lease or on account of any act or omission of Lessor, Owner or any other such Person or to enforce any judgment therefor.

Nothing contained in this Section shall be construed as a waiver of Lessee's right to seek a separate recovery of any payment of Rent which is not due and payable in accordance with the terms of this Lease.

If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law, to the extent permitted by applicable Law, and provided Lessee has not been deprived of possession and use of the Aircraft under and in accordance with the provisions of this Lease as a consequence of such termination, Lessee nonetheless agrees to pay to Lessor amounts equal to the Rent payments hereunder at the time such payments would have become due and payable in accordance with the terms hereof had this Lease not been terminated, and so long as such payments are made and all other terms and conditions hereof are complied with by Lessor and Lessee, Lessor

and Lessee will deem this Lease to remain in full force and effect; provided, however that if any court validly exercising jurisdiction with respect to this Lease orders the return of the Aircraft and such order is final and non-appealable and binding upon the parties, and Lessee, in compliance with such court order, returns the Aircraft to the Lessor in accordance with the terms of this Lease (including Section 16) and such order, Lessee shall have no further obligation to pay Rent hereunder to the Lessor that otherwise would accrue from and after the date of such return.

Section 5. Representations and Warranties.

(a) Warranties and Disclaimer of Warranties.

AS AMONG LESSOR, OWNER, GECAS AND LESSEE, THE AIRCRAFT IS TO BE LEASED HEREUNDER "AS IS" AND "WHERE IS" AND ON THE DELIVERY DATE MEETING THE DELIVERY CONDITIONS SET FORTH IN EXHIBIT A HERETO. NONE OF LESSOR, OWNER AND GECAS HAS AND OR SHALL BE DEEMED TO HAVE MADE (WHETHER BY VIRTUE OF HAVING ACQUIRED THE AIRCRAFT OR LEASED IT UNDER THIS LEASE, OR HAVING DONE OR FAILED TO DO ANY ACT, OR HAVING ACQUIRED OR FAILED TO ACQUIRE ANY STATUS UNDER OR IN RELATION TO THIS LEASE OR OTHERWISE), AND LESSOR, OWNER AND GECAS HEREBY SPECIFICALLY DISCLAIM, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE (EXCEPT AS HEREIN BELOW PROVIDED), AIRWORTHINESS, VALUE, DURABILITY, COMPLIANCE WITH SPECIFICATIONS, CONDITION, DESIGN, OPERATION, MERCHANTABILITY, FREEDOM FROM CLAIMS OF INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS, OR FITNESS FOR USE FOR A PARTICULAR PURPOSE OF THE AIRCRAFT, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP, THE ABSENCE THEREFROM OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, OR AS TO ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED (INCLUDING ANY IMPLIED WARRANTY ARISING FROM A COURSE OF PERFORMANCE OR DEALING OR USAGE OF TRADE), WITH RESPECT TO THE AIRCRAFT; AND LESSEE HEREBY WAIVES, RELEASES, RENOUNCES AND DISCLAIMS EXPECTATION OF OR RELIANCE UPON ANY SUCH WARRANTY OR WARRANTIES. NONE OF LESSOR, OWNER AND GECAS SHALL HAVE ANY RESPONSIBILITY OR LIABILITY TO LESSEE OR ANY OTHER PERSON, WHETHER ARISING IN CONTRACT OR TORT OUT OF ANY NEGLIGENCE OR STRICT LIABILITY OF LESSOR, OWNER OR GECAS OR OTHERWISE, FOR (i) ANY LIABILITY, LOSS OR DAMAGE CAUSED OR ALLEGED TO BE CAUSED DIRECTLY OR INDIRECTLY BY THE AIRCRAFT OR ANY ENGINE OR BY ANY INADEQUACY THEREOF OR DEFICIENCY OR DEFECT THEREIN OR BY ANY OTHER CIRCUMSTANCE IN CONNECTION THEREWITH, (ii) THE USE, OPERATION OR PERFORMANCE OF THE AIRCRAFT OR ANY RISKS RELATING THERETO, (iii) ANY INTERRUPTION OF SERVICE, LOSS OF BUSINESS OR ANTICIPATED PROFITS OR CONSEQUENTIAL DAMAGES OR (iv) THE DELIVERY, OPERATION, SERVICING, MAINTENANCE, REPAIR, IMPROVEMENT OR REPLACEMENT OF THE AIRCRAFT. NONE OF LESSOR, OWNER AND GECAS WILL HAVE ANY LIABILITY OR OBLIGATION WHATSOEVER IN CONNECTION WITH, THE YEAR 2000 COMPLIANCE (AS HEREINAFTER DEFINED) OF THE AIRCRAFT OR ANY PART THEREOF. FOR PURPOSES OF THIS AGREEMENT,

THE TERM "YEAR 2000 COMPLIANCE" SHALL MEAN AND INCLUDE THE ABILITY OF THE AIRCRAFT AND EACH PART THEREOF TO ACCURATELY PROCESS, PROVIDE AND/OR RECEIVE DATE/TIME DATA (INCLUDING WITHOUT LIMITATION CALCULATING, COMPARING, OUTPUTTING AND SEQUENCING), WITHIN, FROM, INTO, AND BETWEEN THE TWENTIETH CENTURY AND THE TWENTY-FIRST CENTURY, INCLUDING LEAP YEAR CALCULATIONS SUCH THAT NEITHER THE AIRCRAFT NOR ANY PART THEREOF OR SERVICE RELATED THERETO WILL BE AFFECTED BY DATES/TIMES PRIOR TO, ON, AFTER OR SPANNING JANUARY 1, 2000. THE WARRANTIES AND REPRESENTATIONS SET FORTH IN THIS SECTION 5(a) ARE EXCLUSIVE AND IN LIEU OF ALL OTHER REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, AND LESSOR SHALL NOT BE DEEMED TO HAVE MADE ANY OTHER WARRANTIES, EXCEPT THAT:

(i) Lessor warrants that on the Delivery Date title to the Aircraft shall be vested in Owner and the Aircraft shall be free and clear of any and all Liens other than Lessor's Liens;

(ii) Lessor further represents and warrants that Lessor is a corporation duly organized and validly existing and in good standing under the laws of Delaware, and has the corporate power and authority to carry on its business as presently conducted and to perform its obligations under this Lease;

(iii) Lessor further represents and warrants that the Head Lease has been duly entered into by the parties thereto, remains in full force and effect as of the date hereof and no default or event of default (as defined therein) has occurred and is continuing thereunder; and the making and performance by Lessor of this Lease have been duly authorized by all necessary corporate action on the part of Lessor and will not violate any provision of law or its Articles of Incorporation; and

(iv) Lessor further represents and warrants that this Lease (including Letter Agreement No. 1 and any other document to be executed by Lessor pursuant to the terms hereof) has been duly entered into and delivered by Lessor, and that this Lease does, and such other documents when executed and delivered hereunder will, constitute legal, valid and binding obligations of Lessor, enforceable in accordance with their respective terms except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and, to the extent that certain remedies require or may require enforcement in equity, by such principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) as a court having jurisdiction may impose and by laws which may affect some of such remedies but which do not make available remedies inadequate for the substantial realization of the benefits provided herein.

(b) Manufacturers' Warranties. So long as (i) no Event of Default has occurred and is continuing, (ii) the Lease has not terminated, or (iii) Lessor has not terminated this Lease following an Event of Default, Lessor agrees to authorize Lessee to exercise for the account of Lessor and Owner such rights as Lessor or Owner may have under any warranty, express or implied, with respect to the Aircraft made by the Manufacturer, the Engine Manufacturer, or the manufacturer of any Part, to the extent that the same may be assigned or otherwise made available to Lessee, and Lessee shall be entitled to reimbursement from any monetary settlement under any such warranty;

provided, however, that upon an Event of Default and termination of this Lease all such rights shall immediately revert to Lessor to the exclusion of Lessee including all claims thereunder whether or not perfected. Upon Lessee's request, Lessor shall execute and deliver (or cause Owner to execute and deliver) to Lessee such assignments or other instruments as shall be required by the Manufacturer, the Engine Manufacturer, or the manufacturer of any Part, to enable Lessee to obtain the benefit of any assignable warranties and indemnities given to Lessor or Owner by Manufacturer, the Engine manufacturer and other vendors with respect to the Aircraft. To the extent that any warranty or indemnity given to Lessor by Manufacturer and others with respect to the Aircraft cannot be assigned, Lessee will be entitled to take such action to enforce such warranty or indemnity in the name of Lessor against Manufacturer and such other parties as Lessee sees fit, but subject to Lessee indemnifying Lessor against all costs and expenses associated with such action.

(c) Lessee's Representations and Warranties. Lessee hereby makes the following representations and warranties, which representations and warranties shall survive the execution and delivery of this Lease and the delivery of the Aircraft:

(i) Lessee is a corporation duly organized, and existing in good standing under the Laws of the Country of Organization and has the corporate power and authority to carry on its business as presently conducted and to perform its obligations under this Lease;

(ii) this Lease has been duly authorized by all necessary corporate action on the part of Lessee and does not require any approval of stockholders of Lessee (or if such approval is required, such approval has been obtained), and neither the execution and delivery hereof nor the consummation of the transactions contemplated hereby nor compliance by Lessee with any of the terms and provisions hereof will contravene any Law applicable to Lessee or result in any breach of, or constitute any default under, or result in the creation of any lien, charge or encumbrance upon any property of Lessee under, any credit agreement or instrument, corporate charter or by-law or other agreement or instrument to which Lessee is a party or by which Lessee or its properties or assets are bound or affected;

(iii) Lessee has received every consent, approval or authorization of, and has given every notice to, each Governmental Entity having jurisdiction with respect to the execution, delivery or performance of this Lease (including all monetary and other obligations hereunder) that is required for Lessee to execute and deliver this Lease and each such consent, approval or authorization is valid and effective and has not been revoked, and on or before the Delivery Date Lessee will have received such consents, approvals or authorizations, or will have given such notices in order to perform the transactions contemplated hereby;

(iv) this Lease (including Letter Agreement No. 1) has been duly executed and delivered by Lessee, and the Lease does, and the Lease Supplement when executed and delivered by Lessee will, constitute legal, valid and binding obligations of Lessee, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and, to the extent that certain remedies require or may require enforcement by a court of equity, by such principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) as a court having jurisdiction may impose and by laws which may affect some of such remedies but which do not make the available remedies inadequate for the

substantial realization of the benefits provided herein;

(v) there are no suits or proceedings pending or, to the knowledge of Lessee, threatened in any court or before any regulatory commission, board or other administrative Governmental Entity against or affecting Lessee which would reasonably be expected to materially and adversely affect Lessee's ability to perform its obligations hereunder;

(vi) Lessee has filed or caused to be filed all tax returns which are required to be filed by it, and has paid or caused to be paid all Taxes shown to be due or payable on said returns or on any assessment received by Lessee, except to the extent the same are being contested by Lessee in good faith by appropriate proceedings;

(vii) except for compliance with the rules and regulations of the DAC with respect to the filing for recordation of this Lease and the Lease Supplement, and the placing on the Aircraft and on each Engine of the plates containing the legends referred to in Section 6(f) hereof, no further filing or recording of this Lease or of any other document and no further action, are necessary under the Laws of any Governmental Entity (including without limitation any Governmental Entity of the Government of Organization or the Government of Registration) in order to (A) fully protect and establish Owner's title to the Aircraft, and Owner's and Lessor's interests in and property rights with respect to the Aircraft as against Lessee or any third party and to ensure that property rights of Owner and Lessor therein will have priority in all respects over the claims of all creditors of Lessee, or (B) ensure the validity, effectiveness and enforceability of this Lease;

(viii) Lessee is not in default in the performance of any of its obligations (A) for the payment of indebtedness for borrowed money or of any interest or premium thereon or (B) for the payment of rent under any lease or agreement to lease real, personal or mixed property, in each case in respect of obligations in amounts in excess of ****Material Redacted****;

(ix) the Maintenance Program for the Aircraft complies with all DAC requirements;

(x) there are no withholding or other Taxes of the Country of Registration to be deducted from any payment to be made by Lessee under this Lease; provided that Lessor is, and remains, an entity organized under the laws of a country which has in effect a tax reciprocity treaty or agreement with Panama which so provides;

(xi) the choice of law to govern this Lease, as specified in Section 20(b) hereof, is a valid choice of law and such choice will be upheld in the courts of the Country of Organization and the Country of Registration; and

(xii) Lessee is subject to private commercial law and suit under the Laws of the Country of Organization and the Country of Registration. Lessee is not entitled to sovereign immunity under the Laws of the Country of Organization, the Country of Registration or such other jurisdiction, and neither Lessee nor its properties or assets have the right of immunity from suit or execution on the grounds of sovereignty in the Country of Organization, the Country of Registration, the United States of America or any other jurisdiction. To the extent that Lessee, in

any jurisdiction in which proceedings may at any time be taken for the determination of any question arising under or for the enforcement of this Lease (including any interlocutory proceedings or the execution of any judgment or award arising therefrom), may be entitled to claim or otherwise be accorded for itself or its property, assets or revenues immunity from suit or attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction, there may be attributed to Lessee, or its property, assets or revenues such immunity (whether or not claimed), Lessee hereby irrevocably agrees not to claim and waives such immunity to the fullest extent permitted by the law of such jurisdiction.

Section 6. Possession and Use.

(a) Possession

(i) SUBLEASE, ASSIGNMENT AND TRANSFER. EXCEPT AS PROVIDED IN SECTION 14, LESSEE WILL NOT ASSIGN, PLEDGE OR OTHERWISE ENCUMBER THIS LEASE OR SUBLET OR TRANSFER POSSESSION OF THE AIRCRAFT, 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 DEFAULT OR EVENT OF DEFAULT SHALL HAVE OCCURRED AND BE CONTINUING AND AS LONG AS THE ACTION TO BE TAKEN SHALL NOT AFFECT THE REGISTRATION OF THE AIRCRAFT AND SO LONG AS ALL NECESSARY APPROVALS OF EACH GOVERNMENTAL ENTITY HAVING JURISDICTION OVER THE AIRCRAFT HAVE BEEN OBTAINED, THEN LESSEE, WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR, MAY:

(A) SUBJECT ANY ENGINE OR PART TO NORMAL INTERCHANGE OR POOLING AGREEMENTS OR SIMILAR ARRANGEMENTS IN EACH CASE CUSTOMARY IN THE AIRLINE INDUSTRY AND ENTERED INTO IN THE ORDINARY COURSE OF ITS BUSINESS WITH AN AIR CARRIER HOLDING A PART 121 OR 129 CERTIFICATE OR AN ENGINE OR PART (AS APPROPRIATE) OVERHAUL AGENCY CERTIFICATED BY THE FAA OR THE DAC, PROVIDED THAT: (I) NO SUCH AGREEMENT OR ARRANGEMENT RESULTS IN OR REQUIRES THE TRANSFER OF TITLE TO SUCH ENGINE OR SUCH PART; OR (II) IF OWNER'S TITLE TO SUCH ENGINE SHALL BE DIVESTED UNDER ANY SUCH AGREEMENT OR ARRANGEMENT, SUCH DIVESTITURE SHALL BE DEEMED TO BE A CASUALTY OCCURRENCE WITH RESPECT TO SUCH ENGINE AND LESSEE SHALL COMPLY WITH SECTION 11(b) HEREOF IN RESPECT THEREOF;

(B) DELIVER POSSESSION OF THE AIRCRAFT, THE AIRFRAME OR ANY ENGINE OR ANY PART THEREOF TO THE MANUFACTURER THEREOF FOR TESTING OR OTHER SIMILAR PURPOSES OR TO ANY ORGANIZATION FOR SERVICE, REPAIR, MAINTENANCE, TESTING OR OVERHAUL WORK ON THE AIRCRAFT, AIRFRAME OR ENGINE OR ANY PART THEREOF OR FOR ALTERATIONS OR MODIFICATIONS IN OR ADDITIONS TO THE AIRCRAFT, AIRFRAME OR ENGINE TO THE EXTENT REQUIRED OR PERMITTED BY THE TERMS OF SECTION 9 HEREOF;

(C) INSTALL AN ENGINE ON AN AIRFRAME (OTHER THAN THE AIRFRAME) OWNED OR OPERATED BY LESSEE, PROVIDED SUCH AIRFRAME IS

MAINTAINED IN ACCORDANCE WITH THE MAINTENANCE PROGRAM AND IS FREE AND CLEAR OF ALL LIENS EXCEPT: (I) THOSE OF THE TYPE PERMITTED UNDER CLAUSE (D) OF SECTION 14 HEREOF AND THOSE WHICH APPLY ONLY TO ENGINES (OTHER THAN THE ENGINE), APPLIANCES, PARTS, INSTRUMENTS, APPURTENANCES, ACCESSORIES, FURNISHINGS AND OTHER EQUIPMENT (OTHER THAN PARTS) INSTALLED ON SUCH AIRFRAME; AND (II) THE RIGHTS OF THE PARTICIPANTS UNDER NORMAL INTERCHANGE AGREEMENTS WHICH ARE CUSTOMARY IN THE AIRLINE INDUSTRY AND DO NOT CONTEMPLATE, PERMIT, RESULT IN OR REQUIRE THE TRANSFER OF TITLE TO THE AIRFRAME, ENGINES OR PARTS INSTALLED THEREON;

(D) INSTALL AN ENGINE ON AN AIRFRAME LEASED TO LESSEE OR OWNED BY LESSEE SUBJECT TO A CONDITIONAL SALE OR OTHER SECURITY AGREEMENT, PROVIDED, THAT: (i) SUCH AIRFRAME IS MAINTAINED IN ACCORDANCE WITH THE MAINTENANCE PROGRAM; (ii) 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 (I) AND (II) OF SECTION 6(a)(i)(C), AND THE LIEN OF ANY MORTGAGE OR OTHER SECURITY INTEREST WHICH EITHER BY ITS TERMS DOES NOT APPLY TO THE ENGINE OR WHICH EFFECTIVELY PROVIDES THAT AN ENGINE LEASED TO LESSEE HEREBY SHALL NOT BECOME SUBJECT TO THE LIEN THEREOF OR TO ANY RIGHTS OF ANY PARTY THEREUNDER OTHER THAN LESSEE (WITH RESPECT TO LESSEE'S RIGHTS EXPRESSLY GRANTED HEREUNDER), NOTWITHSTANDING THE INSTALLATION OF SUCH ENGINE ON ANY AIRFRAME SUBJECT TO THE LIEN OF SUCH MORTGAGE OR OTHER SECURITY INTEREST UNLESS AND UNTIL LESSEE SHALL BECOME THE OWNER OF SUCH ENGINE AND LESSOR AND OWNER SHALL HAVE NO FURTHER INTEREST THEREIN; (iii) THERE SHALL BE IN EFFECT A WRITTEN AGREEMENT OF THE LESSOR OR SECURED PARTY OF SUCH AIRFRAME (WHICH MAY BE THE LEASE OR CONDITIONAL SALE OR OTHER SECURITY AGREEMENT COVERING SUCH AIRFRAME) SUBSTANTIALLY SIMILAR IN EFFECT TO THE AGREEMENT OF LESSOR IN SECTION 6(b) BELOW WHEREBY SUCH LESSOR OR SECURED PARTY EFFECTIVELY AND 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, AND A COPY OF SUCH AGREEMENT SHALL BE PROVIDED TO LESSOR UPON WRITTEN REQUEST; AND (iv) UPON REQUEST OF THE LESSOR, THE LESSOR SHALL HAVE RECEIVED FROM COUNSEL FOR THE LESSEE AN OPINION, IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE LESSOR, BASED ON APPLICABLE LAW, TO THE EFFECT THAT THE LESSOR OR SECURED PARTY OF SUCH AIRFRAME WILL NOT ACQUIRE ANY RIGHT, TITLE OR INTEREST IN SUCH ENGINE BY REASON OF SUCH ENGINE BEING INSTALLED ON SUCH AIRFRAME AT ANY TIME WHILE SUCH ENGINE IS SUBJECT TO THIS LEASE AND IS OWNED BY OWNER;

(E) ENTER INTO ANY WET LEASE OF THE AIRCRAFT PROVIDED SUCH WET LEASE DOES NOT EXTEND BEYOND THE TERM HEREOF; AND

(F) SUBLEASE THE AIRCRAFT TO A PERMITTED SUBLESSEE, PURSUANT TO A PERMITTED SUBLEASE, PROVIDED THAT THE TERM OF SUCH SUBLEASE DOES NOT EXTEND BEYOND THE TERM HEREOF.

(ii) CERTAIN LIMITATIONS ON TRANSFERS. WITH RESPECT TO ANY TRANSFER PURSUANT TO THIS SECTION 6(a):

(A) THE RIGHTS OF ANY TRANSFEREE THAT RECEIVES POSSESSION BY REASON OF A TRANSFER PERMITTED BY THIS SECTION 6(a) SHALL BE SUBJECT AND SUBORDINATE TO ALL THE TERMS OF THIS LEASE;

(B) LESSEE SHALL REMAIN PRIMARILY LIABLE HEREUNDER FOR THE PERFORMANCE OF ALL OF THE TERMS OF THIS LEASE TO THE SAME EXTENT AS IF SUCH TRANSFER HAD NOT OCCURRED; AND

(C) NO INTERCHANGE AGREEMENT OR OTHER RELINQUISHMENT OF POSSESSION PURSUANT TO THE TERMS OF THIS SECTION 6(a) SHALL IN ANY WAY DISCHARGE OR DIMINISH ANY OF LESSEE'S OBLIGATIONS TO LESSOR HEREUNDER.

(iii) CERTAIN LIMITATIONS ON SUBLEASE. With respect to any transfer pursuant to Section 6(a) which is a Permitted Sublease:

(A) the term of such sublease (including, without limitation, any option of the sublessee to renew or extend the sublease), shall not extend beyond the end of the Term;

(B) the rights of the sublessee shall be subject and subordinate to all the terms of this Lease, including without limitation the right of repossession pursuant to Section 18 and to avoid such sublessee's right to possession upon such repossession;

(C) Lessee shall remain primarily liable hereunder for the performance of all the terms of this Lease to the same extent as if any such sublease had not occurred;

(D) such sublease shall provide that (i) the Aircraft, Airframe or any Engine may not be operated or used other than as provided in Section 6 hereof, (ii) Lessor may avoid or terminate such sublease following an Event of Default hereunder and (iii) to the extent not accomplished by an assignment of sublease, upon the occurrence of an Event of Default, Lessee's rights under such sublease shall automatically be deemed assigned to Lessor until such time as the Event of Default has been cured;

(E) no sublease of the Aircraft or any Engine shall in any way destroy or diminish any of Lessor's rights hereunder or Owner's rights under the Head Lease and such rights shall continue as if such sublease or transfer has not occurred;

(F) Lessee shall provide a copy of such proposed sublease to Lessor for its review and approval (which approval shall not be unreasonably withheld) at least ten (10) Business

Days prior to the proposed effective date of such sublease and Lessee shall reimburse Lessor within ten (10) Business Days after demand for Lessor's actual out-of-pocket cost for such review whether or not Lessor gives approval.

(G) such sublease shall expressly provide (x) that such sublessee will not transfer possession or control of the Aircraft, the Airframe or an Engine to anyone other than Lessee or Lessor (except as provided in Subsection (a)(i)(A)-(E) of this Section 6) and (y) that all rights of the sublessee are subject and subordinate to all the terms of this Lease including, without limitation, in each instance, Lessor's rights to repossession pursuant to Section 18 and Lessor's rights to avoid such sublessee's right to possession upon such repossession;

(H) such sublease shall include appropriate provisions (whether by requiring such obligations to be performed by the sublessee, Lessee, or both) for the operation, maintenance and insurance of the Aircraft and the Engines subleased thereby which are comparable to, or more restrictive than, the provisions of this Lease; and

(I) such sublease shall expressly prohibit any assignment or further sublease (other than as permitted by Subsection (a)(i) clauses (A)-(E) of this Section 6) of the Aircraft, the Airframe or any Engine and any of the rights under such sublease.

(b) Reciprocal Recognition of Rights. In the event Lessee shall have received from the lessor or secured party of any airframe leased to Lessee or owned by Lessee subject to a conditional sale or other security agreement a written agreement complying with clause (II) of Section 6(a)(i)(D) hereof (which agreement may be contained in the lease, conditional sale agreement or security agreement relating to such airframe), and such lease or conditional sale or other security agreement covering such airframe also covers an 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, Lessor hereby agrees for the benefit of such lessor or secured party that Lessor will not acquire or claim, as against such lessor or secured party, any right, title or interest in any such engine as the result of such engine being installed on the Airframe and any time while such engine is subject to such lease or conditional sale or other security agreement and owned by such lessor or subject to a security interest in favor of such secured party. Lessor also hereby agrees for the benefit of the mortgagee under any mortgage complying with clause (I) of Section 6(a)(i)(D) hereof, relating to installation of an Engine on an airframe leased to Lessee, that Lessor will not acquire or claim, as against such mortgagee, any right, title or interest in any engine subject to the lien of such mortgage as the result of such engine being installed on the Airframe at any time while such engine is subject to the lien of such mortgage.

(c) Lawful Insured Operations. Lessee will not permit the Aircraft to be maintained, used or operated in violation of any Law of any Governmental Entity of the Country of Registration, the Country of Organization or any other jurisdiction in which Lessee operates the Aircraft, or in violation of any airworthiness certificate, or license or registration issued by any such authority, or contrary to the Manufacturer's or Engine Manufacturer's operating manuals or instructions for the Aircraft or the Engines. In the event that any such Law requires alteration of the Aircraft, Lessee shall comply therewith at its sole expense and shall maintain the same in proper condition for operation under such Laws. Lessee agrees not to operate the Aircraft, or permit the Aircraft to be operated during the Term, (i) unless the Aircraft is covered by insurance as required by the

provisions hereof, or (ii) contrary to the terms of such insurance. Lessee also agrees not to operate or locate the Aircraft or suffer or permit the Aircraft to be operated or located during the Term in (A) any area excluded from coverage by any insurance policy issued pursuant to the requirements of this Lease, (B) any location that is prohibited or not permitted under:

- (i) any Law or government regulation applicable to the Aircraft or to Lessee; or
- (ii) any requirement of a Government Entity of the Country of Registration; or
- (iii) any requirement of a Government entity of the country in which such location is situated.

Lessee will not be deemed in non-compliance with the obligations set forth in the immediately preceding sentence to the extent such non-compliance occurs when Lessee has been deprived of possession of the Aircraft by a breach of the Covenant of Quiet Enjoyment under Section 20(f).

Lessee shall comply with the Law for the time being in force in any country or jurisdiction to, from, in or over which the Aircraft is flown. Lessee shall use the Aircraft solely in commercial operations for which Lessee is duly authorized by applicable Law and shall not use or permit the Aircraft to be used for any purpose for which the Aircraft is not designed or reasonably suitable. Lessee shall not knowingly use the Aircraft for the carriage of: (A) whole animals living or dead except pets and food products unless all of the rules and regulations prescribed by the International Air Transport Association ("IATA") as in effect from time to time for such carriage, to the extent the same exist and are applicable to the particular form of carriage, are followed, (B) goods characterized as dangerous goods by the regulations of IATA unless all of the rules and regulations prescribed by IATA as in effect from time to time for such carriage, to the extent the same exist and are applicable to the particular form of carriage, are followed or (C) any other goods, materials or items of cargo which could reasonably be expected to cause damage to the Aircraft and which would not be adequately covered by the insurance required by or obtained pursuant to the terms of this Lease. Lessee shall not at any time during the Term do or permit to be done anything which may expose the Aircraft or any part thereof to penalty, forfeiture, seizure, arrest, impounding, detention, confiscation, taking in execution, attachment, appropriation or destruction nor abandon the Aircraft or any part thereof and, if any such penalty, forfeiture, seizure, arrest, impounding, detention, confiscation, taking in execution, attachment or appropriation shall occur, Lessee shall give Lessor notice thereof and shall endeavor to procure the immediate release therefrom of the Aircraft or the relevant part thereof as the case may be.

(d) Maintenance. Lessee, at its own cost and expense, shall: (i) perform all mandatory service, inspections, repair, maintenance, overhaul and testing, (A) as may be required under DAC rules and regulations applicable to the Aircraft and in compliance with the Maintenance Program, (B) in the same manner and with the same care as shall be the case with similar aircraft and engines owned by or operated by Lessee without discrimination and (C) so as to keep the Aircraft in as good operating condition as when delivered to Lessee, ordinary wear and tear excepted; (ii) keep the Aircraft in such condition as is necessary to enable the airworthiness certification of the Aircraft to be maintained in good standing at all times under DAC regulations and any other applicable Law; (iii) maintain, as accurate, complete, current, and in the English language, all records, logs and other materials required by, and in a manner acceptable to, the DAC and any other Governmental

Entity having jurisdiction over the Aircraft and (iv) permit Lessor or any authorized representative of Lessor to examine such records at any reasonable time and upon prior written notice (as provided in Section 7).

(e) Registration. During the Term Lessee shall at its expense keep the Aircraft at all times registered under the applicable Laws of the Country of Registration or such other country approved by Lessor in the name of Owner as owner and Lessor as lessor of the Aircraft or, using its best efforts, in the name of such Person as Lessor may reasonably designate, including, without limitation any successor lessor under this Lease. During such time as the Aircraft is registered in the Country of Registration, the certificate of registration shall register the Aircraft in the name of Owner and include such information concerning Owner and Lessor as permitted by applicable Law in the Country of Registration.

(f) Insignia. Upon delivery of the Aircraft, Lessee agrees to place the Lease Identification as set forth in Exhibit C in the cockpit in a prominent location and to place the Lease Identification on each Engine. Lessee agrees to make such changes to the Lease Identification as Lessor may reasonably request from time to time.

Section 7. Information.

From and after the Delivery Date, Lessee agrees to furnish Lessor the following:

(a) within sixty (60) days following the end of each quarter of Lessee's fiscal year, except the last such quarter of such year, an unaudited consolidated balance sheet of Lessee prepared as of the close of each quarterly period, together with the related unaudited profit and loss statement for such period, together with a certificate of the chief financial officer of Lessee stating that such reports fairly present the financial position of Lessee in accordance with Panamanian generally accepted accounting principles;

(b) within one hundred twenty (120) days after the close of each fiscal year of Lessee, balance sheet, profit and loss statement, and statement of stockholders' equity of Lessee (prepared on a consolidated basis), as of the close of such fiscal year and audited by an Approved Auditor;

(c) within one hundred twenty (120) days after the close of each fiscal year of Lessee, a certificate signed by a duly authorized officer of Lessee, stating (i) that such officer is familiar with the relevant terms of this Lease and has made a review of Lessee's compliance herewith during the preceding fiscal year, and (ii) that no event has occurred and is continuing which constitutes a Default, or, if such an event has occurred, the nature thereof and action Lessee has taken or is taking to cure the same;

(d) within ten (10) days following each six (6) month anniversary of the Delivery Date, Lessee shall provide Lessor with a report with respect to the Aircraft specifying: (i) total hours and total cycles of the Airframe and the Engines; (ii) any scheduled maintenance above a "C" Check performed in the prior six (6) month period; (iii) any significant modifications performed to the Aircraft; (iv) any damage to or destruction of the Aircraft, an Engine or Part, the potential cost of which exceeds the Damage Notification Threshold; and (v) the status of the accomplishment of airworthiness directives and manufacturer's service bulletins, including method of compliance (e.g.,

terminating action or surveillance);

(e) notice in writing of (A) any proceeding by or against Lessee the adverse determination of which would materially adversely affect Lessee's ability to perform under this Lease and (B) any other matter which materially adversely affects the Lessee's ability to perform under this Lease; and

(f) from time to time such other information as Lessor may reasonably request, including the location, condition, use and operation of the Aircraft.

Lessee shall permit Lessor or its designee on three (3) days' prior written notice to visit and inspect the Aircraft, its condition, use and operation and the records maintained in connection therewith. In conducting any such visit or inspection as contemplated herein, Lessor shall not interfere with Lessee's operation or require Lessee to open panels of the Aircraft which are not open under an inspection then being conducted by Lessee. Lessor shall have no duty to make any such inspection and shall not incur any liability or obligation by reason of not making any such inspection. Lessor's failure to object to any condition or procedure observed or observable in the course of an inspection hereunder shall not be deemed to waive or modify any of the terms of this Lease with respect to such condition or procedure.

Section 8. Covenants of Lessee.

Lessee covenants and agrees that:

(a) Maintenance of Corporate Existence. Except as provided in Section 8(d) below, until the Return Occasion, Lessee will preserve and maintain its corporate existence and such of its rights, privileges, licenses and franchises in any jurisdiction where failure to obtain such licensing or qualification would have a material adverse effect upon Lessee.

(b) Maintenance of Status. Lessee is, and shall remain so long as it shall be Lessee under this Lease, duly qualified to operate the Aircraft under applicable Law.

(c) Payment of Taxes. Lessee will pay or cause to be paid all Taxes and governmental charges or levies imposed upon it, or upon its income or profits, or upon any property belonging to it, prior to the date on which penalties attach thereto and prior to the date on which any lawful claim, if not paid, would become a lien upon any of the material property of Lessee, except to the extent the same are being contested by Lessee in good faith by appropriate proceedings..

(d) Consolidation, Merger, Etc. Without the prior written consent of Lessor (which consent shall not be unreasonably withheld), 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 other Person.

(e) Place of Business. Without prior written notice to Lessor, Lessee shall not change its principal place of business.

(f) Notice of Default. Within seven (7) Business Days after any responsible officer of Lessee obtains knowledge of a Default hereunder, Lessee shall notify Lessor in writing of such

Default.

(g) Governmental Consents. Lessee undertakes to maintain in full force and effect all governmental consents, licenses, authorizations, approvals, declarations, filings and registrations obtained or effected in connection with this Lease and every document or instrument contemplated hereby (including without limitation foreign exchange and transfer permits regarding Dollar amounts due hereunder and thereunder) and to take all such additional action as may be proper or advisable in connection herewith or therewith. Lessee further undertakes to obtain or effect any new or additional governmental consents, licenses, authorizations, approvals, declarations, filings or registrations as may become necessary for the performance of any of the terms and conditions of this Lease or any other document or instrument contemplated hereby.

(h) Registration, Certification and Filing. Lessee undertakes to register the Aircraft with the DAC, to secure a valid and effective provisional certificate of airworthiness for operation in the Country of Registration within seven (7) days of the Delivery Date and to provide to the Lessor a copy of the provisional certificate(s) of registration issued by the DAC relating to the Aircraft, reflecting the Owner as the owner and Lessor as lessor of the Aircraft to the extent permitted by applicable Law in the Country of Registration, and a copy of the certificate of airworthiness issued by the DAC relating to the Aircraft, each certified by a duly authorized officer of Lessee and in a form satisfactory to the Lessor so as to enable counsel to the Lessee to provide an opinion that (A) the Aircraft has been duly registered with the DAC and that the Head Lease, the Lease, the Lease Supplement, and any other documents evidencing title necessary or advisable to be filed have been duly filed for recordation with the relevant Governmental Entities, (B) or such other action with respect to, this Lease as may be required to make a public record of the respective interests of Lessor and Lessee in the Aircraft and (C) such other matters as Lessor may reasonably request and substantially in the form of Exhibit F-2 hereto. Lessee shall obtain the definitive certificate of airworthiness in replacement of the provisional certificate as soon as possible after the Delivery Date and shall promptly provide to Lessor a copy thereof, certified by a duly authorized officer of Lessee. Lessee shall timely renew the provisional certificate(s) of registration as required by the DAC during the Term hereof.

(i) Suspension, Cessation, Etc. Lessee shall not at any time during the Term (i) voluntarily suspend its certificated operations; or (ii) voluntarily or involuntarily permit to be revoked, canceled or otherwise terminated all or substantially all of the franchises, concessions, permits, rights or privileges required for the conduct of business and operations of Lessee or the free and continued use and exercise thereof.

(j) No Operation until Registration and Certification. Lessee shall not at any time operate the Aircraft until it has received a provisional certificate of registration for the Aircraft and a provisional certificate of airworthiness for the Aircraft and has provided certified copies of each thereof to the Lessor.

Section 9. Replacement of Parts; Alterations, Modifications and Additions.

(a) Replacement of Parts Lessee, at its own cost and expense, shall promptly replace all Parts which, from time to time, may become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. In addition, in the ordinary course of maintenance, service, repair, overhaul or testing during the Term, Lessee may at its own cost and expense cause to be removed any Parts, whether or not worn out, destroyed, damaged beyond repair or permanently rendered unfit for use, provided that Lessee shall replace at its own cost and expense such Parts as promptly as practicable. All replacement Parts shall be free and clear of all Liens, other than Liens permitted by Section 14 hereof, shall be in at least the same modification status and service bulletin accomplishment status, shall be fully interchangeable as to form, fit and function, shall have been overhauled, repaired and inspected by an agency acceptable to the DAC and shall be in as good an operating condition as, and have a utility at least equal to and a value and remaining warranty reasonably approximating, the Parts replaced (assuming such replaced parts were in the condition and repair in which they were required to be maintained by the terms hereof). All historical records relating to such Parts shall be maintained by Lessee. Notwithstanding the foregoing provision, the right of Lessee to utilize an agency acceptable to the DAC shall not be construed as modifying Lessee's obligations under Section 16 and Exhibit E with respect to return of the Aircraft in accordance with the standards and requirements of the DAC as therein provided.

All Parts owned by Owner or Lessor which are at any time removed from the Aircraft shall remain the property of Owner or Lessor, as the case may be, and subject to this Lease, 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 Aircraft and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to the Aircraft as above provided, (i) title to the removed part shall thereupon vest in Lessee, free and clear of all rights of Owner and Lessor and of Lessor's Liens, (ii) title to such replacement part shall thereupon vest solely in Owner and (iii) such replacement part shall become subject to this Lease and be deemed a Part for all purposes hereof to the same extent as the Part which it has replaced.

(b) Alterations, Modifications and Additions. Lessee, at its own expense, shall make such alterations and modifications and additions to the Aircraft as may be required from time to time to meet the applicable standards of the DAC or to comply with any Law, rule, directive, mandatory bulletin, regulation or order of any Governmental Entity having jurisdiction over the Aircraft or of the manufacturer of the Aircraft, Engines or Parts. Lessee's records shall document the method and date of compliance with FAA requirements to the extent required for certification by the FAA under Part 129 (with no material variance, extension, carry-overs or deferrals). In addition, Lessee, at its own expense, may from time to time make alterations and modifications in and additions to the Aircraft, provided no such alteration, modification or addition materially diminishes the remaining warranty, value or utility, or impairs the condition or airworthiness, of the Aircraft. Title to all Parts (other than leased Parts) incorporated or installed in or attached or added to the Aircraft as the result of such alteration, modification or addition shall vest immediately in Lessor and become subject to this Lease, without the necessity for any further act of transfer, document or notice. In no event shall Lessor bear any liability or cost for any alteration, modification or addition to, or for any grounding or suspension of certification of, the

Aircraft, or for any loss of revenue arising therefrom. Notwithstanding the foregoing, so long as no Default or Event of Default shall be continuing, Lessee may 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 Aircraft or any 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 the Aircraft or such Engine pursuant to the terms of this Lease, and (iii) such Part can be removed from the Aircraft or such Engine without impairing or materially diminishing the value, utility, condition or airworthiness required to be maintained by the terms of this Lease that the Aircraft or such Engine would have had at such time had such Parts not been installed and such removal not occurred. Upon the removal by Lessee of any Part as provided in the immediately preceding sentence, title thereto shall, without further act, vest in Lessee and such Part shall no longer be deemed part of the Aircraft or such Engine from which it was removed. Lessee shall make no material alterations, modifications or additions to the Aircraft (such as removal of galleys, lavatories, major avionics equipment or the like) that would adversely affect the marketability of the Aircraft without Lessor's prior written consent. If Lessor grants such consent, which shall not be unreasonably withheld, title to such removed Parts shall remain with Owner and Lessor may request Lessee to reinstall such Parts prior to termination of this Lease, provided Lessor shall be responsible for the reasonable costs to store such Parts pending such re-installation. If Lessor requests Lessee to reinstall such Parts, title to the Parts removed shall vest in Lessee. All costs associated with such removal and reinstallation shall be borne by Lessee. In addition to the foregoing, Lessee will not make any alterations, modifications or additions to the Aircraft or any Part that may adversely affect its ability to comply with Year 2000 Compliance (as defined in Section 5(a) hereof) in relation to the Aircraft or any Part.

Section 10. Tax Indemnity.

(a) General Tax Indemnity Lessee agrees for the benefit of each Indemnitee that all payments by Lessee in connection with the transactions contemplated by this Lease shall be free of all withholdings or deductions of any nature whatsoever (including, without limitation, withholding taxes, monetary transfer fees, or similar taxes and charges), and in the event any withholding or deduction is required (other than a withholding or deduction in respect of Taxes for which Lessee is not responsible to indemnify any Indemnitee pursuant to Section 10(b) hereof), Lessee shall pay the same together with such additional amount as is required so that each such payment shall be, under any circumstances and in any event, after any such withholding or deduction, in the amount as set forth or referred to in this Lease. Lessee agrees for the benefit of each Indemnitee to pay and, on written demand, to indemnify and hold each Indemnitee (which term as used in this Section 10 shall include each Indemnitee, their respective affiliates, agents, employees, directors, successors and assigns, and any transferee of an Indemnitee with respect to any interest in the Aircraft) harmless from, all license and registration fees, duties, imposts, deductions, charges and, without limitation, all Taxes, howsoever levied or imposed, whether levied or imposed upon or asserted against any Indemnitee, Lessee, the Lease, the Aircraft, or any part thereof or interest therein, or otherwise by any Federal, state or local government, or instrumentality thereof, or other taxing authority in the United States of America ("U.S. Taxing Authority") or by any government other than that of the United States of America or any taxing authority or governmental subdivision or instrumentality of any other country or of a territory or possession of the United States of America or by any international taxing authority ("Foreign Taxing Authority"), upon or with respect to, based upon or measured by:

(i) the Aircraft, or any part thereof, or interest therein,

(ii) the exportation, importation, ownership, delivery, non-delivery, warehousing, removal, leasing, exchange, acceptance, assigning, possession, repossession, condition, recording, use, operation, settlement of any insurance claim, sale, subleasing, rental, retirement, imposition of any Lien, abandonment, registration, preparation, installation, modification, repair, maintenance, replacement, transportation, storage, transfer of title, return or other disposition of the Aircraft or any part thereof or interest therein,

(iii) the rentals, receipts or earnings arising from any one or more of the items or acts described in clause (i) or (ii) above (including, without limitation, the Rent),

(iv) upon or with respect to this Lease, or

(v) otherwise with respect to or in connection with the transactions contemplated and permitted by the Lease; and any documented out-of-pocket costs and expenses fairly attributable to any of the foregoing incurred by any Indemnitee.

(b) Exclusions. Except as provided in subsections (c), (d) and (e) below, there shall be excluded from the indemnity provided in Section 10(a) the following:

(i) Taxes upon or with respect to the gross or net income, capital gains or

capital or net worth of any Indemnitee (including, without limitation, any such Taxes which are minimum or alternative minimum Taxes, Taxes on or measured by items of tax preference and franchise Taxes levied in lieu of income taxes, but excluding, without limitation, any Taxes in the nature of sales, rental, use, value-added, license, withholding or property taxes) ("Income Taxes") which are imposed by any U.S. Taxing Authority;

(ii) Income Taxes imposed by any Foreign Taxing Authority, but excluding any such Income Taxes imposed by a Foreign Taxing Authority to the extent that such Income Taxes result from the location or use of the Aircraft or any part thereof in such taxing jurisdiction or other activities of Lessee or any Person that obtains from Lessee possession or control or the right to use the Aircraft or any part thereof (an "Aircraft User");

(iii) Taxes imposed as a result of any Lessor Lien or (A) a voluntary sale, transfer of title, mortgaging, pledging, financing, voluntary transfer or other voluntary disposition by an Indemnitee of the Aircraft or part thereof or interest therein, or any interest in the Rent or part thereof or any interest in this Lease or part thereof, unless such sale, transfer, mortgage, pledge or disposition occurs by reason of the exercise of an Indemnitee's remedies under this Lease upon an Event of Default, or (B) any involuntary transfer or disposition of any of the foregoing interests in connection with any bankruptcy, foreclosure or similar proceeding with respect to any Indemnitee unless such transfer or disposition occurs by reason of an Event of Default;

(iv) Taxes for any taxable period or portion thereof, relating to events occurring prior to the Delivery Date or after the expiration of the Term of the Lease (and any renewal term) and the redelivery of the Aircraft in accordance with the Lease, except to the extent that any such Taxes are imposed in connection with remedies exercised by Lessor following an Event of Default;

(v) Taxes imposed by any Governmental Entity or international taxing authority in any jurisdiction which would not have been imposed but for some connection of any Indemnitee with such jurisdiction other than a connection arising by reason of, relating to or attributable to Lessee, any Aircraft User, this Lease, any sublease, the operation by Lessee, any sublessee or any Aircraft User of the Aircraft, the location of the Aircraft or arising pursuant to the transactions contemplated hereby in such jurisdiction, except that the exclusion contained in this clause (vi) shall not apply to the extent that such Taxes are imposed in connection with Lessor's exercise of remedies following an Event of Default;

(vi) Taxes imposed on or with respect to a successor or assignee of an Indemnitee to the extent such Taxes exceed the amount of Taxes that would have been imposed on or with respect to such Indemnitee had such succession or assignment not occurred, provided, however, that the exclusion contained in this clause (vi) shall not apply to any successor or assignee if such succession or assignment shall have occurred at any time in connection with Lessor's exercise of remedies after the occurrence of an Event of Default;

(vii) Taxes and any fines, penalties, or additions thereto to the extent the same would not have been incurred but for the failure of Lessor, Owner, GECAS or any other Person other than Lessee to make any filing or election required by it to be made, provided that this exclusion shall not apply if the failure to file or make the election results from the failure of the Lessee to notify the Lessor, Owner, or GECAS of such requirement (unless the Lessor, Owner, or GECAS is otherwise aware of such requirement).

Notwithstanding the foregoing, Income Taxes resulting directly or indirectly (whether by inclusion of an item in gross income, disallowance of a deduction or credit, or otherwise) from any payment on or after the Delivery Date by any supplier in satisfaction of a claim against such supplier with respect to the Aircraft or any part thereof and inclusions in income in any taxable year of any amounts relating to improvements, alterations, modifications, or additions by or on behalf of Lessee of the Aircraft, any Engine or any part thereof (other than improvements, alterations, modifications or additions required by this Lease) or any substitution or replacement of any engine, or any part thereof, shall not be excluded from the indemnity provided in Section 10(a).

(c) FSC Indemnity. Owner has assumed that United States income tax benefits, as provided in sections 921 et seq of the United States Internal Revenue Code of 1986, as amended (the "Code") (i.e. that United States income taxation of the net income or gain from the sale or lease of the Aircraft will be limited in each calendar year to taxation on only seventy per cent (70%) of such net income or gain (the "FSC Benefits")) will be available to Owner and the other Indemnitees. Accordingly, in order to support Owner entitlement to the FSC Benefits, Lessee covenants that:

(i) in each calendar year during the Term, the Aircraft will be located outside the United States (used in this Section 10(c) to include the Commonwealth of Puerto Rico) more than fifty per cent (50%) of the time or more than fifty per cent (50%) of the miles traversed in the use of the Aircraft will be traversed outside the United States (regarding for this purpose any flight between two points in the United States without an intervening stop in a foreign jurisdiction of at least 12 hours as being entirely within the United States);

(ii) except as required by applicable Law (including compliance with any AD) and except for the Modifications as defined in Letter Agreement No. 1 to which Lessor expressly consents, it will not (A) undertake any alterations, modifications or additions to the Aircraft or any Part without the prior written consent of Lessor (x) involving a modification, re-manufacturing or alteration of the Aircraft, which modification, re-manufacturing or alteration is of a permanent nature or (y) which could not be removed from the Aircraft without material damage to the Aircraft or (z) which together with prior related and future related expected alterations, modifications or additions would involve a cost (including labor, overhead, engineering, supplies, materials and third-party costs) in excess of **Material Redacted**, or (B) undertake any replacement of any Engine that involves Owner's relinquishment of title thereto and does not arise from a Casualty Occurrence; and

(iii) after delivery of the Aircraft to Lessee pursuant to this Agreement, the first flight of the Aircraft shall occur as soon as practicable but in any event within 24 hours of the Delivery Date save for any reasonable delays beyond 24 hours due to (i) adverse weather conditions or (ii) Lessee crew staffing restrictions, or (iii) any other cause which is beyond the reasonable control of Lessee, provided in all cases that Lessee shall work diligently to promptly remedy any such delay to the first flight. The first flight shall be a non-revenue producing flight from the Delivery Location to a location outside the United States. After arrival at such location outside the United States, the Aircraft will not begin any return flight to the United States prior to the expiration of 12 hours after its arrival at such location outside the United States. In addition, between the time of delivery to Lessee and such first flight, Lessee shall make no use of the

Aircraft except for such fuelling, loading and provisioning required in connection with such first flight.

Lessor acknowledges that the covenants contained in Section 10(c)(i), (ii) and (iii) are given by Lessee solely for the purpose of the indemnification requirements in Section 10 (d) and shall not prevent or restrict Lessee from taking any action otherwise permitted under this Agreement. Lessee will make available to Lessor any records relating to the use and location of the Aircraft that Lessor may reasonably request, in order to fulfill Lessor's or any Indemnitee's tax reporting, filing, audit or litigation requirements, and will otherwise reasonably cooperate with any reasonable requests of Lessor with respect to compliance with requirements for the FSC Benefits; provided, that any such cooperation shall not result in costs in excess of those which Lessee would have incurred in the absence of such cooperation nor result in any additional obligation of Lessee nor adversely affect Lessee's rights hereunder. Except as expressly set forth in Section 10(c) (i), (ii) and (iii), there are no other events intended to be covered by the indemnification set forth in Section 10 (d).

(d) FSC Benefits

(i) Lessor's remedy for the breach of any of the covenants contained in Section 10(c)(i), (ii) and (iii), if such breach shall directly result in a loss of FSC Benefits, shall be the right to receive the indemnity payments specified in this Section 10 (d) from Lessee. Any such indemnity payments will be due within 30 days after Lessee's receipt of a written request from Lessor certifying that there has been a loss of FSC Benefits describing in reasonable detail the circumstances of such loss and that such loss is a direct result of the breach by Lessee of a covenant contained in Section 10 (c) hereof.

(ii) Owner, GECAS and Lessor acknowledge and agree that Lessee's indemnity obligation for an Indemnitee's entitlement to the FSC Benefits shall be limited in amount with respect to any calendar year, subject to Section 10(e), to the lesser of (x) the amount of FSC Benefits lost or disallowed for such calendar year which are a direct result of a breach of the covenants set forth in Section 10(c)(i), (ii) or (iii) and (y) the amount set forth as the FSC Indemnity Maximum Amounts in Exhibit C plus in either case the amount of any interest, penalties and additions to tax payable by Owner or the relevant Indemnitee as a result of the loss or disallowance of the FSC Benefits, but not including any interest, penalties or additions to tax resulting solely from acts or omissions of Lessor, Owner, GECAS, or any Person other than Lessee. For the avoidance of doubt, if the FSC Benefits are lost or disallowed for any calendar year, the maximum amount which Lessee shall pay to Lessor with respect to such calendar year, subject to Section 10(e), is the amount for such calendar year as set forth as the FSC Indemnity Maximum Amounts in Exhibit C plus the amount of any interest, penalties, and additions to tax payable by Owner or the relevant Indemnitee as a direct result of such loss or disallowance (but not as a result solely of acts or omissions of Lessor, Owner, GECAS, or any Person other than Lessee) and if such FSC Benefits are determined to be lost or disallowed with respect to a subsequent sale of the Aircraft after any termination of the Lease (irrespective of whether the Term of the Lease is extended pursuant to Section 3(g)) as a direct result of Lessee's breach of its covenants set forth in Section 10(c)(ii) or (iii), Lessee's indemnity payment shall be limited to the lesser of the actual amount of FSC Benefits lost or disallowed which arise directly as a result of any such breach and the amount set forth as the FSC Indemnity Maximum Amounts in Exhibit C

with respect to the Residual Period (as enumerated in Exhibit C), plus the amounts set forth as the FSC Indemnity Maximum Amounts in Exhibit C for any calendar years which have not elapsed at the time the Lease is terminated, plus any interest, penalties and additions to tax but not including any penalties or additions resulting principally from any act or omission of Lessor, Owner, GECAS or any other Person other than Lessee that is not in turn attributable to an act or omission of Lessee. For avoidance of doubt, the loss or disallowance of any FSC Benefits resulting solely from any act or omission of Lessor, Owner, GECAS, or any Person other than Lessee and not directly the result of a breach by Lessee of the covenants set forth in Sections 10(c)(i),(ii) or (iii) or arising for any reason other than a breach by Lessee of its covenants set forth in Section 10(c) shall not be deemed to be included in the indemnities provided in this Section 10.

(iii) If the Aircraft is leased after any termination of this Agreement, Lessee's indemnity obligation, subject to Section 10(e), with respect to a loss or disallowance of FSC Benefits as a result of Lessee's breach of its covenants set forth in Section 10(c)(ii) or (iii) will be (in addition to any applicable interest, penalties or additions to tax) the actual amount of FSC Benefits lost or disallowed, as a direct result of such breach, for any calendar year during any subsequent lease of the Aircraft for such calendar year.

(e) After Tax Basis of Payments. Notwithstanding anything in this Section 10 to the contrary (including, without limitation, subparagraphs (i) and (ii) of Section 10(b) above), Lessee further agrees that, with respect to any payment or indemnity under this Section 10, such payment or indemnity shall include any amount necessary to hold the recipient of the payment or indemnity harmless on an after-tax basis from all Taxes required to be paid by such recipient with respect to such payment or indemnity to any U.S. Taxing Authority or any Foreign Taxing Authority, taking into account any reductions in such recipient's taxes by reason of any deductions, credits, or other allowances in respect of the payment or accrual of the amount indemnified against. Any subsequent reduction in such recipient's deductions, credits, or other allowances in respect of the payment or accrual of the amount indemnified against shall be treated as a Tax that is indemnifiable under this Section without regard to the exclusions set forth in Section 10(b) above.

(f) Payments. The Lessee shall pay all Taxes for which it assumes liability hereunder when such Taxes are due. If a claim is made against any Indemnitee for any such Taxes, such Indemnitee shall promptly notify Lessee provided, however, the failure to provide such notice shall not affect the Lessee's obligations hereunder to any Indemnitee unless Lessee's rights to contest such Taxes are materially prejudiced by such failure. Any amount payable as an indemnity to any Indemnitee or any amount payable to Lessee pursuant to this Section 10 is to be paid to such party directly, in immediately available funds, by bank wire transfer at such bank or to such account as specified by the payee in written directions to the payor, or, if such directions shall not have been given, by check of the payor payable to the order of the payee and mailed to the payee by certified mail, postage prepaid at its address as set forth in this Lease, within thirty (30) days after receipt of a written demand therefor from such Indemnitee or Lessee, as the case may be, but in no event more than ten (10) days prior to the due date thereof. In the event Lessee fails to make any such payment following a request by an Indemnitee and such Indemnitee makes a tax payment with respect to any such Taxes (other than with funds advanced to such Indemnitee on an interest-free basis by Lessee pursuant to this Section 10), Lessee shall pay to the Indemnitee interest on the amount of such payment at the Interest Rate set forth in Exhibit C from the date of such

Indemnitee's payment to the relevant taxing authority to the date of such payment by Lessee to the Indemnitee hereunder. In the event an amount is payable to Lessee under this Section 10, the Indemnitee owing such amount shall pay interest on such amount at the Interest Rate set forth in Exhibit C from the date of receipt by such Indemnitee of any amount giving rise to such obligation to pay Lessee until the date of payment to Lessee.

(g) Contests. If requested by Lessee in writing within forty-five (45) days after its receipt of notice pursuant to this Section 10 of a claim against an Indemnitee, upon receipt of indemnity reasonably satisfactory to it and at the sole expense of Lessee (including, without limitation, all reasonable out-of-pocket costs and expenses, reasonable legal and accounting and investigatory fees and disbursements, additions to tax because of underpayments of estimated Taxes, losses, penalties, and interest) such Indemnitee shall in good faith contest or permit Lessee, if desired by Lessee, to contest in the name of Lessee and/or the Indemnitee the validity, applicability or amount of such Taxes by, in the reasonable discretion of such Indemnitee (or, where the Lessee is not permitted to conduct the contest in the name of the Indemnitee, in the sole discretion of such Indemnitee), (i) resisting payment thereof if practicable and legally permissible, (ii) not paying the same except under protest with funds advanced by Lessee on an interest-free basis, if protest is necessary and proper, and (iii) if payments are made, using reasonable efforts to obtain a refund thereof in appropriate administrative and judicial proceedings; provided, however, that Lessee shall not be permitted to contest in the name of such Indemnitee if such contest involves Income Taxes imposed by a U.S. Taxing Authority, Income Taxes imposed by a Foreign Taxing Authority, or any Taxes imposed against such Indemnitee that are unrelated to the transactions contemplated by the Lease, in which event such Indemnitee shall follow the direction of Lessee with respect to the method of pursuing that portion of any such contest that does not relate to Income Taxes unless with respect to issues that do not relate to the settlement of any portion of the contest involving Taxes for which indemnification is provided by this Section 10, such direction would, in the judgment of such Indemnitee, adversely affect in a material manner interests of such Indemnitee unrelated to the transactions hereby contemplated; provided further, however, that in no event shall an Indemnitee settle such portion of any claim for which Lessee has an indemnity obligation pursuant to this Section 10 without Lessee's written consent; provided further, however, that the Indemnitee shall not be required to undertake any contest or allow Lessee to contest in the name of such Indemnitee unless:

(A) no Event of Default shall have occurred and be continuing,

(B) prior to the commencement of any contest undertaken by the Lessee or any contest undertaken by such Indemnitee with respect to which such Indemnitee is required to follow the direction of the Lessee with respect to the method of pursuing that portion of the contest that relates to the transactions hereby contemplated, the Lessee shall have delivered to such Indemnitee a written acknowledgment of its obligation to indemnify fully such Indemnitee to the extent that the contest is not successful,

(C) Lessee shall have provided such Indemnitee with an opinion of legal counsel reasonably acceptable to such Indemnitee to the effect that a reasonable basis exists to contest such claim and, prior to the commencement of any appeal of an adverse administrative or judicial decision, with an opinion of such tax counsel to the effect that a reasonable basis exists to appeal such adverse administrative or judicial decision (which opinions shall be obtained at Lessee's sole

cost and expense),

(D) if such contest is to be initiated by the payment of, and the claiming of a refund for, such Taxes, Lessee shall have advanced to such Indemnitee sufficient funds (on an interest-free basis) to make such payments, provided, however, that the Lessee shall indemnify such Indemnitee for any adverse tax consequences resulting from such advance,

(E) such proceedings do not involve any material risk or danger of the sale, forfeiture, or loss of the Aircraft or any part thereof or the creation of any Lien (other than a Lien for taxes not yet due or being contested in good faith by appropriate proceedings, and for the payment of which such reserves, if any, as are required to be provided under generally accepted accounting principles have been provided), and

(F) in the event that the subject matter of the contest is of a continuing nature and has previously been resolved adversely pursuant to the contest provisions of this Section 10 and there has been a change in the law (including, without limitation, amendments to statutes or regulations, administrative rulings and court decisions) after such claim shall have been so previously resolved, such Indemnitee shall have received an opinion of independent tax counsel selected by such Indemnitee and reasonably acceptable to Lessee, which opinion shall be obtained at Lessee's sole expense, to the effect that, as a result of such change, it is as likely as not that the position which such Indemnitee or Lessee, as the case may be, had asserted in such previous contest would prevail.

If any Indemnitee shall obtain a refund of all or any part of such Taxes (including interest, penalties, or additions thereto) paid by Lessee, such Indemnitee shall pay Lessee, the amount of such refund reduced by the amount of any Taxes payable by such Indemnitee in respect of the receipt of such refund and increased by the amount of any savings realized by such Indemnitee in respect to any such Taxes by reason of deductions, credits, allocations or allowances in respect of such payment to Lessee; provided that such amount shall not be payable (x) before such time as Lessee shall have made all payments or indemnities then due to or on behalf of all Indemnitees under this Lease, (y) while an Event of Default is outstanding and continues unremedied, or (z) to the extent it exceeds the amount of all payments made by Lessee with respect to such Taxes. If in addition to such refund any Indemnitee shall receive an amount representing interest on the amount of such refund, Lessee shall be paid that proportion of such interest which is fairly attributable to Taxes paid by Lessee prior to the receipt of such refund; provided, however, that no amount shall be payable under this or the preceding sentence during any period in which an Event of Default has occurred and is continuing unremedied unless the Lease has terminated and Lessee has paid all amounts due Lessor hereunder. If any such refund or tax savings taken into account under this paragraph in Taxes is subsequently disallowed or canceled, such disallowance or cancellation shall be treated as a Tax that is indemnifiable under this Section 10 without regard to the exclusions set forth in Section 10(b).

(h) Reports. In case any report or return is required to be made with respect to any Taxes which are an obligation of Lessee under this Section 10, Lessee, if lawfully able to do so and appropriate and in receipt of notice from Lessor in circumstances where Lessor, but not Lessee, could reasonably be expected to have knowledge of such obligation, will either make such report or return in such manner as will show the ownership of the Aircraft and the Engines in Owner and

send a copy of such report or return to Lessor or will notify Lessor of such requirement and if lawfully able to do so, will make such report or return in such manner as shall be reasonably satisfactory to Lessor (and the Lessee shall hold each Indemnatee harmless from and against any liabilities, obligations, losses, damages, penalties, claims, actions, suits and reasonable costs arising out of any insufficiency or inaccuracy in any such return, statement, report or information). As soon as practicable after the beginning of each calendar year (but in no event later than February 28 of such year), Lessee shall provide Lessor with any information that Lessor shall reasonably request in writing (by January 31 of such year) and Lessee can reasonably compile to enable Lessor and Owner to allocate accurately for foreign, state and local tax purposes its rental income for the preceding calendar year.

(i) Value Added Taxes. Each amount stated as payable by Lessee under this Lease is exclusive of Value Added Taxes (if any) and is accordingly to be construed as a reference to that amount plus any Value Added Taxes in respect of it.

(j) Affiliated Group. In the event that the Indemnatee is a member of an Affiliated Group (within the meaning of Section 1504(a) of the U.S. Internal Revenue Code) which files a consolidated Federal income tax return, the term "Indemnatee" shall mean and include such Affiliated Group and all the members thereof.

(k) Survival. All of the obligations of Lessee and each Indemnatee under this Section 10 with respect to the Aircraft and the Engines or any part thereof shall survive the assignment, expiration or other termination of this Lease. Such obligations are expressly undertaken by Lessee for the benefit of, and shall be enforceable by, Lessor and each other Indemnatee. Lessee's obligations under this Section 10 shall not be affected by any circumstances, including, without limitation, any setoff, counterclaim, recoupment, defense or other right which Lessee may have against Lessor or any other person for any reason whatsoever. Lessee will pay to an Indemnatee, on demand, and an Indemnatee will pay to Lessee, if applicable, to the extent permitted by applicable law, interest at the Interest Rate set forth in Exhibit C hereto on any amount not paid when due pursuant to this Section 10 until the same shall be paid. All indemnities, obligations, adjustments and payments provided for in this Section 10 shall survive, and remain in full force and effect, notwithstanding the expiration or other termination of this Lease. The obligations of Lessee in respect of all such indemnities, obligations, adjustments and payments are expressly made for the benefit of, and shall be enforceable by, an Indemnatee, without declaring this Lease to be in default or taking other action thereunder, and notwithstanding any provision to the contrary contained herein.

(l) Tax Treaty Elections. Lessor agrees to make, at Lessee's request, any available election under an applicable tax treaty to the extent that making such election would serve to reduce or eliminate any indemnification obligation of the Lessee under this Section 10, but only to the extent that such election can be made on a transaction-by-transaction basis and such election has no adverse consequences to Lessor or any Indemnatee.

(m) Verification. At Lessee's request, the computation by any Indemnatee of any amount of Taxes or other amounts paid or payable by or to Lessee under this Section 10 shall be verified by such Indemnatee's independent public accountants. In the event the amount of Taxes or other amounts computed by such independent public accountants differs from the amounts paid or

payable by or to Lessee, appropriate adjustments shall be made between Lessee and such Indemnitee.

Section 11. Casualty Occurrences.

(a) Casualty Occurrence with Respect to the Airframe. Within fifteen (15) days after a Casualty Occurrence during the Term with respect to the Airframe and any Engine then installed thereon, Lessee shall give Lessor written notice of such occurrence. On or before one hundred twenty (120) days after the date of the Casualty Occurrence, but in no event later than the date of receipt of insurance proceeds in respect of such Casualty Occurrence, Lessee shall pay to Lessor in immediately available funds an amount equal to the sum of (i) the Casualty Value of the Aircraft computed as of the date of payment less an amount equal to the daily equivalent of Basic Rent (computed on the basis of a 360-day year) for each day during the period commencing with the day after payment of such Casualty Value and extending to, but excluding, the Basic Rent Payment Date immediately following payment of such Casualty Value, and (ii) all Supplemental Rent accrued or due and unpaid (other than Maintenance Payments which would have been payable by Lessee pursuant to Section 16(m) and amounts paid pursuant to clause (i) above), computed as of the date of payment less any Security Deposit then held by Lessor. Upon such payment (A) the obligation of Lessee to make further payments of Basic Rent hereunder shall terminate, (B) this Lease shall terminate with respect to the Aircraft and (C) Lessor will cause Owner to transfer to Lessee or its insurers (as directed by Lessee), without recourse or warranty, all of Owner's right, title and interest, if any, in and to the Airframe and Engines (if any) suffering the Casualty Occurrence, as well as all of Owner's right, title and interest in and to any Engine constituting part of the Aircraft but not installed thereon at the time of the Casualty Occurrence in each case free of any Lessor's Liens.

(b) Casualty Occurrence with Respect to an Engine. Upon a Casualty Occurrence with respect to an Engine only, Lessee shall give Lessor prompt written notice thereof and shall, within ninety (90) days after such occurrence, convey to Owner, as replacement for the Engine suffering a Casualty Occurrence, title to a Replacement Engine. Each Replacement Engine shall be free of all Liens (except those Liens which are permitted by Section 14 hereof) and shall be in as good an operating condition and shall have a value and utility at least equal to, and shall have a substantially equivalent number of cycles remaining on its life limited parts as the Engine being replaced, assuming the Engine being replaced was in the condition and repair required by the terms hereof immediately prior to the Casualty Occurrence and shall be compatible with the remaining installed Engine. Upon full compliance by Lessee with the terms of this paragraph, Lessor will cause the Owner to transfer to Lessee all of Owner's right, title and interest in and to the Engine which suffered the Casualty Occurrence free of any Lessor's Liens. Prior to or at the time of any such conveyance, Lessee, at its own expense, will promptly (i) furnish Lessor with a full warranty bill of sale conveying title free and clear of all Liens except Lessor Liens, in form and substance reasonably satisfactory to Lessor, with respect to such Replacement Engine; (ii) cause a supplement hereto, in form and substance reasonably satisfactory to Lessor, subjecting such Replacement Engine to this Lease, to be duly executed by Lessee, and recorded pursuant to applicable Law; (iii) furnish Lessor with such evidence of title to such Replacement Engine and of compliance with the insurance provisions of Section 12 hereof with respect to such Replacement Engine as Lessor may reasonably request; (iv) furnish Lessor with an opinion of Lessee's counsel (which counsel shall be

reasonably acceptable to Lessor) to the effect that title to such Replacement Engine has been duly conveyed to Owner as provided in clause (i) above, and that such Replacement Engine is duly leased hereunder; (v) furnish a certificate signed by a duly authorized financial officer or executive of Lessee certifying that, upon consummation of such replacement, no Default or Event of Default will exist hereunder; (vi) furnish Lessor with such documents as Lessor may reasonably request in connection with the consummation of the transactions contemplated by this Section 11(b), in each case in form and substance reasonably satisfactory to Lessor; and (vii) furnish such financing statement covering the Replacement Engine as may be reasonably requested by Lessor. Upon full compliance by Lessee with the terms of this Section 11(b), Lessor will cause Owner to transfer by bill of sale to Lessee "AS IS AND WHERE IS" and without recourse or warranty (except as to the absence of Lessor's Liens) all of the right, title and interest in the Engine which suffered the Casualty Occurrence and which was originally leased to Lessee. For all purposes hereof, each such Replacement Engine shall be deemed part of the property leased hereunder, shall be deemed an "Engine" as defined herein and shall be deemed part of the same Aircraft as was the Engine replaced thereof. No Casualty Occurrence covered by this Section 11(b) shall result in any reduction in Rent.

(c) Application of Proceeds and Payments. Any payments received at any time by Lessor or by Lessee from any insurer under any policy of insurance (other than liability insurance) or any other person (other than an insurer under insurance maintained by Lessor) shall be applied in the manner specified in Sections 12(d), 12(e) or 12(f) hereof as applicable. Subject to Section 11(f) hereof, any payments received at any time by Lessor or Lessee from any Governmental Entity or other Person with respect to a Casualty Occurrence will be applied as follows:

(i) unless clause (ii) below is applicable, so much of such payments as shall not exceed the sum of accrued, unpaid Rent plus the Casualty Value required to be paid by Lessee pursuant to Section 11(a) of this Lease shall be paid to Lessor in reduction of Lessee's obligation to pay such unpaid Rent and Casualty Value if not already paid by Lessee, or, if already paid by Lessee (unless a Default or an Event of Default shall have occurred and be continuing) shall be applied by Lessor to reimburse Lessee for its payment of such Casualty Value and the balance of such payment, if any, remaining thereafter (if such payment is received with respect to insurance other than liability insurance) (unless a Default or an Event of Default shall have occurred and be continuing) shall be paid over to, or retained by, Lessee; or

(ii) if such payments are received as a result of a Casualty Occurrence with respect to an Engine which is being replaced pursuant to Section 11(b), unless a Default or Event of Default shall have occurred and be continuing, all such payments shall be paid over to, or retained by, Lessee if Lessee shall have fully performed or, concurrently therewith will fully perform, the terms of Section 11(b) and of Section 15 hereof with respect to the Casualty Occurrence for which such payments are made.

(d) Requisition for Use by Government with Respect to the Aircraft.. In the event of the requisition for use by a Governmental Entity of the Airframe or any Engine (other than a requisition constituting a Casualty Occurrence), all Lessee's obligations under this Lease with respect to the Airframe or Engine shall continue to the same extent as if such requisition had not occurred, except to the extent such obligations cannot be performed by Lessee as a consequence of such requisition. All payments received by Lessor or Lessee from the Governmental Entity for the

use of the Airframe or Engine prior to the time (if at all) such requisition becomes a Casualty Occurrence shall be paid over to, or retained by, Lessee if no Default or Event of Default shall have occurred and be continuing; and all payments received by Lessor or Lessee from the Governmental Entity for the use of such item thereafter shall be paid over to, or retained by, Lessor.

(e) Other Dispositions. Any amounts not payable to or retainable by Lessee pursuant to this Section 11 or Section 12 hereof because a Default or an Event of Default shall have occurred and be continuing shall be held by Lessor and shall be paid over to Lessee when such Default or Event of Default shall cease to be continuing, except that if Lessor shall have theretofore declared this Lease to be in default pursuant to Section 18 hereof, such amounts shall be retained by Lessor and disposed of in accordance with the provisions thereof.

(f) Application in Default. Any amount referred to in clause (i) or (ii) of Section 11(c) which is otherwise payable to Lessee shall not be paid to Lessee, or, if it has been previously paid to Lessee, and not yet applied by Lessee as permitted or required hereunder, shall be delivered from Lessee to Lessor, if at the time of such payment a Default or an Event of Default shall have occurred and be continuing. In such case, all such amounts shall be paid to and held by Lessor as security for the obligations of Lessee, or, at the option of Lessor, applied by Lessor toward payment of any of Lessee's obligations at the time due hereunder, as Lessor may elect. At such time as there shall not be continuing any such Event of Default or Default, all such amounts at the time held by Lessor in excess of the amount, if any, which Lessor has elected for application as provided above, shall be paid to Lessee.

(g) ICAO Rules and Procedures. It is agreed that any investigation of an accident involving the Aircraft or a Casualty Occurrence will be carried out with the participation of Lessor and Lessee in accordance with the Rules and Procedures of the International Civil Aviation Organization ("ICAO") from time to time in effect. All necessary information required by ICAO, to the extent reasonably available to the Lessor, shall be promptly furnished by the Lessor.

Section 12. Insurance.

(a) Public Liability and Property Damage Insurance. Lessee shall carry and maintain in full force and effect, at its own expense, with Approved Insurers, airline public liability insurance (including, to the extent generally available in the insurance markets but not limited to, contractual liability, third party legal liability, passenger, baggage, cargo, mail and airline general liability, including premises hangar keepers and products liability) and property damage insurance with respect to the Aircraft of the type usual and customary by commercial scheduled passenger airline carriers similarly situated to Lessee and operating similar aircraft. Such policy shall include war and allied risks in accordance with standard market practice (currently "The Extended Coverage Endorsement - AVN 52C"). Such insurance shall be in an amount not less than the amount under "Public Liability and Property Damage Insurance" as set forth on Exhibit C hereto. Lessee shall not discriminate against the Aircraft in providing such insurance.

(b) Insurance Against Loss or Damage. Lessee, at its own expense, shall maintain in full force and effect throughout the Term with Approved Insurers during the Term "all-risk" ground and flight aircraft hull insurance (which shall include, but not be limited to, vandalism, war risk and allied perils, hijacking, disappearance clause and coverage against strikes, riots, commotions or

labor disturbances, malicious acts or acts of sabotage and unlawful seizure (including confiscation, confiscation by the Country of Registration, arrest, nationalization, seizure, restraint, detention, appropriation, requisition or destruction thereof, by or under authority of any Governmental Entity), or wrongful exercise of control of the Aircraft in flight by a person on board the Aircraft acting without the consent of Lessee) covering the Aircraft, and "all-risk" coverage insurance with respect to Engines and Parts while not installed on the Aircraft or an aircraft, which in each case is at least as broad as coverage maintained by commercial scheduled passenger airlines similarly situated to Lessee and operating similar aircraft and engines as Lessee's fleet. Such insurance shall be for an amount not less than the Casualty Value for the Aircraft and shall incorporate a 50/50 clause with respect to "all-risk" hull and war risk coverage and shall be as further specified in Exhibit C. Such insurance may include provisions for deductibles in an amount usual and customary for commercial scheduled airline carriers similarly situated and operating similar aircraft provided that (i) the amount of such deductibles must be no greater than the lowest deductible amount applying to any similar aircraft in Lessor's fleet, and (ii) in no event shall the amount of such deductibles exceed the amount under "Deductible Amount" set forth on Exhibit C hereto.

(c) Required Policy Designations and Provisions. Each and any policy of insurance obtained and maintained pursuant to this Section, and each and any policy obtained in substitution or replacement for any such policies, shall: (i) designate Owner as owner and Lessor as lessor of the aircraft covered thereby and designate Owner the sole loss payee in respect of the insurance covering the Aircraft required to be maintained by Lessee pursuant to Section 12(b), and shall designate Lessor, GECAS, and Owner and their respective named successors and assigns (and in respect of coverage specified in Section 12(a) hereof, their respective directors, officers, agents, shareholders, subsidiaries and employees), as additional named insureds (the "Additional Insureds") (and the policy shall be promptly amended upon the request of Lessor to add any additional named successors or assigns of Lessor, GECAS, or Owner) as their interests may appear (but without imposing upon the Additional Insureds, any obligation imposed upon the insured, including, without limitation, the liability to pay any premiums for, any such policies); (ii) expressly provide that, in respect of the interests of the Additional Insureds, in such policies, the insurance shall not be invalidated by any action or inaction of Lessee, and shall insure the Additional Insureds, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Lessee or any other party other, and provided the Person so protected has not caused, contributed to or knowingly condoned such action or inaction, other than with respect to an Additional Insured in connection with a breach or violation by such Additional Insured; (iii) provide that if there is a cancellation or material adverse alteration of the insurance, such cancellation or alteration shall not be effective as to the Additional Insureds for thirty (30) days (seven (7) days or such lesser period as from time to time may be applicable in the case of any war risks for allied perils coverage) after issuance to Lessor of written notice by telecopy or overnight courier, by such insurer or insurers of such prospective cancellation or change; (iv) include coverage for the territorial limits of any country (including its airspace) in which the Aircraft operates on a worldwide basis subject to such limitations and exclusions as Lessor may reasonably agree; (v) provide that, as against the Additional Insureds, the insurer waives any rights of set-off, counterclaim or any other deduction (except to the extent set forth in an insurance certificate which shall have been approved by Lessor), whether by attachment or otherwise, and agrees to waive rights of subrogation against the Additional Insureds, provided, however, that such waiver of subrogation need not extend to claims against third parties; (vi) provide that no amount due from the Lessee or any other Person to any insurer or broker shall be deducted from any amount payable to a third party under such insurance

policy; (vii) provide that in the event of any damage or loss, whether or not a Casualty Occurrence hereunder, and which results in a payment, such payment shall be payable directly to Lessor or its assignee as loss payees, for the account of all interests; provided, however, that so long as no Default or Event of Default shall have occurred and be continuing, payments with respect to property damage loss to the Airframe or Engine not constituting a Casualty Occurrence, or any Part, in any amount not to exceed ****Material Redacted**** may be paid to Lessee to be applied for the repair or replacement necessitated by such property damage and Lessee shall notify Lessor in writing of any such payments in excess of the Damage Notification Threshold and the nature of the property damage giving rise to such payments; (viii) provide that none of the Additional Insureds shall be liable for any insurance premium; (ix) expressly exclude any fleet aggregate, ground aggregate or any other type of sublimit, limiting coverage to the Aircraft unless (A) Lessee, all other loss payees and all other insureds, other than Lessor, execute and deliver a subordination agreement, in form reasonably acceptable to Lessor, whereby such parties agree to subordinate their rights to the rights of Lessor or (B) Lessee obtains an excess policy of insurance which provides insurance coverage in an amount not less than the Casualty Value of the Aircraft for the express and exclusive benefit of Lessor or (C) any such aggregate or sublimit is set forth in an insurance certificate which shall have been approved by Lessor; and (x) be reinsured outside the Country of Registration with an Approved Insurer in the international reinsurance markets for an amount not less than 97.5% of the insured risk for each type of coverage required to be maintained hereunder and, to the extent of any reinsurance, include a cut-through provision permitting the Additional Insureds to file claims and to obtain payment directly from the reinsurers under the reinsurance policies. Each such policy shall be primary without right of contribution (except to the extent set forth in an insurance certificate which shall have been approved by Lessor), from any other insurance which may be carried by any of the Additional Insureds, and, with respect to liability coverage, shall expressly provide that all of the provisions thereof shall operate in the same manner as if there were a separate policy covering each insured, provided that such policies shall not operate to increase the insurer's limit of liability and shall not operate to permit claims recoverable under the hull policy to be recoverable as liability claims.

Lessee shall have the right to carry insurance in excess of the amounts required hereunder and the proceeds of such excess insurance shall be payable to Lessee; provided, however that no such excess insurance shall prejudice any insurance coverages required to be maintained by Lessee hereunder. Similarly, Lessor shall have the right to carry additional and separate insurance for its own benefit at its own expense, without, however, thereby limiting Lessee's obligations under this Section 12, provided that no such insurance maintained by Lessor shall prejudice any insurance coverage required to be maintained by Lessee hereunder or the recovery by Lessee thereunder.

(d) Application of Insurance Proceeds for a Casualty Occurrence. It is agreed that insurance payments which arise from any policy of insurance carried by Lessee and received as the result of the occurrence of a Casualty Occurrence shall be applied as follows:

(i) if such payments are received with respect to a Casualty Occurrence relating to the Airframe and Engines or engines installed on the Airframe, so much of such payments as shall not exceed the amounts due under Section 11(a) hereof shall be paid to Owner, and the balance to Lessee; and

(ii) if such payments are received with respect to a Casualty Occurrence relating

to an Engine under circumstances contemplated by Section 11(b) hereof, such payment shall be adjusted with Lessee (provided that Lessee has not breached any warranty, declaration or condition contained in the applicable insurance policy) and paid over to Lessee, provided that Lessee shall have fully performed or, concurrently therewith, will fully perform the terms of Section 11(b) hereof.

(e) Application of Insurance Proceeds for Other than a Casualty Occurrence. Subject to the proviso in Section 12(c)(vi) above, the insurance payments for any property damage loss to the Airframe or any Engine not constituting a Casualty Occurrence, or to any Part, will be applied in payment (or to reimburse Lessor/Lessee) for repairs or replacement property upon Lessor's receipt of evidence reasonably satisfactory to it that repairs or replacement have been effected in accordance with this Agreement.

(f) Application in Default. Any amount referred to in Section 12(d)(i) or (ii) of Section 12(e) which is otherwise payable to Lessee shall not be paid to Lessee, or, if it has been previously paid to Lessee, and not yet applied by Lessee as permitted or required hereunder, shall be delivered by Lessee to Lessor, if at the time of such payment, a Default or an Event of Default shall have occurred and be continuing. In either case, all such amounts shall be held by Lessor as security for the obligations of Lessee, or, at the option of Lessor, applied by Lessor toward payment of any of Lessee's obligations at the time due hereunder. At such time as there shall not be continuing any such Default or Event of Default, all such amounts at the time held by Lessor in excess of the amount, if any, which Lessor has elected for application as provided above, shall be paid to Lessee.

(g) Certificates of Insurance. On or before the Delivery Date, and thereafter on each renewal by Lessee of the insurance required hereby, but not less often than annually, Lessee will furnish to Lessor one or more certificates (substantially in the form of Exhibits G and H hereto or such other form to which Lessor shall have agreed) each executed and delivered by an Approved Insurance Broker who is authorized by one or more Approved Insurers, appointed by Lessee, which together shall describe in reasonable detail insurance carried on the Aircraft and confirming the Approved Insurers' agreement to the specified insurance requirements of this Lease. Lessee will cause each such Approved Insurance Broker who is authorized by an Approved Insurer to agree to advise Lessor in writing at least thirty (30) days (seven (7) days or such lesser period as may from time to time be applicable in the case of any war risk and allied perils coverage) prior to the non-renewal, termination or cancellation by the underwriters for any reason (including, without limitation, failure to pay the premium therefor) of any such insurance or as soon as possible in respect of "non-renewal" or automatic termination for war risk.

Section 13. Indemnification.

Lessee agrees to indemnify, reimburse and hold harmless each Indemnitee from and against any and all claims, damages, losses, liabilities, demands, suits, judgments, causes of action, legal proceedings, whether civil or criminal, penalties, fines and other sanctions, and any attorneys' fees and other reasonable costs and expenses in connection herewith or therewith, including any of the foregoing arising or imposed with or without Lessor's fault or negligence (whether passive or active) or under the doctrine of strict liability (any and all of which are hereafter referred to as "Claims") which in any way may result from, pertain to or arise in any manner out of, or are in any manner related to (a) the Aircraft or this Lease, or the breach of any representation, warranty or covenant made by Lessee hereunder, or (b) the condition, ownership, manufacture, purchase, delivery, non-delivery, lease, acceptance, rejection, possession, return, disposition or use, or operation of the Aircraft either in the air or on the ground, or (c) any defect in the Aircraft (whether or not discovered or discoverable by Lessee or Lessor) arising from the material or any articles used therein or from the design, testing, or use thereof or from any maintenance, service, repair, overhaul, or testing of the Aircraft, whether or not the Aircraft is in the possession of Lessee, and regardless of where the Aircraft may then be located, or (d) any transaction, approval, or document contemplated by this Lease or given or entered into in connection herewith; provided, however, that Lessee shall be subrogated to all rights and remedies which any Indemnitee may have against the Manufacturer of the Aircraft and its subcontractors as to any such Claims, but only to the extent that Lessee satisfies its indemnification obligation to such Indemnitee hereunder with respect to such Claims. In the event Lessee is required to indemnify any Indemnitee hereunder, Lessee shall pay to such Indemnitee an amount which, after deduction of all Taxes and like charges required to be paid by such Indemnitee in respect of such payment, is equal to the amount of the indemnification required.

Lessee shall not be required to indemnify any Indemnitee for any attorneys' fees and expenses incurred by such Indemnitee in seeking indemnification from Lessee and relating to an alleged breach of any representation, warranty or covenant made by Lessee hereunder unless such Indemnitee prevails in the action seeking such indemnification.

Lessee hereby waives, and releases each Indemnitee from, any Claims (whether existing now or hereafter arising) for or on account of or arising or in any way connected with injury to or death of personnel of Lessee or loss or damage to property of Lessee or the loss of use of any property which may result from or arise in any manner out of or in relation to the ownership, leasing, condition, use or operation of the Aircraft, either in the air or on the ground, of which may be caused by any defect in the Aircraft from the material or any article used therein or from the design or testing thereof, or use thereof, or from any maintenance, service, repair, overhaul or testing of the Aircraft regardless of when such defect may be discovered, whether or not the Aircraft is at the time in the possession of Lessee, and regardless of the location of the Aircraft at any such time excluding Claims resulting from the gross negligence or willful misconduct of an Indemnitee.

The indemnities contained in this Section 13 shall continue in full force and effect notwithstanding the expiration or other termination of this Lease and are expressly made for the benefit of and shall be enforceable by each Indemnitee.

Notwithstanding the foregoing provisions of this Section 13:

Lessee shall not be obligated to make any payment by way of indemnity in respect of any Claims against an Indemnitee:

(i) which result from or arise out of the gross negligence or willful misconduct of such Indemnitee or its Affiliates or out of a breach of such Indemnitee's or its Affiliate's representations, warranties or covenants hereunder or under any documents, agreement or instrument delivered in connection herewith; or

(ii) in respect to the Aircraft to extent that the same are attributable to acts or events which occur after the Aircraft has been redelivered to Lessor in accordance with Section 16 hereof and is no longer subject to this Lease unless any such act or event shall itself directly result from an act or omission of Lessee which occurred during the Term (provided, however, that to the extent an Indemnitee is indemnified by Lessee for Claims arising from acts or events which occur prior to the Delivery Date, such Indemnitee shall assign to Lessee any rights it may have against other Persons to recover for such Claims); or

(iii) which represent Taxes which are excluded under Section 10(b);

(iv) arising from the financing of the Aircraft or the voluntary or involuntary sale, transfer or other disposition (other than in connection with the exercise of an Indemnitee's remedies following an Event of Default or Casualty Occurrence) of the Aircraft or this Lease or any part thereof or interest therein, or the Rent or any interest therein, by any Person other than Lessee;

(v) which would not have occurred but for the existence of a Lien (other than this Lease or a Lien arising by or through Lessee) which Lessee is not responsible for discharging under this Lease; and

(vi) which constitute ordinary and usual operating or overhead expenses other than any such expense arising in connection with Lessor's exercise of remedies hereunder following an Event of Default.

Section 14. Liens.

LESSEE SHALL NOT DIRECTLY OR INDIRECTLY CREATE, INCUR, ASSUME OR SUFFER TO EXIST ANY LIEN ON OR WITH RESPECT TO THE AIRCRAFT OR ANY ENGINE, TITLE THERETO OR ANY INTEREST THEREIN, EXCEPT (a) THE RESPECTIVE RIGHTS OF LESSOR AND LESSEE AS HEREIN PROVIDED; (b) LESSOR'S LIENS WITH RESPECT TO THE AIRCRAFT OR ANY ENGINE; (c) LIENS FOR TAXES EITHER NOT YET DUE OR BEING CONTESTED IN ACCORDANCE WITH SECTION 10 HEREOF AND SO LONG AS ADEQUATE RESERVES ARE MAINTAINED WITH RESPECT TO SUCH LIENS; AND (d) INCHOATE MATERIALMEN'S, MECHANICS', WORKMEN'S, REPAIRMEN'S, EMPLOYEES' OR OTHER LIKE LIENS ARISING IN THE ORDINARY COURSE OF BUSINESS, WHICH EITHER ARE NOT DELINQUENT OR ARE BEING CONTESTED IN GOOD FAITH BY LESSEE, SO LONG AS THE AIRCRAFT OR SUCH ENGINE IS NOT IN DANGER OF BEING LOST, SOLD, CONFISCATED, FORFEITED OR SEIZED AS A RESULT OF ANY SUCH LIEN. LESSEE SHALL PROMPTLY, AT ITS OWN EXPENSE, TAKE SUCH ACTION AS MAY BE NECESSARY TO DULY DISCHARGE ANY LIEN (EXCEPT FOR THE LIENS REFERRED TO IN CLAUSES (a) AND (b) OF THIS SECTION 14) IF THE SAME SHALL ARISE AT ANY TIME WITH RESPECT TO THE AIRCRAFT OR ANY ENGINE.

Section 15. Perfection of Title and Further Assurances.

If at any time subsequent to the initial recordation of title under this Lease, any filing or recording is reasonably necessary to protect the interests of Owner or Lessor, Lessee, at its own cost and expense and upon request by Lessor, shall cause this Lease, any financing statements with respect hereto, and any and all additional instruments which shall be executed pursuant to the terms hereof, to be kept, filed and recorded and to be reexecuted, refiled and re-recorded in the appropriate office or offices pursuant to applicable Laws, to perfect, protect and preserve the rights and interests of Lessor hereunder and in the Aircraft. At the reasonable request of Lessor, Lessee shall furnish to Lessor an opinion of counsel or other evidence satisfactory to Lessor of each such filing or re-filing and recordation or re-recordation.

Without limiting the foregoing, Lessee shall do or cause to be done, at Lessee's cost and expense, any and all acts and things which may be required under the terms of the Mortgage Convention to perfect and preserve the title of Owner and the interests of Owner and Lessor in the Aircraft within the jurisdiction of any signatory which has ratified the Mortgage Convention if such jurisdiction is in the territory in which Lessee may operate the Aircraft, as Lessor may reasonably request. Lessee shall also do or cause to be done, at its own expense, any and all acts and things which may be required under the terms of any other Law involving any jurisdiction in which Lessee may operate, or any and all acts and things which Lessor may reasonably request, to perfect and preserve Lessor's ownership rights regarding the Aircraft within any such jurisdiction.

In addition, Lessee will promptly and duly execute and deliver to Lessor such further documents and assurances and take such further actions as it may from time to time reasonably request in order to more effectively carry out the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of Lessor hereunder, including without limitation, if reasonably requested by Lessor at the expense of Lessee, the

execution and delivery of supplements or amendments hereto in recordable form, subjecting to this Lease any Replacement Engine and the recording or filing of counterparts thereof, in accordance with the laws of any appropriate jurisdiction.

Section 16. Return of Aircraft and Records.

(a) Return. On the Expiration Date, Lessee, at its own expense, shall return the Aircraft to Lessor in the condition specified on Exhibit E hereto at the location specified as "Return Location" set forth on Exhibit C hereto, fully equipped with all required Parts and Engines, duly installed thereon, together with Aircraft Documents and records which are complete and acceptable to the DAC, by delivering the same to Lessor at such location.

(b) Legal Status Upon Return. Upon the Return Occasion, the Aircraft shall be: (i) free and clear of all Liens, except Lessor's Liens; (ii) duly certified as an airworthy aircraft by the DAC with the current and valid airworthiness certificate installed on the Aircraft; (iii) equipped and in full airworthy condition required to allow the Aircraft to be operated in commercial transportation of passengers under applicable rules and regulations of the DAC and in full compliance with Part 129; (iv) duly registered under the applicable Law of the Country of Registration; (v) in full compliance with the Maintenance Program; (vi) in full compliance with all FAA Airworthiness Directives which by their terms require compliance on or before the ninety (90) days following the Expiration Date; and (vii) in compliance with the requirements of the FAA regulations found at Part 36, Appendix C, Stage 3, noise compliance, without waiver or performance restriction.

(c) Engines. Lessee may return the Aircraft on the Return Occasion with an engine not owned by Lessor, so long as (i) such engine was not installed on the Aircraft solely for the purpose of reducing the number of hours or cycles (whichever is the more limiting factor) remaining until the next scheduled restriction in accordance with the Maintenance Program under which the Engines are maintained; (ii) such engine conforms to the requirements set forth in Section 11(b) hereof with respect to a Replacement Engine without regard to flight hours or cycles remaining on LLPs or time since heavy maintenance, except Lessor may in its discretion choose among the engines presented by Lessee as candidates for substitution; (iii) such engine shall conform to the return condition requirements set forth in Section 16(f) hereof; and (iv) Lessee, at its own expense and concurrently with such delivery, furnishes Lessor with a bill of sale, in form and substance reasonably satisfactory to Lessor, with respect to such engine and with evidence that Lessee is transferring full and unencumbered title to such engine (including, if requested, an opinion of Lessee's counsel to the effect of the opinion required by Section 11(b)(iv) hereof) and takes such other action as Lessor may reasonably request in order that title to such engine shall be duly and fully vested in Owner. Lessee's obligation to comply with the terms of this Section 16(c) shall be conditioned on Lessor's transferring, or causing to be transferred, to Lessee title to any Engine not installed on the Aircraft at the Return Occasion, without any representation, warranty or recourse of any kind whatsoever, express or implied, except a warranty that such Engine is free and clear of Liens, other than Liens which Lessee is required to discharge hereunder, or defects in title resulting from acts of Owner or Lessor.

(d) Records. Upon the Return Occasion, Lessee shall deliver to Lessor all logs, manuals, and data and inspection, modification and overhaul records which are required to be maintained with respect to the Aircraft and Engines under the Maintenance Program and in

accordance with applicable rules and regulations of the DAC. Lessee shall deliver to Lessor a copy of such portions of Lessee's Maintenance Program as are necessary to enable the subsequent operator of the Aircraft to bridge the maintenance of the Aircraft to its own maintenance program; provided, that Lessor agrees to maintain such information in strict confidence and to use such information only for the foregoing purpose, and, prior to providing such information to any other Person, Lessor shall obtain a written agreement to the same effect from such other Person in form and substance reasonably satisfactory to Lessee. All such documents shall have been maintained in English, or be accompanied by a certified English translation.

(e) Service Bulletin and Modification Kits. At or upon the return of the Aircraft pursuant to this Section 16, Lessee shall deliver to Lessor, at no cost to Lessor, all service bulletin kits furnished without charge by a manufacturer for installation on the Aircraft which have not been so installed together with appropriate instructions for installation. In the event such uninstalled kits were purchased or manufactured by Lessee for the Aircraft, then Lessor shall have a right to purchase such kits at Lessee's cost for a period of ninety (90) days after return.

(f) Condition of Aircraft. Upon the Return Occasion applicable to the Aircraft, Lessee shall return the Aircraft to Lessor in such condition that the Aircraft shall comply with all of the conditions set forth on Exhibit E hereto.

(g) Final Inspection. Upon the Return Occasion, Lessee shall make the Aircraft available to Lessor at Lessee's principal maintenance base or at the location at which the "C" check referred to below is being performed for detailed inspection, at Lessee's expense (provided, that Lessee shall not bear any costs or expenses associated with Lessor's representatives), in order to verify that the condition of the Aircraft complies with the requirements set forth above (such inspection being hereinafter referred to as the "Final Inspection"). The Final Inspection shall be conducted concurrently with the "C" Check to be performed immediately prior to the Return Occasion. Lessee shall give Lessor not less than ten (10) days prior written notice of the commencement date of such "C" Check. The period allowed for the Final Inspection shall have such duration as to permit Lessor to verify Lessee's satisfaction of the requirements of Exhibit E and shall continue on consecutive days until all activity required above to be conducted during the Final Inspection has been concluded; provided, however, that Lessor shall use its best efforts to complete the Final Inspection contemporaneously with the completion of such "C" Check. To the extent that any portion of the Final Inspection extends beyond the Expiration Date, the Term shall be deemed to have been automatically extended, and the obligation to pay Rent hereunder continued on a daily basis until the Final Inspection shall have been concluded, provided that such Rent shall be payable only if (i) Lessor provided on a timely basis sufficient personnel to complete the Final Inspection in a timely manner and (ii) the cause of such extension is not directly attributable to Lessor or its personnel. All storage expenses attributable to any extension of the Term pursuant to the preceding sentence shall be payable by Lessee.

(h) Aircraft Documentation. In order to enable Lessor to prepare for the Final Inspection of the Aircraft pursuant to Section 16(g) above, Lessee agrees to make available to Lessor at Lessee's principal maintenance base not later than ten (10) days prior to the commencement of such Final Inspection, the Aircraft Documents listed on Exhibit B hereto, together with such other documentation regarding the condition, use, maintenance, operation and history of the Aircraft during Lessee's possession as Lessor may reasonably request.

(i) Corrections and Subsequent Corrections. In the event that the Aircraft or any Engine fails upon the Return Occasion to conform to any return condition requirement imposed by this Lease and particularly Section 16(f) and (Exhibit E), Lessor may, without prejudice to the right of Lessee to claim that the Aircraft did comply with such return condition requirement, (i) continue the Lease in effect in the manner provided for in Section 16(g) above with regard to automatic extension until such time as the Aircraft is brought up to the condition required by Section 16(f) above or (ii) accept the return of the Aircraft and thereafter have any such nonconformance corrected, at such time as Lessor may deem appropriate but not to occur later than ninety (90) days following the return of the Aircraft, at commercial rates then charged by the Person selected by Lessor to perform such correction. Any direct expense incurred by Lessor for such correction shall become Supplemental Rent payable by Lessee within thirty (30) days following the submission of a written statement by Lessor to Lessee, identifying the items corrected and setting forth the expense of such correction. Lessee's obligations to pay such Supplemental Rent shall survive the passage of the Expiration Date or other termination of this Lease.

(j) Additional Maintenance, Repair or Overhaul. Upon the Return Occasion and upon written request of Lessor made at least fifteen (15) days prior to the Expiration Date, Lessee shall (subject to the availability to Lessee of facilities and manpower) store and insure the Aircraft for a period of up to forty-five (45) days, and perform such additional maintenance, repair, or overhaul of the Aircraft as is requested by Lessor in the same manner and with the same care as used for similar aircraft and engines owned by Lessee, provided that Lessor shall reimburse Lessee for its documented costs, at Lessee's standard contract rate, for such storage, maintenance, repair, or overhaul. Lessor shall reimburse Lessee for its actual cost of insurance in connection with maintaining the Aircraft under Lessee's insurance coverage during the storage period. Such additional maintenance, repair or overhaul shall not extend this Lease. Maintenance requested by Lessor other than that specifically required by the terms of this Lease shall be performed by Lessee and paid for by Lessor at Lessee's standard contract rate for such maintenance as agreed to by Lessor.

(k) Functional Check Flight. Immediately prior to the expiration of the Term, a qualified pilot and not more than two (2) technical representatives selected by Lessor, in conjunction with Lessee's flight crew, will accomplish a functional check flight of not more than two (2) hour's durations in accordance with Lessee's procedures and at Lessee's expense to demonstrate the airworthiness of the Aircraft and proper functioning of all systems and components; provided, Lessor shall be responsible for the charges of Lessor's technical representatives. At all times during such functional check flight Lessee's flight crew shall be in command of the Aircraft. Any discrepancy or malfunction detected of an airworthiness or operational nature by normal airline standards shall be corrected at Lessee's expense. To the extent possible, the functional check flight shall be combined with the return of the Aircraft under Section 16(a).

(l) Technical Acceptance at Return. Provided that Lessor is reasonably satisfied that all of the conditions for return of the Aircraft set forth in this Lease have been satisfied (either through performance or through the payment of the amounts in lieu thereof specified in Exhibit E hereto), Lessor shall execute and deliver a Technical Acceptance Receipt substantially in the form annexed hereto as Exhibit H with appropriate changes to reflect the circumstances of redelivery of

the Aircraft.

(m) Maintenance Payments at Redelivery. On the Return Occasion, Lessee shall make Maintenance Payments to Lessor pursuant to Paragraph 5 of Exhibit C, by wire transfer in immediately available funds to the account specified as the Payment Location in Exhibit C.

(n) Excusable Delay. Lessee shall not have to pay Rent for any period after the end of the Term during which Lessee did not return the Aircraft to Lessor due to an Excusable Delay.

Section 17. Events of Default

Any one or more of the following occurrences or events shall constitute an Event of Default:

(a) Lessee shall fail to make any payment of Rent to Lessor when due, in full and in the manner and at the place required under this Lease and such payment shall be overdue for a period of ****Material Redacted**** Business Days following written notice from Lessor;

(b) Lessee shall fail to obtain and maintain any insurance required under the provisions of Section 12 hereof; or shall operate the Aircraft outside of the scope of the insurance coverage maintained with respect to the Aircraft;

(c) Any representation or warranty made by Lessee herein or in any document or certificate furnished Lessor in connection herewith or therewith or pursuant hereto is incorrect at the time given in any material respect and, if capable of being cured, shall not have been remedied within ****Material Redacted**** days after notice thereof is given by Lessor to Lessee;

(d) Lessee shall fail to timely comply with the provisions of Section 20(i) hereof;

(e) Lessee shall fail to timely comply with its obligation under Section 3 hereof to accept delivery of the Aircraft when tendered by Lessor meeting the delivery conditions set forth in Exhibit A and such failure is not cured within ****Material Redacted**** Business Days;

(f) Lessee shall fail to timely comply with its obligations pursuant to Section 14 hereof and such failure shall continue for a period of ****Material Redacted**** days after written notice thereof is given by Lessor to Lessee;

(g) Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest therein, or of the right to possession of the Aircraft, the Airframe, or any Engine;

(h) Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it pursuant to this Lease and such failure shall continue for a period of ****Material Redacted**** days after written notice thereof is given by Lessor to Lessee (provided, however, that if such failure relates to a covenant, condition or agreement which is not material (as determined by Lessor in its reasonable discretion) and such failure results from circumstances beyond Lessee's reasonable control and Lessee demonstrates to the reasonable satisfaction of Lessor that Lessee is diligently taking all commercially reasonable actions necessary to remedy such

failure, such failure shall not constitute an Event of Default hereunder for as long as such failure remains not material (as determined by Lessor in its reasonable discretion) and outside of the control of Lessee and Lessee is so acting to remedy such failure);

(i) ****Material Redacted****;

(j) Lessee consents to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property, or Lessee admits in writing its inability to pay its debts generally as they come due, or makes a general assignment for the benefit of creditors, or Lessee files a voluntary petition in bankruptcy or a voluntary petition 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 by voluntary petition, answer or consent seeks relief under the provisions of any bankruptcy or other similar law providing for the reorganization or winding-up of corporations, or provides for an agreement, composition, extension or adjustment with its creditors;

(k) An order, judgment or decree is entered by any court, with or without the consent of Lessee, appointing a receiver, trustee or liquidator for Lessee or of all or any substantial part of its property, or all or any substantial part of the property of Lessee is sequestered, and any such order, judgment or decree of appointment or sequestration remains in effect, undismissed, unstayed or unvacated for a period of forty-five (45) days after the date of entry thereof;

(l) A petition against Lessee in a proceeding under the bankruptcy, insolvency or other similar Laws (as now or hereafter in effect) of any Governmental Entity is filed and is not withdrawn or dismissed within ****Material Redacted**** days thereafter, or if, under the provisions of any Law providing for reorganization or winding-up of corporations which may apply to Lessee, any court of competent jurisdiction assumes jurisdiction over, or custody or control of, Lessee or of all or any substantial part of its property and such jurisdiction, custody or control remains in effect, unrelinquished, unstayed or unterminated for a period of ****Material Redacted**** days;

(m) A final judgment for the payment of money not covered by insurance in excess of ****Material Redacted****, or final judgments for the payment of money not covered by insurance in excess of ****Material Redacted**** in the aggregate, shall be rendered against Lessee and the same shall remain undischarged for a period of ****Material Redacted**** days during which execution thereof shall not be effectively stayed by agreement of the parties involved, stayed by court order or adequately bonded or attachments or other Liens, except for security interests;

(n) Attachments or other Liens shall be issued or entered against substantially all of the property of Lessee and shall remain undischarged or unbonded for ****Material Redacted**** days except for security interests created in connection with monies borrowed or obligations agreed to by Lessee in the ordinary course of its business;

(o) Lessee shall default in the payment of any obligation for the payment of borrowed money, for the deferred purchase price of property or for the payment of rent or hire under any lease of aircraft which has a principal amount of ****Material Redacted**** or more (determined in the case of borrowed money by the amount outstanding under the agreement pursuant to which such borrowed money was borrowed, in the case of a deferred purchase price by the remaining balance

and in the case of a lease by the present discounted value of the remaining rent or hire payable thereunder (ignoring any fair market renewal)) when the same becomes due and after giving effect to any applicable grace period, if such nonpayment results in the acceleration of any such indebtedness or any lessor shall have demanded the payment of any liquidated damages or similar amount or has exercised its rights to repossession of such property; or Lessee shall default in the performance of any other term, agreement or condition contained in any material agreement or instrument under or by which any such obligation is created, evidenced or secured, if the effect of such default is to cause such obligation to become due prior to its stated maturity;

(p) Lessee voluntarily suspends all or substantially all of its operations or the franchises, concessions, permits, rights or privileges required for the conduct of the business and operations of Lessee shall be revoked, canceled or otherwise terminated or the free and continued use and exercise thereof curtailed or prevented, and as a result of any of the foregoing the preponderant business activity of Lessee shall cease to be that of a commercial airline; or

(q) Without the prior written consent of Lessor, the Letter of Credit shall have been canceled, revoked or otherwise terminated prior to its original termination date or amended, modified, altered or replaced or there shall, for any reason, cease to be a letter of credit or letters of credit, as applicable, with terms and conditions and in the amount required hereunder in full force and effect at any time during the Term.

Lessee hereby acknowledges that the occurrence of any one of the foregoing Events of Default would represent a material default in the performance of its obligations under this Lease.

Section 18. Remedies.

Upon the occurrence of any Event of Default and any time thereafter so long as the same shall be continuing, Lessor may, at its option and without notice to Lessee, exercise one or more of the following remedies as Lessor in its sole discretion shall elect, to the extent available and permitted by, and subject to compliance with any mandatory requirements of, applicable Law then in effect; provided that, upon the occurrence of any Event of Default specified in paragraphs (j), (k) or (l) of Section 17, the Lessor shall be entitled automatically, as of the day prior to such occurrence, to exercise any of the following remedies without making demand or giving notice or the taking of any other action:

(a) Demand that Lessee, and Lessee shall upon the written demand of Lessor and at Lessee's expense, immediately return the Aircraft to Lessor in the manner specified in such notice, in which event such return shall not be delayed for purposes of complying with the return conditions specified in Section 16 hereof (none of which conditions shall be deemed to affect Lessor's possession of the Aircraft) or delay for any other reason. Notwithstanding the foregoing, at Lessor's option Lessee shall be required thereafter to take such actions as would be required by the provisions of this Lease if the Aircraft were being returned at the end of the Term hereof and Lessor agrees to cooperate with Lessee's required actions. In addition, Lessor, at its option and to the extent permitted by applicable Law, may enter upon the premises where all or any part of the Aircraft is located and take immediate possession of and, at Lessor's sole option, remove the same (and/or any engine which is not an Engine but which is installed on the Airframe, subject to the rights of the owner, lessor or secured party thereof) by summary proceedings or otherwise, all

without liability accruing to Lessor for or by reason of such entry or taking of possession whether for the restoration of damage to property, or otherwise, caused by such entry or taking, except damages caused by gross negligence or willful misconduct.

(b) Sell at private or public sale, as Lessor may determine, or hold, use, operate or lease to others the Aircraft as Lessor in its sole discretion may determine, all free and clear of any rights to Lessee.

(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) of this Section 18, Lessor, by thirty (30) days written notice to Lessee specifying a payment date, may demand that Lessee pay to Lessor, and Lessee shall pay to Lessor, on the payment date specified in such notice, as liquidated damages for loss of bargain and not as a penalty (in lieu of the Basic Rent due for the period commencing after the date specified for payment in such notice), any unpaid Rent for the Aircraft (prorated in the case of Basic Rent on a daily basis) to and including the payment date specified in such notice, plus the amount, if any, by which the aggregate Basic Rent for the remainder of the Term, discounted periodically (equal to installment frequency) to present worth at the interest rate of four percent (4%) per annum, exceeds the fair market rental value (determined pursuant to the Appraisal Procedure) of the Aircraft for the remainder of the Term, after discounting such fair market rental value periodically (equal to installment frequency) to present worth as of the payment date specified in such notice at the interest rate of four percent (4%) per annum.

(d) In the event that Lessor, pursuant to Section 18(b) above, shall have relet the Aircraft under a lease which extends at least to the date upon which the Term for the Aircraft would have expired but for Lessee's default, Lessor, in lieu of exercising its rights under Section 18(c) above with respect to the Aircraft, may, if it shall so elect, demand that Lessee pay Lessor, and Lessee shall pay Lessor, as liquidated damages for loss of bargain and not as a penalty (in lieu of the Basic Rent for the Aircraft due after the time of reletting) any unpaid Rent for the Aircraft due up to the date of reletting, plus the amount, if any, by which the aggregate Basic Rent for the Aircraft, which would otherwise have become due over the Term, discounted periodically (equal to installment frequency) to present worth and of the date of reletting at the interest rate of four percent (4%) per annum, exceeds the aggregate basic rental payments to become due under the reletting from the date of such reletting to the date upon which the Term for the Aircraft would have expired but for Lessee's default, discounted periodically (equal to installment frequency) to present worth as of the date of the reletting at the interest rate of four percent (4%) per annum.

(e) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Lessee of the applicable covenants of this Lease and to recover damages for the breach thereof and to rescind this Lease.

(f) Terminate this Lease by written notice (which notice shall be effective upon dispatch) and repossess the Aircraft.

(g) Draw upon all amounts under the Security Letter of Credit, Security Deposit, Supplemental Rent, and other supplemental rent, security deposits or letters of credit held by Lessor or Lessor's Affiliates under any of the Related Leases and apply such amounts to amounts owing to Lessor hereunder.

In addition to the foregoing, Lessee shall be liable for any and all unpaid Rent, together with interest on such unpaid amounts at the Interest Rate, until satisfaction of all of Lessee's obligations to Lessor hereunder and for all reasonable legal fees and other reasonable costs and expenses incurred by Lessor 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 return of the Aircraft in accordance with the terms of Section 16 hereof or in placing the Aircraft in the condition and with airworthiness certification as required by such Section.

In effecting any repossession, Lessor and its representatives and agents, to the extent permitted by law, shall: (i) have the right to enter upon any premises where it reasonably believes the Aircraft, the Airframe, an Engine or Part to be located; (ii) not be liable, in conversion or otherwise, for the taking of any personal property of Lessee which is in or attached to the Aircraft, the Airframe, an Engine or Part which is repossessed; provided, however, that Lessor shall return to Lessee all personal property of Lessee, its passengers or other Persons (such as lessors) which were on the Aircraft at the time Lessor re-takes possession of the Aircraft; (iii) not be liable or responsible, in any manner, for any inadvertent damage or injury to any of Lessee's property in repossessing and holding the Aircraft, the Airframe, an Engine or Part, except for that caused by or in connection with Lessor's gross negligence or willful acts; (iv) have the right to maintain possession of and dispose of the Aircraft, the Airframe, an Engine or Part on any premises owned by Lessee or under Lessee's control; and (v) have the right to obtain a key to any premises at which the Aircraft, the Airframe, an Engine or Part, may be located from the landlord or owner thereof.

If reasonably required by Lessor, Lessee, at its sole expense, shall assemble and make the Aircraft, the Airframe, an Engine or Part available at a place designated by Lessor in accordance with Section 16 hereof. Lessee hereby agrees that, in the event of the return to or repossession by Lessor of the Aircraft, the Airframe, an Engine or Part, any rights in any warranty (express or implied) heretofore assigned to Lessee or otherwise held by Lessee shall without further act, notice or writing be assigned or reassigned to Lessor, if assignable. Lessee shall be liable to Lessor for all reasonable expenses, disbursements, costs and fees incurred in (i) repossessing, storing, preserving, shipping, maintaining, repairing and refurbishing the Aircraft, the Airframe, an Engine or Part to the condition required by Section 16 hereof and (ii) preparing the Aircraft, the Airframe, an Engine or Part for sale or lease, advertising the sale or lease of the Aircraft, the Airframe, an Engine or Part and selling or releasing the Aircraft, the Airframe, an Engine or Part. Lessor is hereby authorized and instructed, at its option, to make reasonable expenditures which Lessor considers advisable to repair and restore the Aircraft, the Airframe, an Engine or Part to the condition required by Section 16 hereof, all at Lessee's sole expense.

At any public sale of the Aircraft, the Airframe, an Engine or Part pursuant to this Section, Lessor may bid for and purchase such property and Lessee agrees that the amounts paid therefor shall be used in the computation contemplated herein.

No remedy referred to in this Section 18 is intended to be exclusive, but, to the extent permissible hereunder or under applicable Law, 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 Default or Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Default or Event of Default. Lessor acknowledges a duty under New York law to mitigate damages resulting from any Default or Event of Default on the part of Lessee.

Section 19. Alienation.

LESSOR SHALL HAVE THE RIGHT AT ITS SOLE COST AND EXPENSE TO ASSIGN, SELL OR ENCUMBER ANY INTEREST OF LESSOR IN THE AIRCRAFT OR THIS LEASE AND/OR THE PROCEEDS HEREOF SUBJECT TO THE RIGHTS OF LESSEE UNDER THE PROVISIONS OF THIS LEASE. NO ASSIGNMENT, SALE OR OTHER TRANSFER OF LESSOR'S INTEREST OR CREATION OF ANY LIEN SHALL DIMINISH OR ADVERSELY AFFECT LESSEE'S RIGHTS HEREUNDER OR INCREASE LESSEE'S DUTIES OR THE LIABILITIES OF LESSEE IN RESPECT OF ANY TAX OR UNDER ANY OF ITS INDEMNIFICATION OBLIGATIONS, OR CAUSE LESSEE TO INCUR ANY OBLIGATIONS, COST OR EXPENSE IN EXCESS OF THOSE FOR WHICH IT WOULD HAVE BEEN RESPONSIBLE IN THE ABSENCE OF SUCH ASSIGNMENT, SALE OR TRANSFER. LESSOR AGREES TO OBTAIN THE WRITTEN ACKNOWLEDGMENT OF ANY ASSIGNEE TO LESSEE'S RIGHT TO QUIET ENJOYMENT AS DESCRIBED IN SECTION 20(f). TO EFFECT OR FACILITATE ANY SUCH ASSIGNMENT, SALE OR ENCUMBRANCE, LESSEE AGREES TO PROVIDE, AT LESSOR'S SOLE COST AND EXPENSE, SUCH AGREEMENTS, CONSENTS, CONVEYANCES OR DOCUMENTS AS MAY BE REASONABLY REQUESTED BY LESSOR, WHICH SHALL INCLUDE, WITHOUT LIMITATION, PROVIDED THAT LESSEE CONSENTS TO SUCH A RELEASE, AN UNRESTRICTED RELEASE OF LESSOR FROM ITS OBLIGATIONS UNDER THIS LEASE. LESSEE SHALL NOT UNREASONABLY WITHHOLD ITS CONSENT TO SUCH A RELEASE, AND LESSEE SHALL IN ANY EVENT BE REQUIRED TO SO CONSENT IF LESSOR PROVIDES ADEQUATE ASSURANCE OF PERFORMANCE OF LESSOR'S OBLIGATIONS HEREUNDER BY AN ASSIGNEE. LESSOR SHALL ALSO REIMBURSE LESSEE FOR ANY FEES, EXPENSES OR OTHER COSTS ASSOCIATED WITH ANY FILINGS AND REGISTRATIONS IN THE COUNTRY OF REGISTRATION OR OTHER JURISDICTIONS THAT ARE REQUIRED TO BE MADE IN CONNECTION WITH ANY SUCH SALE, ASSIGNMENT OR OTHER TRANSFER OR THE PERFECTION AND MAINTENANCE OF ANY SUCH LIEN. LESSEE HEREBY AGREES THAT IT WILL NOT ASSERT AGAINST AN ASSIGNEE ANY CLAIM OR DEFENSE WHICH IT MAY HAVE AGAINST LESSOR. THE AGREEMENTS, COVENANTS, OBLIGATIONS, AND LIABILITIES CONTAINED HEREIN INCLUDING, BUT NOT LIMITED TO, ALL OBLIGATIONS TO PAY RENT AND INDEMNIFY EACH INDEMNITEE ARE MADE FOR THE BENEFIT OF EACH INDEMNITEE AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS.

Section 20. Miscellaneous.

(a) Severability and Construction. 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; any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable Law, Lessee hereby waives any provisions of Law which render any provisions hereof prohibited or unenforceable in any respect. 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 or any Engine or Part except as a lessee only. The headings in this Lease are for convenience of reference only and shall not define or limit any of the terms of provisions hereof. Whenever required by the context hereof, the singular shall include the plural and vice versa. Reference to this Lease shall mean this Lease as amended or supplemented from time to time.

(b) Governing Law; Jurisdiction. THIS LEASE SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE BUT WITHOUT REFERENCE TO CONFLICT OF LAWS PRINCIPLES) EXCEPT FOR THE PROVISIONS OF SECTION 7-101 OF THE NEW YORK GENERAL OBLIGATIONS LAW (WHICH PROVISIONS THE PARTIES HAVE AGREED FOR AVOIDANCE OF DOUBT ARE INAPPLICABLE TO THIS TRANSACTION) AND EXCEPT FOR MATTERS GOVERNED BY THE FEDERAL LAWS OF THE UNITED STATES. LESSEE AND LESSOR HEREBY IRREVOCABLY CONSENT THAT ANY LEGAL ACTION OR PROCEEDING AGAINST IT OR ANY OF ITS ASSETS WITH RESPECT TO THE LEASE MAY BE BROUGHT IN ANY JURISDICTION WHERE LESSEE OR LESSOR OR ANY OF ITS ASSETS MAY BE FOUND, OR IN ANY COURT OF THE STATE OF NEW YORK OR ANY FEDERAL COURT OF THE UNITED STATES OF AMERICA LOCATED IN NEW YORK, NEW YORK, AS LESSOR MAY ELECT, AND BY EXECUTION AND DELIVERY OF THIS LEASE LESSEE AND LESSOR HEREBY IRREVOCABLY SUBMIT TO AND ACCEPT WITH REGARD TO ANY SUCH ACTION OR PROCEEDINGS, FOR ITSELF AND IN RESPECT OF ITS ASSETS, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. LESSEE AND LESSOR HEREBY AGREE THAT IN THE EVENT THAT ANY JUDICIAL PROCEEDINGS ARE BROUGHT IN THE COUNTRY OF REGISTRATION, NEITHER OWNER NOR THE LESSOR SHALL BE REQUIRED TO POST ANY SECURITY IN ORDER FOR THE LESSOR TO TAKE POSSESSION OF THE AIRCRAFT IN ACCORDANCE WITH THE TERMS OF THIS LEASE. LESSEE AND LESSOR FURTHER IRREVOCABLY CONSENT TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED AIRMAIL, POSTAGE PREPAID, TO LESSEE OR LESSOR AT ITS ADDRESS SET FORTH ON EXHIBIT C HERETO. THE FOREGOING, HOWEVER, SHALL NOT LIMIT THE RIGHTS OF LESSOR OR LESSEE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING ANY LEGAL ACTION OR PROCEEDING OR TO OBTAIN EXECUTION OF JUDGMENT IN ANY JURISDICTION. LESSEE AND LESSOR FURTHER AGREE THAT FINAL JUDGMENT AGAINST LESSEE OR LESSOR IN ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS LEASE SHALL BE

CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION WITHIN OR OUTSIDE THE UNITED STATES OF AMERICA BY SUIT ON THE JUDGMENT, A CERTIFIED OR EXEMPLIFIED COPY OF WHICH SHALL BE CONCLUSIVE EVIDENCE OF THE FACT AND THE AMOUNT OF LESSEE'S OR LESSOR'S INDEBTEDNESS. LESSEE AND LESSOR HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH LESSEE OR LESSOR MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS LEASE BROUGHT IN THE STATE OF NEW YORK, AND HEREBY FURTHER IRREVOCABLY WAIVE ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN THE STATE OF NEW YORK HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

The foregoing notwithstanding, the parties agree that they shall endeavor during a period of ten (10) Business Days to settle all disputes which may arise from the application or interpretation of this Lease through direct bilateral talks in the spirit of mutual understanding.

(c) Notices. All notices required under the terms and provisions hereof shall be in writing, shall be sent to Lessor or Lessee at their respective addresses set forth on Exhibit C hereto (or such other addresses as the parties may designate from time to time in writing) and, except as otherwise provided herein, such notice shall become effective upon the earlier of actual receipt or the fifth day following the date such notice is sent.

(d) Lessor's Right to Perform for Lessee. If Lessee fails to make any payment of Supplemental Rent required to be made by it hereunder or fails to perform or comply with any covenant, agreement or obligation contained herein, Lessor shall have the right but not the obligation to make such payment or conform or comply with such agreement, covenant or obligation, and the amount of such payment and the amount of the reasonable expenses of Lessor incurred in connection with such payment or the performance thereof or compliance therewith, together with interest thereon at the Interest Rate, shall be payable by Lessee to Lessor (as Supplemental Rent) upon demand. Lessor agrees to notify Lessee in writing prior to making any payment under this Section 20(d), unless the Aircraft will be in danger of loss, sale, confiscation, forfeiture or seizure should such payment not be made. The taking of any such action by Lessor pursuant to this Subsection 20(d) shall not constitute a waiver or release of any obligation of Lessee under the Lease, nor a waiver of any Event of Default which may arise out of Lessee's nonperformance of such obligation, nor an election or waiver of Lessor of any remedy or right available to Lessor under or in relation to this Lease.

(e) Counterparts. This Lease may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. 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 counterpart which has been marked "Original" on the signature page thereof.

(f) Quiet Enjoyment. Lessor covenants that so long as an Event of Default shall not have occurred and be continuing, Lessee shall quietly enjoy the Aircraft and all rents, revenues, profits and income thereto, without interference by Owner, Lessor, or by any Person lawfully

claiming by or through Owner or Lessor; provided, however, that the proper exercise by Lessor of its rights under or in connection with this Agreement will not constitute such an interference. The foregoing covenant is in lieu of any quiet enjoyment covenant of Lessor which may be available to Lessee under Section 2A-211(i) of the New York Uniform Commercial Code or as may otherwise be implied under applicable Law.

(g) Brokers. Each of the parties hereby represents and warrants to the other that it has not paid, agreed to pay or caused to be paid directly or indirectly in any form, any commission, percentage, contingent fee, brokerage or other similar payments of any kind, in connection with the establishment or operation of this Agreement, to any Person (other than fees payable by Lessor and Lessee to their respective legal advisers or compensation payable by Lessor to GECAS for the portfolio management services performed on behalf of Lessor). Each party agrees to indemnify and hold the other harmless from and against any and all claims, suits, damages, costs and expenses (including, but not limited to reasonable attorneys' fees) asserted by any agent, broker or other third party for any commission or compensation of any nature whatsoever based upon this Agreement or the Aircraft, if such claim, suit, damage, cost or expense arises out of any breach by the indemnifying party, its employees or agents of the representation and warranty given hereby.

(h) Payments in U.S. Dollars. All amounts to be paid hereunder shall be paid in Dollars, in immediately available funds, and all letters of credit delivered hereunder shall provide for payment in Dollars. Lessee acknowledges that the specification of Dollars in this transaction is of the essence and that Dollars shall be the currency of account in any and all events. The obligations of Lessee hereunder shall not be discharged by an amount paid in another currency, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on prompt conversion to Dollars and transfer to the account specified in Exhibit C under the heading, "Payment Location" under normal banking procedures does not yield the amount of Dollars owing to Lessor. In the event that any payment by Lessee, whether pursuant to judgment or otherwise, upon conversion does not yield such amount of Dollars, Lessor shall have a separate cause of action against Lessee for the additional amount necessary to yield the amount of Dollars due and owing to Lessor.

(i) Security Letter of Credit. Subject to the provisions of Section 20(j) below, on the dates of execution and delivery of this Lease, Lessee shall deliver, or shall have delivered, to Lessor, unconditional and irrevocable Letters of Credit, in the amounts specified in Exhibit C hereto under the heading "Deposit". The Letters of Credit are also herein referred to as the "Security Letter of Credit". The Letters of Credit shall remain in full force and effect during a period commencing on the date of delivery of the Letter of Credit and ending on the Required LC Expiry Date. If Lessee fails to pay Rent hereunder or to pay any other sums due or to perform any of the other terms and provisions of this Lease or any document delivered pursuant hereto or is otherwise in Default hereunder, in addition to all other rights Lessor may have under law or hereunder, Lessor may draw upon all or a portion of the amounts of the Security Letters of Credit and may use, apply or retain all or any portion of the funds paid pursuant to the Security Letters of Credit in partial payment for sums due to Lessor by Lessee, to compensate Lessor for any sums it may in its discretion advance as a result of a Default by Lessee, or to apply toward losses or expenses Lessor may suffer or incur as a result of Lessee's Default hereunder. If Lessor draws upon all or any portion of the Security Letters of Credit, such application shall not be deemed a cure of any Default, and within ten (10) days after written demand therefor, Lessee shall cause each of the

Security Letters of Credit to be reinstated to the original amounts thereof or cause replacement Letters of Credit to be issued in the original amounts of the Security Letters of Credit and the failure of Lessee to do so shall be a material breach of this Lease by Lessee.

(j) Security Deposit. In the event that any portion of the Security Letters of Credit pursuant to the terms of Section 20(i) above are posted in cash on or after the Delivery Date, such cash Security Deposit shall be non-refundable during the term of the Lease, unless and until such time as Lessee provides Lessor a Security Letter of Credit in the amount of such cash Security Deposit. If Lessee fails to pay Rent hereunder or to pay any other sums due or to perform any of the other terms and provisions of this Lease or any document delivered pursuant hereto or is otherwise in Default hereunder, in addition to all other rights Lessor may have under law or under this Lease, Lessor may draw upon all or a portion of the amount of the cash Security Deposit and may use, apply or retain all or any portion of the funds drawn in partial payment for sums due to Lessor by Lessee, to compensate Lessor for any sums it may in its discretion advance as a result of a Default by Lessee, or to apply toward losses or expenses Lessor may suffer or incur as a result of Lessee's Default under this Lease. If Lessor draws upon all or any portion of the cash Security Deposit, such application shall not be deemed a cure of any default, and within five (5) days after written demand therefor, Lessee shall cause such Security Deposit to be reinstated to the original amount thereof and the failure to do so shall be a material breach of this Lease by Lessee. Provided Lessee is not then in default of its obligations under this Lease, such Security Deposit shall be returned to Lessee upon termination of this Lease.

(k) Transaction Costs. Lessor and Lessee shall each be responsible for its own costs and expenses incurred in connection with the preparation, negotiation and delivery of this Lease and any other documents or instruments delivered in connection herewith and the transactions contemplated hereby except as otherwise expressly set forth herein. However, Lessee shall be responsible for all costs associated with perfecting the lease in the Country of Registration (and such other filings as may be required pursuant to Section 15 hereof), including (but not limited to) the provision of legal advice and opinions (excluding the fees and expenses of Lessor's Panamanian or other local counsel for the initial perfection of the Lease), stamp duties, translations and registrations, whether required by Lessor or Lessee. Lessee shall also be responsible for all reasonable costs incurred by Lessor in connection with the enforcement or preservation of Lessor's (and Owner's) rights under the Lease (including the fees and expenses of Lessor's Panamanian or other outside local counsel), other than registration of mortgages or liens on the Aircraft initiated by Owner or Lessor.

(l) Time is of the Essence. The time stipulated in this Agreement (without prejudice to any grace periods specified in Section 17) for all payments payable by Lessee and Lessor and the prompt, punctual performance of Lessee's or Lessor's other obligations under this Agreement are of the essence of this Agreement.

(m) Disclaimer of Consequential Damages. LESSEE AND LESSOR EACH AGREE THAT IT SHALL NOT BE ENTITLED TO RECOVER, AND HEREBY DISCLAIMS AND WAIVES ANY RIGHT THAT IT MAY OTHERWISE HAVE TO RECOVER, CONSEQUENTIAL DAMAGES AS SUCH TERM IS DEFINED IN SECTION 2-A-520 OF THE NEW YORK UNIFORM COMMERCIAL CODE AS A RESULT OF ANY BREACH OR ALLEGED BREACH OF ANY OF THE AGREEMENTS, REPRESENTATIONS OR WARRANTIES MADE BY IT CONTAINED IN THIS LEASE.

(n) Agent for Service of Process. Without prejudice to any other mode of service, Lessee:

- (i) appoints Greenberg, Traurig, et al. 200 Park Avenue, New York, New York 10019 as its agent for service of process relating to any proceedings before the New York courts in connection with this Lease and agrees to maintain the process agent in New York notified to Lessor;
- (ii) agrees that failure by a process agent to notify Lessee of the process shall not invalidate the proceedings concerned; and
- (iii) consents to the service of process relating to any such proceedings by prepaid mailing of a copy of the process to Lessee's agent at the address identified in clause (i) above or by prepaid mailing by air mail, certified or registered mail of a copy of the process to Lessee at the address set forth in Exhibit C of this Lease.

(o) Entire Agreement; Modification or Revision. This Lease, which shall be deemed to include Lease Supplement No. 1 when signed and delivered by Lessor and Lessee, and Letter Agreement No. 1 are intended to be a complete and exclusive statement of the terms of the agreement of the parties hereto, and this Lease and Letter Agreement No. 1 supersede any prior or contemporaneous agreements, whether oral or in writing. Neither this Lease, Letter Agreement No. 1, nor any term of this Lease or Letter Agreement No. 1 may be modified, rescinded, changed, waived, discharged or terminated except by a writing signed by the party to be charged. Lessor and Lessee acknowledge their agreement to the provision of this Section 20(o) by their initials below.

EXHIBIT A
to
Aircraft Lease Agreement

SCHEDULE AND DESCRIPTION OF AIRCRAFT

Item	Manufacturer	Model and Configuration	Manufacturer's Serial Number
Aircraft	The Boeing Company	737-700	30049
Engine*	CFM	56-7B24	[_____]
Engine*	CFM	56-7B24	[_____]

* Each of such Engines has 750 or more rated takeoff horsepower or the equivalent of such horsepower.

The serial numbers stated under "Aircraft" and "Engines" above, if any are shown, are those advised to Lessor by the Manufacturer as at the date of this Agreement. If the Manufacturer advises of any change to any serial number, the new number will be deemed inserted under "Serial Number" under "Aircraft" and "Engines" above, as the case may be, above.

DELIVERY CONDITION REQUIREMENTS

On Delivery, the Aircraft shall be as described above and shall be new, ex factory and painted in Lessee's livery. The Aircraft will be in the condition required for delivery pursuant to the Purchase Agreement between the Manufacturer and Lessor and the Aircraft Specification D6-38808-34, Revision A - July 16, 1998, except as amended by change orders initiated by Lessor thereunder, prior to the date of this Lease (which change orders have been delivered to Lessee prior to the date hereof), or change orders initiated by Lessor with the consent of Lessee under the terms thereof after the date of this Lease, which change orders shall have been delivered to Lessee prior to the Delivery Date, and except as further amended by change orders or otherwise pursuant to Letter Agreement No. 1 between Lessor and Lessee so that the Aircraft also conforms to the technical specification and interior configuration for new Boeing 737-700 Aircraft being delivered to Continental.

EXHIBIT B
to
Aircraft Lease Agreement

AIRCRAFT DOCUMENTS

A. CERTIFICATES

1. Certificate of Airworthiness (original and one paper copy)

B. AIRCRAFT DOCUMENTS AND RECORDS

At delivery of the Aircraft the Manufacturer will furnish (or Lessor will furnish, if previously received from Manufacturer) to Lessee such Aircraft and Engine Records as is normally and customarily furnished by the Manufacturer pursuant to the Purchase Agreement between the Manufacturer and Lessor and the Aircraft Specification D6-38808-34, Revision A - July 16, 1998, except as amended by change orders initiated by Lessor thereunder, prior to the date of this Lease (which change orders have been delivered to Lessee prior to the date hereof), or change orders initiated by Lessor with the consent of Lessee under the terms thereof after the date of this Lease, which change orders shall have been delivered to Lessee prior to the Delivery Date, and except as further amended by change orders or otherwise pursuant to Letter Agreement No. 1 between Lessor and Lessee so that the Aircraft also conforms to the technical specification and interior configuration for new Boeing 737-700 Aircraft being delivered to Continental.

EXHIBIT C
to
Aircraft Lease Agreement

CERTAIN FINANCIAL TERMS

1. CONFIDENTIALITY

Lessor and Lessee understand that the commercial and financial information contained in this Exhibit C to this Lease Agreement are considered by Lessor and Lessee as proprietary and confidential. Lessor and Lessee each hereby agree, and any of their assignees, upon becoming such shall agree that it will treat this Exhibit C as proprietary and confidential and will not, without the prior written consent of the other, disclose or cause to be disclosed, the terms hereof or thereof to any Person, except to its employees, counsel, underwriters and auditors as necessary or appropriate for the leasing transaction which is the subject hereof, or except (a) as may be required by applicable Law or pursuant to an order, or a valid and binding request, issued by any court or other government entity having jurisdiction over Lessor, Lessee or the assignee of either of them, as the case may be, or (b) as necessary to enable Lessor or its assignee to make transfers, assignments or other dispositions to potential transferees, assignees or participants of its interest in and to the Agreement.

2. DEFINITIONS OF CERTAIN TERMS

ACCEPTANCE LOCATION: Seattle, Washington, or such other location as Lessor and Lessee may mutually agree.

BASIC RENT: The Basic Rent payable during the Basic Term shall be payable in sixty (60) consecutive monthly installments, in advance on each Basic Rent Payment Date, with each such installment equal to: (a) ****Material Redacted**** for the first twenty four monthly installments, (b) ****Material Redacted**** for the next twenty-four monthly installments, and ****Material Redacted**** for the last twenty four monthly installments, .

BASIC RENT PAYMENT DATE: On the first day of the calendar month immediately succeeding the Delivery Date (or on the Delivery Date if delivery occurs on the first day of the calendar month) and on the first day of each succeeding month to and including the Last Basic Rent Payment Date specified below.

CASUALTY VALUE: ****Material Redacted****

COUNTRY OF ORGANIZATION: Panama.

COUNTRY OF REGISTRATION: Panama, or such other country approved in writing by Lessor prior to registration of the Aircraft therein.

DEDUCTIBLE AMOUNT: The Deductible Amount shall be ****Material Redacted****

DELIVERY LOCATION: Seattle, Washington, or such other location as Lessor and Lessee may mutually agree.

DEPOSIT: The Deposit will equal ****Material Redacted****, payable as follows:

- (a) ****Material Redacted**** in cash, receipt whereof is hereby acknowledged,
- (b) An irrevocable Letter of Credit in the amount of ****Material Redacted**** at signing of this Agreement, upon receipt of which Lessor shall refund to Lessee the cash deposit referred to in clause (a) above, and
- (c) An additional irrevocable Letter of Credit in the amount of ****Material Redacted**** not less than two days prior to delivery of the Aircraft to Lessee.

ENGINE MANUFACTURER: CFM INTERNATIONAL

ESTIMATED DELIVERY DATE: October, 1999.

ESTIMATED ACCEPTANCE DATE: October, 1999.

FINAL ACCEPTANCE DATE: The earlier to occur of the date when the Aircraft meets the conditions specified in Exhibit A and is tendered for delivery to Lessee.

FSC INDEMNITY MAXIMUM AMOUNTS: For the purposes of determining the amount payable by Lessee under Section 10 (d) (ii) the following maximum amounts shall apply:

1999	**Material Redacted**
2000	**Material Redacted**
2001	**Material Redacted**
2002	**Material Redacted**
2003	**Material Redacted**
2004	**Material Redacted**
2005	**Material Redacted**
2006	**Material Redacted**
2007	**Material Redacted**
Residual Period	**Material Redacted**

INTEREST RATE: LIBOR plus ****Material Redacted**** per annum, but not to exceed the maximum amount permitted by Law.

INTERIM RENT: If the Aircraft is delivered to Lessee on a date which is not the first day of a calendar month, Interim Rent shall be payable in one installment on the Delivery Date in an amount equal to the product of ****Material Redacted**** per day times the number of days from and including the Delivery Date to but excluding the First Basic Rent Payment Date.

LAST BASIC RENT PAYMENT DATE: The Last Basic Rent Payment Date for the Aircraft shall be the later to occur of October 1, 2004 and the 59th monthly anniversary of the first Basic Rent Payment Date, or such later date as may result from exercise of the Lease Term Renewal Options.

LEASE IDENTIFICATION: "Leased from Aviation Financial Services Inc. as Lessor. Owned by Alcyone FSC Corporation."

LESSEE'S ADDRESS: Compania Panamena de Aviacion, S.A.
Avenida Justo Arosemena y Calle 39
Apto. 1572
Panama 1, Republic of Panama
Attention: President
Telecopier No.: 507-227-1952
Phone No.: 507-227-4551

LESSOR'S ADDRESS: Aviation Financial Services Inc.
c/o GE Capital Aviation
201 High Ridge Road
Stamford, Connecticut 06927-4900
Attention: Sr. Vice President - Portfolio Management
Telecopier No.: 203-357-4585
Phone No.: 203-357-4279

MANUFACTURER: The Boeing Company.

MINIMUM LIABILITY COVERAGE: ****Material Redacted****

OTHER AGREEMENTS: Any aircraft lease agreement, conditional sale agreement or other aircraft secured financing agreement from time to time heretofore or hereafter entered into and in effect between Lessor, any subsidiary, associate or affiliate of Lessor ("a Lessor Affiliate"), or an owner trustee acting on behalf of Lessor or a Lessor Affiliate, on the one hand, and Lessee, on the other hand.

PAYMENT LOCATION: Citibank, N.A., New York, New York, ABA 021000089 for the account of Citibank, N.A. San Juan, Puerto Rico, Account No. 10991506 for further credit to Alcyone FSC Credit Corporation, Account No. 0013228019.

PUBLIC LIABILITY AND PROPERTY DAMAGE INSURANCE: ****Material Redacted****

RETURN LOCATION: Panama City, Panama, or such other location as may be mutually agreed by Lessor and Lessee.

3. AIRWORTHINESS DIRECTIVES COST SHARING.

Notwithstanding any provisions of the Lease which would require the Lessee, at its expense, to comply with ADs by making repairs, alterations or modifications to the Aircraft to accomplish terminating action of the ADs, in the event that Lessee's actual cost, without mark-up, of compliance with an AD for the Aircraft exceeds ****Material Redacted****, Lessor will reimburse Lessee a portion of such cost in excess of such ****Material Redacted**** as determined by the formula:

$$R = [C - \text{**Material Redacted**}] \times [1 - (N-M) / \text{**Material Redacted**}]$$

where: R = Amount to be reimbursed by Lessor to Lessee

C = Lessee's actual cost, without mark-up, of modifying the Aircraft to comply with the AD; and

M = the month of the Lease Term in which the AD modification is completed.

N = the number of months in the Term (or the Term as extended upon Lessee's exercise of Renewal Options hereunder but in no event shall it be less than ****Material Redacted****).

Following completion of any such modification work, Lessee shall provide Lessor with a written notice signed by an officer or management employee of Lessee specifying the modifications completed, the cost thereof and the amount to be reimbursed by Lessor hereunder and certifying that at the date of such notice no Default arising from Lessee's failure to pay any amounts due or owing under the Lease when due and no Event of Default had occurred and was continuing. Lessee shall provide Lessor with such additional information as Lessor may reasonably request to verify that such modifications have been completed and the cost thereof. Within thirty days following Lessor's verification of the modification work, cost thereof and calculation of the amount of reimbursement owing to Lessee hereunder and providing no Event of Default has occurred and is then continuing, Lessor shall remit to Lessee the amount owing to Lessee hereunder.

4. MAINTENANCE PAYMENTS AT REDELIVERY: Upon redelivery of the Aircraft to Lessor on the Return Occasion but not after the occurrence of a Casualty Occurrence with respect to the Aircraft, and independent of the redelivery conditions required by Exhibit E to the Lease Agreement, maintenance payments shall be made in accordance with the following:

- (a) The Airframe shall be returned with 80% of the time remaining until next scheduled D-check or equivalent as specified in the Maintenance Program.
- (b) Each Engine shall be returned with 80% of the time remaining until next heavy maintenance visit as determined by the expected life remaining based on industry standard mean time between removals for heavy maintenance as reported by the Engine Manufacturer.
- (c) Each Engine shall be returned with 80% of the time remaining until next scheduled removal on each LLP installed in each engine as specified in the Maintenance Program.
- (d) Each Landing Gear shall be returned with 80% of the time remaining until next scheduled overhaul as specified in the Maintenance Program.
- (e) Each APU shall be returned with 80% of the time remaining until next heavy maintenance visit as determined by the expected life remaining based on industry standard mean time between removals for heavy maintenance as reported by the APU manufacturer.
- (f) Notwithstanding the foregoing, if an item of equipment is returned with fewer hours remaining than specified above, Lessee will pay Lessor for each hour/cycle below 80% of the time remaining. The per hour cost shall be determined by dividing Lessee's average cost for performing the specified maintenance or, in the case of LLPs, the actual purchase cost on the item divided by the interval between maintenance events or, in the case of LLPs, the life limit, as specified above.
- (g) If an item of equipment is returned with more hours remaining than specified above, Lessee will be entitled to a credit, for each hour above 80% of the time remaining, that can be used to offset any payments required above for the Aircraft or any other Aircraft leased by Lessee from Lessor. The per hour cost shall be determined by dividing Lessee's average cost for performing the specified maintenance or, in the case of LLPs, the actual purchase cost on the item divided by the interval between maintenance events or, in the case of LLPs, the life limit, as specified above.

In the event that Lessee's average cost as determined in sub-paragraphs 19 (f) and (g) above is based upon insufficient Lessee experience as reasonably determined by Lessor, than the average of quotes by three independent FAA repair stations to perform such maintenance shall be used in such sub-paragraphs in lieu thereof.

EXHIBIT C

to Lease Agreement

CERTAIN CONFIDENTIAL AND PROPRIETARY INFORMATION HAS BEEN
INTENTIONALLY OMITTED FROM THIS VERSION OF THE EXHIBIT TO
PRESERVE ITS CONFIDENTIALITY.

CERTAIN DEFINITIONS

ACCEPTANCE LOCATION: Seattle, Washington, or such other location as Lessor and Lessee may mutually agree.

BASIC RENT PAYMENT DATE: On the first day of the calendar month immediately succeeding the Delivery Date (or on the Delivery Date if delivery occurs on the first day of the calendar month) and on the first day of each succeeding month to and including the Last Basic Rent Payment Date specified below.

COUNTRY OF ORGANIZATION: Panama.

COUNTRY OF REGISTRATION: Panama, or such other country approved in writing by Lessor prior to registration of the Aircraft therein.

DELIVERY LOCATION: Seattle, Washington, or such other location as Lessor and Lessee may mutually agree.

ENGINE MANUFACTURER: CFM INTERNATIONAL

ESTIMATED DELIVERY DATE: October, 1999.

ESTIMATED ACCEPTANCE DATE: October, 1999.

FINAL ACCEPTANCE DATE: The earlier to occur of the date when the Aircraft meets the conditions specified in Exhibit A and is tendered for delivery to Lessee.

LAST BASIC RENT PAYMENT DATE: The Last Basic Rent Payment Date for the Aircraft shall be the later to occur of November 1, 2004 and the 59th monthly anniversary of the first Basic Rent Payment Date, or such later date as may result from exercise of the Lease Term Renewal Options.

LEASE IDENTIFICATION: "Leased from Aviation Financial Services Inc. as Lessor. Owned by Alcyone FSC Corporation."

LESSEE'S ADDRESS: Compania Panamena de Aviacion, S.A.
Avenida Justo Arosemena y Calle 39
Apto. 1572
Panama 1, Republic of Panama
Attention: President
Telecopier No.: 507-227-1952
Phone No.: 507-227-4551

LESSOR'S ADDRESS: Aviation Financial Services Inc.
c/o GE Capital Aviation
201 High Ridge Road
Stamford, Connecticut 06927-4900
Attention: Sr. Vice President - Portfolio Management
Telecopier No.: 203-357-4585
Phone No.: 203-357-4279

MANUFACTURER: The Boeing Company.

OTHER AGREEMENTS: Any aircraft lease agreement, conditional sale agreement or other aircraft secured financing agreement from time to time heretofore or hereafter entered into and in effect between Lessor, any subsidiary, associate or affiliate of Lessor ("a Lessor Affiliate"), or an owner trustee acting on behalf of Lessor or a Lessor Affiliate, on the one hand, and Lessee, on the other hand.

PAYMENT LOCATION: Citibank, N.A., New York, New York, ABA 021000089 for the account of Citibank, N.A. San Juan, Puerto Rico, Account No. 10991506 for further credit to Alcyone FSC Credit Corporation, Account No. 0013228019.

RETURN LOCATION: Panama City, Panama, or such other location as may be mutually agreed by Lessor and Lessee.

EXHIBIT D
to
Aircraft Lease Agreement

LEASE SUPPLEMENT NO. 1

LEASE SUPPLEMENT NO. 1, dated _____, 199__, between Aviation Financial Services Inc., a Delaware corporation ("Lessor"), and Compania Panamena de Aviacion, S.A., a corporation organized under the laws of Panama ("Lessee").

Lessor and Lessee have previously entered into that certain Aircraft Lease Agreement dated as of November 18, 1998 (herein called the "Lease" and the defined terms therein being hereinafter used with the same meaning). The Lease provides for the execution and delivery from time to time of a Lease Supplement substantially in the form hereof for the purpose of leasing the aircraft described below under the Lease as and when delivered by Lessor to Lessee in accordance with the terms thereof.

The Lease relates to the Aircraft, Parts and Engines as more precisely described below. A counterpart of the Lease is attached hereto and this Lease Supplement and the Lease shall form one document.

In consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

1. Lessor hereby delivers and leases to Lessee under the Lease and Lessee hereby accepts and leases from Lessor under the Lease, that certain new Boeing Model 737-700 commercial jet aircraft and Airframe and the two (2) CFM 56-7B24 Engines (each of which Engines has 750 or more rated takeoff horsepower or the equivalent of such horsepower) described in Schedule 1 hereto ("Delivered Aircraft").

2. The Delivery Date of the Delivered Aircraft is the date of this Lease Supplement set forth in the opening paragraph hereof.

3. The Term for the Delivered Aircraft shall commence on the Delivery Date and shall end on the Expiration Date, which shall be the later to occur of October 31, 2004 and the day preceding the 60th monthly anniversary of the first Basic Rent Payment Date; subject to earlier termination or extension as provided in the Lease.

4. Lessee hereby confirms to Lessor that (i) the Delivered Aircraft and each Engine installed thereon or belonging thereto have been duly marked in accordance with the terms of Section 6(f) of the Lease, (ii) Lessee has accepted the Delivered Aircraft for all purposes hereof and of the Lease, (iii) Lessee has inspected the Delivered Aircraft and the Delivered Aircraft satisfies all of the delivery conditions set forth in the Lease; and (iv) the information set forth on Schedule 2 hereto pertaining to the Airframe, Landing Gear, Engines, Auxiliary Power Unit, and fuel on board at Delivery are correct as of the date hereof.

5. All of the terms and provisions of the Lease are hereby incorporated by reference in this Lease Supplement to the same extent as if fully set forth herein.

6. This Lease Supplement may be executed in any number of counterparts, each of such counterparts, except as provided in Section 20(e) of the Lease, shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same Lease Supplement.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Lease Supplement No. 1 to Aircraft Lease Agreement to be duly executed as of the day and year first above written.

LESSOR:

AVIATION FINANCIAL SERVICES INC.,
a Delaware corporation

By: _____
Title: _____
Executed at: _____

LESSEE:

COMPANIA PANAMENA DE AVIACION, S.A.,
a Panama corporation

By: _____
Title: _____
Executed at: _____

STATE OF CONNECTICUT)
) ss. (STAMFORD)
COUNTY OF FAIRFIELD)

On _____, _____, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

My commission expires: _____

(Seal)

SCHEDULE 1

TO

LEASE SUPPLEMENT NO. 1

One New
Boeing
737-700
Airframe

Manufacturer's Serial No.	Total Time*	Total Cycles*
30049	_____	_____

Installed CFM
Engines

Model No.	Serial No.	Total Time*	Total Cycles*
CFM 56-7B24	[_____]	_____	_____
CFM 56-7B24	[_____]	_____	_____

Each of the above-described Aircraft Engines is 750 or more rated takeoff horsepower or its equivalent.

* The total time and total cycles referred to above are as of _____
Time, _____, _____. Such times and cycles are within _____ hours and
_____ cycles of the actual hours and cycles at the time of this Lease
Supplement.

SCHEDULE 2

TO

LEASE SUPPLEMENT NO. 1

Aircraft Status on The Delivery Date

Airframe:

Number of Hours Since Last Heaviest Maintenance Inspection:

_____ hours

"C" Check (or Equivalent):

Interval: _____
Time Since: _____

Landing Gear Overhaul:

Number of Hours Since Last Overhaul:

Left Gear _____ hours
Right Gear _____ hours
Nose Gear _____ hours

Interval: Left Gear _____ hours
Right Gear _____ hours
Nose Gear _____ hours

Engines:

Number of Hours Since Last Hot Section Refurbishment:

S/N _____: _____ hours

S/N _____: _____ hours

Number of Hours Since Last Cold Section Refurbishment:

S/N _____: _____ hours

S/N _____: _____ hours

Hot Section Inspection:

Interval: _____
Time Since (S/N _____): _____
Time Since (S/N _____): _____

Time Remaining to First Restriction:

Engine S/N: _____
Hours: _____ Restriction: _____
Cycles: _____ Restriction: _____

Engine S/N: _____
Hours: _____ Restriction: _____
Cycles: _____ Restriction: _____

Average Hours and Cycles in Life-Limited Parts:

Hours: _____
Cycles: _____

Auxiliary Power Unit:

Number of Hours Since Last Heavy Shop Visit:
_____ hours

Hot Section Inspection:
Interval: _____
Time Since: _____

Fuel on Board at Technical Acceptance:

Components:

P/N	Name	Overhaul Interval	Time Since New
-----	-----	-----	-----

EXHIBIT E
to
Aircraft Lease Agreement

RETURN CONDITION REQUIREMENTS

In addition to the requirements set forth in Section 16 of the Lease, on or before the Expiration Date, Lessee, at its own expense, shall return the Aircraft in compliance with all of the following provisions:

(1) The Aircraft shall have theretofore been maintained in accordance with Section 6(d) of the Lease with the same care and consideration for the technical condition of the Aircraft as if it were to have been kept in continued regular service by Lessee.

(2) The Aircraft shall be clean by commercial airline standards. The cockpit shall be "touched-up" as reasonably required in accordance with standard international airline practice and placards replaced as reasonably required, but without requiring removal of panels or instruments.

(3) The Aircraft shall have installed the full complement of Engines (as used herein the term "Engines" includes engines for which title will be transferred to Lessor pursuant to Section 16(c) of the Lease) and other equipment, parts, components, accessories, furnishings and loose equipment as when originally delivered to Lessee (excluding leased equipment) and as should remain installed on the Aircraft were Lessee to continue operating the same in continued regular service, each such item properly functioning in accordance with its intended use.

(4) The Aircraft shall comply with FAR Part 129, all outstanding DAC Regulations and Airworthiness Directives issued by the FAA affecting such model aircraft which by their terms require compliance on or before ninety (90) days after the Expiration Date of this Lease.

(5) The Aircraft shall have a current and valid DAC Certificate of Airworthiness, or at Lessor's request an export certificate of airworthiness issued by DAC. Lessee will permanently repair any damage to the Aircraft that exceeds the DAC's or manufacturer's limits for operation without restrictions.

(6) The Aircraft shall be in as good operating condition as when delivered to Lessee hereunder, ordinary wear and tear excepted.

(7) Lessee's distinctive markings, such as name, logo and stripes, shall be removed from the Aircraft in a workmanlike manner in accordance with standard industry practice and the Aircraft shall be re-painted all white.

(8) The Aircraft shall have the same amount of fuel as it had on the Technical Acceptance Date, but if it has a lesser amount, then the Lessee shall pay to the Lessor on the Return Occasion an amount which equals the current market price for Aircraft jet fuel times the

amount by which the quantity of fuel on the Technical Acceptance Date exceeds the amount of fuel on the Return Occasion.

(9) The Aircraft will meet the requirements of FAA regulations found at Part 36, Appendix C, Stage 3 noise compliance as then in effect without waiver or restriction.

(10) Lessee shall adhere strictly to the corrosion prevention and treatment cards as prescribed in the Maintenance Program.

(11) The Aircraft, except as otherwise provided in the Lease, Letter Agreement No. 1, or as consented to by Lessor, shall be in substantially the same configuration (including, but not limited to, interior seating configuration, galleys and lavatories) as when the Aircraft was originally delivered to Lessee hereunder.

(12) Neither the Aircraft nor any Engine shall have any open, deferred, continued, carry over or placarded log book items.

(13) At the end of the Term of the Lease, Lessee, at its expense, shall obtain an Export Certificate of Airworthiness for the Aircraft issued by the DAC, if available from DAC.

(14) The Aircraft shall receive a complete block "C" Check (or its equivalent), including all phases and multiples and structural inspections as are normally part of such check immediately prior to the Return Occasion in accordance with Lessee's DAC approved Maintenance Program, with all deficiencies corrected.

(15) Return of Engines

(a) Each Engine (including, without limitation, burner cans) shall have just completed a hot and cold section borescope inspection (which inspection Lessee shall cause to be recorded on videotape and shall provide a copy of such videotape to Lessor on the Return Occasion), and a power assurance shall have been run in accordance with the Maintenance Program or the manufacturer's maintenance manual and any defects discovered in such inspection exceeding manufacturer's in service limits for normal operations shall be corrected at Lessee's expense. Both the borescopes and the power assurance runs shall take place at the Return Location.

(b) No Engine shall be on "Watch" for excessive oil consumption, high Exhaust Gas Temperature or any special or out of sequence inspection and each such Engine shall comply with the operations specification of Lessee.

(c) No Engine will have less than 3,500 Engine flight hours and 2,500 Engine cycles (3,000 Engine flight hours and 2,000 Engine cycles if the Aircraft is returned at the end of second or third Renewal Term) of expected life remaining to the next scheduled removal. The expected life remaining will be determined in accordance with this Lease by review of the Engine LLP records and the borescope inspection and power assurance run referred to in subparagraph (a) above.

(16) Return of Auxiliary Power Unit

The Auxiliary Power Unit ("APU") will be serviceable and be in the same operational condition as it was on the Delivery Date, with temperatures and air outputs within the manufacturer's limits at all operational settings and have a minimum of 3,000 flight hours or half time remaining whichever is less, based on industry standard mean time between removals for heavy maintenance as reported by engine manufacturer.

(17) Return of Landing Gear

On a Return Occasion, the Landing Gear and wheel wells will be clean, free of leaks and repaired as necessary. Each installed Landing Gear shall have not less than 3,500 flight hours, 2,500 cycles (3,000 flight hours and 2,000 cycles if the Aircraft is returned at the end of second or third Renewal Term) and 12 months remaining to the next scheduled removal as applicable to a particular component in accordance with the Lessee's Maintenance Program. The wheels and brakes will have not less than half of their useful life remaining.

(18) Return of Time, Cycle or Calendar Controlled Components

On the Return Occasion each time controlled or calendar controlled component on the Aircraft, excluding the Engines (but including any time controlled components thereon), shall have at least 3,500 flight hours, 2,500 cycles (3,000 flight hours and 2,000 cycles if the Aircraft is returned at the end of second or third Renewal Term) and 12 calendar months remaining to next scheduled check or its equivalent overhaul or replacement as applicable to a particular component in accordance with the Lessee's Maintenance Program. Lessee may remove and replace any time controlled component in order to comply with return conditions herein set forth, provided that the replacement component has an equivalent or later part number, has a value, remaining warranty and modification status at least equal to the replaced component and is completely interchangeable as to form, fit and function as the replaced component.

EXHIBIT F-1
to
Aircraft Lease Agreement

LESSEE'S COUNSEL OPINION

[Letterhead of Lessee's Counsel]

[Date of Delivery Date]

Aviation Financial Services Inc.
c/o GE Capital Aviation Services
201 High Ridge Road
Stamford, Connecticut 06927-4900

Re: Compania Panamena de Aviacion, S.A.
Lease of New Boeing Model 737-700
Aircraft Manufacturer's Serial No. 30049

Dear Sirs:

We act as counsel for Compania Panamena de Aviacion, S.A., a company organized under the laws of Panama (the "Lessee") and have reviewed (i) an Aircraft Lease Agreement dated as of November 18, 1998 (the "Lease") between the Lessee and Aviation Financial Services Inc. (the "Lessor"), together with Lease Supplement No. 1 thereto dated the Delivery Date between the Lessee and the Lessor and Letter Agreement No. 1 dated as of November 18, 1998 between the same parties (collectively, the "Lease"). Except as otherwise defined herein, capitalized terms used herein shall have the meanings set forth in the Lease.

You have requested us to render an opinion in connection with the transactions governed by the Lease. We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records and other instruments as we have deemed necessary or advisable for the purpose of rendering this opinion. We have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies or facsimiles.

Based upon the foregoing, we are of the opinion that:

1. The Lessee is a company duly organized and validly existing in good standing under the laws of Panama, is duly qualified to hold property and to transact business as an air carrier under the laws of Panama and is duly qualified to carry on business in each jurisdiction in which it conducts business, has full power and authority to carry on its business as presently conducted, to hold and operate property under lease and to enter into and to perform its obligations under the Lease and each other document related thereto to which the Lessee is a

party.

2. The execution, delivery and performance by the Lessee of the Lease have been duly authorized by all necessary corporate action on the part of the Lessee, do not require any approval of the shareholders of the Lessee or consent of any or holder of any indebtedness or obligation of the Lessee, and the execution and delivery of the Lease, the consummation of the transactions contemplated therein, and compliance by the Lessee with the terms and provisions thereof, do not contravene any law applicable to the Lessee, or result in the breach of, or constitute any default under, or result in the creation of any lien, charge or encumbrance upon any property of the Lessee under any credit agreement or instrument, corporate charter or bylaw or other agreement to which the Lessee is a party or by which the Lessee or its properties or assets are bound or affected.

3. The Lessee received every consent, license, approval or authorization of, and exemption by, and gave every notice to, each Governmental Entity having jurisdiction with respect to the execution, delivery and performance of the Lease (including all monetary and other obligations thereunder) that is required for the Lessee to execute and deliver the Lease and to perform the transactions contemplated thereby and each such consent, license, approval, authorization and exemption is valid and effective and has not been revoked or rescinded.

4. The Lease has been duly executed and delivered by the Lessee and constitutes the legal, valid and binding agreement of the Lessee enforceable against the Lessee in accordance with its terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) as a court having jurisdiction may impose and by laws which may affect some of the remedies provided therein but which do not make the available remedies inadequate for the substantial realization of the benefits intended to be provided therein.

5. There are no actions, suits or proceedings pending or, to our best knowledge after due inquiry, threatened against or affecting the Lessee in any court or before any regulatory commission, arbitrator, board or other administrative Governmental Entity which, if adversely determined to the Lessee, could have a material adverse effect on the current business or financial conditions of the Lessee or on the ability of the Lessee to perform its obligations under the Lease.

6. The Lessee is not in default under any indenture, mortgage, loan agreement or lease agreement of which we have knowledge and to which the Lessee is now a party or by which it is bound nor is the Lessee in default under any other agreement or instrument of a material nature of which we have knowledge and to which the Lessee is now a party or by which it is bound; nor to our knowledge is the Lessee in violation of any law, order, injunction, decree, rule or regulation applicable to the Lessee of any court or administrative body, which violation could materially and adversely affect the business, property or assets, operations or condition, financial or otherwise, of the Lessee; and no event has occurred and is continuing which, under the provisions of any such indenture, mortgage, loan agreement or lease agreement, with the

lapse of time or the giving of notice, or both, would constitute a default thereunder.

7. There is no Tax (whether payable by withholding or deduction and including, without limitation, monetary transfer fees, or similar taxes and charges) (i) on or by virtue of the execution, delivery, performance or enforcement of the Lease, or any other document furnished or contemplated to be furnished thereunder, or (ii) to be deducted or withheld from any payment to be made by the Lessee pursuant to the Lease.

8. The obligations of the Lessee under the Lease rank at least equally and ratably (pari passu) in all respects with all other unsecured obligations of the Lessee except for claims preferred by the laws of Panama. Such claims are [_____].

9. The Lessee is subject to private commercial laws and suit under the laws of Panama and any other jurisdiction affecting the Lessee. The Lessee is not entitled to sovereign immunity under the laws of Panama or any such other jurisdiction, and neither the Lessee nor any of its respective properties or assets have the right of immunity from suit or jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise) on the grounds of sovereign immunity in Panama, the United States or any other jurisdiction.

10. The choice of New York law to govern the Lease will be upheld as a valid choice of law in any action in the courts of Panama.

11. The consent of the Lessee to the jurisdiction of the courts referred to in Section 20(b) of the Lease is valid and binding upon the Lessee and not subject to revocation. If any action in respect of the Lease were brought in a court of Panama, such court would apply the law of the State of New York.

12. Any judgment or order given by a Federal State or local court in New York under the Lease may be enforced in Panama by suit on the judgment, and would be recognized and accepted by the courts of Panama and would be enforceable by the courts of Panama without re-trial or examination of the merits of the original action, provided that any such courts have taken the necessary procedural and service of process required by Panamanian law and said judgment is not considered against public policy.

13. No stamp or registration or similar taxes or charges are payable in Panama in respect of the execution or performance of the Lease or the enforcement thereof in the courts of Panama other than [_____].

14. Except for compliance with the requirements set forth in Paragraph 15 hereof, and the placing on the Aircraft and on each Engine of the plates containing the legends referred to in Section 6(f) of the Lease, no further filing, recording or notarization of the Lease or of any other document, and no further action is necessary or advisable (including without limitation the filing or recording of the Head Lease with the DAC or any other Governmental Entity in Panama), under the laws of any Governmental Entity in order to (a) fully establish and protect Alcyone FSC Corporation's title to, interest in and property rights with respect to, and Lessor's leasehold

interests in, the Aircraft as against the Lessee or any third party and to ensure that the property rights of Alcyone FSC Corporation and the Lessor therein will have priority in all respects over the claims of all creditors of the Lessee or (b) ensure the validity, effectiveness and enforceability of the Lease and the practical realization of the benefits and rights intended to be afforded thereby.

15. The only filings, recordings, notarizations, or other actions that have not been taken and in full force and effect on the date hereof which are necessary or advisable to be taken under the laws of Panama in order to (i) fully establish and protect the Owner's title to, and Owner's and Lessor's interests in and property rights with respect to, the Aircraft as against the Lessee or any third party and to ensure that the property rights of Owner and Lessor therein which have priority in all respects over the claims of all creditors of the Lessee, and (ii) ensure the validity, effectiveness and enforceability of the Lease are (x) filing of the Lease (but not including Letter Agreement No. 1) for recordation with the DAC, (y) due registration of the Aircraft with the DAC in Panama and (z) recordation of the Owner's title to the Aircraft with the Aeronautics Section of the Public Registry of Panama. We know of no reason such recordations and registration should not be timely accomplished.

16. The Aircraft will be duly registered with the DAC, in the name of Alcyone FSC Corporation as owner and Lessor as lessor and in the name of Lessee as lessee and operator once it is imported into Panama.

17. Lessee is a licensed air carrier under the laws of Panama. The Lessee is qualified to operate the Aircraft in passenger and cargo revenue service to, from and within Panama.

18. The irrevocable instrument appointing Lessor or its agents as attorney-in-fact for Lessee to take all necessary actions on behalf of Lessee to remove the Aircraft (i) from the jurisdiction of Panama and (ii) from the registry of Panama upon termination of the Lease has been duly executed and delivered by Lessee and is irrevocable, legal, valid and effective under the laws of Panama to permit Lessor to so remove the Aircraft from the jurisdiction and registry of Panama.

19. On the termination of the Lease (whether by expiration of the Term or otherwise) as contemplated in the Lease, the Lessor will be entitled (i) to repossess the Aircraft, (ii) to deregister the Aircraft from the Register of Panama and (iii) to export the Aircraft from Panama, all without requiring any further consents, approvals or licenses from, and without requiring the posting of any security with, any Governmental Entity of Panama. If the export is not permitted or if deregistration of the Aircraft shall not be effected by the DAC, the Lessor has an adequate remedy at law to cause a prompt deregistration and to cause prompt issuance of any necessary export license without any posting of security.

20. The Lessor is not required to qualify to do business under the laws of Panama or any political subdivision thereof as a condition to, and the failure so to qualify does not affect, the exercise by it of any right, privilege or remedy accorded it under the Lease, or any other document delivered in connection therewith or the enforcement of such right, privilege or remedy. Neither the execution and delivery of, nor the performance by the Lessee of any action

required under any of the Lease or any document delivered in connection therewith, nor the exercise of remedies thereunder will result in any tax liability to Lessor pursuant to the laws of Panama or any political subdivision thereof or tax authority therein.

21. The Lessor, either in connection with the exercise of any rights or remedies available to it under the Lease, or any document delivered in connection therewith, or as the result of its interest in the Aircraft or as a result of receiving performance under the Lease, or any document delivered in connection therewith, shall not be deemed to have set up a permanent establishment in Panama under any applicable law of Panama relating to any Tax.

We do not purport to be experts on and do not purport to be generally familiar with or qualified to express legal opinions based on any law other than the laws of Panama and, accordingly, express no legal opinion herein based upon any other laws.

Yours very truly,

F-1-5

EXHIBIT F-2
to
Aircraft Lease Agreement

LESSEE'S COUNSEL OPINION

[Letterhead of Lessee's Counsel]

[Date of Delivery Date]

Aviation Financial Services Inc.
c/o GE Capital Aviation Services
201 High Ridge Road
Stamford, Connecticut 06927-4900

Re: Compania Panamena de Aviacion, S.A.
Lease of Boeing Model 737-700
Aircraft Manufacturer's Serial No. 30049

Dear Sirs:

We have acted as special Panamanian counsel at the request of Compania Panamena de Aviacion, S.A., a company organized under the laws of Panama (the "Lessee") in connection with the lease of one new Boeing Model 737-700 (Serial No. 30049) to Lessee. In rendering this opinion we have reviewed an Aircraft Lease Agreement dated as of November 18, 1998 (the "Lease") between the Lessee and Aviation Financial Services Inc. (the "Lessor"), together with Lease Supplement No. 1 thereto dated the Delivery Date between the Lessee and the Lessor and Letter Agreement No. 1 dated as of November 18, 1998 between the same parties (collectively, the "Lease"). Except as otherwise defined herein, capitalized terms used herein shall have the meanings set forth in the Lease.

We have been requested to render an opinion relating to the recordation of the Head Lease and the Lease as hereinafter described and the registration of the Aircraft with the DAC. We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, records and other instruments as we have deemed necessary or advisable for the purpose of rendering this opinion. More specifically we have examined the governmental consents, licenses, approvals, authorizations and exemptions listed on Schedule 1 hereto. We have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies or facsimiles.

Based upon the foregoing, we are of the opinion that:

1. The Lease (but not including Confidential Exhibit C or Letter Agreement No. 1) and any other documents necessary or advisable to be recorded have been duly recorded by the DAC and Owner's title to the Aircraft has been recorded with the Aeronautics Section of the Public Register in Panama.

2. It is neither necessary nor advisable to file or record the Head Lease with the DAC or any other Governmental Entity in Panama for the Lease to be fully enforceable in accordance with its terms in the courts of Panama and in order to (a) fully establish and protect Alcyone FSC Corporation's title to, interest in and property rights with respect to, and Lessor's leasehold interests in, the Aircraft as against the Lessee or any third party and to ensure that the property rights of Alcyone FSC Corporation and the Lessor therein will have priority in all respects over the claims of all creditors of the Lessee or (b) ensure the validity, effectiveness and enforceability of the Lease and the practical realization of the benefits and rights intended to be afforded thereby.

3. The Aircraft has been duly registered with the Direccion General de Aeronautica Civil of Panama in the name of Alcyone FSC Corporation as owner and Lessor as lessor and in the name of Lessee as lessee and operator with registration no. _____ on _____, _____.

4. Once validly registered, the DAC will not cause or permit deregistration of the Aircraft without prior consent of Lessor.

5. Lessee is a licensed air carrier under the laws of Panama under a permit issued to the Lessee by the DAC with the type and number of the Aircraft duly endorsed thereon, and the Lessee is qualified to operate the Aircraft in passenger and cargo revenue service to, from and within Panama.

We hereby confirm the opinions set forth in paragraphs 14 and 15 of our opinion letter to you dated _____, _____, in each case without exception or qualification.

We do not purport to be experts on and do not purport to be generally familiar with or qualified to express legal opinions based on any law other than the laws of Panama and, accordingly, express no legal opinion herein based upon any other laws.

Yours very truly,

F-2-2

EXHIBIT G
to
Aircraft Lease Agreement
FORM OF LETTER OF CREDIT

[NAME OF ISSUING BANK]
IRREVOCABLE STANDBY LETTER OF CREDIT
DATED: _____, _____

Aviation Financial Services Inc.
c/o GE Capital Aviation Services
201 High Ridge Road
Stamford, Connecticut 06927-4900

RE: Letter of Credit
Account Party: Compania Panamena de Aviacion, S.A.

Gentlemen:

At the request and for the account of Compania Panamena de Aviacion, S.A. ("Lessee"), a corporation organized and existing under the laws of Panama, we hereby establish in your favor, as lessor under that certain Aircraft Lease Agreement dated as of November 18, 1998 (the "Lease Agreement"), between Aviation Financial Services Inc. as lessor and Lessee as lessee, our Irrevocable Standby Letter of Credit No. _____, in the aggregate maximum amount of [as specified in Exhibit C to the Lease Agreement], effective on the date set forth above and expiring on the LOC Expiration Date (as defined below).

(vii) Funds under this Letter of Credit will be made available to you by wire transfer in immediately available funds in United States Dollars to an account to be designated by you in the sight draft referred to below on any Business Day (as defined below) occurring on or before the LOC Expiration Date, upon presentation at our offices located at [_____], of a sight draft in the form attached hereto as Annex A setting forth the amount of the drawing and referring expressly thereon to the number of this Letter of Credit. We hereby confirm with you that drafts in conformity with the terms of this Letter of Credit will be duly honored on the date of such presentation as set forth herein. All payments hereunder shall be made, free and clear of, and without deduction for, any present or future fees, taxes, restriction or conditions of any nature, and without setoff or counterclaim for any reason whatsoever.

(viii) You are hereby authorized to make multiple drawings hereunder in accordance with the terms and conditions described herein, each drawing upon the presentation of the documentation referred hereinabove, provided, however, subject to the provisions of paragraph 5 below, that the aggregate amount of all drawings hereunder shall in no event exceed the aggregate maximum amount of the Letter of Credit.

(ix) This Letter of Credit shall expire, and no drawing hereunder may be made thereafter, at 5:00 p.m. (EST) on the earliest of the following dates (the "LOC Expiration Date"): (i) the day which is ten (10) Business Days after the expiration date (as defined in the Lease Agreement), or (ii) on the Business Day on which the aggregate amount of all drawings hereunder, is equal (subject to the provisions of paragraph 5 hereinbelow) to the aggregate maximum amount of this Letter of Credit. With respect to clause 3(i) above, it is hereby expressly provided that in the event that if on or before sixty (60) days prior to the LOC Expiration Date you do not receive written notice from us whereunder this Letter of Credit will be renewed on, or a new letter of credit issued in substantially the form hereof to be effective as of, the LOC Expiration Date referred to in such clause 3(i), then you may draw against this Letter of Credit in the manner described herein.

(x) For the purpose hereof "Business Day" shall mean any day up to 5:00 p.m. (EST), on such day, other than Saturday and Sunday, on which banks in the United States of America are not authorized or required to close.

(v) Upon payment by us, or on our behalf, of the amount specified in any draft drawn hereunder, we shall be fully discharged of our obligation under this Letter of Credit solely in respect of such draft, and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such draft to you or to any other person.

(vi) This Letter of Credit may only be transferred to any person who is the lessor under the Lease Agreement at the time of such transfer.

(vii) This Letter of Credit sets forth in full our understanding, and such understanding shall not in any way be modified, amended, amplified or limited by reference to any document or agreement other than the sight drafts referred to herein, or a written agreement among you, us and Lessee.

(viii) Communications with respect to this Letter of Credit shall be in writing and if directed to us shall be addressed to us at [_____], specifically referring to the number of this Letter of Credit, and, if directed to you, shall be addressed to you at Polaris Holding Company, [_____].

(ixxi) All banking charges in connection with this Letter of Credit and any drawings made hereunder shall be for the account of Compania Panamena de Aviacion, S.A.

(x) This Letter of Credit shall be governed by the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500, and, as to matters not covered therein, by the laws of the State of New York.

[NAME OF ISSUER]

BY

Authorized Signature

ANNEX A
To Irrevocable Standby
Letter of Credit No.

(FORM OF SIGHT DRAFT)

(DATE)

(Location)

At sight of this draft pay to the order of (beneficiary) the amount of U.S.
\$(amount in figures) (the sum of (amount in Letters) United States Dollars).

To (payment instructions).

Drawn under Letter of Credit No. _____, dated as of _____,
_____, of

(beneficiary signature)

Endorsement

(beneficiary signature) 2

EXHIBIT H
to
Aircraft Lease Agreement

TECHNICAL ACCEPTANCE RECEIPT

Compania Panamena de Aviacion, S.A. ("Lessee") hereby acknowledges that on the ____ day of _____, _____, Polaris Holding Company ("Lessor") did deliver for inspection to Lessee, one (1) New Boeing Model 737-700 Aircraft, bearing manufacturer's serial number 30049, together with two (2) new installed CFM 56-7B24 Engines, bearing manufacturer's serial numbers [_____] and [_____] , together with all Parts, and Aircraft Documents in accordance with and as defined by the Aircraft Lease Agreement made between Lessor and Lessee dated as of November 18, 1998 (the "Lease").

The undersigned hereby further acknowledges that: (i) it did conduct an inspection of the aforementioned Aircraft, Engines, Parts, and Aircraft Documents as contemplated by the Lease; (ii) the Parts reflected in Schedule I hereto are in the condition set forth therein; (iii) the same are technically acceptable to it and in the condition for delivery and acceptance as required under the Lease; and (iv) the execution and delivery of this Technical Acceptance Receipt by Lessee signifies the absolute and irrevocable acceptance by Lessee of the Aircraft, Engines, Parts and Aircraft Documentation under the Lease.

IN WITNESS WHEREOF, this Technical Acceptance Receipt has been executed and delivered this ____ day of _____, _____.

COMPANIA PANAMENA DE AVIACION, S.A.

By: _____
Title: _____

Exhibit 10.12

EXECUTION COPY

As of November 18, 1998

COMPANIA PANAMENA DE AVIACION, S.A.
Avenida Justo Arosema 7 Calle 39
Apto. 1572
Panama 1
REPUBLIC OF PANAMA

Re: Letter Agreement No. 1 to Aircraft Lease Agreement dated as of
November 18, 1998 between Aviation Financial Services Inc., Lessor,
and Compania Panamena de Aviacion, S.A., Lessee - 1. Certain
Conditions to Leasing

Gentlemen:

Reference is made to that certain Aircraft Lease Agreement dated as of
November 18, 1998 (the "Lease") between Aviation Financial Services Inc., as
lessor ("Lessor"), and Compania Panamena de Aviacion, S.A., as lessee
("Lessee"), for the lease of one new Boeing Model 737-700 commercial aircraft
bearing manufacturer's serial number 30049 (the "Aircraft"). Terms not otherwise
defined herein shall have the meanings assigned to them in the Lease.

Each Party hereby agrees that such Party shall preserve the
confidentiality of, and shall not disclose, the information set forth in this
Letter Agreement No. 1 to any other Person without obtaining the prior written
consent of the other Party; provided, however such Person may disclose such
information (i) to its attorneys and auditors and (ii) to the extent required by
applicable law; provided, further that Lessor shall not be required to seek such
consent of Lessee following the occurrence and during the continuance of an
Event of Default. In that connection and in order to preserve the
confidentiality of certain business terms of the Lease, Lessor and Lessee have
agreed that two special conditions to leasing should be enumerated in this
letter rather than in the body of the Lease. Those conditions relate to the
Aircraft Specification and to amendment of the existing leases of three Boeing
737-200 Aircraft presently leased to Lessee by Lessor's Affiliate Polaris
Holding Company, as follows:

1. Aircraft Specification and Interior Configuration.

Lessor has agreed that the Aircraft will be delivered to Lessee meeting the Aircraft Specification and Interior Configuration applicable to new Boeing 737-700 Aircraft being delivered to Continental. Meeting such conditions will require special amendment to the Purchase Agreement including Aircraft Specification D6-38808-34, Revision A - July 16, 1998, which would otherwise be applicable thereto and other modifications after delivery of the Aircraft (collectively, the "Modifications"). Lessor will absorb up to **Material Redacted** of the cost per Aircraft to accomplish such Modifications. Lessor and Lessee have agreed that for any Modifications costs over **Material Redacted**, Lessor will fund the Modifications up to a total of **Material Redacted** per Aircraft, but with a corresponding increase in the monthly Basic Rent by an amount equal to **Material Redacted** of the amount by which such Modifications costs per Aircraft actually incurred by Lessor exceed **Material Redacted**. Lessee agrees to fund any excess Modification cost which exceeds **Material Redacted** without recourse to or reimbursement from Lessor or any lien upon or ownership claim in the Aircraft.

Lessor and Lessee agree to have their technical experts meet with those of Continental and the Aircraft Manufacturer during the next 60 days in a good faith effort to establish the most appropriate methodology for achieving the Modifications. In order to implement those Modifications, it will be necessary for Lessor to obtain certain BFE parts and components particular to and furnished by Continental's BFE vendors. Accordingly, to the extent so required, Lessee undertakes to make available for purchase by Owner or Lessor, the BFE parts and components required for the Modifications contemplated herein and to cause the vendors of such BFE parts to furnish any necessary technical data or information and appropriate warranties. The Modifications will also require incorporation (by supplements to the Purchase Agreement referenced above) of a detailed aircraft technical specification similar to that utilized by Boeing for the construction of B737-700 aircraft for Continental. Lessee will be responsible for obtaining the technical information required to accomplish the Modifications.

2. Amendments to Existing Leases for Boeing 737-200 Aircraft.

Lessee has agreed to lease the Aircraft pursuant to the Lease and to lease a companion new Boeing 737-700 Aircraft for delivery in October, 1999 (the two 737-700 Aircraft being hereinafter referred to as the "737-700 Aircraft") on condition that the leases for three Boeing 737-200 Aircraft bearing Serial Numbers 21359, 21612 and 21677 (the "737-200 Aircraft") be amended to provide for reductions in the amount of monthly rentals commencing as of September 1, 1998 and for the addition of certain lease renewal options, all as more detailed in that certain Letter of Intent No. 98323-03, dated September 8, 1998. Lessor and Lessee have agreed that the rental reductions to be implemented as of September 1, 1998 during the existing lease terms of the 737-200 Aircraft (but not during the optional renewal terms) will not be accomplished by way of an amendment to the amount of Basic Rent specified in the 737-200 Aircraft leases but will be effected by way of a credit in the amount of **Material Redacted** per month per aircraft to be applied as Basic Rent becomes due. Lessor confirms that the lessor and headlessor of the leases for 737-200 Aircraft are in agreement with the substance of such amendments and will cause GECAS to produce and negotiate in good faith appropriate documentation to implement such amendments as soon as reasonably possible after execution by Lessee of the Lease for the Aircraft and the lease for the companion Boeing 737-700 Aircraft.

Lessor and Lessee have also agreed that in the event that Lessee does not take delivery of either of the 737-700 aircraft after proper tender of delivery by Lessor, Lessee shall immediately reimburse Lessor the full amount of any and all rental credits applied to Lessee's Basic Rent obligations for the 737-200 Aircraft, as described in the paragraph above, and Lessor shall be entitled to treat a failure by Lessee to make such reimbursement as an Event of Default under the Lease.

3. Delivery Delays.

In the event of an Excusable Delay in the delivery of the Aircraft past the Estimated Delivery Date, Lessor will, notwithstanding any provision of the Lease to the contrary, pay Lessee ****Material Redacted**** for each day that the Aircraft is so delayed commencing with (a) the 60th day in the case of an Excusable Delay attributable to Lessor or (b) the 90th day in the case of an Excusable Delay on the part of the Manufacturer, to and including the day preceding the sixth (6th) monthly anniversary of the Estimated Delivery Date.

Exhibit 10.13

As of March 8, 1999

COMPANIA PANAMENA DE AVIACION, S.A.
Avenida Justo Arosema 7 Calle 39
Aptdo. 1572
Panama 1
REPUBLIC OF PANAMA

Re: Letter Agreement No. 2 to Aircraft Lease Agreement dated as of
November 18, 1998 between Aviation Financial Services Inc.,
Lessor, and Compania Panamena de Aviacion, S.A., Lessee -
Correction to Exhibit C (Basic Rent)

Gentlemen:

Reference is made to that certain Aircraft Lease Agreement dated as of
November 18, 1998 (the "Lease") between Aviation Financial Services Inc., as
lessor ("Lessor"), and Compania Panamena de Aviacion, S.A., as lessee
("Lessee"), for the lease of one new Boeing Model 737-700 commercial aircraft
bearing manufacturer's serial number 30049 (the "Aircraft"). Terms not otherwise
defined herein shall have the meanings assigned to them in the Lease.

Each Party hereby agrees that such Party shall preserve the
confidentiality of the information set forth in this Letter Agreement No. 2, and
shall not disclose such information to any other Person, without obtaining the
prior written consent of the other Party; provided, however, such Person may
disclose such information (i) to its attorneys and auditors and (ii) to the
extent required by applicable law; provided, further that Lessor shall not be
required to seek such consent of Lessee following the occurrence and during the
continuance of an Event of Default.

Lessor and Lessee have determined that the definition of Basic Rent as
set forth in Exhibit C (the longer, non-public version) to the Lease contains an
error in that the middle rental period is stated as being 24 months, whereas in
fact the Parties had agreed to a middle rental period of 12 months as evidenced
in their letter of intent dated September 8, 1998. Lessor and Lessee now wish to
correct that error. Accordingly, the definition of Basic Rent set forth in said
Exhibit C of the Lease is amended in its entirety to read:

"BASIC RENT: The Basic Rent payable during the Basic Term shall be
payable in sixty (60) consecutive monthly installments, in advance on
each Basic Rent Payment Date, with each such installment equal to: (a)
Material Redacted for the first twenty four monthly installments,
(b) **Material Redacted** for the next twelve monthly installments,
and (c) **Material Redacted** for the last twenty four monthly
installments."

Except as expressly provided herein, Lessor and Lessee acknowledge that nothing contained in this Letter Agreement No. 2 is intended to discharge, amend or otherwise modify their obligations under the Lease. The Lease is hereby ratified and confirmed, but only as amended hereby, in all respects.

This Letter Agreement No. 2 has been duly authorized, executed and delivered by each of Lessor and Lessee and constitutes the legal, valid and binding obligation of each of them enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally and subject to principles of equity. This Letter Agreement No. 2 shall be governed by the Laws of the State of New York.

=====

EXECUTION VERSION

LEASE EXTENSION AND AMENDMENT AGREEMENT

dated as of

April 30, 2003

to

AIRCRAFT LEASE AGREEMENT

dated as of November 18, 1998

BETWEEN

AVIATION FINANCIAL SERVICES, INC.

as Lessor

AND

COMPANIA PANAMENA DE AVIACION, S.A.

as Lessee

One Boeing Model 737-7V3 Aircraft

Manufacturer's Serial No. 30049

=====

LEASE EXTENSION AND AMENDMENT AGREEMENT
to
Aircraft Lease Agreement

This is a LEASE EXTENSION AND AMENDMENT AGREEMENT dated as of April 30, 2003 to the Aircraft Lease Agreement dated as of November 18, 1998 (the "Lease Agreement") between AVIATION FINANCIAL SERVICES, INC. ("Lessor"), and COMPANIA PANAMENA DE AVIACION, S.A. ("Lessee") as the Lease Agreement has been heretofore supplemented, amended and modified by Lease Supplement No. 1 dated October 14, 1999 ("Lease Supplement No. 1"), by Letter Agreement No. 1 dated as of November 18, 1998 ("Letter Agreement No. 1") and by Letter Agreement No. 2 dated as of March 8, 1999 ("Letter Agreement No. 2"), in each case between Lessor and Lessee (the Lease Agreement as so supplemented, amended and modified is hereinafter referred to as the "Lease").

WHEREAS, the Lease is in respect of one Boeing 737-7V3 Aircraft Manufacturer's Serial No. 30049 and Registration No. HP-1371CM, together with two CFM International Model CFM 56-7B24 engines bearing manufacturer's serial numbers 875941 and 875873 and certain related equipment (the "Aircraft"), and

WHEREAS, Lessee and Lessor desire to extend the Term of the Lease and to amend certain other terms thereof; and

WHEREAS, capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Lease.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. Amendments to Lease.

The Lease is hereby amended as follows:

A. Section 3(g) is hereby amended and restated as follows:

"(g) Lease Term Renewal Options: Lessor hereby grants Lessee the right to renew the lease for up to three (3) additional, consecutive terms (each a "Renewal Term") (the option to renew for each Renewal Term being hereafter referred to as the "Lease Term Renewal Option"). Each Renewal Term shall consist of twelve (12) months, and the first Renewal Term would commence the day following the Expiration Date of the Basic Term. Exercise of each Lease Term Renewal Option shall be subject to (i) the delivery by Lessee of written notice to Lessor (a "Renewal Notice") as to such exercise at least nine (9) months prior to the then applicable Expiration Date, and (ii) no Event of Default having occurred and continuing on or as of the date the Renewal Notice is received by Lessor or the first Basic Rent Payment Date of the applicable Renewal Term. The

Basic Rent during any such Renewal Term shall be payable monthly in advance at the same monthly Basic Rent rate paid by Lessee during the Basic Term (as extended by any previous extension or exercise of a Lease Term Renewal Option) that would otherwise be expiring. Upon commencement of a Renewal Term the Basic Term shall be deemed extended so that the new Expiry Date becomes the date which occurs on the twelfth monthly anniversary of the Expiration Date in effect prior to the renewal and the new Last Basic Rent Payment Date becomes the date which occurs on the twelfth monthly anniversary of the Last Basic Rent Payment Date in effect prior to the renewal. Upon exercise of any Lease Term Renewal Option such Option shall be deemed extinguished and not be available for any subsequent re-exercise."

- B. In Exhibit C, Part 2. DEFINITIONS OF CERTAIN TERMS, the following definitions are amended and restated to read:

"BASIC RENT: The Basic Rent payable during the Basic Term shall be payable in one hundred twenty (120) consecutive monthly installments, in advance on each Basic Rent Payment Date, with each such installment equal to: (a) **Material Redacted** for the first twenty four monthly installments, (b) **Material Redacted** for the next twelve monthly installments, (c) **Material Redacted** for the twenty four monthly installments commencing with the thirty seventh (37th) installment and (d) **Material Redacted** for the sixty monthly installments of Basic Rent commencing November 1, 2004 and for each installment of Basic Rent during any Renewal Term which may be commenced in a period subsequent to the Expiration Date."

"CASUALTY VALUE: For the period of the Lease through April 30, 2003 **Material Redacted**; for the period May 1, 2003 through December 15, 2004 **Material Redacted**; and for the one year period commencing December 16, 2004 and each one year period in the Lease Term commencing December 16 thereafter the amount of the Casualty Value in the immediately preceding one year period less **Material Redacted**."

"LAST BASIC RENT PAYMENT DATE: The Last Basic Rent Payment Date for the Aircraft shall be October 1, 2009, or such later date as may result from exercise of the Lease Term Renewal Options.

- C. In Exhibit C, a new Part 5 is added after the current Part 4, as follows:

"5. INSTALLATION AND COST AMORTIZATION OF WINGLETS:

Notwithstanding any provision of the Lease to the contrary, Lessor will reimburse Lessee, Lessee's actual cost of installing winglets on the Aircraft ("Winglets Actual Cost") up to a maximum of **Material Redacted**, provided such installation occurs no later than April 2004.

Each monthly installment of Basic Rent will be increased by ****Material Redacted**** of the Winglets Actual Cost commencing on the first Basic Rent Payment Date following winglet installation. Upon installation, such winglets shall become a part of the Aircraft and title thereto shall vest in Owner in accordance with Section 9 (b) of the Lease."

D. In Exhibit C, a new Part 6 is added after the new Part 5, as follows:

"6. INSTALLATION AND COST AMORTIZATION OF ADDITIONAL MODIFICATIONS:

Notwithstanding any provision of the Lease to the contrary, Lessor will reimburse Lessee, Lessee's actual cost of installing on the Aircraft up to an aggregate maximum (for all installations) of ****Material Redacted**** ("Additional Modifications Actual Cost") the following additional modifications:

- (I) ACARS: Installation of upgrade from single ARINC 724B Rockwell ACARS Management Unit,
- (II) ISFD: Integrated Standby Flight Display, provided that such retrofit allows for the restoration of the original units back onto the Aircraft,
- (III) FULL FACE OXYGEN MASKS, and
- (IV) VSD: Vertical Situation Display;

provided such installation occurs no later than April 30, 2004. After each installation of such additional modifications each monthly installment of Basic Rent will be increased by ****Material Redacted**** of the Additional Modifications Actual Cost commencing on the first Basic Rent Payment Date following such installation. Upon installation, such additional modifications shall become a part of the Aircraft and title thereto shall vest in Owner in accordance with Section 9 (b) of the Lease."

E. In Exhibit C, a new Part 7 is added after the new Part 6, as follows:

"7. MCPH

Subject to mutual agreement, Lessee and Lessor may enter into a Maintenance Cost Per Hour arrangement (MCPH) with GE Engine Services (GEES) to cover engine scheduled refurbishments for the Engines subject to the Lease. Related workscopes, engine repair specifications and general terms and conditions covered by MCPH shall be mutually agreed between Lessor, Lessee and GEES."

- F. To clarify the ownership impact of alterations, modifications, and additions the following amendments are made to Section 9 (b) of the Lease:
1. In the fourth sentence the word "Lessor" is replaced by "Owner"; and
 2. In the fifth sentence the phrase "or Owner" is added after the word "Lessor".
- G. For the purpose of correcting certain typographical errors in the prior exhibit, Revised Exhibit G (Form of Letter of Credit attached hereto as Schedule 1) shall replace in entirety the existing Exhibit G for all purposes of the Lease.

2. Lease Supplement.

Section 3 of Lease Supplement No. 1 is hereby amended by deleting the text thereof and by substituting therefor the following:

"3. The Term for the Delivered Aircraft shall commence on the Delivery Date and shall end on the Expiration Date, as hereinafter defined, or such later date as may result from exercise of the Lease Term Renewal Options." The Expiration Date shall be October 31, 2005 but shall be automatically extended on such date and on each of October 31, 2006, October 31, 2007, and October 31, 2008 to provide additional successive one (1) year Terms through and until a final extended Expiration Date of October 31, 2009 unless Lessor and Lessee shall mutually agree in writing that any such automatic extension shall not take place."

3. Ratification.

Except as expressly provided herein, Lessee and Lessor acknowledge that nothing contained in this Amendment is intended to discharge, amend or otherwise modify their respective rights and/or obligations under the Lease. The Lease and the Lease Supplement are hereby ratified and confirmed, as amended hereby, in all respects.

4. Representations and Warranties of Lessee.

Lessee represents and warrants to Lessor that:

(a) Lessee is a corporation duly formed, validly existing, and in good standing under the laws of the Republic of Panama;

(b) Lessee has full corporate power, authority and legal right to own its property and to carry on its business as now being conducted and is duly authorized to execute and deliver this Lease Extension and Amendment Agreement, and to perform its obligations hereunder;

(c) This Lease Extension and Amendment Agreement have been duly authorized, executed and delivered by Lessee and constitute the legal, valid and binding obligations of Lessee enforceable in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally and subject to principles of equity;

(d) The execution and delivery by Lessee of this Lease Extension and Amendment Agreement will not conflict with or result in any breach of, constitute any default under, or result in the creation of any lien, charge or encumbrance pursuant to, any applicable law, any term or provision of Lessee's articles of incorporation or by-laws or any judgment, order, writ, injunction, or decree of any court, commission, board or Governmental Entity, or contravene any indenture, mortgage, credit agreement, lease, license, contract or other agreement to which Lessee is a party or by which it is bound;

(e) All consents or approvals required of Lessee by any Governmental Entity or other Person in connection with the execution and delivery of this Lease Extension and Amendment Agreement and the consummation by Lessee of the transactions contemplated hereby and thereby have been duly obtained or waived; and except for the filing of this Amendment with the DAC, no other filings, recording, notarizations or other actions are necessary or advisable under the laws of Panama in order to ensure the validity, effectiveness and enforceability of the Lease as amended hereby;

(f) There are no pending or threatened actions or proceedings before any court or administrative agency or other matters which might materially adversely affect the ability of Lessee to perform its obligations under this Lease Extension and Amendment Agreement; and

(g) Lessee is subject to private commercial law and suit under the Laws of the Republic of Panama and any other jurisdiction affecting the Lessee. Lessee is not entitled to sovereign immunity under the Laws of the Republic of Panama or such other jurisdiction, and neither Lessee nor its properties or assets have the right of immunity from suit or execution on the grounds of sovereignty in the Republic of Panama or any other jurisdiction. To the extent that Lessee may in any jurisdiction in which proceedings may at any time be taken for the determination of any question arising under or for the enforcement of this Lease Extension and Amendment Agreement (including any interlocutory proceedings or the execution of any judgment or award arising therefrom) be entitled to claim or otherwise be accorded for itself or its property, assets or revenues immunity from suit or attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction, there may be attributed to Lessee or its private assets or revenues, such immunity (whether or not claimed), Lessee hereby irrevocably agrees not to claim and waives such immunity to the fullest extent permitted by the law of such jurisdiction;

5. Representations and Warranties of Lessor.

Lessor represents and warrants to Lessee that:

(a) Lessor is a corporation duly formed, validly existing and in good standing under the laws of Delaware;

(b) Lessor has full corporate power, authority and legal right to own its property and to carry on its business as now being conducted and is duly authorized to execute and deliver this Lease Extension and Amendment Agreement, and to perform its obligations hereunder and thereunder;

(c) This Lease Extension and Amendment Agreement have been duly authorized, executed and delivered by Lessor and constitute the legal, valid and binding obligations of Lessor enforceable in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally and subject to principles of equity;

(d) The execution and delivery by Lessor of this Lease Extension and Amendment Agreement will not conflict with or result in any breach of, constitute any default under, or result in the creation of any lien, charge or encumbrance pursuant to, any applicable law, any term or provision of Lessor's articles of incorporation or by-laws or any judgment, order, writ, injunction, or decree of any court, commission, board of Governmental Entity, or contravene any indenture, mortgage, credit agreement, lease, license, contract or other agreement to which Lessor is a party or by which it is bound;

(e) All consents or approvals required of Lessor by any Governmental Entity in connection with the execution and delivery of this Lease Extension and Amendment Agreement and the consummation by Lessor of the transactions contemplated hereby and thereby have been duly obtained or waived;

(f) There are no pending or threatened actions or proceedings before any court or administrative agency or other matters which might materially adversely affect the ability of Lessor to perform its obligations under this Lease Extension and Amendment Agreement; and

(g) Head Lessor has given its consent to this Amendment and, to the extent necessary, the Head Lease has been amended accordingly.

6. Conditions Precedent.

This Amendment and Lessor's obligation to extend the Lease shall take effect upon the satisfaction of each of the following conditions and receipt of the following documents by Lessor:

(a) Legal Opinion: at Lessee's expense, a legal opinion of Lessee's Panamanian counsel in form and substance satisfactory to Lessor and confirming, *inter alia*, that this Lease Extension and Amendment Agreement have been duly signed and delivered on behalf of Lessee, that this Lease Extension and Amendment Agreement constitute Lessee's legal, valid and binding obligations (subject to customary exclusions), and that all approvals, licenses, consents, filings and registrations which are necessary or desirable in connection with this Lease Extension and

Amendment Agreement and the performance by Lessee of its obligations hereunder, thereunder and under the Lease as extended hereby and thereby have been obtained and are in full force and effect; and

(b) No Default: No Default or Event of Default shall have occurred and be continuing as of the date hereof and the date of the commencement of the renewed terms contemplated hereby.

7. Miscellaneous.

(a) Amendment. No amendment, modification or waiver of any provision of this Lease Extension and Amendment Agreement shall in any event be effective unless the same shall be in writing and signed by the parties hereto or, in the case of a waiver, by the party waiving compliance, and then such waiver shall be effective only in the specific instance and for the specific purpose for which given.

(b) Notices. Any notices, requests, demands or other communications required or permitted to be made hereunder shall be in writing and shall be delivered by reputable courier service, by hand and/or facsimile as follows:

To Lessor: Aviation Financial Services Inc.
c/o GE Capital Aviation Services
201 High Ridge Road
Stamford, Connecticut 06927
Attention: Contracts Leader
Facsimile: 203-357-4585
Telephone: 203-357-3776
Email: notices@gecas.com

To Lessee: Compania Panamena De Aviacion, S.A.
Avenida Justo Arosemena y Calle 39
Aptdo. 1572 Panama 1,
Republic of Panama
Attn: Executive President
Facsimile number: 507-227-1952

or in each case to such other person or address or addresses as one party may notify in writing to the other party. All other communications and any notice of change of address shall be deemed to have been received (and reference herein to receipt by any party shall include deemed receipt) by the party to whom it is addressed when received, in the case of notice given facsimile, or on delivery, if delivered by reputable courier service or by hand.

(c) Governing Law. THIS AMENDMENT, SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(d) Severability. If any one or more of the provisions contained in this Amendment or any document executed in connection herewith shall be invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired.

(e) Counterparts. This Amendment may be executed in counterparts and any single counterpart or set of counterparts signed in either case, by all of the parties hereto shall for all purposes be deemed to be an original, and all such counterparts when taken together shall constitute one and the same instrument. A facsimile signature on any counterpart hereto will be deemed an original for all purposes.

(f) Entire Agreement. The terms and conditions contained in the Lease, this Lease Extension and Amendment Agreement and the other documents and instruments executed in connection therewith or herewith constitute the entire agreement among the parties pertaining to the subject matter thereof and hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties.

(g) Headings. The headings in this Amendment are for reference only, and do not form part of and are not to be used to interpret this Amendment.

(h) Expenses and Brokers. Lessee shall be responsible for all costs associated with perfecting this Lease Extension and Amendment Agreement in the Country of Registration, the state of habitual base of the Aircraft (and other states as appropriate given the operation of the Aircraft), including (but not limited to) the provision of stamp duties, translations and registrations, whether required by Lessor or Lessee. Each of the parties hereby represents and warrants to the other that it has not paid, agreed to pay or caused to be paid directly or indirectly in any form, any commission, percentage, contingent fee, brokerage or other similar payments of any kind, in connection with the establishment or operation of this Lease Extension and Amendment Agreement, to any Person (other than fees payable to Lessee's or Lessor's legal advisers or compensation to GECAS for the portfolio management services performed on behalf of Lessor). Each party agrees to indemnify and hold the other harmless from and against any and all claims, suits, damages, costs and expenses (including, but not limited to reasonable attorneys' fees) asserted by any agent, broker or other third party for any commission or compensation of any nature whatsoever based upon this Lease Extension and Amendment Agreement or the Aircraft, if such claim, suit, damage, cost or expense arises out of any breach by the indemnifying party, its employees or agents of the representation and warranty given hereby.

(i) Filing and Recordation. Lessee at its expense shall cause this Amendment to be duly filed with the Civil Aeronautics Authority and to be recorded at the Office of the Public Registry of Panama.

(j) Further Assurances. Each party shall cooperate with the other and execute and deliver such instruments and other documents as may be necessary to effectuate and carry out the provisions of this Lease Extension and Amendment Agreement.

(k) Successors and Assigns. This Amendment shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns.

(l) Time is of the Essence. Except as otherwise provided herein, time is of the essence with respect to each provision of this Lease Extension and Amendment Agreement.

(m) Controlling Version. This Lease Extension and Amendment Agreement has been negotiated, executed and delivered in English. In case of any conflict or discrepancy between the executed English version of this Lease Extension and Amendment Agreement and any Spanish translation thereof or any extract thereof recorded at the Public Registry of Panama or any other governmental office, the English version of this Lease Extension and Amendment Agreement shall prevail.

EXHIBIT G
(Revised)
to

Aircraft Lease Agreement

FORM OF LETTER OF CREDIT

[NAME OF ISSUING BANK]
IRREVOCABLE STANDBY LETTER OF CREDIT
DATED: ____, ____

Aviation Financial Services Inc.
c/o GE Capital Aviation Services
201 High Ridge Road
Stamford, Connecticut 06927-4900

A. RE: Letter of Credit _____
Account Party: Compania Panamena de Aviacion, S.A.

Gentlemen:

At the request and for the account of Compania Panamena de Aviacion, S.A. ("Lessee"), a corporation organized and existing under the laws of Panama, we hereby establish in your favor, as lessor under that certain Aircraft Lease Agreement dated as of November 18, 1998 (the "Lease Agreement"), between Aviation Financial Services Inc. as lessor and Lessee as lessee, our Irrevocable Standby Letter of Credit No. ____, in the aggregate maximum amount of [as specified in Exhibit C to the Lease Agreement], effective on the date set forth above and expiring on the LOC Expiration Date (as defined below).

(i) Funds under this Letter of Credit will be made available to you by wire transfer in immediately available funds in United States Dollars to an account to be designated by you in the sight draft referred to below on any Business Day (as defined below) occurring on or before the LOC Expiration Date, upon presentation at our offices located at [____], of a sight draft in the form attached hereto as Annex A setting forth the amount of the drawing and referring expressly thereon to the number of this Letter of Credit. We hereby confirm with you that drafts in conformity with the terms of this Letter of Credit will be duly honored on the date of such presentation as set forth herein. All payments hereunder shall be made, free and clear of, and without deduction for, any present or future fees, taxes, restriction or conditions of any nature, and without setoff or counterclaim for any reason whatsoever.

(ii) You are hereby authorized to make multiple drawings hereunder in accordance with the terms and conditions described herein, each drawing upon the presentation of the documentation referred herein above, provided, however, subject to the provisions of paragraph (v) below, that the aggregate amount of all drawings hereunder shall in no event exceed the aggregate maximum amount of the Letter of Credit.

(iii) This Letter of Credit shall expire, and no drawing hereunder may be made thereafter, at 5:00 p.m. (EST) on the earliest of the following dates (the "LOC Expiration Date"): (i) the day which is thirty (30) Days after the Expiration Date (as defined in the Lease Agreement), or (ii) on the Business Day on which the aggregate amount of all drawings hereunder, is equal (subject to the provisions of paragraph (v) herein below) to the aggregate maximum amount of this Letter of Credit. With respect to paragraph (i) above, it is hereby expressly provided that in the event that if on or before sixty (60) days prior to the LOC Expiration Date you do not receive written notice from us whereunder this Letter of Credit will be renewed on, or a new letter of credit issued in substantially the form hereof to be effective as of, the LOC Expiration Date referred to in such paragraph (i), then you may draw against this Letter of Credit in the manner described herein.

(iv) For the purpose hereof "Business Day" shall mean any day up to 5:00 p.m. (EST), on such day, other than Saturday and Sunday, on which banks in the United States of America are not authorized or required to close.

(v) Upon payment by us, or on our behalf, of the amount specified in any draft drawn hereunder, we shall be fully discharged of our obligation under this Letter of Credit solely in respect of such draft, and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such draft to you or to any other person.

(vi) This Letter of Credit may only be transferred to any person who is the lessor under the Lease Agreement at the time of such transfer.

(vii) This Letter of Credit sets forth in full our understanding, and such understanding shall not in any way be modified, amended, amplified or limited by reference to any document or agreement other than the sight drafts referred to herein, or a written agreement among you, us and Lessee.

(viii) Communications with respect to this Letter of Credit shall be in writing and if directed to us shall be addressed to us at [_____], specifically referring to the number of this Letter of Credit, and, if directed to you, shall be addressed to you at Aviation Financial Services, Inc., c/o GE Capital Aviation Services, 201 High Ridge Road, Stamford, Connecticut 06927-4900.

(ix) All banking charges in connection with this Letter of Credit and any drawings made hereunder shall be for the account of Compania Panamena de Aviacion, S.A.

(x) This Letter of Credit shall be governed by the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500, and, as to matters not covered therein, by the laws of the State of New York.

[NAME OF ISSUER]

BY

Authorized Signature

ANNEX A
To Irrevocable Standby
Letter of Credit No.

(FORM OF SIGHT DRAFT)

(DATE)

(Location)

At sight of this draft pay to the order of (beneficiary) the amount of U.S.
\$(amount in figures) (the sum of (amount in Letters) United States Dollars).

To (payment instructions).

Drawn under Letter of Credit No. _____, dated as of _____,
_____, of

(beneficiary signature)

=====

AIRCRAFT LEASE AGREEMENT

Dated as of November 30, 2003

BETWEEN

COMPANIA PANAMENA DE AVIACION, S.A. (COPA)

as LESSEE

and

INTERNATIONAL LEASE FINANCE CORPORATION

as LESSOR

=====

Aircraft Make and Model: New B737-700 or 800
Aircraft Manufacturer's Serial Number: 30676
Aircraft Registration Mark: Per Estoppel and Acceptance Certificate
Make and Model of Engines: Per Estoppel and Acceptance Certificate.
Serial Numbers of Engines: Per Estoppel and Acceptance Certificate

NEW AIRCRAFT NO. I

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- EXHIBIT M - TECHNICAL EVALUATION REPORT

AIRCRAFT LEASE AGREEMENT

THIS AIRCRAFT LEASE AGREEMENT is made and entered into as of November __, 2003.

BETWEEN:

COMPANIA PANAMENA DE AVIACION, S.A. (COPA), a Panamanian corporation whose address and principal place of business is at Avenida Justo Arosemena y Calle 39, Apartado 1572, Panama 1, Panama ("LESSEE") and

INTERNATIONAL LEASE FINANCE CORPORATION, a California corporation whose address and principal place of business is at 1999 Avenue of the Stars, 39th Floor, Los Angeles, California 90067, United States of America ("LESSOR").

The subject matter of this Lease is one (1) new B737 - 700 or B737 - 400 aircraft (election to be made by LESSEE in accordance with the terms of this Lease). In consideration of and subject to the mutual covenants, terms and conditions contained in this Lease, LESSOR hereby agrees to lease to LESSEE and LESSEE hereby agrees to lease from LESSOR the aircraft and the parties further agree as follows:

ARTICLE 1

SUMMARY OF TRANSACTION

The following is a summary of the lease transaction between LESSEE and LESSOR. It is set forth for the convenience of the parties only and will not be deemed in any way to amend, detract from or simplify the other provisions of this Lease.

1.1 DESCRIPTION OF AIRCRAFT

One new B737-700 or B737-800 aircraft (LESSEE must elect model type on or before January 4, 2004)

1.2 SCHEDULED DELIVERY DATE AND LOCATION

In the month of December 2004 at Seattle, Washington.

1.3 INITIAL LEASE TERM

The term of leasing of the Aircraft will commence on the delivery date and continue for twelve (12) months with six (6) successive, automatic twelve (12) month extensions and one (1) automatic five (5) month extension

1.4 **MATERIAL REDACTED**

Material Redacted

1.5 SECURITY DEPOSIT

Material Redacted, payable as follows (in U.S. Dollars) to be held, returned, applied and/or refunded in accordance with the terms of this Lease:

PAYMENT DATE

AMOUNT

2 business days following LOI Execution.....	**Material Redacted**
2 business days following Lease execution...	**Material Redacted**
June 1, 2004.....	**Material Redacted**

1.6 TRANSACTION FEE

Material Redacted, payable within 2 business days after execution of this Lease

1.7 RENT DURING INITIAL LEASE TERM

Payable monthly in advance and equal to the sum of:

(a) ****Material Redacted**** per month expressed in January 2003 U.S. Dollars*

*The above base rent is expressed in January 2003 U.S. Dollars and will increase in accordance with Boeing's announced escalation rates for the period from and including the 1st day of January 2003 through and including the delivery date of the Aircraft;

plus

(b) ****Material Redacted**** per month of the incremental cost (net of Manufacturer charges) of (i) all BEE approved by LESSOR (whether buyer-furnished equipment or seller-purchased equipment) paid for by LESSOR in place of or in addition to LESSEE's specification BFE for the Aircraft as specified in LESSEE's specification for the Aircraft and (ii) all other agreed-to changes to LESSEE's specification for the Aircraft paid for by LESSOR. ****Material Redacted****

*The election of -700 or -800 will be made by giving written notice to LESSOR on or before January 4, 2004. In the event that LESSEE makes no election, the Aircraft will be a -700.

1.8 ****MATERIAL REDACTED****

****Material Redacted****

1.9 RESERVES

Payable as follows:

TYPE OF RESERVES

AMOUNT OF RESERVES

Airframe Reserves:	**Material Redacted** airframe flight hour
Engine Performance	**Material Redacted** per engine flight
Restoration Reserves:*	hour for each engine*
Engine LLP Reserves:	**Material Redacted** per engine cycle for each engine

* Engine reserves will be paid each month at the applicable rate based on the thrust rating at which a particular Engine is operated.

1.10 ADDITIONAL RENT FOR EXCESS AIRFRAME AND ENGINE CYCLES

Material Redacted for each cycle the airframe and **Material Redacted** for each cycle an engine operated during a calendar year in excess of the maximum number of cycles which would result from an average hour/cycle ratio of **Material Redacted** hours to **Material Redacted** cycle.

1.11 COUNTRY OF AIRCRAFT REGISTRATION

Republic of Panama or at LESSEE's request, the United States (if permitted by law)

1.12 MAINTENANCE PROGRAM

LESSEE's Maintenance Program

1.13 AGREED VALUE OF AIRCRAFT

Material Redacted

1.14 LESSOR'S BANK ACCOUNT

International Lease Finance Corporation
JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017

ABA#021000021

ARTICLE 2

DEFINITIONS

Except where the context otherwise requires, the following words have the following meanings for all purposes of this Lease. The definitions are equally-applicable to the singular and plural forms of the words. Any agreement defined below includes each amendment, modification, supplement and waiver thereto in effect from time to time.

2.1 GENERAL DEFINITIONS.

"AIRCRAFT" means the Airframe, two (2) Engines, APU, Parts and as the context permits, Aircraft Documentation, collectively. As the context requires, "Aircraft" may also mean the Airframe, any Engine, the APU, any Part, the Aircraft Documentation or any part thereof individually. For example, in the context of return to LESSOR the term "Aircraft" means the Airframe, Engines, APU, Parts and Aircraft Documentation collectively, yet in the context of LESSEE not creating any Security Interests other than Permitted Liens on the Aircraft, the term "Aircraft" means any of the Airframe, any Engine, the APU, any Part or the Aircraft Documentation individually.

"AIRCRAFT DOCUMENTATION" means all (a) log books, Aircraft records, manuals and other documents provided to LESSEE in connection with the Aircraft, (b) documents listed in the Estoppel and Acceptance, Certificate and Exhibit L and (c) any other documents required to be maintained during the Lease Term and until the Termination Date by the Aviation Authority, LESSEE's Maintenance Program and this Lease.

"AIRFRAME" means the airframe listed in the Estoppel and Acceptance Certificate executed at Delivery together with all Parts relating thereto (except Engines or engines and the APU).

"AIRWORTHINESS DIRECTIVES" or "ADs" means all airworthiness directives (or equivalent) applicable to the Aircraft issued either by the Aviation Authority or the aviation authority of the country of manufacture of the Aircraft.

"APU" means (a) the auxiliary power unit of the Aircraft listed in the Estoppel and Acceptance Certificate executed at Delivery, (b) any replacement auxiliary power unit acquired by LESSOR and leased to LESSEE pursuant to Article 19.6 following a Total Loss of the APU; and (c) all Parts installed in or on such APU at Delivery (or substituted, renewed or replacement Parts in accordance with this Lease) so long as title thereto is or remains vested in LESSOR in accordance with the terms of Article 12.4.

"AVIATION AUTHORITY" means the Autoridad de Aeronautica Civil of the Republic of Panama or any Government Entity which under the Laws of the Republic of Panama from time to time has control over civil aviation or the registration, airworthiness or operation of aircraft in the Republic of Panama. If the Aircraft is registered in a country other than the Republic of Panama, "Aviation Authority" means the agency which regulates civil aviation in such other country.

"AVIATION DOCUMENTS" means any or all of the following which at any time may be obtainable from the Aviation Authority: (a) if required, a temporary certificate of airworthiness from the Aviation Authority allowing the Aircraft to be flown after Delivery to the State of Registration, (b) an application for registration of the Aircraft with the appropriate authority in the State of Registration, (c) the certificate of registration for the Aircraft issued by the State of Registration, (d) a full certificate of airworthiness for the Aircraft specifying transport category (passenger), (e) an air transport license, (f) an air operator's certificate, (g) such recordation of LESSOR's title to the Aircraft and interest in this Lease as may be available in the State of Registration and (h) all such other authorizations, approvals, consents and certificates in the State of Registration as may be required to enable LESSEE lawfully to operate the Aircraft.

"BASIC ENGINE" means those units and components of the Engine which are used to induce and convert fuel/air mixture into thrust/power; to transmit power to the fan and accessory drives; to supplement the function of other defined systems external to the Engine; and to control and direct the flow of internal lubrication, plus all essential accessories as supplied by the Engine manufacturer. The nacelle, installed components related to the Aircraft systems, thrust reversers, QEC and the primary exhaust nozzle are excluded.

"BFE" means any equipment which is to be provided by the purchaser of the Aircraft (whether actually provided by LESSOR as buyer-furnished equipment or Manufacturer as seller-purchased equipment).

"BUSINESS DAY" means a day other than a Saturday or Sunday on which the banks in the Republic of Panama and the city where LESSOR's Bank is located are open for the transaction of business of the type required by this Lease.

"CREDITOR" means any lessor, owner, bank, lender, mortgagee or other Person which is the owner of or has any interest in an aircraft engine or aircraft operated by LESSEE.

"CREDITOR AGREEMENT" means the applicable agreement between a Creditor and LESSEE or between Creditors pursuant to which such Creditor owns, leases or has an interest in either a Boeing B737-NG aircraft operated by LESSEE on which an Engine may be installed or in an aircraft engine which may be installed on the Airframe.

"DEFAULT" means any event which, upon the giving of notice, the lapse of time and/or a relevant determination, would constitute an Event of Default.

"DELIVERY" means the delivery of the Aircraft from LESSOR to LESSEE pursuant to Articles 3 and 6.

"DELIVERY DATE" means the date on which Delivery takes place.

"DOLLARS" and "\$" means the lawful currency of the U.S.

"ENGINE" means (a) each of the engines listed on the Estoppel and Acceptance Certificate; (b) any replacement engine acquired by LESSOR and leased to LESSEE pursuant to Article 19.5 following a Total Loss of an Engine; and (c) all Parts installed in or on any of such

engines at Delivery (or substituted, renewed or replacement Parts in accordance with this Lease) so long as title thereto is or remains vested in LESSOR in accordance with the terms of Article 12.4.

"EUROCONTROL" means the European Organization for the Safety of Air Navigation established by the Convention related to the Co-operation for the Safety of Air Navigation (Eurocontrol) signed on December 13, 1960, as amended.

"EVENT OF DEFAULT" means any of the events referred to in Article 25.2.

"FAA" means the Federal Aviation Administration of the Department of Transportation or any successor thereto under the Laws of the U.S.

"FARS" means the U.S. Federal Aviation Regulations embodied in Title 14 of the U.S. Code of Federal Regulations, as amended from time to time, or any successor regulations thereto.

"GENEVA CONVENTION" means the Convention on the International Recognition of Rights in Aircraft signed in Geneva, Switzerland on June 19, 1945.

"GOVERNMENT ENTITY" means any (a) national, state or local government, (b) board, commission, department, division, instrumentality, court, agency or political subdivision thereof and (c) association, organization or institution of which any of the entities listed in (a) or (b) is a member or to whose jurisdiction any such entity is subject.

"LANDING GEAR" means the installed main and nose landing gear, components and their associated actuators, side braces and parts.

"LAW" means any (a) statute, decree, constitution, regulation order or any directive of any Government Entity, (b) treaty, pact, compact or other agreement to which any Government Entity is a signatory or party, (c) judicial or administrative interpretation or application of any of the foregoing or (d) any binding judicial precedent having the force of law.

"LEASE" means this Aircraft Lease Agreement, together with all Exhibits hereto.

"LESSOR'S LIEN" means any Security Interest created by LESSOR.

"MAINTENANCE PROGRAM" means LESSEE's maintenance program as approved by the Aviation Authority or such other maintenance program as LESSOR may, in its discretion, accept in writing.

"MANUFACTURER" means The Boeing Company.

"MPD" means the Maintenance Planning Document published by Manufacturer and applicable to the Aircraft.

"OVERHAUL" means the full reconditioning of the Aircraft, an Engine, the APU, Landing Gear, module or Part, as the case maybe, in which such equipment has been fully

disassembled; cleaned; thoroughly inspected; and returned to such condition specified by the applicable manufacturer's manual as shall permit the operation of such Engine, APU, Part, Landing Gear, etc. for the maximum period of time, hours or cycles, as applicable, as specified by the relevant manufacturer's Overhaul manual.

"PART" means any part, component, appliance, system module, engine module, accessory, material, instrument, communications equipment, furnishing, LESSEE-furnished or LESSOR-purchased equipment or other item of equipment (other than complete Engines or engines or the APU) for the time being installed in or attached to the Airframe, any Engine or the APU or which, having been removed from the Airframe, any Engine or the APU, remains the property of LESSOR.

"PDM" means the post Delivery modification during which the installation of a blended winglet system and LESSEE's in flight entertainment system will be installed. Scheduling, arranging and coordinating the arrival at the PDM location of the Aircraft, BFE, material and parts will be LESSEE's responsibility.

"PERMITTED LIEN" means (a) LESSOR's Liens; (b) Security Interests arising in the ordinary course of LESSEE's business for Taxes either not yet assessed or, if assessed, not yet due or being contested in good faith in accordance with Article 16.5; (c) materialmen's, mechanics', workmen's, repairmen's, employees' liens or similar Security Interests (including liens for airport and navigation facility fees) arising by operation of Law after the Delivery Date in the ordinary course of LESSEE's business for amounts which are either not yet due or are being contested in good faith by appropriate proceedings (and for which adequate reserves have been made or, when required in order to pursue such proceedings, an adequate bond has been provided) so long as such proceedings do not involve any danger of sale, forfeiture or loss of the Aircraft; or liens on LESSEE's interest arising out of judgments or awards against LESSOR.

"PERSON" means any individual, firm, partnership, joint venture, trust, corporation, company, Government Entity, committee, department, authority or any body, incorporated or unincorporated, whether having distinct legal personality or not.

"PRIME RATE" means the rate of interest from time to time announced by JPMorgan Chase Bank in New York as its prime commercial lending rate.

"PROHIBITED COUNTRY" means any country to which the export and/or use (as applicable) of a B737-700 / 800 aircraft with CFM56-7B engines attached thereto is not permitted under (a) any United Nations sanctions, (h) the Council Regulation (EC) No. 149/2003 which updates and amends Council Regulation (EC) 1334/2000, (c) the United States Export Administration Act 1979 (as amended) or any successor legislation and/or the Export Administration Regulations promulgated thereunder, (d) where applicable, the various regulations administered from time to time by the Office of Foreign Assets Control of the U.S. Treasury Department, (e) any similar or corresponding legislation then in effect in the U.S., the United Kingdom, France, Spain or Germany or (f) any subsequent United Nations Sanctions Orders the effect of which prohibits or restricts the export and/or use of B737-700 / 800 aircraft with CFM56-7B engines attached thereto to such country. For purposes of this Lease, Prohibited Country will be defined by applicable regulations listed above which are updated, amended and

superseded from time to time, the violation of which may reasonably be expected to result in civil, criminal or seizure liability for LESSEE, LESSOR or the Aircraft.

"QEC" means all interface parts which are installed between the Engine pylon and the Basic Engine.

"RETURN CHECK" means the accomplishment of all work cards specified in the Maintenance Program and the MPD which (a) are necessary to clear the Aircraft of all such tasks for **Material Redacted**, or (b) are required to be performed at lesser intervals than **Material Redacted**. If pursuant to the then-current MPD, the performance interval for a task is shorter than every **Material Redacted**, then such task will also be performed. All non-routine tasks generated as a result of the performance of these work cards must also be performed. For avoidance of doubt, if the inspection interval pursuant to the then-current MPD for a particular work card only refers to one or two of the three measurement tests, then the most restrictive measurement test or tests referred to in the then-current MPD will be utilized in determining whether the task must be performed.

"SECURITY INTEREST" means any encumbrance or security interest, however and wherever created or arising including (without prejudice to the generality of the foregoing) any right of ownership, security, mortgage, pledge, charge, encumbrance, lease, lien, statutory or other right in rem, hypothecation, title retention, attachment, levy, claim or right of possession or detention.

"STATE OF REGISTRATION" means the Republic of Panama, the United States of America at LESSEE's request (if permitted by Law) or such other country or state of registration of the Aircraft as LESSOR may, in its sole, but reasonable discretion, approve in writing.

"U.S." means the United States of America.

2.2 SPECIFIC DEFINITIONS. The following terms are defined in the Articles referenced below:

TERMS -----	ARTICLE -----
Agreed Value	19.1
Airframe Reserves	5.4.1
Default Interest	5.7
Delivery Location	3.1
Engine LLP Reserves	5.4.1
Engine Performance Restoration Reserves	5.4.1
Expenses	17.1
Expiration Date	4.3
Material Redacted	4.2.1
Indemnitees	17.1
Initial Lease Term	4.1
Lease Term	4.3

TERMS

ARTICLE

LESSOR's Assignee	24.2.1
LESSOR's Bank	5.6
LESSOR's Lender	24.3
Manufacturer's Escalation Rate	5.3.1
Modification	12.10.1
Net Total Loss Proceeds	19.1
Operative Documents	20.1.3
Rent	5.3.1
Reserves	5.4.1
Scheduled Delivery Date	3.2
Security Deposit	5.1.1
Taxes	16.1
Termination Date	4.4
Total Loss	19.1
Total Loss Date	19.1
Total Loss Proceeds	19.1
Transaction Fee	5.2

ARTICLE 3

PLACE AND DATE OF DELIVERY

3.1 PLACE OF DELIVERY. Delivery of the Aircraft by LESSOR to LESSEE will occur at Manufacturer's facility in Seattle, Washington or such other place as may be agreed in writing between the parties (the "DELIVERY LOCATION").

3.2 SCHEDULED DELIVERY DATE. As of the date of this Lease, Delivery of the Aircraft from Manufacturer to LESSOR and LESSOR to LESSEE is scheduled to occur in the month of December 2004. LESSOR will notify LESSEE in writing (or other method so long as LESSEE acknowledges such notice) from time to time and in a timely manner of the exact date on which LESSOR expects Delivery to take place (the "SCHEDULED DELIVERY DATE").

3.3 DELIVERY SUBJECT TO MANUFACTURER DELIVERY. LESSOR and LESSEE expressly acknowledge that Delivery of the Aircraft to by LESSOR to LESSEE is subject to and conditioned upon delivery of the Aircraft by Manufacturer to LESSOR.

3.4 NO LESSOR LIABILITY. LESSOR will not be liable for any loss or expense, or any loss of profit, arising from any delay or failure in Delivery to LESSEE unless such delay or failure arises as a direct consequence of the willful misconduct of LESSOR, and in no event will LESSOR be liable for any delay or failure which is caused by any breach or delay on the part of Manufacturer or any BFE supplier.

3.5 TOTAL LOSS OF AIRCRAFT PRIOR TO DELIVERY. If a Total Loss of the Aircraft occurs prior to Delivery, neither party will have any further liability to the other except that LESSOR will return to LESSEE the Security Deposit in accordance with Article 5.1.3 and any prepaid Rent.

3.6 CANCELLATION FOR DELAY. Promptly after LESSOR becomes aware that in Manufacturer's opinion a delay will cause Delivery to be delayed beyond December 31, 2005; LESSOR will promptly notify LESSEE in writing (or other method so long as LESSEE acknowledges such notice). By written notice given within ten (10) Business Days after LESSEE's receipt of such LESSOR notice, LESSEE may by written notice to LESSOR terminate this Lease and this Lease will terminate on the date of receipt of such notice. In the event of such termination, neither party will have any further liability to the other party except that LESSOR will promptly return to LESSEE the Security Deposit in accordance with Article 5.1.3 and any prepaid Rent. If LESSEE does not give notice of termination within such ten (10) Business Days, LESSEE loses all right to terminate under this Article 3.6 unless otherwise agreed in writing by the parties. **Material Redacted**.

ARTICLE 4

LEASE TERM **MATERIAL REDACTED**

4.1 INITIAL LEASE TERM. The term of leasing of the Aircraft will commence on the Delivery Date and continue for twelve (12) months with six (6) successive, automatic twelve (12) month extensions and one (1) automatic five (5) month extension (the "INITIAL LEASE TERM") unless this Lease shall be earlier terminated or extended pursuant to the provisions of Article 4.2.1

4.2 **MATERIAL REDACTED**

4.2.1 **Material Redacted**

4.2.2 **Material Redacted**

4.3 "LEASE TERM" AND "EXPIRATION DATE". "LEASE TERM" means the term of leasing commencing on the Delivery Date and terminating on the Expiration Date. "EXPIRATION DATE" means the date on which LESSEE is required to redeliver the Aircraft to LESSOR in the condition required by this Lease on the last day of the Initial Lease Term or **Material Redacted**

4.4 "TERMINATION DATE". If LESSEE returns the Aircraft to LESSOR on the Expiration Date in the condition required by Article 23, then "TERMINATION DATE" has the same meaning as "Expiration Date". If LESSEE does not do so, then "TERMINATION DATE" means the date on which the first of the following events occurs:

- (a) there is a Total Loss of the Aircraft prior to Delivery pursuant to Article 3.5;
- (b) cancellation of this Lease occurs pursuant to Article 3.6;
- (c) there is a Total Loss of the Aircraft and payment is made to LESSOR in accordance with Article 19.3;
- (d) an Event of Default occurs and LESSOR repossesses the Aircraft or otherwise terminates this Lease pursuant to Article 25.3 prior to the Expiration Date and recovers possession and control of the Aircraft;
- (e) an Event of Default occurs hereunder by LESSEE returning the Aircraft in the condition required by this Lease after the Expiration Date; or
- (f) an Event of Default occurs and LESSOR repossesses the Aircraft or otherwise terminates this Lease pursuant to Article 25.3 after the Expiration Date and recovers possession and control of the Aircraft.

ARTICLE 5

SECURITY DEPOSIT, TRANSACTION FEE, RENT,
RESERVES AND OTHER PAYMENTS

5.1 SECURITY DEPOSIT.

5.1.1 LESSEE will pay LESSOR a security deposit of ****Material Redacted**** for its lease of the Aircraft (the "SECURITY DEPOSIT"). The Security Deposit is payable as follows (in US\$):

PAYMENT DATE -----	AMOUNT (-700) -----	AMOUNT (-800) -----
Two (2) Business Days following LOI Execution **Material Redacted**	**Material Redacted**	**Material Redacted**
Two (2) Business Days following Lease execution **Material Redacted**	**Material Redacted**	**Material Redacted**
June 1, 2004 **Material Redacted**	**Material Redacted**	**Material Redacted**
TOTAL	**Material Redacted**	**Material Redacted**

5.1.2 The Security Deposit may be commingled with LESSOR's general funds and any interest earned on such Security Deposit will be for LESSOR's account. If the Security Deposit is reduced below the required amount by application to meet LESSEE's unperformed obligations under this Lease, LESSEE will replenish the Security Deposit within ten (10) days after LESSOR's demand therefor. The Security Deposit will serve as security for the performance by LESSEE of its obligations under this Lease and any other agreements between LESSEE and LESSOR relating to aircraft, engines, aircraft equipment or the extension of credit and may be applied by LESSOR upon the occurrence of an Event of Default hereunder or of a default by LESSEE under any such other agreements.

5.1.3 Upon termination of this Lease in accordance with Article 4.4, LESSOR will promptly return to LESSEE the amount of the Security Deposit then held by LESSOR (so long as no default by LESSEE exists under any other agreement between LESSEE and LESSOR relating to aircraft, engines or aircraft equipment or the extension of credit by LESSOR to LESSEE), without interest, less an amount determined by LESSOR to be a reasonable estimate of the costs, if any, which LESSOR will incur to remedy any Default or Event of Default which has occurred and is continuing under this Lease, including the correction of any discrepancies from the required condition of the Aircraft on return of the Aircraft.

5.2 TRANSACTION FEE. Within two (2) Business Days after execution of this Lease, LESSEE will pay LESSOR a nonrefundable transaction fee of ****Material Redacted**** (the "TRANSACTION FEE").

5.3 RENT.

5.3.1 LESSEE will pay LESSOR the following amounts monthly in advance as rent for the Aircraft (the "RENT"):

INITIAL LEASE TERM: Payable monthly in advance and equal to the sum of:

(a) **Material Redacted** (in the event that LESSEE elects -700) or **Material Redacted** (in the event that LESSEE elects -800) per month expressed in January 2003 U.S. Dollars* (prorated for any partial month during the Lease Term or during the first and last calendar month of the Lease Term if such month is less than a full month)

*The above base rent is expressed in January 2003 U.S. Dollars and will increase in accordance with Boeing's announced escalation rates for the period from and including the 1st of January 2003 through and including the Delivery Date of the Aircraft (the "MANUFACTURER'S ESCALATION RATE");

plus

(b) **Material Redacted** per month of the incremental cost (net of Manufacturer charges) of (i) all BFE approved by LESSOR (whether buyer-furnished equipment or seller-purchased equipment) paid for by LESSOR in place of or in addition to LESSEE's Specification BFE for the Aircraft as specified in LESSEE's Specification for the Aircraft and (ii) all other agreed-to changes to LESSEE's Specification for the Aircraft paid for by LESSOR. **Material Redacted**

Any increases to the above base rent during the Lease Term will be calculated immediately prior to Delivery. **Material Redacted**

Material Redacted:

Material Redacted

5.3.2 The first payment of Rent during the Lease Terms will be paid no later than three (3) Business Days prior to the Scheduled Delivery Date. Each subsequent payment of Rent will be due monthly thereafter no later than the same day of the month as the Delivery Date of the Aircraft except that, if such day is not a Business Day, the Rent will be due on the immediately preceding Business Day. If Delivery occurred on the 29th, 30th or 31st of the month and in any given month during the Lease Term there is no such corresponding date, Rent will be payable on the last Business Day of such month. In the event that after LESSEE has paid the Rent three days prior to the Scheduled Delivery Date and then prior to Delivery the Delivery is delayed by more than seven (7) days, LESSOR will refund the Rent to LESSEE and LESSEE will repay the Rent prior to the Delivery Date.

5.4 RESERVES.

5.4.1 LESSEE will pay to LESSOR supplemental Rent, based on LESSEE's use of the Aircraft during the Lease Term, in the form of the following reserves in the following amounts (individually, "AIRFRAME RESERVES", "ENGINE PERFORMANCE RESTORATION RESERVES" and "ENGINE LLP RESERVES" and collectively "RESERVES"):

TYPE OF RESERVES -----	AMOUNT OF RESERVES -----
Airframe Reserves:	**Material Redacted** per Airframe flight hour
Engine Performance	**Material Redacted** per
Restoration Reserves*:	Engine flight hour for each Engine (payable when the Engine is utilized on the Aircraft or another aircraft) or **Material Redacted** per Engine flight hour for each Engine (payable when the Engine is utilized on the Aircraft or another aircraft)
Engine LLP Reserves:	**Material Redacted** per Engine cycle for each Engine (payable when the Engine is utilized on the Aircraft or another aircraft)

* Engine Reserves will be paid each month at the applicable rate based on the thrust rating at which a particular Engine is operated during such month.

5.4.2 The amount of the Engine Performance Restoration Reserves and Engine LLP Reserves set forth in Article 5.4.1 will be increased by LESSOR in the event of all increase in the thrust rating of an Engine in accordance with Article 12.9.

5.4.3 Such Reserves will be paid on or before the 10th day of the calendar month next following the month in which the Delivery Date occurs and on or before the 10th day of each succeeding calendar month for flying performed during the calendar month prior to payment. All Reserves for flying performed during the month in which the Termination Date occurs will be paid on the Termination Date, unless otherwise agreed by the parties.

5.4.4 No interest will accrue or be paid at anytime to LESSEE on such Reserves and, subject to LESSOR's obligations under Article 13, LESSOR may commingle the Reserves with LESSOR's general funds.

5.5 ADDITIONAL RENT FOR EXCESS CYCLES. If in any calendar year (or portion thereof) of the Lease Term the Airframe or any Engine operated more cycles than the maximum number of cycles which would result from an average hour/cycle ratio of **Material Redacted** hours to **Material Redacted** cycle, LESSEE will pay LESSOR as additional Rent **Material Redacted** for each Airframe cycle and **Material Redacted** for each Engine cycle the Airframe and any Engine actually operated during such calendar year (or portion thereof) in excess of the number of cycles which result from an average hour/cycle ratio of **Material Redacted** hours to **Material Redacted** cycle. A calculation will be made as of December

31 of each year and such additional Rent will be due and payable by LESSEE on the date on which the next Reserves payment is due (in accordance with Article 5.4.3) following such hour/cycle calculation period.

Example: If the Airframe operated **Material Redacted** hours in a calendar year, it would have **Material Redacted** cycles resulting from an average hour/cycle ratio of **Material Redacted** hours to **Material Redacted** cycle. If in fact the Airframe operated **Material Redacted** cycles in such calendar year, the Airframe operated **Material Redacted** excess cycles in such calendar year and LESSEE will pay LESSOR **Material Redacted** (**Material Redacted** excess cycles x **Material Redacted** = **Material Redacted**).

Similarly, if an Engine which is rated at **Material Redacted** thrust operated **Material Redacted** cycles in such calendar year, such Engine operated **Material Redacted** excess cycles in such calendar year and LESSEE will pay LESSOR **Material Redacted** (**Material Redacted** excess cycles x **Material Redacted** = **Material Redacted**).

Alternatively, if an Engine which is rated at **Material Redacted** thrust operated **Material Redacted** cycles in such calendar year, such Engine operated **Material Redacted** excess cycles in such calendar year and LESSEE will pay LESSOR **Material Redacted** (**Material Redacted** excess cycles x **Material Redacted** = **Material Redacted**).

5.6 LESSOR'S BANK ACCOUNT. The Security Deposit, Transaction Fee, Rent, Reserves and any other payment due under this Lease will be paid by wire transfer of immediately available U.S. Dollar funds to LESSOR's bank account at:

International Lease Finance Corporation
JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
ABA# 021000021

or to such other bank account in the United States (or such other jurisdiction as may be agreed) as LESSOR may from time to time designate by at least three (3) days prior written notice ("LESSOR'S BANK"). When it is stated in this Lease that an installment of the Security Deposit, the monthly Rent, Reserves or any other payment is due or must be paid or made by LESSEE by a specific date, then such payment actually must be received by LESSOR's Bank on or before such specific date on or before close of business (local time), even if, in order for such payment to be received by LESSOR's Bank by such specific date, LESSEE must initiate the wire transfer prior to such specific date.

5.7 DEFAULT INTEREST. If LESSOR's Bank does not receive the Rent or any other amount on or before the specific date when due, LESSOR will suffer loss and damage the exact nature and amount of which are difficult or impossible to ascertain. LESSEE will pay LESSOR as supplemental Rent (by way of agreed compensation and not as a penalty) interest on any due

and unpaid amounts payable by LESSEE under this Lease. Interest will be calculated at a per annum rate (based on a 360 day year) which is equal to ****Material Redacted**** plus the Prime Rate in effect on the date on which the amount was originally due for the period from the date the amount originally was due through the date the amount actually is received at LESSOR's Bank or, in the case of LESSOR's performance of LESSEE's obligations hereunder, from the date of payment by LESSOR through the date of LESSEE's repayment to LESSOR ("DEFAULT Interest"). Default Interest will accrue on a day-to-day basis and be compounded monthly.

5.8 NO DEDUCTIONS OR WITHHOLDINGS. Subject to Article 16 of this Lease, All payments by LESSEE under this Lease, including the Security Deposit, Transaction Fee, Rent, Reserves, Default Interest, fees, indemnities or any other item, will be made in full without any deduction or withholding whether in respect of set-off, counterclaim, duties, or Taxes (in accordance with Article 16) imposed in the State of Registration or any jurisdiction from which such payments are made unless LESSEE is prohibited by Law from doing so, in which event LESSEE will gross up the payment amount such that the net payment received by LESSOR after any deduction or withholding equals the amounts called for under this Lease. LESSEE will also do all of the following:

- (a) Ensure that the deduction or withholding does not exceed the minimum amount legally required;
- (b) Pay to the relevant Government Entities within the period for payment permitted by applicable Law the full amount of the deduction or withholding (including the full amount of any deduction or withholding from any additional amount paid pursuant hereto); and
- (c) Furnish to LESSOR within thirty (30) clays after each payment an official receipt of the relevant Government Entities involved for all amounts so deducted or withheld.

5.9 NET LEASE.

5.9.1 This Lease is a net lease and LESSEE's obligation to pay Rent and make other payments in accordance with this Lease will be absolute and unconditional under any and all circumstances and regardless of other events, including the following:

- (a) any right of set-off, counterclaim, recoupment, defense or other right (including any right of reimbursement) which LESSEE may have against LESSOR, Manufacturer, the Engine manufacturer or any other person for any reason, including any claim LESSEE may have for the foregoing;
- (b) unavailability or interruption in use of the Aircraft for any reason, including a requisition thereof or any prohibition or interference with or other restriction against LESSEE's use, operation or possession of the Aircraft (whether by Law or otherwise), any defect in title, airworthiness, merchantability, fitness for any purpose, condition, design, specification or operation of any kind or nature of the Aircraft, the ineligibility of the Aircraft for any particular use or

trade or for registration under the Laws of any jurisdiction or Total Loss of the Aircraft in accordance with Article 19.3;

(c) insolvency, bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, liquidation, receivership, administration or similar proceedings by or against LESSOR, LESSEE, Manufacturer, the Engine manufacturer or any other Person;

(d) invalidity or unenforceability or lack of due authorization of or other defect in this Lease;

(e) failure or delay on the part of any party to perform its obligations under this Lease; or

(f) any other circumstance which but for this provision would or might have the effect of terminating or in any other way affecting any obligation of LESSEE hereunder.

5.9.2 Nothing in Article 5.9 will be construed to limit LESSEE's rights and remedies in the event of LESSOR's breach of its warranty of quiet enjoyment set forth in Article 21.2 or to limit LESSEE's rights and remedies to pursue in a court of law any claim it may have against LESSOR or any other Person.

5.10 CURRENCY INDEMNITY. If under any applicable Law, whether as a result of a judgment against LESSEE or the liquidation of LESSEE or for any other reason, any payment hereunder is required to be made or recovered in a currency other than Dollars then, to the extent that the payment (when converted into Dollars at the "rate of exchange" on the date of payment or, in the case of a liquidation, the latest date for the determination of liabilities permitted by the applicable Law) falls short of the amount payable under this Lease, LESSEE will as a separate and independent obligation, fully indemnify LESSOR against the amount of the shortfall. If the amount received by LESSOR upon converting the payment into Dollars exceeds the amount payable under this Lease, LESSOR will remit such excess to LESSEE. For the purposes of this paragraph "rate of exchange" means the rate at which LESSOR is able on the relevant date to purchase Dollars in New York or London (at LESSOR's option) with such other currency.

5.11 LESSOR PERFORMANCE OF LESSEE OBLIGATION. If LESSEE fails to make any payment under this Lease to a third party in connection with the Aircraft or fails to perform any other obligation required under this Lease, LESSOR may (but is not required to) at its election and without waiver of its rights perform such obligation and/or pay such amount. Within five (5) Business Days after written notice to LESSEE of the amount paid by LESSOR on behalf of LESSEE, LESSEE will repay such amount to LESSOR together with Default Interest. Such payment to LESSOR will constitute additional Rent payable by LESSEE to LESSOR hereunder. Any payment, performance or compliance by LESSOR of a LESSEE obligation hereunder will not affect the occurrence or continuance of a Default or Event of Default, as the case maybe.

5.12 CONSIDERATION FOR RENT AND OTHER AMOUNTS. The amount of the Rent and other payments contained herein are in consideration of LESSEE's waiver of warranties and indemnities set forth in Articles 8 and 17, respectively, and the other provisions of this Lease.

ARTICLE 6

INVOLVEMENT WITH AIRCRAFT MANUFACTURER

6.1 LESSEE SELECTION OF AIRCRAFT. LESSEE ACKNOWLEDGES THAT THE DESCRIPTION OF THE AIRCRAFT SET FORTH IN THIS LEASE IS BASED UPON INFORMATION SUPPLIED BY MANUFACTURER. LESSEE COVENANTS TO LESSOR THAT LESSEE HAS USED ITS OWN JUDGMENT IN SELECTING THE AIRCRAFT AND HAS DONE SO BASED ON ITS SIZE, DESIGN AND TYPE. LESSEE ACKNOWLEDGES THAT LESSOR IS NOT A MANUFACTURER, REPAIRER OR SERVICING AGENT OF THE AIRCRAFT.

6.2 AGENCY AGREEMENT. Certain obligations remain to be performed by LESSOR in connection with the manufacture, fabrication and completion of the Aircraft by Manufacturer which will be performed by LESSEE (as provided in the Agency Agreement). LESSEE will act as LESSOR's agent with respect to some of these matters pursuant to the terms of an Agency Agreement to be entered into between LESSEE and LESSOR in the form set forth in Exhibit B.

6.3 PROCUREMENT OF BFE. Unless otherwise agreed, LESSOR will procure all BFE for the Aircraft in accordance with the Aircraft specification. In respect of any additional BFE not part of LESSEE's Specification as of the date hereof, LESSOR and LESSEE shall use reasonable efforts to purchase such BFE under the supplier contract which provides the most favorable pricing.

6.4 ASSIGNMENT OF TRAINING. LESSOR hereby assigns to LESSEE all rights to training to which LESSOR is entitled as a result of LESSOR's purchase of the Aircraft and lease of the Aircraft to LESSEE. If LESSEE fails to take Delivery of the Aircraft when tendered in accordance with Article 6.7, LESSEE will immediately pay to LESSOR an amount equal to the Dollar value of such training based on what the training would have cost LESSEE had LESSEE purchased such training directly from Manufacturer.

6.5 LESSEE INSPECTION OF AIRCRAFT. During the course of final assembly of the Aircraft, and at Delivery, LESSEE will have its own representative present to inspect the Aircraft and to ensure its conformity with LESSEE's needs and the terms of this Lease. LESSEE will have ground inspection and acceptance flight rights with respect to the Aircraft. LESSEE acknowledges that, as between LESSEE and LESSOR, in accepting the Aircraft LESSEE is relying on its own inspection and knowledge of the Aircraft in determining whether the Aircraft meets the requirements of this Lease.

6.6 AIRCRAFT AT DELIVERY. At Delivery, the Aircraft will be as set forth in Exhibit A, as such description may be modified by any change requests agreed to among LESSEE, LESSOR and Manufacturer (which will be reflected in amendment(s) to this Lease). In the event of any discrepancies, LESSEE and LESSOR will cooperate in good faith with one another and with Manufacturer and the Engine manufacturer, as applicable, in order to arrive at a mutually acceptable resolution of any such discrepancies. LESSOR will use commercially reasonable efforts to cause Manufacturer to correct any discrepancies prior to Delivery or will cause

Manufacturer to provide a commitment letter which will provide that any discrepancies which exist at Delivery will be corrected at no cost to LESSEE.

6.7 DELIVERY OF THE AIRCRAFT TO LESSEE. Subject to LESSEE and LESSOR having performed all of the conditions precedent to Delivery set forth herein, immediately following delivery of the Aircraft from Manufacturer to LESSOR, LESSOR will deliver the Aircraft to LESSEE at the Delivery Location. Provided that the Aircraft is in the condition required by Article 6.6, upon the tender of the Aircraft by LESSOR to LESSEE, LESSEE will accept the Aircraft and the date of tender by LESSOR to LESSEE will be deemed to be the Delivery Date for all purposes under this Lease, including, but not limited to, the commencement of LESSEE's obligation to pay Rent hereunder.

6.8 LESSEE ACCEPTANCE OF AIRCRAFT. If LESSEE fails to (a) comply with its obligations set forth in Article 6.2 (other than as a direct result of a failure by LESSOR to comply with LESSOR's obligations hereunder or under the Agency Agreement), (b) comply with the conditions contained in Articles 7.1 and 7.2 so as to allow Delivery to take place immediately following delivery of the Aircraft by Manufacturer to LESSOR or (c) take delivery of the Aircraft when properly tendered for delivery by LESSOR in the condition required hereunder, LESSEE will indemnify LESSOR for all costs and expenses incurred by LESSOR as a direct result thereof including (without limitation) any payments other than the purchase price which LESSOR becomes obliged to make to Manufacturer.

ARTICLE 7

PRE-DELIVERY, DELIVERY AND POST-DELIVERY
DOCUMENTARY AND OTHER REQUIREMENTS

7.1 PRE-DELIVERY REQUIREMENTS. LESSEE will do each of the following prior to the Scheduled Delivery Date of the Aircraft within the time frames set forth below:

7.1.1 Within one (1) month after execution of this Lease, LESSEE will deliver to LESSOR each of the following:

(a) copies of resolutions of the Board of Directors of LESSEE or other written evidence of appropriate corporate action, duly certifying and authorizing the lease of the Aircraft hereunder and the execution, delivery and performance of this Lease, together with an incumbency certificate as to the person or persons authorized to execute and deliver documents on behalf of LESSEE hereunder;

(b) an opinion of counsel in the form and substance of Exhibit F.

7.1.2 At least ten (10) days prior to the, Scheduled Delivery Date, LESSEE will have delivered to LESSOR a Certificate of Insurance and Brokers' Letter of Undertaking in the form and substance of Exhibits C and D, respectively, (or other form reasonably satisfactory to LESSOR) from LESSEE's insurance brokers evidencing insurance of the Aircraft in accordance with this Lease from the Delivery Date.

7.1.3 At least three (3) Business Days prior to the Scheduled Delivery Date, LESSEE will do each of the following:

(a) pay to LESSOR the first monthly installment of Rent in accordance with Article 5.3.2;

(b) provide LESSOR with a copy of such Aviation Documents as may be available prior to the Scheduled Delivery Date;

(c) provide LESSOR with a power of attorney empowering LESSEE's representative, who maybe an officer or employee of LESSEE, to accept the Aircraft on behalf of LESSEE;

(d) provide LESSOR with a power of attorney in the form of Exhibit G; and

(e) provide LESSOR with such other documents as LESSOR may reasonably request.

7.2 DELIVERY REQUIREMENTS. On the Delivery Date of the Aircraft, each of the following will occur:

- 7.2.1 LESSEE will execute, and deliver to LESSOR an Estoppel and Acceptance Certificate in the form of Exhibit E covering the Aircraft and effective as of the Delivery Date.
- 7.2.2 If not previously done, LESSEE and LESSOR will sign an amendment or supplement to Exhibit A evidencing all agreed-to changes to the specification of the Aircraft.
- 7.2.3 LESSEE will deliver a certificate signed by an officer of LESSEE stating all of the following:
- (a) the representations and warranties contained in Article 20 are true and accurate on and as of the Delivery Date as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date);
 - (b) no Default or Event of Default has occurred and is continuing or will result from LESSEE's lease of the Aircraft hereunder; and
 - (c) to the extent applicable, such officer has examined the Creditor Agreements between LESSEE and the other Creditors and such Creditor Agreements contain terms pursuant to which, subject to reciprocal rights, such Creditors have agreed that they will not obtain any right, title or interest in an Engine which is installed on another aircraft (or, if this is not the case, such officer will identify in the certificate the parties, the aircraft and the Creditor Agreements for which this statement is untrue).
- 7.2.4 LESSEE's counsel will deliver an opinion confirming the matters set forth in the opinion of counsel described in Article 7.1 and advising that all filing and other requirements described in the earlier opinion of counsel have been met to the extent the same may be met prior to Delivery of the Aircraft.
- 7.2.5 If any Creditor Agreement provides or contemplates that such Creditor will obtain any right, title or interest in an Engine which is installed on such Creditor's aircraft, LESSEE will deliver (if reasonably available) to LESSOR an engines cooperation agreement in form and substance acceptable to LESSOR which is executed by LESSEE and LESSEE's Creditors (as defined therein); provided, however, to the extent such agreement has not been so delivered, LESSEE hereby agrees that LESSEE will not install an Engine on such Aircraft until such agreement shall have been delivered.
- 7.2.6 LESSOR will deliver to LESSEE an assignment of Manufacturer and Engine manufacturer rights in the form and substance of Exhibits H and I, respectively, and concurrently therewith LESSOR, to the extent it has not previously done so, will be deemed to have assigned all product assurance and product support applicable to the owner or operator of the Aircraft to LESSEE during the Lease Term.

7.2.7 LESSEE will deliver to LESSOR a copy of such Aviation Documents as have not been previously delivered which are available.

7.3 POST-DELIVERY REQUIREMENTS.

7.3.1 As soon as reasonably practicable after Delivery but not later than thirty (30) days after arrival of the Aircraft in Panama, if not previously provided, LESSEE will do each of the following:

(a) procure registration of the Aircraft in the register of aircraft of the State of Registration showing LESSOR as the owner and provide evidence of the same to LESSOR;

(b) provide LESSOR with copies of all Aviation Documents not previously delivered; and

(c) if the Aircraft could not be registered at Delivery, provide LESSOR with a follow-up opinion of counsel advising that the Aircraft has been registered in the State of Registration and that all necessary filings have been made.

7.3.2 Within forty-five (45) days after Delivery, LESSEE will provide LESSOR with a Technical Evaluation Report for the Aircraft in the form and substance of Exhibit M, as revised.

ARTICLE 8

DISCLAIMERS

LESSOR HAS COMMITTED TO LESSEE THAT ON THE DELIVERY DATE THE AIRCRAFT WILL BE IN THE CONDITION REQUIRED BY ARTICLE 6. SUCH COMMITMENT OR COVENANT ON THE PART OF LESSOR EXPIRES AND THE DISCLAIMERS SET FORTH IN THIS ARTICLE 8 APPLY UPON LESSEE'S ACCEPTANCE OF THE AIRCRAFT AND EXECUTION OF THE ESTOPPEL AND ACCEPTANCE CERTIFICATE. AFTER SUCH TIME, THEN AS BETWEEN LESSOR AND LESSEE:

8.1 "AS IS, WHERE IS". LESSEE AGREES THAT IT IS LEASING THE AIRCRAFT "AS IS, WHERE IS". LESSEE UNCONDITIONALLY ACKNOWLEDGES AND AGREES THAT NEITHER LESSOR NOR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES OR REPRESENTATIVES HAVE MADE OR WILL BE DEEMED TO HAVE MADE ANY TERM, CONDITION, REPRESENTATION, WARRANTY OR COVENANT EXPRESS OR IMPLIED (WHETHER STATUTORY OR OTHERWISE) AS TO (a) THE CAPACITY, AGE, AIRWORTHINESS, VALUE, QUALITY, DURABILITY, CONFORMITY TO THE PROVISIONS OF THIS LEASE, DESCRIPTION, CONDITION (WHETHER OF THE AIRCRAFT, ANY ENGINE, ANY PART THEREOF OR THE AIRCRAFT DOCUMENTATION), DESIGN, WORKMANSHIP, MATERIALS, MANUFACTURE, CONSTRUCTION, OPERATION, DESCRIPTION, STATE, MERCHANTABILITY, PERFORMANCE, FITNESS FOR ANY PARTICULAR USE OR PURPOSE (INCLUDING THE ABILITY TO OPERATE OR REGISTER THE AIRCRAFT OR USE THE AIRCRAFT DOCUMENTATION IN ANY OR ALL JURISDICTIONS) OR SUITABILITY OF THE AIRCRAFT OR ANY PART THEREOF, OR THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, KNOWN OR UNKNOWN, APPARENT OR CONCEALED, EXTERIOR OR INTERIOR, (b) THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK, COPYRIGHT OR OTHER INTELLECTUAL PROPERTY RIGHTS, (c) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE OR (d) ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT OR ANY PART THEREOF, ALL OF WHICH ARE HEREBY EXPRESSLY EXCLUDED AND EXTINGUISHED.

8.2 WAIVER OF WARRANTY OF DESCRIPTION. IN CONSIDERATION OF (a) LESSEE'S RIGHTS HEREUNDER TO INSPECT THE AIRCRAFT AND (b) LESSOR'S ASSIGNMENT TO LESSEE OF ANY EXISTING AND ASSIGNABLE WARRANTIES OF MANUFACTURER AND THE ENGINE MANUFACTURER, LESSEE HEREBY AGREES THAT ITS ACCEPTANCE OF THE AIRCRAFT AT DELIVERY AND ITS EXECUTION AND DELIVERY OF THE ESTOPPEL AND ACCEPTANCE CERTIFICATE CONSTITUTE LESSEE'S WAIVER OF THE WARRANTY OF DESCRIPTION, ANY CLAIMS LESSEE MAY HAVE AGAINST LESSOR BASED UPON THE FAILURE OF THE AIRCRAFT TO CONFORM WITH SUCH DESCRIPTION AND ANY AND ALL RIGHTS IT MAY HAVE TO THE REMEDIES SET FORTH IN SECTIONS 10508 THROUGH 10522 OF THE CALIFORNIA COMMERCIAL CODE. EVEN IF AT ANY TIME THE FAILURE OF THE

AIRCRAFT TO CONFORM TO SUCH DESCRIPTION SUBSTANTIALLY IMPAIRS THE VALUE AND UTILITY OF THE AIRCRAFT AND EITHER (i) LESSEE ACCEPTED THE AIRCRAFT BASED ON A REASONABLE ASSUMPTION THAT THE NONCONFORMITY WOULD BE CURED AND IT WAS NOT SEASONABLY CURED OR (ii) LESSEE ACCEPTED THE AIRCRAFT WITHOUT DISCOVERING THE NONCONFORMITY BUT LESSEE'S ACCEPTANCE OF THE AIRCRAFT WAS REASONABLY INDUCED EITHER BY LESSOR'S ASSURANCES OR BY THE DIFFICULTY OF DISCOVERING ANY DEFECT PRIOR TO ACCEPTANCE, LESSEE AGREES NOT TO LOOK TO LESSOR FOR DAMAGES OR RELIEF ARISING OUT OF THE FAILURE OF THE AIRCRAFT TO CONFORM TO SUCH DESCRIPTION.

8.3 LESSEE WAIVER. LESSEE hereby waives as between itself and LESSOR and agrees not to seek to establish or enforce any rights and remedies, express or implied (whether statutory or otherwise) against LESSOR or the Aircraft relating to any of the matters mentioned in Articles 8.1 or 8.2 and the leasing thereof by LESSOR to LESSEE.

8.4 CONCLUSIVE PROOF. DELIVERY BY LESSEE TO LESSOR OF THE ESTOPPEL AND ACCEPTANCE CERTIFICATE WILL BE CONCLUSIVE PROOF AS BETWEEN LESSOR AND LESSEE THAT LESSEE'S TECHNICAL EXPERTS HAVE EXAMINED AND INVESTIGATED THE AIRCRAFT AND ENGINES AND (a) EACH IS AIRWORTHY AND IN GOOD WORKING ORDER AND REPAIR AND (b) THE AIRCRAFT AND ENGINES AND THE AIRCRAFT DOCUMENTATION ARE WITHOUT DEFECT (WHETHER OR NOT DISCOVERABLE AT DELIVERY) AND IN EVERY WAY SATISFACTORY TO LESSEE.

8.5 NO LESSOR LIABILITY FOR LOSSES. LESSEE agrees that LESSOR will not be liable to LESSEE, any sublessee or any Person, whether in contract or tort and however arising, for any cost, loss or damage (consequential or otherwise) arising out of the condition of the Aircraft, whether or not due in whole or in part to an act or omission or the active or passive negligence of LESSOR but excluding acts resulting from the willful misconduct of LESSOR.

8.6 NO LIABILITY TO REPAIR OR REPLACE. LESSOR will not be liable for any expense in repairing or replacing any item of the Aircraft or be liable to supply another aircraft or any item in lieu of the Aircraft or any Part thereof if the same is lost, confiscated, damaged, destroyed or otherwise rendered unfit for use.

8.7 NO WAIVER. Nothing in this Article 8 or elsewhere in this Lease will be deemed to be a waiver by LESSEE of any rights it may have against Manufacturer, the Engine manufacturer or any other Person including, without limitation, rights LESSEE may have under Article 9 of this Lease.

ARTICLE 9

MANUFACTURERS' AND VENDORS' WARRANTIES

9.1 WARRANTIES. Asset forth in Article 7.2.5, at Delivery LESSOR will assign to LESSEE for the duration of the Lease Term the benefit of all warranties and indemnities given to LESSOR by Manufacturer and the Engine manufacturer. Effective on the Delivery Date, all other vendor warranties with respect to the Aircraft are hereby assigned by LESSOR to LESSEE. Additionally, LESSOR will cooperate in a commercially reasonable manner with LESSEE in order to enforce any material warranty claims and take all other actions reasonably necessary to effectively assign to LESSEE and to secure the benefits for LESSEE of such warranties.

9.2 REASSIGNMENT. On the Termination Date, the benefit of any warranty assigned by LESSOR to LESSEE pursuant to Articles 7.2.5 and 9.1 will be reassigned automatically to LESSOR or its designee (with the exception of any claims and rights of payment to LESSEE arising prior to the Termination Date). LESSEE's rights under such warranties (including LESSEE's claims and rights to payment thereunder) will revert to LESSOR during any period in which an Event of Default is continuing. Similarly, any additional warranties received by LESSEE from Manufacturer, Engine manufacturer and any other vendor or repair facility for work performed on the Aircraft, Engine or any Part during the Lease Term will be automatically assigned by LESSEE to LESSOR or its designee on the Termination Date (with the exception of any claims and rights of payment to LESSEE arising prior to the Termination Date). LESSEE at its own cost and expense will do all such things and execute such documents as may be required for these purposes.

9.3 WARRANTY CLAIMS. LESSEE will diligently and promptly pursue any valid claims it may have against Manufacturer and others under such warranties with respect to the Aircraft.

ARTICLE 10

OPERATION OF AIRCRAFT

10.1 COSTS OF OPERATION. LESSEE will pay all costs incurred in the operation of the Aircraft during the Lease Term and until the Termination Date, for profit or otherwise, including the costs of flight crews, cabin personnel, fuel, oil, lubricants, maintenance, insurance, storage, landing and navigation fees, airport charges, passenger service and any and all other expenses of any kind or nature, directly or indirectly, in connection with or related to the use, movement and operation of the Aircraft. The obligations, covenants and liabilities of LESSEE under this paragraph arising prior to return of the Aircraft to LESSOR will continue in full force and effect, notwithstanding the termination of this Lease or expiration of the Lease Term.

10.2 COMPLIANCE WITH LAWS. Except as otherwise provided in this Lease, LESSEE agrees throughout the Lease Term and until the Termination Date to maintain operational control of the Aircraft and use the Aircraft in accordance with applicable Laws of the State of Registration and of any country, state, territory or municipality into or over which LESSEE may operate. LESSEE will not employ, suffer or cause the Aircraft to be used in any business which is forbidden by Law or in any manner which may reasonably be expected to render it liable to condemnation, destruction, seizure, or confiscation by any authority. LESSEE will not permit the Aircraft to fly to any airport or country if so doing would cause LESSEE or LESSOR to be in violation of any Law applicable to either of them or the Aircraft except as may be necessary to preserve the Aircraft or the safety, well being or life of passengers or crew, provided, however, that in such event LESSEE will take reasonable actions to remove the Aircraft from such airport or country as soon as reasonably practical.

10.3 TRAINING. LESSEE will not use the Aircraft for testing or for training of flight crew members other than LESSEE crew members and will not use the Aircraft for training any more than it utilizes for training the other aircraft in its fleet.

10.4 NO VIOLATION OF INSURANCE POLICIES. LESSEE will not use or permit the Aircraft to be used in any manner or for any purpose which is not covered by the insurance policies LESSEE is required to carry and maintain as set forth in this Lease. LESSEE will not carry any goods of any description excepted or exempted from such policies or do any other act or permit to be done anything which may reasonably be expected to invalidate or limit any such insurance policy.

10.5 FLIGHT AND AIRPORT CHARGES.

10.5.1 LESSEE will pay promptly when due all airport or enroute navigation charges (including Eurocontrol charges if and when applicable), navigation service charges, landing fees and all charges payable by LESSEE for the use of or for services provided at any airport, whether in respect of the Aircraft or any other aircraft of LESSEE which, if unpaid, may reasonably be expected to subject the Aircraft to any lien, and will indemnify and hold LESSOR harmless in respect of the same. This indemnity will continue in full force and effect notwithstanding the

termination or expiration of the Lease Term for any reason or the return of the Aircraft.

10.5.2 If requested by LESSOR (but not more often than each six (6) months unless a Default or Event of Default shall have occurred and be continuing), LESSEE will provide LESSOR with a list of the airports to which LESSEE regularly operates the Aircraft or its other aircraft (in the event that the operation of such other aircraft may reasonably be expected to give rise to a lien on the Aircraft for navigation, landing, parking, storage or other similar charges). LESSEE hereby authorizes Eurocontrol (if and when applicable) or another aviation authority or airport or creditor claiming rights on the Aircraft to confirm the status of LESSEE's payments to such creditor for the Aircraft and its other aircraft, as and when requested by LESSOR.

ARTICLE 11

SUBLEASES

11.1 NO SUBLEASE WITHOUT LESSOR CONSENT. LESSEE WILL NOT SUBLEASE OR PART WITH POSSESSION OF THE AIRCRAFT (EXCEPT FOR MODIFICATION, MAINTENANCE, TESTING, SERVICE AND/OR REPAIR) AT ANY TIME WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR (NOT TO BE UNREASONABLY WITHHELD OR DELAYED) AND IN ACCORDANCE WITH SUCH REQUIREMENTS AS MAY FROM TIME TO TIME BE AGREED IN WRITING BETWEEN LESSOR AND LESSEE.

11.2 LESSOR COSTS. LESSEE will indemnify LESSOR on demand for all out-of-pocket expenses (including reasonable legal fees) incurred in connection with LESSOR's assessment of the subleasing proposal (whether or not LESSOR's consent to such sublease is ultimately given) and implementation of the sublease.

11.3 ANY APPROVED SUBLEASE. Any sublease approved by LESSOR will be for a term no greater than the remaining Lease Term. The applicable sublease agreement will contain provisions consistent with this Lease protecting LESSOR's title to the Aircraft, providing appropriate LESSOR disclaimers and indemnities, regarding the maintenance and repair standards for the Aircraft and concerning the insurances which will be carried by the sublessee and the circumstances which constitute a Total Loss of the Aircraft. Any such sublease will be subject and subordinate to this Lease. LESSOR will have an opportunity to review the proposed sublease agreement reasonably in advance in order to determine that it meets the requirements of this Article 11.3. In its sole and reasonable discretion, LESSOR may require an opinion of counsel in connection with such sublease, including LESSOR's right to repossess the Aircraft in the event of an Event of Default hereunder or under the sublease. LESSEE will not amend the terms of any approved sublease agreement without the prior written consent of LESSOR, which consent will not be unreasonably withheld.

11.4 ASSIGNMENT OF SUBLEASE. Any approved sublease will be assigned to LESSOR as security. LESSEE will deliver the original counterpart of the sublease to LESSOR and make any filings necessary to protect LESSOR's security interest.

11.5 WET LEASES. The wet leasing of the Aircraft during the Lease Term (in which LESSEE and its crews retain operational control of the Aircraft) will not be considered a sublease of the Aircraft and will be permitted without LESSOR's consent, provided that (a) the Aircraft remains registered in the State of Registration, (b) the Aircraft will be operated in accordance with applicable rules related to any Prohibited Country, (c) LESSEE provides LESSOR with either a certified copy of the applicable provisions from the wet lease agreement or an officer's certificate indicating whether LESSEE or the wet lessee will be responsible for maintaining the primary passenger, baggage and cargo liability insurance relating to operation under the wet lease and (d) LESSEE complies with Article 18.9.

11.6 CONTINUED RESPONSIBILITY OF LESSEE. LESSEE will continue to be responsible for performance of its obligations under this Lease during any period of sublease or wet lease.

ARTICLE 12

MAINTENANCE OF AIRCRAFT

12.1 GENERAL OBLIGATION. During the Lease Term and until the Termination Date, LESSEE alone has the obligation, at its expense, to maintain and repair the Aircraft, Engines, APU and all of the Parts (a) in accordance with the Maintenance Program, (b) in accordance with the rules and regulations of the Aviation Authority, (c) in accordance with Manufacturer's type design, (d) in accordance with any other regulations or requirements necessary in order to maintain a valid Certificate of Airworthiness for the Aircraft and meet the requirements at all times during the Lease Term and upon return of the Aircraft to LESSOR for issuance of a Standard Certificate of Airworthiness for transport category aircraft issued by the FAA in accordance with FAR Part 21 (except during those periods when the Aircraft is undergoing maintenance, Modification or repairs as required or permitted by this Lease and to the extent in conflict with the requirements of the Aviation Authority) and (e) in the same manner and with the same care as used by LESSEE with respect to aircraft and engines of like make and model operated by LESSEE and without in any way discriminating against the Aircraft as compared to such other aircraft.

12.2 SPECIFIC ENGINE REQUIREMENTS.

12.2.1 No Engine will remain in an unserviceable condition for more than three (3) months unless engine restoration is ongoing and has not been suspended or delayed without reasonable technical cause and LESSEE uses commercially reasonable efforts to cause such Engine to be returned to service.

12.2.2 When replacing Parts in the Engines, LESSEE will utilize only original equipment manufacturer parts (OEM parts). The foregoing will not apply to QEC and thrust reverser Parts.

12.2.3 LESSEE will not discriminate against the Engines with respect to Overhaul build standards and life-limited Part replacements and, in any event, at each performance restoration shop visit on an Engine, LESSEE will (a) build the Engine life-limited Parts to at least 8,000 cycles remaining and (b) perform, at a minimum, a performance restoration workscope sufficient to allow such Engine to achieve at least 8,000 hours and 8,000 cycles of operation following such shop visit. Notwithstanding the foregoing, LESSOR agrees that the performance restoration workscope contained in the maintenance cost per flight hour when agreed to among LESSEE, LESSOR and LESSEE's engine maintenance provider will be substituted for the performance restoration workscope described above. Failing the foregoing, LESSOR and LESSEE agree to negotiate in good faith and agree on a performance restoration workscope for the last engine shop visit which is reasonable in view of the age and condition of the Engine, the required condition at return and the cost of such restoration to LESSEE and LESSOR.

12.2.4 With respect to the last Engine shop visit of an Engine prior to return of the Aircraft, LESSEE will submit to LESSOR in advance the intended workscope of

such shop visit. If LESSOR requests, LESSEE will perform additional work at such shop visit at LESSOR's cost provided that if the same shall result in delay in redelivery, extension of the Lease Term or cause the Engine to be removed from service for a period in excess of the period the Engine would have been removed to revenue service absent such additional work, no Rent or other costs will be payable by LESSEE for the period which is attributable solely to LESSOR's requested work (unless and to the extent LESSOR and LESSEE shall have otherwise agreed in writing).

12.2.5 Except as otherwise agreed by the parties (including, pursuant to any side letter) LESSEE will not enter into any Engine maintenance cost per flight hour, power-by-the-horn or similar agreement with the Engine manufacturer or any other Engine maintenance facility or organization without LESSOR's prior written consent which consent shall not be unreasonably withheld or delayed. LESSEE will at its cost be responsible for performing all work necessary to meet the return conditions with respect to the Engines set forth in Article 23 even if such work is not covered by LESSEE's Engine maintenance agreement. Without limiting the foregoing, any such Engine maintenance agreement will provide that:

(a) LESSOR will receive and retain the monthly Engine Performance Restoration Reserves paid by LESSEE until an Engine shop visit has been completed;

(b) LESSEE will pay the Engine maintenance facility directly for any Engine Overhaul and repair costs in excess of the Engine Performance Restoration Reserves, including any differential between the hourly Engine Performance Restoration Reserves payable by LESSEE to LESSOR and the hourly rates charged by the Engine maintenance facility; and

(c) LESSEE will pay the Engine maintenance facility directly for any services provided by the Engine maintenance facility over and above repair of the Engines, such as trend monitoring, spare engines or spare parts.

12.3 SPECIFIC OBLIGATIONS. Without limiting Article 12.1, LESSEE agrees that such maintenance and repairs will include but will not be limited to each of the following specific items:

(a) performance in accordance with the Maintenance Program of all routine and non-routine maintenance work;

(b) incorporation in the Aircraft of all Airworthiness Directives, all mandatory service bulletins of Manufacturer, the Engine manufacturer and other vendors or manufacturers of Parts incorporated on the Aircraft and any service bulletins which must be performed in order to maintain the warranties on the Aircraft, Engines, APU and Parts;

(c) incorporation in the Aircraft of all other service bulletins of Manufacturer, the Engine manufacturer and other vendors which LESSEE schedules to adopt

within the Lease Term for the rest of its B737-700 / 800 aircraft fleet. It is the intent of the parties that the Aircraft will not be discriminated from the rest of LESSEE'S fleet in service bulletin compliance (including method of compliance) or other maintenance matters unless LESSEE'S exclusion of the such modification is reasonable giving consideration to the remaining Lease Term and industry practice;

(d) incorporation in the Maintenance Program for the Aircraft of a corrosion prevention and control program as recommended by Manufacturer and the correction of any discrepancies in accordance with the recommendations of Manufacturer and the Structural Repair Manual. In addition, all inspected areas will be properly treated with corrosion inhibitor as recommended by Manufacturer;

(e) maintaining in English and keeping in an up-to-date status the records and historical documents set forth in Attachment I of Exhibit J;

(f) maintaining historical records, in English, for on condition, condition-monitored, hard time and life-limited Parts (including an FAA Form 8130 or JAA Form) from the manufacturer of such Part or a repair facility which evidence that such Part is new or overhauled and establish authenticity, total time in service and time since overhaul for such Part), the hours and cycles the Aircraft and Engines operate and all maintenance and repairs performed on the Aircraft; and

(g) properly documenting all repairs, Modifications and alterations and the addition, removal or replacement of equipment, systems or components in accordance with the rules and regulations of the Aviation Authority and reflecting such items in the Aircraft Documentation, including Manufacturer's manuals, as required by such rules and regulations. In addition, all repairs to the Aircraft will be accomplished in accordance with Manufacturer's Structural Repair Manual (or FAA-approved data supported by an FAA Form 8110-3 or equivalent). All Modifications and alterations will also be accomplished in accordance with FAA-approved data supported by FAA Form 8110-3 or equivalent.

12.4 REPLACEMENT OF PARTS.

12.4.1 LESSEE, at its own cost and expense, will promptly replace all Parts which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or rendered unfit or beyond economical repair (BER) for use for any reason. In the ordinary course of maintenance, service, repair, overhaul or testing, LESSEE may remove any Part provided that LESSEE replaces such Part as promptly as reasonably practicable. All replacement Parts will (a) be owned by LESSEE free and clear of all Security Interests(except Permitted Liens) of any kind or description (or, if not owned by LESSEE, LESSEE guarantees to LESSOR such title and clearance of all Security Interests), (b) be in airworthy condition and of at least equivalent model, service bulletin and modification status and 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 and (c) have a current "serviceable tag" (an FAA Form 8130 or JAA Form 1) of the manufacturer or maintenance facility providing such items to LESSEE, indicating that such Parts are new, serviceable or Overhauled. So long as a substitution meets the requirements of the Maintenance Program and Aviation Authority, LESSEE may substitute for any Part a part that does not meet the requirements of the foregoing sentence if a complying Part cannot be procured or installed within the available ground time of the Aircraft and as soon as practicable the noncomplying part is removed and replaced by a complying Part. With respect to replacement modules in an Engine, the replacement module will not have been previously operated at a higher thrust rating than the replaced module. As set forth in Article 12.2.2, LESSEE may not replace any Part in the Engines, excluding QEC and thrust reversers, with a part other than an original equipment manufacturer part (an OEM part). With respect to replacement modules in an Engine, the replacement module will not have been previously operated at a higher thrust rating than the replaced module.

12.4.2 All Parts removed from the Airframe, any Engine or the APU will remain the property of LESSOR and subject to this Lease no matter where located, until such time as such Parts have been replaced by Parts (which have been incorporated or installed in or attached to the Airframe, such Engine or the APU) which meet the requirements for replacement Parts specified above and title to such replacement Parts has passed to LESSOR under the Laws of the State of Registration and the lex situs. To the extent permitted by the Laws of the State of Registration and the lex situs it is the intent of LESSOR and LESSEE that without further act and immediately upon any replacement Part becoming incorporated, installed or attached to the Airframe, an Engine or the APU as above provided, (a) title to the removed Part will thereupon vest in LESSEE, free and clear of all rights of LESSOR and LESSOR Liens and LESSOR will, upon LESSEE's reasonable request, provide LESSEE with a bill of sale thereto, (b) title to the replacement Part will thereupon vest in LESSOR free and clear of all rights of LESSEE free and clear of all rights of LESSEE and liens (other than LESSOR Liens) and LESSEE will, upon LESSOR's reasonable request, provide LESSOR with a bill of sale thereto and (c) such replacement Part will become subject to this Lease and be deemed to be a Part hereunder to the same extent as the Parts originally incorporated or installed in or attached to the Airframe, such Engine or the APU.

12.5 REMOVAL OF ENGINES.

12.5.1 If an Engine is removed for testing, service, repair, maintenance, Overhaul work, alterations or modifications, title to such Engine will at all times remain vested in LESSOR.

12.5.2 LESSEE will be entitled to remove any of the Engines from the Aircraft and install another engine or engines on the Aircraft, provided that LESSEE complies with each of the following obligations:

(a) the insurance requirements set forth in Article 18 and Exhibit C are in place;

(b) LESSEE ensures that the identification plates referred to in Article 15 are not removed from any Engine upon such Engine being detached from the Aircraft; and

(c) title to the Engine remains with LESSOR free from all Security Interests (except Permitted Liens) regardless of the location of the Engine or its attachment to or detachment from the Aircraft.

12.6 REMOVAL OF APU.

12.6.1 If the APU is removed for testing, service, repair, maintenance, Overhaul work, alterations or modifications, title to the APU will at all times remain vested in LESSOR.

12.6.2 LESSEE will be entitled to remove the APU from the Aircraft and install another auxiliary power unit on the Aircraft, provided that LESSEE complies with each of the following obligations:

(a) the insurance requirements set forth in Article 18 and Exhibit C are in place;

(b) LESSEE ensures that the identification plates referred to in Article 15 are not removed from the APU; and

(c) title to the APU remains with LESSOR free from all Security Interests (except Permitted Liens) regardless of the location of the APU or its attachment to or detachment from the Aircraft.

12.7 POOLING OF ENTRIES, APU AND PARTS. With LESSOR's prior written consent, not to be unreasonably withheld or delayed, LESSEE may subject the Engines, APU and Parts to normal interchange or pooling agreements with responsible international scheduled commercial air carriers customary in the airline industry and entered into by LESSEE in the ordinary course of its business with respect to its entire B737-700 / 800 fleet so long as (a) in the case of pooling of an Engine or APU, such Engine or APU is returned to LESSEE within one hundred eighty (180) days, (b) no transfer of title to the Engine or APU occurs, (c) all other terms of this Lease continue to be observed with respect to the Engines, APU or Parts, including but not limited to Articles 8, 10, 12, 14, 15, 16, 17, 18 and 19 and (d) LESSEE continues to be fully responsible to LESSOR for the performance of all of its obligations hereunder.

12.8 INSTALLATION OF ENGINES ON OTHER AIRCRAFT. Any Engine removed from the Aircraft may be installed on another aircraft in LESSEE's fleet which utilizes engines of the same type as the Engine only if one of the situations described in this Article 12.8 exists:

12.8.1 LESSEE or LESSOR has title to such other aircraft free and clear of all Security Interests (except Permitted Liens).

12.8.2 LESSEE, LESSOR and all of the Creditors of LESSEE of such aircraft enter into an engines cooperation agreement in form and substance acceptable to LESSOR in which each party agrees to recognize one another's rights in the engines. LESSEE will reimburse LESSOR and LESSOR's Lender for their reasonable attorneys' fees and costs in negotiating and finalizing engine cooperation agreement arrangements with LESSEE and its Creditors.

12.8.3 Such other aircraft is subject to a Creditor Agreement (but no other Security Interests except Permitted Liens) which by its terms expressly or effectively states that such Creditor and its successors and assigns will not acquire any right, title or interest in any Engine by reason of such Engine being installed on such aircraft provided the owner of such Engine provides reciprocal title recognition provisions. To evidence the foregoing, at or before Delivery, LESSEE will provide LESSOR with an officer's certificate as to this matter (and officer's certificate will be provided during the Lease Term with respect to other Creditor Agreements regarding aircraft entering LESSEE's operating fleet subsequent to Delivery). LESSEE hereby agrees that if LESSOR's title to an Engine is in fact impaired under any such Creditor Agreement, such impairment will be a Total Loss of such Engine and the provisions of Article 19.5 will apply. To the extent another Creditor Agreement contains such provisions, then LESSOR hereby agrees for the benefit of the Creditor of Such Creditor Agreement that neither LESSOR nor its successors or assigns will acquire or claim any right, title or interest in any engine in which LESSEE or another Creditor has an interest as a result of such engine being installed on the Airframe.

12.9 ENGINE THRUST RATING. if an Engine is utilized by LESSEE on the Aircraft or on any other airframe (or if the Engine is utilized by any sublessee or user under a pooling arrangement in accordance with this Lease) at a thrust rating greater than the thrust rating set forth in Exhibit A, LESSEE will promptly notify LESSOR and the amounts of Engine Performance Restoration Reserves and, if applicable, Engine LLP Reserves, set forth in Article 5.4.1 will be increased in an amount consistent with Engine manufacturer's published data. Notwithstanding anything to the contrary herein, Engine Performance Restoration Reserves shall be calculated with respect to any relevant period based on the thrust rating at which the Engine is actually operated, from time to time, during such period.

12.10 MODIFICATIONS.

12.10.1 No modification, alteration, addition or removal to the Aircraft ("MODIFICATION") expected to cost over **Material Redacted** or deviation from the Aircraft's original type design or configuration will be made without the prior written consent of LESSOR, which consent will not be unreasonably withheld or delayed. The term Modification does not include Airworthiness Directives Or Manufacturer's recommended service bulletins, for which LESSOR's consent is not required. **Material Redacted**.

12.10.2 LESSOR may review LESSEE's proposed designs, plans, engineering drawings and diagrams, and flight and maintenance manual revisions for any proposed

Modification. If requested by LESSOR, LESSEE will furnish LESSOR (at LESSEE's expense) with such documents in final form and any other documents required by Law, as a result of such Modification. All Modifications incorporated on the Aircraft will be properly documented in the Aircraft Documentation and be fully approved by the Aviation Authority.

12.10.3 Notwithstanding any other provision of this Lease, no Modification will be made which has the effect of decreasing the utility or value of the Aircraft or invalidating any warranty applicable to the Aircraft.

12.10.4 No Modification will be made by LESSEE if an Event of Default exists and is continuing hereunder.

12.10.5 Unless otherwise agreed by LESSOR in writing, all permanent or structural Modifications will promptly become a part of the Aircraft and LESSEE relinquishes to LESSOR all rights and title thereto. However, all temporary and non-structural Modifications will remain the property of LESSEE and, at LESSOR's request and LESSEE's cost, will be removed from the Aircraft prior to return of the Aircraft, with LESSEE restoring the Aircraft to the condition it was in prior to the Modification in a manner cosmetically acceptable to LESSOR (considering international passenger airline standards). Notwithstanding the foregoing, no such removal will be permitted without LESSOR's permission after the occurrence of an Event of Default hereunder and immediately upon the occurrence of an Event of Default hereunder, without the requirement of any further act or notice, all right, title and interest in such Modifications will immediately vest in LESSOR.

12.10.6 LESSOR will bear no liability for the cost of Modifications of the Aircraft whether in the event of grounding or suspensions of certification, or for any other cause.

12.11 PERFORMANCE OF WORK BY THIRD PARTIES. Whenever maintenance and repair work on the Aircraft or Engines will be regularly performed by a Person other than LESSEE, such Person will be an FAA-authorized repair station.

12.12 REPORTING REQUIREMENTS.

12.12.1 Commencing with a report furnished ten (10) days after the end of the calendar month in which Delivery occurs, LESSEE will furnish to LESSOR a Monthly Report in English in the form attached hereto as Exhibit K.. Each Monthly Report will be furnished within ten (10) days after the end of each calendar month, except that the Monthly Report pertaining to the last month (or any portion thereof) of this Lease will be furnished to LESSOR on the Termination Date.

12.12.2 Once each eighteen months during the Lease Term, LESSEE will provide LESSOR with an updated Technical Evaluation Report for the Aircraft in the form and substance of Exhibit M, as revised.

12.12.3 From time to time, LESSEE will provide LESSOR with such other technical information or documents as LESSOR may reasonably request.

12.13 INFORMATION REGARDING MAINTENANCE PROGRAM. Upon reasonable notice to LESSEE, LESSEE will provide LESSOR with access to the Maintenance Program for the Aircraft, as reasonably requested by LESSOR.

12.14 LESSOR RIGHTS TO INSPECT AIRCRAFT. On reasonable notice, LESSOR, and/or its authorized agents or representatives will have the right to inspect the Aircraft and Aircraft Documentation. LESSOR agrees that such requests will be coordinated with LESSEE so as to cause the minimum practical disturbance to LESSEE's operation or its personnel. LESSEE agrees to cooperate with LESSOR in making the Aircraft and Aircraft Documentation available to such authorized technical teams. LESSOR will have no duty to make any such inspection and will not incur any liability or obligation by reason of (and LESSEE's indemnity obligations pursuant to Article 17 will apply notwithstanding) making or not making any-such inspection or by reason of any reports it receives or any reviews it may make of the Aircraft records.

ARTICLE 13

USE OF RESERVES

13.1 AIRFRAME RESERVES. LESSOR will reimburse LESSEE from the Airframe Reserves for the actual cost of performing all task as described in the MPD (including systems, zonal, CPCP, SID, structural and lubrication) performed during the Airframe heavy checks (performed at **Material Redacted** and **Material Redacted** years) any non-routine tasks and the rectification of and deficiencies resulting from such inspection (including materials), with work performed for all other causes excluded, including those causes set forth in Article 13.5. Subject to Article 16.1 and excluding exchange fees and handling, packaging and shipping charges, reimbursement will be made up to the amount in the Airframe Reserves on the commencement date of the structural check.

13.2 ENGINE PERFORMANCE RESTORATION RESERVES.

13.2.1 LESSOR will reimburse LESSEE from the Engine Performance Restoration Reserves for the actual cost associated with performance restoration of the Basic Engine during completed Engine shop visits (i.e. heavy maintenance visits) requiring off-wing teardown and/or disassembly as described in Article 12.2.3, with work performed for all other causes excluded, including those causes set forth in Article 13.5. Subject to Article 16.1 and excluding exchange fees and handling, packaging and shipping charges, reimbursement for an Engine will be made up to the amount in the Engine Performance Restoration Reserves applicable to such Engine at the time of removal of such Engine.

13.2.2 Reimbursement from the Engine Performance Restoration Reserves will be limited as to each module of such Engine in accordance with the following percentages of the remaining total amount in the Engine Performance Restoration Reserves for such Engine:

Material Redacted	Fan and Accessory Gearbox Module
Material Redacted	High Pressure Compressor
Material Redacted	High Pressure Turbine
Material Redacted	Low Pressure Turbine

13.2.3 LESSEE will not enter into any Engine maintenance cost per flight hour, power-by-the-hour or similar agreement for the Engines with the Engine manufacturer or any other Engine maintenance facility or organization without LESSOR's consent.

13.3 ENGINE LLP RESERVES. LESSOR will reimburse LESSEE from the Engine LLP Reserves for an Engine for the actual out-of-pocket materials cost without overhead, LESSEE

mark-up or profit factor associated with the replacement of life-limited Parts in such Engine during completed Engine shop visits (i.e. heavy maintenance visits) requiring off-wing teardown and/or disassembly as described in Article 12.2.3, with work performed for all other causes excluded, including those causes set forth in Article 13.5. Subject to Article 16.1 and excluding exchange fees and handling, packaging and shipping charges, reimbursement for replacement of life-limited Parts in an Engine will be made up to the amount in the Engine LLP Reserves applicable to such Engine at the time of removal of such Engine.

13.4 REIMBURSEMENT. LESSEE will be entitled to reimbursement from the Reserves after the work is completed and the Airframe or Engine has left the repair agency, by submitting invoices and proper documentation within six (6) months after completion of the work. LESSOR shall reimburse LESSEE from the Reserves promptly and in any event within thirty (30) days after LESSEE has delivered to LESSOR such invoices and proper documentation. LESSEE may only seek reimbursement from the Airframe Reserves one time in any calendar year. For the Airframe, proper documentation includes a list of all routine and non-routine work cards with corresponding references to the MPD and an itemized labor and materials report. For the Engine, proper documentation includes a description of the reason for removal, a shop teardown report, a shop findings report, a full description of the workscope and complete disk records for the Engine both prior to and after the shop visit. Both the invoice supplied by the Engine repair facility and that submitted by LESSEE to LESSOR with respect to an Engine will state whether or not credits were provided due to life remaining on any removed Engine Parts and the amount of any such credits will be itemized.

13.5 REIMBURSEMENT ADJUSTMENT. By way of example, among the exclusions from reimbursement are those items resulting from repairs covered by LESSEE's or a third party's insurance, (deductibles being for the account of LESSEE) or warranties or required as a result of an Airworthiness Directive, manufacturers service bulletin, negligent maintenance or installation, improper operations, misuse, neglect, accident, incident, ingestion, or other accidental cause. Reimbursement from the Reserves will not be available for the quick engine change (QEC) Parts, thrust reversers or any of their associated components. All invoices subject to reimbursement from LESSOR will be reduced (by adjustment between LESSEE and LESSOR retroactively if necessary) by the actual amounts received by LESSEE on account of such work from responsible third parties or other sources, such as insurance proceeds, manufacturer warranties, guarantees, concessions and credits (including, with respect to Engines, credits due to life remaining on any removed Engine Parts). Notwithstanding the foregoing, in the event that accident, incident or other accidental cause necessitates a repair; and during the course of such repair the workscope results in performance restoration to the Engine or installation of LLPs with more life remaining, the performance restoration portion or LLP life betterment of such repair workscope may be claimed by LESSEE from Engine Performance Restoration Reserves or Engine LLP Reserves (as applicable).

13.6 COSTS IN EXCESS OF RESERVES. LESSEE will be responsible for payment of all costs in excess of the amounts reimbursed hereunder. If on any occasion the balance in the Airframe Reserves, Engine Performance Restoration Reserves for a particular Engine or Engine LLP Reserves for a particular Engine (at the time of the structural check, in the case of the Airframe, or at the time of removal, in the case of an Engine, the Landing Gear and the APU) is insufficient to satisfy a claim for reimbursement in respect of the Airframe or such Engine, as

applicable, the shortfall may not be carried forward or made the subject of any further claim for reimbursement.

13.7 REIMBURSEMENT AFTER TERMINATION DATE. LESSEE may not submit any invoice for reimbursement from the Reserves after the Termination Date unless on or prior to such date LESSEE has notified LESSOR in writing that such outstanding invoice will be submitted after the Termination Date and the anticipated amount of such invoice. So long as LESSEE has provided such notice to LESSOR, LESSEE may then submit outstanding invoices at any time within six (6) months after the Termination Date. Subject to the foregoing, any balance remaining in the Reserves on the Termination Date will be retained by LESSOR, **Material Redacted**.

ARTICLE 14

TITLE AND REGISTRATION

14.1 TITLE TO THE AIRCRAFT DURING LEASE TERM. Title to the Aircraft will be and remain vested in LESSOR. LESSOR and LESSEE intend this Lease to be a "true lease". LESSEE will have no right, title or interest in the Aircraft except as provided in this Lease.

14.2 REGISTRATION OF AIRCRAFT. LESSEE at its sole cost and expense will (a) register and maintain registration of the Aircraft in the name of LESSOR at the register of aircraft in the State of Registration and (b) from time to time take all other steps then required by Law (including the Geneva Convention if applicable) or by practice, custom or understanding or as LESSOR may reasonably request to protect and perfect LESSOR's interest in the Aircraft and this Lease in the State of Registration or in any other jurisdictions in or over which LESSEE may operate the Aircraft.

14.3 FILING OF THIS LEASE. To the extent permitted by Law and in accordance with the requirements of the Law from time to time, LESSEE at its sole cost and expense will cause this Lease to be kept, filed, recorded and refiled or rerecorded in the State of Registration and in any other offices necessary to protect LESSOR's rights hereunder.

14.4 EVIDENCE OF REGISTRATION AND FILINGS. As LESSOR may reasonably request from time to time (but not more often than once annually unless a Default or Event of Default shall have occurred and be continuing), LESSEE will furnish to LESSOR an opinion of counsel or other evidence reasonably satisfactory to LESSOR of the registrations and filings required hereunder.

ARTICLE 15

IDENTIFICATION PLATES

LESSOR will affix and LESSEE will at all times maintain on the Airframe, each Engine and the APU the identification plates containing the following legends or any other legend requested by LESSOR in writing:

15.1 AIRPLANE IDENTIFICATION PLATES.

Location: One to be affixed to the Aircraft structure above the forward entry door adjacent to and not less prominent than that of Manufacturer's data plate and another in a prominent place on the flight deck.

Size: No smaller than 2" x 3".

Legend: "THIS AIRCRAFT IS OWNED BY INTERNATIONAL LEASE FINANCE CORPORATION AND IS OPERATED UNDER LEASE BY COMPANIA PANAMENA DE AVIACION, S.A.

MANUFACTURER'S SERIAL NO: 30676
OWNER'S ADDRESS:

INTERNATIONAL LEASE FINANCE CORPORATION
10250 Constellation Boulevard, 34th Floor
Los Angeles, California 90067, U.S.A.

Fax: (310) 788-1990

15.2 ENGINE IDENTIFICATION PLATES.

Location: The legend on the plate must be no less prominent than the Engine data plate and must be visible.

Size: No smaller than 1" x 4".

Legend: "THIS ENGINE IS OWNED BY INTERNATIONAL LEASE FINANCE CORPORATION, LOS ANGELES, CALIFORNIA, USA AND IS OPERATED UNDER LEASE BY COMPANIA PANAMENA DE AVIACION, S.A."

15.3 APU IDENTIFICATION PLATE.

Location: The legend on the plate must be visible.

Size: No smaller than 1" x 3"

Legend: "THIS APU IS OWNED BY INTERNATIONAL LEASE FINANCE CORPORATION,
LOS ANGELES, CALIFORNIA, USA AND IS OPERATED UNDER LEASE BY
COMPANIA PANAMENA DE AVIACION, S.A."

ARTICLE 16

TAXES

16.1 GENERAL OBLIGATION OF LESSEE. Except as set forth in Article 16.2, LESSEE agrees to pay promptly when due, and to indemnify and hold harmless LESSOR on a full indemnity basis from, all license and registration fees and all taxes, fees, levies, imposts, duties, charges, deductions or withholdings of any nature (including without limitation any value added, franchise, transfer, sales, gross receipts, use, business, excise, turnover, personal property, stamp or other tax) together with any assessments, penalties, fines, additions to tax or interest thereon, however or wherever imposed (whether imposed upon LESSEE, LESSOR, on all or part of the Aircraft, the Engines or otherwise), by any Government Entity or taxing authority in the U.S., Panama or any foreign country or by any international taxing authority (including the City or County of Los Angeles), upon or with respect to, based upon or measured by any of the following (collectively, "TAXES"):

- (a) the Aircraft, Engines, APU or any Parts;
- (b) the use, operation or maintenance of the Aircraft or carriage of passengers or freight during the Lease Term and until the Termination Date,
- (c) this Lease, the payments due hereunder and the terms and conditions hereof; and
- (d) the ownership, financing, delivery, import or export, return, sale, payment of Total Loss Proceeds or other disposition of the Aircraft.

16.2 EXCEPTIONS TO INDEMNITY. The indemnity provided for in Article 16.1 does not extend to any of the following Taxes:

- (a) Taxes imposed by the U.S. or the State of California on the net income, gross receipts, capital, turnover or net worth and franchise taxes of LESSOR;
- (b) Taxes in jurisdictions in which LESSOR would have been subject to Tax to the extent that the parties had not consummated this transaction; provided, however, that if LESSEE's operation of the Aircraft to a jurisdiction and the operation of other aircraft owned by LESSOR to such jurisdiction causes LESSOR to be liable for any tax, then LESSEE will pay the portion of such Tax attributed to LESSEE's operations in such jurisdiction;
- (c) Taxes imposed in connection with a LESSOR's voluntary transfer or other disposition of all or any part of its interest in the Aircraft (or any part thereof) or this Lease other than resulting from an Event of Default which shall have occurred and be continuing or other foreclosure, seizure or sale of the Aircraft resulting from LESSEE's action or inaction;
- (d) Taxes imposed as a direct result of any LESSOR Lien;

(e) any additional or incremental tax which arise solely as a result of LESSOR's failure to provide information necessary for LESSEE to properly complete and file any tax return or request an otherwise legally available exemption;

(f) Taxes solely attributable a sale or transfer of the Aircraft not resulting from an act or omission of LESSEE;

(g) Taxes attributable to the period prior to Delivery or after the Termination Date; or

(h) Taxes attributable to LESSOR's gross negligence, willful misconduct or breach of this Lease.

16.3 AFTER-TAX BASIS. The amount which LESSEE is required to pay with respect to any Taxes indemnified against under Article 16.1 is an amount sufficient to restore LESSOR on an after-tax basis to the same position LESSOR would have been in had such Taxes not been incurred. LESSEE may satisfy its obligations under this Article 16 by paying and indemnifying LESSOR for Taxes payable by LESSEE hereunder or grossing up payments made pursuant to this Lease in an amount sufficient to allow LESSOR to pay such Taxes and receive the full benefit of this Lease provided LESSEE will not be obligated to pay such Tax obligations twice as a result of gross-up and indemnity.

16.4 TIMING OF PAYMENT. Any amount payable to LESSOR pursuant to this Article 16 will be paid within thirty (30) days after receipt of a written demand therefor from LESSOR accompanied by a written statement describing in reasonable detail the basis for such indemnity and the computation of the amount so payable; provided, however, that such amount need not be paid by LESSEE prior to the earlier of (a) the date any Tax is payable to the appropriate Government Entity or taxing authority or (b) in the case of amounts which are being contested by LESSEE in good faith or by LESSOR pursuant to Article 16.5, the date such contest is finally resolved.

16.5 CONTESTS. If a claim is made against LESSOR for Taxes with respect to which LESSEE is liable for a payment or indemnity under this Lease, LESSOR will promptly give LESSEE notice in writing of such claim; provided, however, that LESSOR's failure to give notice will not relieve LESSEE of its obligations hereunder except to the extent such failure impairs or precludes LESSEE's ability to contest the claim or to the extent such failure results in additional liability to LESSEE. So long as (a) a contest of such Taxes does not involve any danger of the sale, forfeiture or loss of the Aircraft or any interest therein, (b) if LESSOR so requests, LESSEE has provided LESSOR with an opinion of independent tax counsel that a reasonable basis exists for contesting such claim and (c) adequate reserves have been made for such Taxes or, if required, an adequate bond has been posted, then LESSOR at LESSEE's written request will in good faith, with due diligence and at LESSEE's expense, contest (or permit LESSEE to contest in the name of LESSEE or LESSOR) the validity, applicability or amount of such Taxes.

16.6 REFUNDS. Upon receipt by LESSOR of a refund of all or any part of any Taxes (including any deductions or withholdings referred to in Article 5.8) which LESSEE has paid, LESSOR will pay to LESSEE the net amount of such Taxes refunded.

16.7 COOPERATION IN FILING TAX RETURNS. LESSEE and LESSOR will cooperate with one another in providing information which may be reasonably required to fulfill each party's tax filing requirements and any audit information request arising from such filing.

16.8 TAX RESTRUCTURING. In the event that any withholding, value added tax or similar tax or duty is payable in the State of Registration or any jurisdiction from which such payments originate in respect of any Rent, Reserves or other amounts payable pursuant to this Lease, LESSEE and LESSOR will cooperate in good faith to restructure this Lease in a manner which minimizes or eliminates any such tax including a synthetic lease through another country which has favorable tax treatment of such payments.

16.9 SURVIVAL OF OBLIGATIONS. The representations, warranties, indemnities and agreements of LESSEE provided for in this Article 16 will survive the Termination Date.

ARTICLE 17

INDEMNITIES

17.1 GENERAL INDEMNITY. Except as set forth in Article 17.2, LESSEE agrees to indemnify and hold harmless LESSOR and its officers, directors, employees, agents and shareholders (individually an "INDEMNITIES" and collectively "INDEMNITEES") from any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, disbursements and expenses (including legal fees, costs and related expenses) of every kind and nature, whether or not any of the transactions contemplated by this Lease are consummated (collectively "EXPENSES"), which are imposed on, incurred by or asserted against any Indemnitee and which are in any way relating to, based on or arising out of any of the following:

- (a) this Lease or any transactions contemplated hereby,
- (b) the operation, possession, use, non-use, control, leasing, subleasing, maintenance, storage, overhaul, testing or inspections of the Aircraft, any Engine, the APU or any Part (whether by LESSEE, any sublessee or any other Person other than LESSOR or any Person claiming by or through LESSOR in violation of LESSOR's covenant of quiet enjoyment contained in Article 21.2) during the Lease Term and until the Termination Date or the acceptance flights at return, whether or not the same is in compliance with the terms of this Lease, including without limitation claims for death, personal injury, property damage, other loss or harm to any Person and claims relating to any Laws, including without limitation environmental control, noise and pollution laws, rules or regulations;
- (c) the manufacture, design, acceptance, improper rejection, delivery, return, sale after an Event of Default, import, export, condition, repair, modification, servicing, customer, product support, information or training provided by Manufacturer and other vendors, airworthiness, registration, reregistration, performance, sublease, merchantability, fitness for use, substitution or replacement of an Engine, APU or any Part by LESSEE under this Lease or other transfer of use or possession of the Aircraft, an Engine, the APU or any Part, including under a pooling or interchange arrangement, including without limitation latent and other defects, whether or not discoverable and patent, trademark or copyright infringement;
- (d) the prevention or attempt to prevent the arrest, confiscation, seizure, taking in execution, impounding, forfeiture or detention of the Aircraft, or in securing the release of the Aircraft; or
- (e) as a consequence of any Default or Event of Default by LESSEE.

The foregoing indemnity by LESSEE is intended to include and cover any Expense to which an Indemnitee may be subject (in contract, tort, strict liability or under any other theory) regardless of the negligence, active or passive or any other type, of such Indemnitee, so long as such Expense does not fall within any of the exceptions listed in Article 17.2.

17.2 EXCEPTIONS TO GENERAL INDEMNITIES. The indemnity provided for in Article 17.1 will not extend to Expenses of any Indemnitee to the extent resulting from or arising out of any of the following:

- (a) Expenses which have resulted from the willful misconduct of such Indemnitee;
- (b) Expenses which are attributable to acts or events which occur after the Termination Date and return of the Aircraft to LESSOR in the condition required hereunder, but in any such case only to the extent not attributable to acts or omissions of LESSEE;
- (c) ****Material Redacted****;
- (d) ****Material Redacted****;
- (e) ****Material Redacted****;
- (f) Expenses solely attributable a sale or transfer of the Aircraft not resulting from an act or omission of LESSEE;
- (g) Expenses representing Taxes, it being acknowledged that the terms of Article 16 apply exclusively to LESSEE's indemnity obligations with respect to Taxes; or
- (h) Expenses due to the breach by LESSOR (or any person lawfully claiming through LESSOR) of its covenant of quiet enjoyment pursuant to Article 21.2 (except to the extent covered by the insurances LESSEE is required to carry pursuant to Article 18 or other LESSEE insurances).

17.3 AFTER-TAX BASIS. The amount which LESSEE will be required to pay with respect to any Expense indemnified against under Article 17.1 will be an amount sufficient to restore the Indemnitee, on an after-tax basis, to the same position such Indemnitee would have been in had such Expense not been incurred after taking into account the amount of any credits, deductions or other Tax benefits or savings realized by such Indemnitee.

17.4 TIMING OF PAYMENT. It is the intent of the parties that each Indemnitee will have the right to indemnification for Expenses hereunder as soon as a claim is made and as soon as an Expense is incurred, whether or not such claim is meritorious and whether or not liability is established (but subject to Article 17.8). LESSEE will pay an Indemnitee for Expenses pursuant to this Article 17 within thirty (30) days after receipt of a written demand therefor from such Indemnitee accompanied by a written statement describing in reasonable detail the basis for such indemnity.

17.5 SUBROGATION. Upon the payment in full of any indemnity pursuant to this Article 17 by LESSEE, LESSEE will be subrogated to any right of the Indemnitee in respect of the matter against which such indemnity has been made.

17.6 NOTICE. Each Indemnitee and LESSEE will give prompt written notice one to the other of any liability of which such party has knowledge for which LESSEE is, or may be, liable under Article 17.1; provided, however, that failure to give such notice will not terminate any of the rights of Indemnitees under this Article 17 except to the extent that LESSEE has been prejudiced by the failure to provide such notice.

17.7 REFUNDS. If any Indemnitee obtains a recovery of all or any part of any amount which LESSEE has paid to such Indemnitee, such Indemnitee will pay to LESSEE the net amount recovered by such Indemnitee.

17.8 DEFENSE OF CLAIMS. Unless an Event of Default has occurred and is continuing LESSEE and its insurers will have the right (in each such case at LESSEE's sole expense) to investigate or, provided that LESSEE or its insurers have not reserved the right to dispute liability with respect to any insurance policies pursuant to which coverage is sought, defend or compromise any claim covered by insurance for which indemnification is sought pursuant to Article 17.1 and each Indemnitee will cooperate with LESSEE or its insurers with respect thereto. If LESSEE or its insurers are retaining attorneys to handle such claim, such counsel must be reasonably satisfactory to the Indemnitees. If not, the Indemnitees will have the right to retain counsel of their-choice at LESSEE's expense.

17.9 SURVIVAL OF OBLIGATION. Notwithstanding anything in this Lease to the contrary, the provisions of this Article 17 will survive the Termination Date and continue in full force and effect notwithstanding any breach by LESSOR or LESSEE of the terms of this Lease, the termination of the lease of the Aircraft to LESSEE under this Lease or the repudiation by LESSOR or LESSEE of this Lease.

ARTICLE 18

INSURANCE

18.1 CATEGORIES OF INSURANCE. Throughout the Lease Term and until the Termination Date, LESSEE will, at its own expense, effect and maintain in full force and effect the types of insurance and amounts of insurance (including deductibles) described in Exhibit C through such brokers and with such insurers as maybe approved by LESSOR (acting reasonably and in consultation with the other providers of LESSEE's aircraft), such approval not to be unreasonably withheld, in London or New York or such other insurance markets as mutually agreed upon by the parties.

18.2 WRITE-BACK OF ANY DATE RECOGNITION EXCLUSION. In the event any of LESSEE's insurances (either the primary insurance or the reinsurance) contain any date recognition exclusion clause or similar clause excluding from such insurance coverage damage to any property (including the Aircraft) or death or injury to any person on account of accidents, incidents or occurrences caused by date recognition or other Year 2000-related problems, LESSEE at its cost will obtain for the benefit of itself and LESSOR the broadest write-back available in the insurance market where Lessee places its insurance with respect to such exclusion.

18.3 INSTALLATION OF THIRD PARTY ENGINE. If LESSEE installs an engine not owned by LESSOR on the Aircraft, either (a) LESSEE's hull insurance on the Aircraft will automatically increase to such higher amount as is necessary in order to satisfy both LESSOR's requirement to receive the Agreed Value in the event of a Total Loss and the amount required by the third party engine owner or (b) separate additional insurance on such engine will attach in order to satisfy separately the requirements of the LESSEE to such third party engine owner.

18.4 INSURANCE FOR INDEMNITIES. The insurance referred to in Article 18.1 will in each case include and insure (to the extent of the risks covered by the policies) the indemnity provisions of Article 17 and LESSEE will maintain such insurance of the indemnities for a minimum of two (2) years following the Termination Date.

18.5 INSURANCE REQUIRED BY MANUFACTURER. During the Lease Term, LESSEE will carry such insurance as may be required by Manufacturer in connection with LESSOR's assignment of Manufacturer's warranties and product support to LESSEE.

18.6 RENEWAL. Prior to the expiration or termination date of any insurance required hereunder, LESSEE will provide LESSOR with fax confirmation from LESSEE's insurance brokers that renewed certificates of insurance evidencing the renewal or replacement of such insurance and complying with Exhibit C will be issued on the termination date of the prior certificate. Within seven (7) days after such renewal, LESSEE will furnish its brokers' certificates of insurance to LESSOR.

18.7 ASSIGNMENT OF RIGHTS BY LESSOR. If LESSOR. assigns all or any of its rights under this Lease as permitted by this Lease or otherwise disposes of any interest in the Aircraft to any other Person as permitted by this Lease, LESSEE will, upon request, procure that such

Person hereunder be substituted as loss payee for LESSOR (without duplication in respect of hull, all risks, hull war and allied perils risk coverage) and/or be added as an additional assured in the policies effected hereunder and enjoy the same rights and insurance enjoyed by LESSOR under such policies. LESSOR will nevertheless continue to be covered by such policies.

18.8 DEDUCTIBLES. If there is a material adverse change in the financial condition of LESSEE which LESSOR reasonably believes will cause LESSEE to be unable to pay the deductible upon the occurrence of a partial loss of the Aircraft or an Engine, then LESSOR (acting reasonably and in consultation with the other providers of LESSEE's aircraft) may require LESSEE at LESSEE's expense to lower its deductibles on the insurance maintained hereunder to a level which is available on commercially reasonable terms in the insurance market.

18.9 INSURANCE FOR WET LEASE OPERATIONS. In the event LESSEE is performing wet lease operations with the Aircraft pursuant to Article 11.5 and the wet lessee is carrying the primary passenger, baggage and cargo liability insurance with respect to the flights, then such insurance must meet the requirements of Exhibit C, including with respect to the amounts of coverage, naming of LESSOR as an additional insured and inclusion of the other endorsements set forth in Exhibit C. Moreover, LESSEE will at such times carry contingent passenger, baggage and cargo liability insurances for such flights. Prior to commencement of wet lease operations for a particular wet lessee where wet lessee will provide such coverage, LESSOR will receive certificates of insurance from the insurance brokers for LESSEE and, if applicable, the wet lessee evidencing such coverages.

18.10 OTHER INSURANCE. LESSOR may (acting reasonably and in consultation with the Other providers of LESSEE's aircraft) from time to time by notice to LESSEE require LESSEE at LESSEE's expense to effect such other insurance or such variations to the terms of the existing insurance as may then be customary in the airline industry for aircraft of the same type as the Aircraft operated by similarly situated operators and at the time commonly available in the insurance market.

18.11 INFORMATION. LESSEE will provide LESSOR with any information reasonably requested by LESSOR from time to time concerning the insurance maintained with respect to the Aircraft or in connection with any claim being made or proposed to be made thereunder.

18.12 CURRENCY. All proceeds of insurance pursuant to this Lease will be payable in Dollars except as may be otherwise agreed by LESSOR except that third party liability coverage may be payable in the currency of the claim.

18.13 GROUNDING OF AIRCRAFT. If at any time any of the insurance required pursuant to this Lease will cease to be in full force and effect, LESSEE will promptly ground the Aircraft and keep the Aircraft grounded until such time as such insurance is in full force and effect again.

18.14 FAILURE TO INSURE. If at any time LESSEE fails to maintain insurance in compliance with this Article 18, LESSOR will be entitled but not bound to do any of the following (without prejudice to any other rights which it may have under this Lease by reason of such failure):

(a) to pay any premiums due or to effect or maintain insurance meeting the requirements hereof or otherwise remedy such failure in such manner as LESSOR considers appropriate (and LESSEE will upon demand reimburse LESSOR in full for any amount so expended in that connection); or

(b) at any time while such failure is continuing, to require the Aircraft to remain at any airport or (as the case may be), proceed to and remain at any airport designated by LESSOR, until such failure is remedied.

18.15 REINSURANCE. Any reinsurance will be maintained with reinsurers and brokers approved by LESSOR (acting reasonably and in consultation with the other providers of LESSEE's aircraft). Such reinsurance will contain each of the following terms and will in all other respects (including amount) be satisfactory to LESSOR:

(a) the same terms as the original insurance;

(b) a cut-through and assignment clause satisfactory to LESSOR (acting reasonably and in consultation with the other providers of LESSEE's aircraft) and in accordance with industry practice; and

(c) payment will be made notwithstanding (i) any bankruptcy, insolvency, liquidation or dissolution of any of the original insurers and/or (ii) that the original insurers have made no payment under the original insurance policies.

18.16 LIMIT ON HULL IN FAVOR OF LESSEE. LESSEE may carry hull all risks or hull war and allied perils on the Aircraft in excess of the Agreed Value (which is payable to LESSOR.) only to the extent such excess insurance which would be payable to LESSEE in the event of a Total Loss does not exceed **Material Redacted** of the Agreed Value and only to the extent that such additional insurance will not prejudice the insurances required herein or the recovery by LESSOR thereunder. LESSEE agrees that it will not create or permit to exist any liens or encumbrances over the insurances, or its interest therein, except as constituted by this Lease.

ARTICLE 19

LOSS, DAMAGE, AND REQUISITION

Throughout the Lease Term and until the Termination Date, LESSEE will bear all risk of loss, theft, damage and destruction to the Aircraft.

19.1 DEFINITIONS. In this Article 19 and this Lease:

"AGREED VALUE" means an amount equal to ****Material Redacted****.

"NET TOTAL LOSS PROCEEDS" means the Total Loss Proceeds actually received by LESSOR following a Total Loss, less any legal and other out-of-pocket expenses, taxes or duties incurred by LESSOR in connection with the collection of such proceeds.

"TOTAL LOSS" means any of the following in relation to the Aircraft, Airframe, any Engine or the APU and "TOTAL LOSS DATE" means the date set forth in parenthesis after each Total Loss:

- (a) destruction, damage beyond repair or being rendered permanently unfit for normal use for any reason (the date such event occurs or, if not known, the date on which the Aircraft, Airframe, Engine or APU was last heard of);
- (b) actual, constructive, compromised, arranged or agreed total loss (the earlier of the date on which the loss is agreed or compromised by the insurers or forty five (45) days after the date of notice to LESSEE's brokers or insurers claiming such total loss);
- (c) requisition of title, confiscation, forfeiture or any compulsory acquisition or other similar event (the date on which the same takes effect);
- (d) sequestration, detention, seizure or any similar event for more than forty-five (45) consecutive days (the earlier of the date on which insurers make payment on the basis of a total loss or the date of expiration of such period);
- (e) requisition for use for more than one hundred eighty (180) consecutive days, except as set forth in Article 19.9 (the earlier of the date on which the insurers make payment on the basis of a total loss or the date of expiration of such period);
- (f) in the case of an Engine, the event described in Article 12.8.3 (the date on which the same takes effect);
- (g) a proper, lawful sale of the Aircraft in connection with Eurocontrol charges owed by LESSEE (the date on which the sale occurs);

(h) any sale of the Aircraft in connection with a LESSEE bankruptcy, whether by an administrator, trustee or court (the date on which the intent to sell the Aircraft becomes known); or

(i) any other occurrence not permitted under this Lease (including a violation of the covenant of quiet enjoyment contained in Article 21.2) which deprives LESSEE of use or possession for a period of ninety (90) consecutive days or longer (the 90th day of such period) except where full insurance on the Aircraft is in effect or a full indemnity acceptable to LESSOR in lieu thereof exists and all other provisions of this Lease are being complied with (the ninetieth (90th) day of such period).

"TOTAL LOSS PROCEEDS" means the proceeds of any insurance or any compensation or similar payment arising in respect of a Total Loss.

19.2 NOTICE OF TOTAL LOSS. LESSEE will notify LESSOR in writing within three (2) Business Days after a Total Loss Date of the Aircraft, Airframe, any Engine or the APU.

19.3 TOTAL LOSS OF AIRCRAFT OR AIRFRAME. If the Total Loss of the Aircraft or Airframe occurs during the Lease Term, the following will occur:

19.3.1 After the Total Loss Date and until receipt by LESSOR of the Agreed Value and all other amounts then due under this Lease, LESSEE will continue to pay Rent and the parties will perform all of their other obligations under this Lease.

19.3.2 On the date which is the earlier of the following dates:

(a) the date on which the Total Loss Proceeds of the Aircraft or the Airframe are paid by LESSEE's insurance underwriters or brokers and

(b) the date which falls forty (45) days after the Total Loss Date,

LESSEE will pay to LESSOR an amount equal to the sum of:

(a) the Agreed Value and

(b) all other amounts then accrued under this Lease,

less an amount equal to the Net Total Loss Proceeds received by LESSOR by such date.

19.3.3 LESSOR will apply the Net Total Loss Proceeds and any amounts received from LESSEE pursuant to Article 19.3.2 as follows:

(a) first, in discharge of any unpaid Rent and any other amounts accrued and unpaid up to the date of LESSOR's receipt of the Agreed Value;

(b) second, in discharge of the Agreed Value; and

(c) third, payment of the balance, if any, to LESSEE.

19.3.4 Upon receipt by LESSOR of all monies payable by LESSEE in Article 19.3, provided no Default or Event of Default has occurred and is continuing this Lease will terminate except for LESSEE's obligations under Articles 10.5, 16 and 17 which survive the Termination Date.

FOR AVOIDANCE OF DOUBT, THE AGREED VALUE OF THE AIRCRAFT WILL BE PAYABLE TO LESSOR PURSUANT TO THIS ARTICLE 19.3 WHEN A TOTAL LOSS OF THE AIRFRAME OCCURS EVEN IF THERE HAS NOT BEEN A TOTAL LOSS OF AN ENGINE, ENGINES OR THE APU.

19.4 SURVIVING ENGINE(S). If a Total Loss of the Airframe occurs and there has not been a Total Loss of an Engine or Engines, then, provided no Default or Event of Default has occurred and is continuing, at the request of LESSEE (subject to agreement of relevant insurers) and on receipt of all monies due under Article 19.3 and payment by LESSEE of all airport, navigation and other charges on the Aircraft then due and owing, if any, LESSOR will transfer all its right, title and interest in the surviving Engine(s) to LESSEE, but without any responsibility, condition or warranty on the part of LESSOR other than as to freedom from any LESSOR's Liens.

19.5 TOTAL LOSS OF ENGINE AND NOT AIRFRAME.

19.5.1 Upon a Total Loss of any Engine not installed on the Airframe or a Total Loss of an Engine installed on the Airframe not involving a Total Loss of the Airframe, LESSEE will replace such Engine as soon as reasonably possible by duly conveying or causing to be conveyed to LESSOR title to another engine from LESSEE (or another Person with reasonable net worth or a guarantee from LESSEE) (a) free and clear of all Security Interests (except Permitted Liens) of any kind or description, (b) in airworthy condition and of the same or improved model, service bulletin and modification status and having a value and utility at least equal to the Engine which sustained the Total Loss, (c) not older (by reference to serial number or manufacture (date) than the older of the two Engines delivered by LESSOR to LESSEE with the Aircraft on the Delivery Date and (d) in the same or better operating condition as the Engine which sustained a Total Loss, including time in service, hours and cycles since new and hours and cycles available to the next inspection, Overhaul or scheduled or anticipated removal. Such replacement engine will be an "Engine" as defined herein and the Engine which sustained such Total Loss will cease to be an "Engine".

19.5.2 LESSEE agrees at its own expense to take such action as LESSOR may reasonably request in order that any such replacement Engine becomes the property of LESSOR and is leased hereunder on the same terms as the destroyed Engine. LESSEE's obligation to pay Rent will continue in full force and effect, but an amount equal to the Net Total Loss Proceeds received by LESSOR with respect to such destroyed Engine will, subject to LESSOR's right to deduct

therefrom any amounts then due and payable by LESSEE under this Lease, be promptly paid to LESSEE.

19.5.3 Notwithstanding Articles 19.5.1 and 19.5.2, if at the time of a Total Loss of an Engine not installed on the Aircraft or a Total Loss of an Engine installed on the Airframe not involving a Total Loss of the Airframe, LESSOR and LESSEE are parties to a spare engine lease pursuant to which LESSOR is leasing a spare engine to LESSEE of the same model and type as the Engine which has suffered such Total Loss, LESSOR will receive from LESSEE the replacement cost of the Engine instead of accepting a replacement engine. One (1) of such LESSOR spare engines will then be substituted under this Lease for the Engine which suffered such Total Loss and the applicable spare engine lease will terminate.

19.6 TOTAL LOSS OF APU.

19.6.1 Upon a Total Loss of the APU when not installed on the Airframe or a Total Loss of the APU while installed on the Airframe not involving a Total Loss of the Airframe, LESSEE will replace such APU as soon as reasonably possible by duly conveying or causing to be conveyed to LESSOR title to another auxiliary power unit (a) free and clear of all Security Interests (except Permitted Liens) of any kind or description, (b) in airworthy condition and of the same or improved model, service bulletin and modification status and having a value and utility at least equal to the APU which sustained the Total Loss, (c) not older (by reference to serial number or manufacture date) than the APU delivered by LESSOR to LESSEE with the Aircraft on the Delivery Date and (d) in the same or better operating condition as the APU which sustained the Total Loss, including time in service, hours and cycles since new and hours and cycles available to the next inspection, Overhaul or scheduled or anticipated removal. Such replacement auxiliary power unit will be the "APU" as defined herein and the auxiliary power unit which sustained such Total Loss will cease to be the "APU".

19.6.2 LESSEE agrees at its own expense to take such action as LESSOR may reasonably request in order that any such replacement APU becomes the property of LESSOR and is leased hereunder on the same terms as the destroyed APU. LESSEE's obligation to pay Rent will continue in full force and effect, but an amount equal to the Net Total Loss Proceeds received by LESSOR with respect to such destroyed APU will, subject to LESSOR's right to deduct therefrom any amounts then due and payable by LESSEE under this Lease, promptly be paid to LESSEE.

19.7 OTHER LOSS OR DAMAGE.

19.7.1 If the Aircraft or any Part thereof suffers loss or damage not constituting a Total Loss of the Aircraft or the Airframe or any Engine or the APU, all the obligations of LESSEE under this Lease (including payment of Rent) will continue in full force.

19.7.2 In the event of any loss or damage to the Aircraft or Airframe which does not constitute a Total Loss of the Aircraft or the Airframe, or any loss or damage to an Engine or the APU which does not constitute a Total Loss of such Engine or the APU, LESSEE will at its sole cost and expense fully repair the Aircraft, Engine or APU in order that the Aircraft, Engine or APU is placed in an airworthy condition and substantially the same condition as it was prior to such loss or damage. All repairs will be performed in a manner which preserves and maintains all warranties and service life policies to the same extent as they existed prior to such loss or damage. LESSEE will notify LESSOR promptly of any loss, theft or damage to the Aircraft for which the cost of repairs is estimated to exceed ****Material Redacted****, together with LESSEE's proposal for carrying out the repair. In the event that LESSOR does not agree with LESSEE's proposals for repair, LESSOR will so notify LESSEE within two (2) Business Days after its receipt of such proposal. LESSEE and LESSOR will then consult with Manufacturer and LESSEE and LESSOR agree to accept as conclusive, and be bound by, Manufacturer's directions or recommendations, as to the manner in which to carry out such repairs. If Manufacturer declines to give directions or recommendations, LESSEE will carry out the repairs in accordance with the reasonable directions of LESSOR.

19.8 COPY OF INSURANCE POLICY. Promptly after the occurrence of a partial loss or Total Loss of the Aircraft, an Engine or the APU, LESSEE will provide LESSOR with all reasonable assistance in determining coverage under LESSEE's insurance policy.

19.9 GOVERNMENT REQUISITION. If the Aircraft, Airframe, any Engine or the APU is requisitioned for use by any Government Entity, LESSEE will promptly notify LESSOR of such requisition. All of LESSEE's obligations hereunder will continue as if such requisition had not occurred. So long as no Default or Event of Default has occurred and is continuing, all payments received by LESSOR or LESSEE from such Government Entity will be paid over to or retained by LESSEE. If a Default or Event of Default has occurred and is continuing all payments received by LESSEE or LESSOR from such Government Entity may be used by LESSOR to satisfy any obligations owing by LESSEE.

19.10 LESSOR RETENTION OF RESERVES. ****Material Redacted****.

ARTICLE 20

REPRESENTATIONS, WARRANTIES AND COVENANTS OF LESSEE

20.1 REPRESENTATIONS AND WARRANTIES. LESSEE represents and warrants the following to LESSOR as of the date of execution of this Lease and as of the Delivery Date:

20.1.1 Corporate Status. LESSEE is a corporation duly incorporated, validly existing and in good standing under the Laws of Panama. It has the corporate power and authority to carry on its business as presently conducted and to perform its obligations hereunder.

20.1.2 Governmental Approvals. No authorization, approval, consent, license or order of, or registration with, or the giving of notice to the Aviation Authority or any other Government Entity is required for the valid authorization, execution, delivery and performance by LESSEE of this Lease, except as will have been duly effected as of the Delivery Date.

20.1.3 Binding. LESSEE's Board of Directors has authorized LESSEE to enter into this Lease, any Side Letters hereto and any other documentation in connection with the leasing of the Aircraft from LESSOR (collectively, the "OPERATIVE DOCUMENTS") and perform its obligations under the Operative Documents. This Lease and the other Operative Documents have been duly executed and delivered by LESSEE and represent the valid and binding obligations of LESSEE, enforceable in accordance with their terms except as enforceability may be limited by bankruptcy, insolvency, reorganization or other Laws of general application affecting creditors' rights and except by general principles of equity. When executed by LESSEE at Delivery, the same will apply to the Estoppel and Acceptance Certificate.

20.1.4 No Breach. The execution and delivery of the Operative Documents, the consummation by LESSEE of the transactions contemplated herein and compliance by LESSEE with the terms and provisions hereof do not and will not contravene any Law applicable to LESSEE, or result in any breach of or constitute any default under or result in the creation of any Security Interest upon any property of LESSEE, pursuant to any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan or credit agreement, corporate charter, by-law or other agreement or instrument to which LESSEE is a party or by which LESSEE or its properties or assets maybe bound or affected. When executed by LESSEE at Delivery, the same will apply to the Estoppel and Acceptance Certificate.

20.1.5 Filings. Except for any filing or recording that may be required by the Aviation Authority, no filing or recording of any instrument or document (including the filing of any financial statement) is necessary under the Laws of the State of Registration and any applicable states in order for this Lease to constitute a valid and perfected lease of record relating to the Aircraft.

- 20.1.6 Translation or Notarization. None of the Lease or any other Operative Document needs to be translated, notarized, legalized, apostilled or consularized as a condition to the legality, validity, filing, enforceability or admissibility in evidence thereof.
- 20.1.7 Licenses. LESSEE holds all required licenses, certificates and permits from applicable Government Entities in Panama for the conduct of its business as a certificated air carrier as presently conducted and performance of its obligations under this lease.
- 20.1.8 No Suits. To the knowledge of LESSEE after reasonable inquiry, there are no suits, arbitrations or other proceedings pending or threatened before any court or administrative agency against or affecting LESSEE which, if adversely determined, would have a material adverse effect on LESSEE's ability to perform under this Lease, except as described in the financial statements provided to LESSOR pursuant to Article 22.
- 20.1.9 No Withholding. Under the Laws of Panama currently in effect, LESSEE will not be required to deduct any withholding or other Tax from any payment it may make under this Lease.
- 20.1.10 No Restrictions on Payments. Under the Laws of Panama, there are no present restrictions on LESSEE making the payments required by this Lease.
- 20.1.11 General Obligations. The obligations of LESSEE under this Lease are direct, general and unconditional obligations of LESSEE and rank or will rank at least pari passu with all other present and future unsecured and unsubordinated obligations (including contingent obligations) of LESSEE, with the exception of such obligations as are mandatorily preferred by law and not by reason of any contract.
- 20.1.12 No Sovereign Immunity. LESSEE, under the Laws of Panama or of any other jurisdiction affecting LESSEE, is subject to private commercial law and suit. Neither LESSEE nor its properties or assets is entitled to sovereign immunity under any such Laws. LESSEE's performance of its obligations hereunder constitute commercial acts done for commercial purposes.
- 20.1.13 Tax Returns. All necessary returns have been delivered by LESSEE to all relevant taxation authorities in the jurisdiction of its incorporation and all taxes due and payable by LESSEE (other than such Taxes the amount or imposition of which are being contested by LESSEE by appropriate proceedings) have been paid.
- 20.1.14 No Material Adverse Effect. LESSEE is not in default under any agreement to which it is a party or by which it may be bound which default would have a material adverse effect on LESSEE's ability to perform under this Lease.
- 20.1.15 No Default or Event of Default under this Lease. At the time of execution of this Lease, no Default or Event of Default has occurred and is continuing and the

financial statements provided to LESSOR pursuant to Article 22 fairly present the financial condition of LESSEE as of the date referenced therein.

20.2 COVENANTS. LESSEE covenants to LESSOR that it will comply with the following throughout the entire Lease Term:

20.2.1 Licensing. LESSEE will hold all required licenses, certificates and permits from applicable Government Entities in Panama for the conduct of its business as a certificated air carrier and performance of its obligations under this Lease. LESSEE will advise LESSOR promptly in the event any such licenses, certificates or permits are cancelled, terminated, revoked or not renewed.

20.2.2 Payments. If at any time any such restrictions may be applicable, LESSEE will obtain all certificates, licenses, permits, exemptions and other authorizations which are from time to time required for the making of the payments required by this Lease on the dates and in the amounts and currency which are stipulated herein, and will maintain the same in full force and effect for so long as the same will be required.

20.2.3 Sovereign Immunity. LESSEE, under the Laws of Panama or of any other jurisdiction affecting LESSEE, will continue to be subject to private commercial law and suit. Neither LESSEE nor its properties or assets are currently entitled to sovereign immunity under any such Laws. LESSEE's performance of its obligations hereunder will constitute commercial acts done for commercial purposes. LESSEE will advise LESSOR promptly of any change in the foregoing.

20.2.4 Information about Suits. LESSEE will promptly give to LESSOR a notice in writing of any suit, arbitration or proceeding before any court, administrative agency or Government Entity which, if adversely determined, would materially adversely affect LESSEE's ability to perform under this Lease.

20.2.5 Restrictions on Mergers. LESSEE will not sell or convey substantially all of its property and assets (except capital asset replacement in the normal course of business) or merge or consolidate with or into any other corporation unless (a) LESSEE is the surviving entity and, as such, has a net worth equivalent to its net worth as of the date hereof, or (b) LESSEE has obtained LESSOR's prior written consent which will not be unreasonably withheld or delayed.

20.2.6 Restriction on Relinquishment of Possession. LESSEE will not, without the prior consent of LESSOR, deliver, transfer or relinquish possession of the Aircraft except in accordance with Articles 11 and 12.

20.2.7 No Security Interests. LESSEE will not create or agree to or permit to arise any Security Interest (other than Permitted Liens) on or with respect to the Aircraft, title thereto or any interest therein. LESSEE will promptly, at its own expense, take all action as may be necessary to discharge or remove any such Security Interest if it exists at any time. LESSEE will within promptly after becoming

aware of the existence of any such Security Interest give written notice thereof to LESSOR.

20.2.8 Representations to Other Parties. LESSEE will not represent or hold out LESSOR as carrying goods or passengers on the Aircraft or as being in any way connected or associated with any operation of the Aircraft.

ARTICLE 21

REPRESENTATIONS, WARRANTIES AND COVENANTS OF LESSOR

21.1 REPRESENTATIONS AND WARRANTIES. LESSOR represents and warrants the following to LESSEE as of the date of execution of the Lease and as of the Delivery Date and ALL OTHER WARRANTIES, EXPRESS OR IMPLIED HAVE BEEN WAIVED IN ACCORDANCE WITH ARTICLE 8:

21.1.1 Corporate Status. LESSOR is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of California. It has the corporate power and authority to carry on its business as presently conducted and to perform its obligations hereunder.

21.1.2 No Suits. To the knowledge of LESSOR after reasonable inquiry, there are no suits, arbitrations or other proceedings pending or threatened before any court or administrative agency against or affecting LESSOR which, if adversely determined, would have a material adverse effect on LESSOR's ability to perform under this Lease.

21.1.3 Governmental Approvals. No authorization, approval, consent, license or order of, or registration with, or the giving of notice to any U.S. Government Entity is required for the valid authorization, execution, delivery and performance by LESSOR of this Lease.

21.1.4 Binding. This Lease and the other Operative Documents have been duly authorized, executed and delivered by LESSOR and represent the valid and binding obligations of LESSOR, enforceable in accordance with their terms except as enforceability may be limited by bankruptcy, insolvency, reorganization or other Laws of general application affecting the enforcement of creditors' rights or general principles of equity.

21.1.5 No Breach. The execution and delivery of the Operative Documents, the consummation by LESSOR of the transactions contemplated herein and compliance by LESSOR with the terms and provisions hereof do not and will not contravene any Law applicable to LESSOR, or result in any breach of or constitute any default under any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan or credit agreement, corporate charter, by-law or other agreement or instrument to which LESSOR is a party or by which LESSOR or its properties or assets may be bound or affected.

21.1.6 Title to Aircraft. On the Delivery Date LESSOR will have good and valid title to the Aircraft.

21.1.7 Consents. LESSOR has obtained or will obtain all necessary consents with respect to the entry into or performance of its obligations under this Lease.

21.1.8 No Default. At the time of execution of this Lease, LESSOR is not in default under any agreement to which it is a party or by which it may be bound which default would have a material adverse effect on LESSOR's ability to perform under this Lease.

21.2 COVENANT OF QUIET ENJOYMENT. So long as no Default or Event of Default has occurred and is continuing hereunder, LESSOR covenants that neither LESSOR nor any person lawfully claiming by or through LESSOR will interfere with or otherwise disturb LESSEE's quiet, peaceful use and enjoyment of the Aircraft.

ARTICLE 22

FINANCIAL AND OTHER INFORMATION

LESSEE agrees to furnish each of the following to LESSOR:

(a) within sixty (60) days after the end of each fiscal quarter of LESSEE, three (3) copies of the unaudited consolidated financial statements (including a balance sheet and profit and loss statement) prepared for such quarter in accordance with international generally accepted accounting principles;

(b) within one hundred twenty (120) days after the end of each fiscal year of LESSEE, three (3) copies of the audited consolidated financial statements (including a balance sheet and profit and loss statement) prepared as of the close of such fiscal year in accordance with international generally accepted accounting principles. LESSEE's chief financial officer will also provide a certificate stating that no Default or Event of Default exists under this Lease;

(c) promptly after distribution, three (3) copies of all reports and financial statements which LESSEE sends or makes available to other aircraft lessors; and

(d) from time to time, such other reasonable information as LESSOR or LESSOR's Lender (subject to the confidentiality restrictions set forth in Article 28.8) may reasonably request concerning the location, condition, use and operation of the Aircraft or the financial condition of LESSEE.

ARTICLE 23

RETURN OF AIRCRAFT

23.1 DATE OF RETURN. LESSEE is obligated to return the Aircraft, Engines, APU, Parts and Aircraft Documentation to LESSOR on the Expiration Date, unless a Total Loss of the Aircraft occurred prior to the Expiration Date and this Lease was terminated early in accordance with Article 19.3. If an Event of Default occurs hereunder by LESSEE failing to return the Aircraft on the Expiration Date or if an Event of Default occurs prior to or after the Expiration Date and LESSOR repossesses the Aircraft, the return requirements set forth in this Article 23 nonetheless must be met on the date the Aircraft is actually returned to LESSOR or repossessed by LESSOR.

23.2 LAST ENGINE SHOP VISITS. With respect to the last Engine shop visit of an Engine prior to return of the Aircraft, LESSEE will submit to LESSOR in advance the intended workscope of such shop visit. If LESSOR requests, LESSEE will perform additional work at such shop visit at LESSOR's cost provided that if the same shall result in delay in redelivery, extension of the Lease Term or cause the Engine to be removed from service early or for a period in excess of the period the Engine would have been removed from revenue service absent such additional work, no Rent or other costs will be payable by LESSEE for the period which is attributable solely to LESSOR's requested work (unless and to the extent LESSEE shall have otherwise agreed in writing). In the event that LESSOR requests LESSEE to remove an Engine from service for additional work, LESSOR will use reasonable efforts to provide a spare engine or will reimburse LESSEE for the cost of any spare engine provided or procured by LESSEE.

23.3 TECHNICAL REPORT. Six (6) months prior to the Expiration Date (and in an updated form at return of the Aircraft), LESSEE will provide LESSOR with a Technical Evaluation Report in the form and substance of Exhibit M, as revised, and, in addition upon LESSOR's request, will make copies available of (a) drawings of the interior configuration of the Aircraft both as it presently exists and as it will exist at return, (b) an Airworthiness Directive status list, (c) a service bulletin incorporation list, (d) rotatable tracked, hard-time and life-limited component listings, (e) a list of LESSEE-initiated modifications and alterations, (f) interior material burn certificates, (g) access to the Aircraft Maintenance Program, (h) the complete workscope for the checks, inspections and other work to be performed prior to return, (i) a forecast of the checks, inspections and other work to be performed within 18 months after return of the Aircraft, (j) a list of all no-charge service bulletin kits with respect to the Aircraft which were ordered by LESSEE from Manufacturer or the Engine manufacturer, (k) current Engine disk sheets and a description of the last shop visit for each Engine and (l) any other data which is reasonably requested by LESSOR.

23.4 RETURN LOCATION. LESSEE at its expense will return the Aircraft, Engines, APU, Parts and Aircraft Documentation to LESSOR at Los Angeles, California or to such other airport as may be mutually agreed to by LESSEE and LESSOR.

23.5 FULL AIRCRAFT DOCUMENTATION REVIEW. For the period commencing at least ten (10) Business Days prior to the proposed redelivery date and continuing until the date on which the Aircraft is returned to LESSOR in the condition required by this Lease, LESSEE will provide

for the review of LESSOR and/or its representative all of the Aircraft records and historical documents described in Exhibit L, in one central room with access to telephone, photocopy, fax and internet connections at the Aircraft return location.

23.6 COPY OF LESSEE'S MAINTENANCE PROGRAM. At return of the Aircraft and for use by LESSOR only for the purpose of bridging the Aircraft from LESSEE's Maintenance Program to the maintenance program of the next operator, LESSEE will provide LESSOR with a copy of LESSEE's Maintenance Program.

23.7 AIRCRAFT INSPECTION.

23.7.1 During the maintenance checks performed immediately prior to the proposed redelivery and at the actual return of the Aircraft, LESSOR and/or its representatives will have an opportunity to conduct a systems functional and operational inspection of the Aircraft (and other types of reasonable inspections based upon the Aircraft type, age, use and other known factors with respect to the Aircraft) and a full inspection of the Aircraft Documentation (including records and manuals), all to LESSOR's reasonable satisfaction. Any deficiencies from the Aircraft return condition requirements set forth in this Article 23 will be corrected by LESSEE at its cost prior to the acceptance flight described in Article 23.7.2.

23.7.2 Immediately prior to the proposed redelivery of the Aircraft, LESSEE will carry out for LESSOR and/or LESSOR's representatives an Aircraft acceptance flight in accordance with Manufacturer's standard flight operation check flight procedures or, if agreed to in writing by LESSOR, in accordance with an airline acceptance flight procedure, either of which will be for the duration necessary to perform such check flight procedures but in any event not less than two (2) hours. Flight costs and fuel will be furnished by and at the expense of LESSEE. Any deficiencies from the Aircraft return condition requirements set forth in this Article 23 will be corrected by LESSEE at its cost prior to return of the Aircraft.

23.7.3 To the extent that the ground inspection and acceptance flight extend beyond the Expiration Date, the Lease Term will be deemed to have been automatically extended and the obligations of LESSEE hereunder (including Article 23.13.3) will continue on a day-to-day basis until the Aircraft is accepted by LESSOR executing the Return Acceptance Receipt in the form of Exhibit J. In the event the Lease is extended solely as a result of work performed at LESSOR's request pursuant to Article 23.10.1, LESSEE will perform such additional work at LESSOR's cost provided that if the same shall result in delay in redelivery, extension of the Lease Term or cause the Aircraft to be removed from service for a period in excess of the period the Aircraft would have been removed to revenue service absent such additional work, no Rent or other costs will be payable by LESSEE for the period which is attributable solely to LESSOR's requested work (unless and to the extent LESSEE shall have otherwise agreed in writing).

23.8 CERTIFICATE OF AIRWORTHINESS MATTERS.

23.8.1 The Aircraft will possess a current Certificate of Airworthiness issued by the Aviation Authority (although this Certificate of Airworthiness may later be substituted by the Export Certificate of Airworthiness or equivalent if requested by LESSOR pursuant to Article 23.12). In addition, even if LESSEE must perform engineering, maintenance and repair work on the Aircraft beyond the requirements of Article 12, the Aircraft at return must be in the condition required in order to meet the requirements for issuance of a U.S. Standard Certificate of Airworthiness for transport category aircraft issued by the FAA in accordance with FAR Part 21 and, in addition, to meet the operating requirements of FAR Part 121 with no restrictions imposed.

23.8.2 At LESSOR's request, LESSEE at its cost will demonstrate that the Aircraft meets the requirements for issuance of the U.S. Standard Certificate of Airworthiness for transport category aircraft specified in Article 23.8.1 by delivering to LESSOR at LESSOR's option either an actual U.S. Standard Certificate of Airworthiness (if the Aircraft is to be registered in the U.S.) or a letter acceptable to LESSOR signed by an FAA Designated Airworthiness Representative (DAR) or another Person acceptable to LESSOR stating that the DAR or such Person has inspected the Aircraft and Aircraft Documentation (including records and manuals) and has found that the Aircraft meets the requirements for issuance of a U.S. Standard Certificate of Airworthiness for transport category aircraft in accordance with FAR Part 21 and, in addition, meets the operating requirements of FAR Part 121 with no restrictions imposed.

23.8.3 If the Aircraft is to be registered in a country other than in the U.S. after return from LESSEE, LESSOR may in its sole discretion waive the requirements of Article 23.8.2 and instead require that LESSEE at its expense (to the extent such expense is no greater than that which LESSEE would have incurred pursuant to Articles 23.8.1 and 23.8.2, with any additional expenses being for LESSOR's account) put the Aircraft in a condition to meet the requirements for issuance of a Certificate of Airworthiness of the aviation authority of the next country of register.

23.9 GENERAL CONDITION OF AIRCRAFT AT RETURN.

23.9.1 The Aircraft, Engines, APU and Parts will have been maintained and repaired in accordance with the Maintenance Program, the rules and regulations of the Aviation Authority and this Lease.

23.9.2 Aircraft Documentation (including records and manuals) will have been maintained in an up-to-date status, in accordance with the rules and regulations of the Aviation Authority and the FAA and this Lease and in a form necessary in order to meet the requirements of Article 23.8.1. The records and historical documents set forth in Attachment 1 of Exhibit J will be in English. If LESSEE subscribes to Manufacturer's on-line data access services, LESSEE must

nonetheless return the Aircraft manuals with all current revisions provided by Manufacturer in CD, microfilm or other format acceptable to LESSOR.

- 23.9.3 The Aircraft will be in the same working order and condition as at Delivery (subject to the other provisions of this Article 23, reasonable wear and tear from normal flight operations excepted), with all pilot discrepancies and deferred maintenance items cleared on a terminating action basis.
- 23.9.4 The Aircraft will be airworthy (conform to type design and be in a condition for safe operation), with all Aircraft equipment, components and systems operating in accordance with their intended use and within limits approved by Manufacturer, the Aviation Authority and the FAA.
- 23.9.5 The Aircraft interior (including cabin and windows) and exterior will be clean and cosmetically acceptable to LESSOR, with all compartments free of foreign objects, dirt, grease, fluids, stains, grime, cracks, tears and rips and ready to be placed into immediate commercial airline operations.
- 23.9.6 No special or unique Manufacturer, Engine manufacturer or Aviation Authority inspection or check requirements which are specific to the Aircraft or Engines (as opposed to all aircraft or engines of their types) will exist with respect to the Airframe, Engines and Aircraft equipment, components and systems.
- 23.9.7 All repairs to the Aircraft will have been accomplished in accordance with Manufacturer's Structural Repair Manual (or FAA-approved data supported by FAA Form 8110-3) for the Aircraft.
- 23.9.8 All modifications and alterations to the Aircraft will have been accomplished in accordance with FAA-approved data supported by FAA Form 8110-3.
- 23.9.9 The Aircraft will be returned with LESSOR's Engines and APU installed and with the same equipment as at Delivery, subject only to those replacements, additions and Modifications permitted under this Lease. To the extent LESSEE performed a Modification which cost in excess of **Material Redacted** and LESSOR did not approve such Modification in accordance with Article 12.10.1, LESSOR may require LESSEE to return the Aircraft in its original condition prior to such Modification.
- 23.9.10 All Airworthiness Directives which are issued prior to the date of return of the Aircraft and require compliance (either by means of repetitive inspections, modifications or terminating action) prior to return of the Aircraft to LESSOR or within **Material Redacted** after the Termination Date will have been complied with on the Aircraft on a terminating action basis at LESSEE's cost. Airworthiness Directives which do not have a terminating action will be accomplished at the highest level of inspection or modification possible. If, after using best efforts, LESSEE is unable to acquire the material, parts or components necessary to accomplish such Airworthiness Directive, LESSEE will pay to LESSOR upon return of the Aircraft the estimated cost of terminating such

Airworthiness Directive. If the estimated cost cannot be mutually agreed upon by LESSEE and LESSOR, LESSEE and LESSOR will each obtain an estimate from a reputable FAA approved maintenance facility (unaffiliated with LESSEE or LESSOR) and the estimated cost will be the average of the two estimates.

- 23.9.11 All modifications which must be performed prior to the date of return of the Aircraft or within ****Material Redacted**** after the Termination Date in order to meet the FAA requirements for FAR Part 121 operations will have been incorporated on the Aircraft at LESSEE's cost.
- 23.9.12 The Aircraft will be in compliance with Manufacturer's Corrosion Prevention and Control Program (CPCP) specified for the model type by Manufacturer.
- 23.9.13 If any waivers, deviations, dispensations, alternate means of compliance, extensions or carry-overs with respect to maintenance or operating requirements, repairs or Airworthiness Directives are granted by the Aviation Authority or permitted by the Maintenance Program, LESSEE at its sole cost and expense will nonetheless perform such maintenance or operating requirements, repairs or Airworthiness Directives as if such waivers, deviations, dispensations, alternate means of compliance, or extensions or carry-overs did not exist.
- 23.9.14 The Aircraft will be free from any Security Interest except LESSOR's Liens and no circumstance will have so arisen whereby the Aircraft is or could become subject to any Security Interest or right of detention or sale in favor of the Aviation Authority, any airport authority, or any other authority.
- 23.9.15 All no-charge vendor and Manufacturer's service bulletin kits received by LESSEE for the Aircraft but not installed thereon will be on board the Aircraft as cargo. All no-charge vendor and Manufacturer's service bulletin kits ordered by LESSEE but not yet received will, upon receipt by LESSEE, be forwarded as instructed by LESSOR. At LESSOR's request, any other service bulletin kit which LESSEE paid for will also be delivered to LESSOR on board the Aircraft, but LESSOR will reimburse LESSEE for its actual out-of-pocket costs for such kit, unless LESSEE purchased such kit as part of its implementation of a service bulletin on its fleet of aircraft of the same type as the Aircraft but had not yet installed such kit on the Aircraft, in which case such kit will be furnished free of charge to LESSOR.
- 23.9.16 The Aircraft will be free of any leaks found to be outside of maintenance manual limits and any damage resulting therefrom. All repairs will have been performed on a permanent basis in accordance with the applicable manufacturer's instructions.
- 23.9.17 The Aircraft fluid reservoirs (including oil, oxygen, hydraulic and water) will be serviced to full and the waste tank serviced in accordance with Manufacturer's instructions. Fuel tanks will be at least as full as at Delivery.

23.10 CHECKS PRIOR TO RETURN. Immediately prior to return of the Aircraft to LESSOR, LESSEE at its expense will do each of the following:

23.10.1 Have performed, by an FAA-approved repair station, a Return Check ("RETURN CHECK") means the accomplishment of all work cards specified in the Maintenance Program and the MPD which (a) are necessary to clear the Aircraft of all such tasks for **Material Redacted**, or (b) are required to be performed at lesser intervals than **Material Redacted**. If pursuant to the then-current MPD, the performance interval for a task is shorter than every **Material Redacted**, then such task will also be performed.

All non-routine tasks generated as a result of the performance of these work cards must also be performed. For avoidance of doubt, if the inspection interval pursuant to the then-current MPD for a particular work card only refers to one or two of the three measurement tests, then the most restrictive measurement test or tests referred to in the then-current MPD will be utilized in determining whether the task must be performed.). LESSEE will also weigh the Aircraft. Any discrepancies revealed during such inspection will be corrected in accordance with Manufacturer's maintenance and repair manuals or FAA-approved data. LESSEE agrees to perform during such check any other work reasonably required by LESSOR (and not otherwise required under this Lease) and LESSOR will reimburse LESSEE for such work at LESSEE's preferred customer rates.

23.10.2 Perform an internal and external corrosion inspection and correct any discrepancies in accordance with the recommendations of Manufacturer and the Structural Repair Manual. In addition, all inspected areas will be properly treated with corrosion inhibitor as recommended by Manufacturer.

23.10.3 Remove LESSEE's exterior markings, including all exterior paint, by pneumatically scuff sanding (or stripping, if reasonably determined by LESSOR taking into account the condition of the exterior paint) the paint from the fuselage, empennage and Engine cowlings, and clean, reseal, refinish, prepare (including application of alodine or another corrosion inhibitor) and prime the surfaces to be painted, all in accordance with Manufacturer's and paint manufacturer's recommendations. LESSEE will then repaint the fuselage, empennage and Engine cowlings in the colors and logo specified by LESSOR. Such painting will be accomplished in such a manner as to result in a uniformly smooth and cosmetically acceptable aerodynamic surface. All external placards, signs and markings will be properly attached, free from damage, clean and legible. **Material Redacted**.

23.10.4 Clean the exterior and interior of the Aircraft.

23.10.5 If reasonably required by LESSOR, apply touch tip paint to the interior of the Aircraft, including flight deck, and replace missing, broken or illegible placards.

- 23.10.6 In accordance with Article 23.9.7, permanently repair damage to the Aircraft that exceeds Manufacturer's limits and replace any non-flush structural patch repairs installed on the Aircraft with flush-type repairs unless a flush type repair is unavailable.
- 23.10.7 With LESSOR and/or its representatives present, perform a full and complete hot and cold section videotape borescope on each Engine and its modules in accordance with the Engine manufacturer's maintenance manual.
- 23.10.8 If the Engine historical and technical records and/or condition trend monitoring data of any Engine indicate an acceleration in the rate of deterioration in the performance of an Engine, LESSEE will correct, to LESSOR's reasonable satisfaction, such conditions which are determined to be causing such accelerated rate of deterioration.
- 23.10.9 With LESSOR and/or its representatives present, accomplish a power assurance run on the Engines. LESSEE will evaluate the Engine performance and record the Engine power assurance test conditions and results on the Return Acceptance Receipt.
- 23.10.10 LESSEE will provide evidence to LESSOR's reasonable satisfaction that the Engine historical and technical records, borescope inspection, trend monitoring and other checks specified in Article 23.10.9 do not reveal any condition which would cause the Engines or any module to be unserviceable, beyond serviceable limits or serviceable with an increased frequency of inspection or with calendar time, flight hour or flight cycle restrictions under the Engine manufacturer's maintenance manual. LESSEE will correct any discrepancies in accordance with the guidelines set out by the Engine manufacturer which maybe discovered during such inspection.
- 23.10.11 In the event the Engine historical and technical records, borescope inspection, trend monitoring and other checks specified in Article 23.10.9 result in a dispute regarding the conformity of an Engine with the requirements of this Article 23, LESSEE and LESSOR will consult with the Engine manufacturer and follow the Engine manufacturer's recommendations (including the accomplishment of an Engine test cell operational check) with regard to determining if such Engine complies with the requirements of this Article 23 and the manner in which any discrepancies from the requirements of this Article 23 will be rectified.
- 23.10.12 If the APU historical and technical records and/or condition trend monitoring data indicate an acceleration in the rate of deterioration in the performance of the APU, LESSEE will correct, to LESSOR's reasonable satisfaction, such conditions which are determined to be causing such accelerated rate of deterioration.
- 23.10.13 With LESSOR and/or its representatives present, perform a full and complete hot and cold section videotape borescope on the APU in accordance with the APU manufacturer's procedures. LESSEE will provide evidence to LESSOR's

satisfaction that the borescope inspection does not reveal any condition which would cause the APU to be unserviceable, beyond serviceable limits or serviceable with an increased frequency of inspection or with calendar time, flight hour or flight cycle restrictions. LESSEE will correct any discrepancies in accordance with the guidelines set out by the APU manufacturer which may be discovered during such inspection.

23.11 PART LIVES. At return, the condition of the Aircraft will be as follows:

23.11.1 The Aircraft will have zero (0) hours consumed since the last Return Check or equivalent check per the MPD (excluding hours consumed on the acceptance flight and any ferry flight) sufficient to clear the Aircraft for ****Material Redacted**** of operation.

23.11.2 Each Engine will meet all of the following:

(a) Each Engine will have ****Material Redacted**** remaining until its next anticipated removal (based upon the Engine manufacturer's estimated mean time between removals for engines of the same type as the Engines).

(b) Each Engine will have a remaining EGT margin sufficient to permit the operation of such Engine for the hours and cycles set forth in the preceding subparagraph, based upon the historical experience of LESSEE.

(c) Each Part of an Engine which has a hard time limit will have ****Material Redacted**** of such Part's full allotment of hours and cycles remaining to operate until its next scheduled Overhaul or removal. However, if ****Material Redacted**** of such hard time Part's full allotment of hours and cycles remaining is less than ****Material Redacted****, then such hard time Part will be returned with at least ****Material Redacted**** remaining. If such hard time Part's full allotment of hours and cycles is less than ****Material Redacted****, then such hard time Part will be returned with zero (0) hours and cycles since its last Overhaul or refurbishment, as applicable.

(d) Each Part of an Engine which has a life-limit will have at least ****Material Redacted**** remaining until removal. If such life-limited Part's full allotment of hours and cycles is less than ****Material Redacted****, then such life-limited Part will be returned new.

(e) No life-limited Part of an Engine or APU will have more hours or cycles consumed than such Engine's data plate.

23.11.3 The APU will have ****Material Redacted**** consumed since the last hot section refurbishment (excluding hours consumed on the acceptance flight and any ferry flight).

In addition, at return LESSEE will pay LESSOR an amount equal to the number of hours consumed on the APU at return since the last hot section refurbishment multiplied by an APU hot section refurbishment calculated as follows:

such APU hot section refurbishment cost price per hour will be the quotient obtained by dividing (a) the expected cost of the next APU hot section refurbishment cost by (b) the full allotment of hours between hot section refurbishments as approved by the MPD. If LESSEE and LESSOR are unable to agree on the expected cost of the next scheduled APU hot section refurbishment, such cost will be established by taking the average of the price quotes submitted by two (2) reputable FAA-approved APU hot section refurbishment cost facilities (unaffiliated with LESSEE or LESSOR), one selected by LESSEE and the other selected by LESSOR.

23.11.4 The Landing Gear will have ****Material Redacted**** of hours/cycles/calendar time (whichever is the more limiting factor) pursuant to the MPD remaining until the next Overhaul or scheduled removal

In addition, at return LESSEE will pay LESSOR an amount equal to the number of hours/cycles/days (whichever is the more limiting factor) consumed on each Landing Gear at return since the last Overhaul multiplied by a Landing Gear Overhaul cost per hour/cycle/day calculated as follows:

such Landing Gear Overhaul cost price per hour/cycle/day will be the quotient obtained by dividing (a) the expected cost of the next Landing Gear Overhaul by (b) the full allotment of hours/cycles/days between scheduled Overhauls for such Landing Gear as approved by the MPD. If LESSEE and LESSOR are unable to agree on the expected cost of the next scheduled Landing Gear Overhaul, such cost will be established by taking the average of the price quotes submitted by two (2) reputable FAA-approved landing gear Overhaul facilities (unaffiliated with LESSEE or LESSOR), one selected by LESSEE and the other selected by LESSOR.

23.11.5 Each Part of the Airframe or the APU which has a hard time (hour/cycle) limit to Overhaul or removal pursuant to the MPD will have ****Material Redacted**** of such Part's full allotment of hours and cycles remaining to operate until its next scheduled Overhaul or removal pursuant to the MPD. However, if ****Material Redacted**** of such hard time Part's full allotment of hours and cycles remaining is less than ****Material Redacted****, then such hard time Part will be returned with at least ****Material Redacted**** remaining to operate until its next scheduled Overhaul or refurbishment pursuant to the MPD. If such hard time Part's full allotment of hours and cycles between Overhauls or refurbishment pursuant to the MPD is less than ****Material Redacted****, then such hard time Part will be returned zero (0) hours and zero (0) cycles out of Overhaul (except hours accumulated on any acceptance or ferry flight).

23.11.6 Each life-limited Part of the Airframe or the APU will have **Material Redacted** of such Part's full allotment of hours and cycles remaining to operate until removal pursuant to the MPD. However, if **Material Redacted** of such life-limited Part's full allotment of hours and cycles remaining is less than **Material Redacted**, then such life-limited Part will be returned with at least **Material Redacted** remaining to operate pursuant to the MPD. If such life-limited Part's full allotment of hours and cycles remaining to operate pursuant to the MPD is less than **Material Redacted**, then such life-limited Part will be returned with 100% of its total approved hours and cycles remaining.

23.11.7 Each Part which has a calendar limit will have **Material Redacted** remaining to operate pursuant to the MPD after return of the Aircraft to LESSOR. If a Part has a total approved life pursuant to the MPD **Material Redacted**, then such Part will be returned with 100% of its total approved life remaining.

23.11.8 No Part of the Aircraft or Engine (excluding life-limited Parts on the Engine, which are covered by Article 23.11 2(e)) will have total hours and total cycles since new greater than **Material Redacted** of that of the Airframe **Material Redacted**.

23.11.9 Each Aircraft tire and brake will **Material Redacted** (except for the acceptance flight and any ferry flight).

23.12 EXPORT AND DEREGISTRATION OF AIRCRAFT. At LESSOR's request, LESSEE at its cost will (a) provide an Export Certificate of Airworthiness or its equivalent from the State of Registration so that the Aircraft can be exported to the country designated by LESSOR, (b) assist with deregistration of the Aircraft from the register of aircraft in the State of Registration, (c) assist with arranging for prompt confirmation of such deregistration to be sent by the registry in the State of Registration to the next country of registration and (d) perform any other acts reasonably required by LESSOR in connection with the foregoing. **Material Redacted**

23.13 LESSEE'S CONTINUING OBLIGATIONS. In the event that LESSEE does not return the Aircraft to LESSOR on the Expiration Date and in the condition required by this Article 23 for any reason (whether or not the reason is within LESSEE's control) unless such delay is as a result of work performed at the request of LESSOR pursuant to Article 23.10.1 or is otherwise over and above LESSEE's obligations pursuant to this Article 21:

23.13.1 the obligations of LESSEE under this Lease will continue in full force and effect on a day-to-day basis until such return. This will not be considered a waiver of LESSEE's Event of Default or any right of LESSOR hereunder.

23.13.2 **Material Redacted**.

23.13.3 LESSEE will fully indemnify LESSOR on demand for all losses (including consequential damages), liabilities, actions, proceedings, costs and expenses thereby suffered or incurred by LESSOR and, in addition, until such time as the Aircraft is redelivered to LESSOR and put into the condition required by this Article 23, instead of paying the Rent specified in Article 5.3, LESSEE will pay

twice the amount of Rent for each day from the scheduled Expiration Date until the Termination Date (the monthly Rent payable under Article 5.3 1 will be prorated based on the actual number of days in the applicable month). Payment will be made upon presentation of LESSOR's invoice.

23.13.4 LESSOR may elect, in its sole and absolute discretion, to accept the return of the Aircraft prior to the Aircraft being put in the condition required by this Article 23 and thereafter have any such non-conformance corrected at such time as LESSOR may deem appropriate (but within ninety (90) days following the return of the Aircraft) and at commercial rates then-charged by the Person selected by LESSOR to perform such correction. Any direct expenses incurred by LESSOR for such correction will be payable by LESSEE within fifteen (15) days following the submission of a written statement by LESSOR to LESSEE, identifying the items corrected and setting forth the expense of such corrections. LESSEE's obligation to pay such amounts will survive the Termination Date.

23.14 AIRPORT AND NAVIGATION CHARGES. LESSEE will ensure that at return of the Aircraft any and all airport, navigation and other charges which give rise or may if unpaid give rise to any lien, right of detention, right of sale or other Security Interest in relation to the Aircraft, Engine, APU or any Part have been paid and discharged in full and will at LESSOR's request produce evidence thereof satisfactory to LESSOR, except to the extent being contested in good faith provided LESSEE shall have agreed in writing to pay any such charges determined pursuant to such contest to be due and owing to the relevant authority.

23.15 RETURN ACCEPTANCE RECEIPT. Upon return of the Aircraft in accordance with the terms of this Lease, LESSEE will prepare and execute two (2) Return Acceptance Receipts in the form and substance of Exhibit J and LESSOR will countersign and return one such Return Acceptance Receipt to LESSEE. In addition, LESSEE and LESSOR will execute a Lease Termination for filing with the FAA evidencing termination of this Lease.

23.16 INDEMNITIES AND INSURANCE. The indemnities and insurance requirements set forth in Articles 17 and 18, respectively, will apply to Indemnitees and LESSOR's representatives during return of the Aircraft, including the ground inspection and acceptance flight. With respect to the acceptance flight, LESSOR's representatives will receive the same protections as LESSOR on LESSEE's Aviation and Airline General Third Party Liability Insurance.

23.17 STORAGE. At LESSOR's request, LESSEE will continue to lease the Aircraft under this Lease for a period not to exceed thirty (30) days. During this period, LESSEE will have no obligations under this Lease except, at LESSOR's cost, to park and store the Aircraft in accordance with Manufacturer's recommended short term storage program at one of LESSEE's principal maintenance facilities in the State of Registration and to maintain all insurance on the Aircraft. LESSEE will not utilize the Aircraft for any reason during this period.

ARTICLE 24

ASSIGNMENT

24.1 NO ASSIGNMENT BY LESSEE. EXCEPT AS OTHERWISE PROVIDED HEREIN, NO ASSIGNMENT, NOVATION, TRANSFER, MORTGAGE OR OTHER CHARGE MAY BE MADE BY LESSEE OF ANY OF ITS RIGHTS OR OBLIGATIONS WITH RESPECT TO THE AIRCRAFT, ANY ENGINE OR PART, OR THIS LEASE.

24.2 SATE OR ASSIGNMENT BY LESSOR.

24.2.1 Subject to LESSEE's rights pursuant to this Lease, LESSOR may at any time and without LESSEE's consent sell, assign or transfer its rights, interest and obligations hereunder or with respect to the Aircraft to a third party ("LESSOR'S ASSIGNEE"). For a period of two (2) years after such sale or assignment and at LESSEE's cost, LESSEE will continue to name LESSOR as an additional insured under the Aviation and Airline General Third Party Liability Insurance specified in Exhibit C.

24.2.2 The term "LESSOR" as used in this Lease means the lessor of the Aircraft at the time in question. In the event of the proper sale of the Aircraft and transfer of LESSOR's rights and obligations under this Lease, LESSOR's Assignee will become "LESSOR" of the Aircraft under this Lease and the transferring party (the prior "LESSOR") will be relieved of all liability to LESSEE under this Lease for obligations arising on and after the date the Aircraft is sold. LESSEE will acknowledge and accept LESSOR's Assignee as the new "LESSOR" under this Lease and will look solely to LESSOR's Assignee for the performance of all LESSOR obligations and covenants under this Lease arising on and after the Aircraft sale date provided such transfer, sale or assignment is in conformity with the requirements of this Article 24.

24.3 LESSOR'S LENDER. Subject to LESSEE's rights pursuant to this Lease, LESSOR may at any time and without LESSEE's consent grant security interests over the Aircraft and assign the benefit of this Lease to a lender ("LESSOR'S LENDER") as security for LESSOR's obligations to LESSOR's Lender. Accordingly, if LESSOR's Lender requires, as a condition to providing financing, any reasonable, nonsubstantive modification of this Lease, LESSEE agrees to enter into an agreement so modifying this Lease.

24.4 LESSEE COOPERATION. On request by LESSOR, LESSOR's Assignee or LESSOR's Lender, LESSEE will execute all such documents (such as a lease assignment agreement) as LESSOR, LESSOR's Assignee or LESSOR's Lender may reasonably require to confirm LESSEE's obligations under this Lease and obtain LESSEE's acknowledgment that LESSOR is not in breach of the Lease. LESSEE will provide all other reasonable assistance and cooperation to LESSOR, LESSOR's Assignee and LESSOR's Lender in connection with any such sale or assignment or the perfection and maintenance of any such security interest, including, at LESSOR's cost, making all necessary filings and registrations in the State of Registration and providing all opinions of counsel with respect to matters reasonably requested

by LESSOR, LESSOR's Lender or LESSOR's Assignee. LESSOR will reimburse LESSEE for its reasonable out-of-pocket costs in reviewing documents required by LESSOR or LESSOR's Lender.

24.5 PROTECTIONS.

24.5.1 ****Material Redacted****.

24.5.2 LESSOR will obtain for the benefit of LESSEE an acknowledgment from any LESSOR's Assignee or LESSOR's Lender that, so long as no Event of Default has occurred and is continuing hereunder, such Person and any Person lawfully claiming through such Person will not interfere with LESSEE's quiet, peaceful use and enjoyment of the Aircraft.

24.5.3 ****Material Redacted****.

24.5.4 LESSOR agrees that any LESSOR's Assignee or LESSOR's Lender will not be an international scheduled air carrier which competes with LESSEE.

24.5.5 ****Material Redacted****.

24.5.6 ****Material Redacted****.

24.5.7 Wherever the term "LESSOR" is used in this Lease in relation to any of the provisions relating to disclaimer, title and registration, indemnity and insurance contained in Articles 8, 14, 17 and 18, respectively, or with respect to Article 20.2.8, the term "LESSOR" will be deemed to include LESSOR's Assignee and LESSOR's Lender, if applicable. For avoidance of doubt, in the event of LESSOR's sale or financing of the Aircraft, the disclaimer and indemnity provisions contained in Articles 8 and 17 will continue to be applicable after the sale or assignment to International Lease Finance Corporation, as well as being applicable to LESSOR's Assignee and LESSOR's Lender.

ARTICLE 25

DEFAULT ON LESSEE

25.1 LESSEE NOTICE TO LESSOR. LESSEE will promptly notify LESSOR if LESSEE becomes aware of the occurrence of any Default or Event of Default.

25.2 EVENTS OF DEFAULT. The occurrence of any of the following will constitute an Event of Default and material breach of this Lease by LESSEE:

- (a) LESSEE fails to take delivery of the Aircraft when obligated to do so under the terms of this Lease;
- (b) LESSEE fails to make a Rent or other scheduled payment due hereunder in the manner and by the date provided herein and fails to make such payment within three (3) Business Days after the date such payment is due;
- (c) LESSEE fails to obtain or maintain the insurance required by Article 18;
- (d) LESSEE fails to return the Aircraft to LESSOR on the Expiration Date in accordance with Article 23;
- (e) LESSEE fails to observe or perform any of its other obligations hereunder and fails to cure the same within thirty (30) days after written notice thereof to LESSEE. If such failure cannot by its nature be cured within thirty (30) days, LESSEE will have the reasonable number of days necessary to cure such failure (not to exceed a period of ninety (90) days) so long as it uses diligent efforts to do so;
- (f) any representation or warranty of LESSEE herein proves to be untrue in any material respect and if the effect of such misrepresentation is curable, will not have been cured within thirty (30) days after LESSEE learns of such misrepresentation including by written notice from LESSOR;
- (g) the registration of the Aircraft is cancelled other than as a result of an act or omission of LESSOR;
- (h) LESSEE abandons the Aircraft or Engines;
- (i) LESSEE temporarily discontinues (in the absence of other Defaults) or permanently discontinues business or sells or otherwise disposes of all or substantially all of its assets other than as permitted hereunder;
- (j) a material adverse change occurs in the financial condition of LESSEE which effects LESSEE's ability to perform its obligations hereunder;

(k) LESSEE no longer possesses the licenses, certificates and permits required for the conduct of its business as a certificated air carrier in Panama and the failure to possess the same is not cured within sixty (60) days;

(l) LESSEE (i) suspends payment on its debts or other material obligations, (ii) is unable to or admits its inability to pay its debts or other material obligations as they fall due, (iii) is adjudicated or becomes bankrupt or insolvent or (iv) proposes or enters into any composition or other arrangement for the benefit of its creditors generally;

(m) any proceedings, resolutions, filings or other steps are instituted or threatened with respect to LESSEE relating to the bankruptcy, liquidation, reorganization or protection from creditors of LESSEE or a substantial part of LESSEE's property. If instituted by LESSEE, the same will be an immediate Event of Default. If instituted by another Person, the same will be an Event of Default if not dismissed, remedied or relinquished within sixty (60) days;

(n) any order, judgment or decree is entered by any court of competent jurisdiction appointing a receiver, trustee or liquidator of LESSEE or a substantial part of its property, or if a substantial part of LESSEE's property is to be sequestered. If a instituted by or done with the consent of LESSEE, the same will be an immediate Event of Default. If instituted by another Person, the same will be an Event of Default if not dismissed, remedied or relinquished within sixty (60) days;

(o) any indebtedness for borrowed moneys or a guarantee or similar obligation owed by LESSEE with an unpaid balance of at least ****Material Redacted**** is properly declared due before its stated maturity or LESSEE is properly in default beyond any applicable grace period under any agreement pursuant to which LESSEE has the right to possess and operate any aircraft; or

(p) LESSEE is in default under any other lease or agreement between LESSEE and LESSOR and the same is not cured within its specified cure period.

25.3 LESSOR'S GENERAL RIGHTS. Upon the occurrence of any Event of Default, LESSOR may do all or any of the following at its option (in addition to such other rights and remedies which LESSOR may have by statute or otherwise but subject to any requirements of applicable Law):

(a) terminate this Lease by giving written notice to LESSEE;

(b) require that LESSEE immediately cease flying the Aircraft and leave it parked in its then-current location by giving written notice to LESSEE, in which case LESSEE's obligations under this Lease will continue (including the obligations set forth in Articles 17 and 18);

(c) require that LESSEE immediately move the Aircraft to an airport or other location designated by LESSOR and park the Aircraft there by giving written

notice to LESSEE, in which case LESSEE's obligations under this Lease will continue (including the obligations set forth in Articles 17 and 18);

(d) take possession of the Aircraft. If LESSOR takes possession of the Aircraft, it may enter upon LESSEE's premises where the Aircraft is located without liability. Upon repossession of the Aircraft, LESSOR will then be entitled to sell, lease or otherwise deal with the Aircraft as if this Lease had never been made. LESSOR will be entitled to the full benefit of its bargain with LESSEE;

(e) for LESSEE's account, do anything that may reasonably be required to cure any default and recover from LESSEE all reasonable costs, including legal fees and expenses incurred in doing so and Default Interest;

(f) proceed as appropriate to enforce performance of this Lease and to recover any damages for the breach hereof, including the amounts specified in Article 25.5; or

(g) apply all or any portion of the Security Deposit and any other security deposits held by LESSOR pursuant to any other agreements between LESSOR and LESSEE to any amounts due.

25.4 DEREGISTRATION AND EXPORT OF AIRCRAFT. If an Event of Default has occurred and is continuing, LESSOR may take all steps necessary to deregister the Aircraft in and export the Aircraft from the State of Registration.

25.5 LESSEE LIABILITY FOR DAMAGES. If an Event of Default occurs, in addition to all other remedies available at law or in equity, LESSOR has the right to recover from LESSEE and LESSEE will pay LESSOR within two (2) Business Days after LESSOR's written demand, all of the following:

(a) all amounts which are then due and unpaid hereunder and which become due prior to the earlier of LESSOR's recovery of possession of the Aircraft or LESSEE making an effective tender thereof;

(b) any losses suffered by LESSOR because of LESSOR's inability to place the Aircraft on lease with another lessee or to otherwise utilize the Aircraft on financial terms as favorable to LESSOR as the terms hereof or, if LESSOR elects to dispose of the Aircraft, the funds arising from a sale or other disposition of the Aircraft are not as profitable to LESSOR as leasing the Aircraft in accordance with the terms hereof would have been (and LESSOR will be entitled to accelerate any and all Rent which would have been due from the date of LESSOR's recovery or repossession of the Aircraft through the Expiration Date) which rent shall be discounted to present value less any amounts (i) in respect of a lease, which over its term shall be received by LESSOR discounted to present value as set forth above or (ii) in the case of a sale or other disposition, the amounts which were received by LESSOR is a result of such sale or other disposition (or if not relet or sold, less an amount equal to the fair market rental

value of the aircraft for the balance of the Lease Term determined by an independent appraiser acceptable to LESSOR and LESSEE or chosen by a court);

(c) all costs associated with LESSOR's exercise of its remedies hereunder, including but not limited to repossession costs, legal fees, Aircraft storage costs, Aircraft re-lease or sale costs;

(d) any amount of principal, interest, fees or other sums paid or payable on account of funds borrowed in order to carry any unpaid amount;

(e) any loss, premium, penalty or expense which may be incurred in repaying funds raised to finance the Aircraft. or in unwinding any financial instrument relating in whole or in part to LESSOR's financing of the Aircraft;

(f) any loss, cost, expense or liability sustained by LESSOR due to LESSEE's failure to redeliver the Aircraft in the condition required by this Lease; and

(g) any other loss, damage, expense, cost or liability which LESSOR suffers or incurs as, a direct result of the Event of Default and/or termination of this base, including (but without duplication of amounts due and payable pursuant to (f) above) an amount sufficient to compensate LESSOR for any loss of LESSOR's residual interest in the Aircraft caused by LESSEE's default.

25.6 WAIVER OF DEFAULT. By written notice to LESSEE, LESSOR may at its election waive any Default or Event of Default and its consequences and rescind and annul any prior notice of termination of this Lease. The respective rights of the parties will then be as they would have been had no Default or Event of Default occurred and no such notice been given.

25.7 PRESENT VALUE OF PAYMENTS. In calculating LESSOR's damages hereunder, upon an Event of Default all Rent and other amounts which would have been due hereunder during the Lease Term if an Event of Default had not occurred will be calculated on a present value basis using a discounting rate of ****Material Redacted**** per annum discounted to the earlier of the date on which LESSOR obtains possession of the Aircraft or LESSEE makes an effective tender thereof.

25.8 USE OF "TERMINATION DATE". For avoidance of doubt, it is agreed that if this Lease terminates and the Aircraft is repossessed by LESSOR due to an Event of Default, then, notwithstanding the use of the term "Termination Date" in this Lease, the period of the Lease Term and the "Expiration Date" will be utilized in calculating the damages to which LESSOR is entitled pursuant to Article 25.5. For example, it is agreed and understood that LESSOR is entitled to receive from LESSEE the Rent and the benefit of LESSEE's insurance and maintenance of the Aircraft until expiration of the Lease Term.

ARTICLE 26

NOTICES

26.1 MANNER OF SENDING NOTICES. Any notice, request or information required or permissible under this Lease will be in writing and in English. Notices will be delivered in person or sent by fax, letter (mailed airmail, certified and return receipt requested), or by expedited delivery addressed to the parties as set forth in Article 26.2. In the case of a fax, notice will be deemed received on the date set forth on the confirmation of receipt produced by the sender's fax machine immediately after the fax is sent. In the case of a mailed letter, notice will be deemed received upon actual receipt. In the case of a notice sent by expedited delivery, notice will be deemed received on the date of delivery set forth in the records of the Person which accomplished the delivery. If any notice is sent by more than one of the above listed methods, notice will be deemed received on the earliest possible date in accordance with the above provisions.

26.2 NOTICE INFORMATION. Notices will be sent:

If to LESSOR: INTERNATIONAL LEASE FINANCE CORPORATION
Until February 28, 2004:
1999 Avenue of the Stars, 39th Floor
Los Angeles, California 90067, U.S.A.
On and after March 1, 2004:
10250 Constellation Boulevard, 34th Floor
Los Angeles, California 90067, U.S.A.

Attention: Legal Department

Fax: 310-788-1990
Telephone: 310-788-1999

If to LESSEE: COMPANIA PANAMENA DE AVIACION, S.A. (COPA)
Avenida Justo Arosemena y Calle 39
Apartado 1572
Panama 1, Panama

Attention: Chief Executive Officer

Fax: 507-227-1952
Telephone: 570-207-6170

or to such other places and numbers as either party directs in writing to the other party.

ARTICLE 27

GOVERNING LAW AND JURISDICTION

27.1 CALIFORNIA LAW. This Lease is being delivered in the State of California and the Lease and all other Operative Documents will in all respects be governed by and construed in accordance with the Laws of the State of California (notwithstanding the conflict Laws of the State of California).

27.2 NON-EXCLUSIVE JURISDICTION IN CALIFORNIA. As permitted by Section 410.40 of the California Code of Civil Procedure, the parties hereby irrevocably submit to the non-exclusive jurisdiction of the Federal District Court for the Central District of California and the State of California Superior or Municipal Court in Los Angeles, California. Nothing herein will prevent either party from bringing suit in any other appropriate jurisdiction.

27.3 SERVICE OF PROCESS. The parties hereby consent to the service of process (a) in the manner directed by any of the courts referred to above, (b) in accordance with Section 415.40 of the California Code of Civil Procedure by mailing copies of the summons and complaint to the person to be served by first-class mail to the address set forth in Article 26.2, postage prepaid, return receipt requested, (c) in one of the manners specified in Article 26.1 or (d) in accordance with the Hague Convention, if applicable.

27.4 PREVAILING PARTY IN DISPUTE. If any legal action or other proceeding is brought in connection with or arises out of any provisions in this Lease, the prevailing party will be entitled to recover reasonable attorneys' fees and other costs incurred in such action or proceedings. The prevailing party will also, to the extent permissible by Law, be entitled to receive pre- and post-judgment Default Interest.

27.5 WAIVER. EACH OF LESSEE AND LESSOR HEREBY WAIVES THE RIGHT TO A TRIAL BY JURY. EACH OF LESSEE AND LESSOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH EITHER OF THEM MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS LEASE BROUGHT IN ANY OF THE COURTS REFERRED TO IN ARTICLE 27.2, AND HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

ARTICLE 28

MISCELLANEOUS

28.1 PRESS RELEASES. The parties will give copies to one another, in advance if possible, of all news, articles and other releases provided to the public media regarding this Lease or the Aircraft.

28.2 POWER OF ATTORNEY. LESSEE hereby irrevocably appoints LESSOR as its attorney for the purpose of putting into effect the intent of this Lease following an Event of Default, including without limitation, the return, repossession, deregistration and exportation of the Aircraft. To evidence this appointment, LESSEE has executed the Power of Attorney in the form of Exhibit G. LESSEE will take all steps required under the Laws of the State of Registration to provide such power of attorney to LESSOR.

28.3 LESSOR PERFORMANCE FOR LESSEE. The exercise by LESSOR of its remedy of performing a LESSEE obligation hereunder is not a waiver of and will not relieve LESSEE from the performance of such obligation at any subsequent time or from the performance of any of its other obligations hereunder.

28.4 LESSOR'S PAYMENT OBLIGATIONS. Any obligation of LESSOR under this Lease to pay or release any amount to LESSEE is conditioned upon (a) all amounts then due and payable by LESSEE to LESSOR under this Lease or under any other agreement between LESSOR and LESSEE having been paid in full and (b) no Default or Event of Default having occurred and continuing hereunder at the time such payment or release of payment is payable to LESSEE.

28.5 APPLICATION OF PAYMENTS. Any amounts paid or recovered in respect of LESSEE liabilities hereunder may be applied to Rent, Default Interest, fees or any other amount due hereunder in such proportions, order and manner as LESSOR determines.

28.6 USURY LAWS. The parties intend to contract in strict compliance with the usury Laws of the State of California and, to the extent applicable, the U.S. Notwithstanding anything to the contrary in the Operative Documents, LESSEE will not be obligated to pay Default Interest or other interest in excess of the maximum non-usurious interest rate, as in effect from time to time, which may by applicable Law be charged, contracted for, reserved, received or collected by LESSOR in connection with the Operative Documents. During any period of time in which the then-applicable highest lawful rate is lower than the Default Interest rate, Default Interest will accrue and be payable at such highest lawful rate; however, if at later times such highest lawful rate is greater than the Default Interest rate, then LESSEE will pay Default Interest at the highest lawful rate until the Default Interest which is paid by LESSEE equals the amount of interest that would have been payable in accordance with the interest rate set forth in Article 5.7.

28.7 DELEGATION OF AUTHORITY BY LESSOR. LESSOR may delegate to any Person(s) all or any of its authority to perform or exercise powers or discretion vested in it by this Lease according to the terms of the Lease in LESSOR's reasonable discretion.

28.8 CONFIDENTIALITY. The Operative Documents and all non-public information (including financial information obtained pursuant to Article 22) obtained by either party about the other are confidential and are between LESSOR and LESSEE only and will not be disclosed by a party to third parties (other than to such party's auditors or legal advisors; as required in connection with any filings of this Lease in accordance with Article 14; in connection with LESSOR's potential sale of the Aircraft or assignment of this Lease; as required for enforcement by either party of its rights and remedies with respect to this Lease or as required by applicable Law Including Tax law; or to a LESSOR's Lender which agrees in writing to be bound by the terms of this Article 28.8 or similar confidentiality provisions) without the prior written consent of the other party. If any disclosure will result in an Operative Document becoming publicly available, LESSEE and LESSOR will cooperate with one another to obtain confidential treatment as to the commercial, terms and other material provisions of such Operative Document.

28.9 PERMITS OF PARTIES. The rights of the parties hereunder are cumulative, not exclusive, may be exercised as often as each party considers appropriate and are in addition to its rights under general Law. The rights of one party against the other party are not capable of being waived or amended except by an express waiver or amendment in writing. Any failure to exercise or any delay in exercising any of such rights will not operate as a waiver or amendment of that or any other such right. Any defective or partial exercise of any such rights will not preclude any other or further exercise of that or any other such right and no act or course of conduct or negotiation on a party's part or on its behalf will in any way preclude such party from exercising any such right or constitute a suspension or any amendment of any such right.

28.10 FURTHER ASSURANCES. Each party agrees from time to time to do and perform such other and further acts and execute and deliver any and all such other instruments as may be required by Law, reasonably requested by the auditors of the other party or requested by the other party to establish, maintain or protect the rights and remedies of the requesting party or to carry out and effect the intent and purpose of this Lease.

28.11 TRANSLATIONS OF LEASE. If this Lease is translated into another language, whether or not signed by LESSEE and LESSOR in such other language, solely the terms and provisions of this English version of the Lease will prevail in any dispute.

28.12 USE OF WORD "INCLUDING". The term "INCLUDING" is used herein without limitation.

28.13 HEADINGS. All article and paragraph headings and captions are purely for convenience and will not affect the interpretation of this Lease. Any reference to a specific article, paragraph or section will be interpreted as a reference to such article, paragraph or section of this Lease.

28.14 INVALIDITY OF ANY PROVISION. If any of the provisions of this Lease become invalid, illegal or unenforceable in any respect under any Law, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired.

28.15 NEGOTIATION. The terms of this Lease are agreed by LESSOR from its principal place of business in Los Angeles, California.

28.16 TIME IS OF THE ESSENCE. Time is of the essence in the performance of all obligations of the parties under this Lease and, consequently, all time limitations set forth in the provisions of this Lease will be strictly observed.

28.17 AMENDMENTS IN WRITING. The provisions of this Lease may only be amended or modified by a writing executed by LESSOR and LESSEE.

28.18 COUNTERPARTS. This Lease may be executed in any number of identical counterparts, each of which will be deemed to be an original, and all of which together will be deemed to be one and the same instrument when each party has signed and delivered one such counterpart to the other party.

28.19 DELIVERY OF DOCUMENTS BY FAX. Delivery of an executed counterpart of this Lease or of any other documents in connection with this Lease by fax will be deemed as effective as delivery of an originally executed counterpart. Any party delivering an executed counterpart of this Lease or other document by fax will also deliver an originally executed counterpart, but the failure of any party to deliver an originally executed counterpart of this Lease or such other document will not affect the validity or effectiveness of this Lease or such other document.

28.20 ENTIRE AGREEMENT. The Operative Documents constitute the entire agreement between the parties in relation to the leasing of the Aircraft by LESSOR to LESSEE and supersede all previous proposals, agreements and other written and oral communications in relation hereto. The parties acknowledge that there have been no representations, warranties, promises, guarantees or agreements, express or implied, except as set forth herein.

28.21 ****Material Redacted****

IN WITNESS WHEREOF, LESSEE and LESSOR have caused this Lease to be executed by their respective officers as of November 30, 2003.

INTERNATIONAL LEASE FINANCE CORPORATION

COMPANIA PANAMENA DE AVIACION, S.A.
(COPA)

By: /s/ David R. De Mars

Its: Assistant Vice President

By: /s/ Pedro Heilbron

Its: CEO

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AIRCRAFT LEASE AGREEMENT

Dated as of March 4, 2004

BETWEEN

COMPANIA PANAMENA DE AVIACION, S.A. (COPA)

as LESSEE

and

INTERNATIONAL LEASE FINANCE CORPORATION

as LESSOR

=====

Aircraft Make and Model:	New B737-700 or 800
Aircraft Manufacturer's Serial Number:	32800
Aircraft Registration Mark:	Per Estoppel and Acceptance Certificate
Make and Model of Engines:	Per Estoppel and Acceptance Certificate
Serial Numbers of Engines:	Per Estoppel and Acceptance Certificate

NEW AIRCRAFT NO. 2

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AIRCRAFT LEASE AGREEMENT

THIS AIRCRAFT LEASE AGREEMENT is made and entered into as of March 4, 2004.

BETWEEN:

COMPANIA PANAMENA DE AVIACION, S.A. (COPA), a Panamanian corporation whose address and principal place of business is at Avenida Justo Arosemena y Calle 39, Apartado 1572, Panama 1, Panama ("LESSEE") and

INTERNATIONAL LEASE FINANCE CORPORATION, a California corporation whose address and principal place of business is at 1999 Avenue of the Stars, 39th Floor, Los Angeles, California 90067, United States of America ("LESSOR").

The subject matter of this Lease is one (1) new B737 - 700 or B737 - 800 aircraft (election to be made by LESSEE in accordance with the terms of this Lease). In consideration of and subject to the mutual covenants, terms and conditions contained in this Lease, LESSOR hereby agrees to lease to LESSEE and LESSEE hereby agrees to lease from LESSOR the aircraft and the parties further agree as follows:

ARTICLE 1
SUMMARY OF TRANSACTION

The following is a summary of the lease transaction between LESSEE and LESSOR. It is set forth for the convenience of the parties only and will not be deemed in any way to amend, detract from or simplify the other provisions of this Lease.

1.1 DESCRIPTION OF AIRCRAFT

One new B737-700 or B737-800 aircraft (LESSEE must elect model type on or before March 1, 2004)

1.2 SCHEDULED DELIVERY DATE AND LOCATION

In the month of February 2005 at Seattle, Washington

1.3 INITIAL LEASE TERM

The term of leasing of the Aircraft will commence on the delivery date and continue for twelve (12) months with six (6) successive, automatic twelve (12) month extensions and one (1) automatic three (3) month extension

1.4 **MATERIAL REDACTED**

Material Redacted

1.5 SECURITY DEPOSIT

Material Redacted, payable as follows (in U.S. Dollars) to be held, returned, applied and/or refunded in accordance with the terms of this Lease:

PAYMENT DATE	AMOUNT
2 business days following LOI Execution.....	**Material Redacted**
2 business days following Lease execution.....	**Material Redacted**
On or before March 15, 2004.....	**Material Redacted**
On or before August 2, 2004.....	**Material Redacted**

1.6 TRANSACTION FEE

Material Redacted, payable within 2 business days after execution of this Lease

1.7 RENT DURING INITIAL LEASE TERM

Payable monthly in advance and equal to the sum of:

(a)

Month 1.....	**Material Redacted**	**Material Redacted**
Month 2.....	**Material Redacted**	**Material Redacted**
Remainder of initial lease term	**Material Redacted**	**Material Redacted**

All amounts in the table above are per month expressed in January 2004 U.S. Dollars*

*The above base rent is expressed in January 2004 U.S. Dollars and will increase in accordance with Boeing's announced escalation rates for the period from and including the 1st day of January 2004 through and including the delivery date of the Aircraft;

plus

(b) **Material Redacted** per month of the incremental cost (net of Manufacturer charges) of (i) all BFE approved by LESSOR (whether buyer-furnished equipment or seller-purchased equipment) paid for by LESSOR in place of or in addition to LESSEE's specification BFE for the Aircraft as specified in LESSEE's

specification for the Aircraft and (ii) all other agreed-to changes to LESSEE's specification for the Aircraft paid for by LESSOR. **Material Redacted**

*The election of -700 or -800 will be made by giving written notice to LESSOR on or before March 1, 2004. In the event that LESSEE makes no election, the Aircraft will be a -700.

1.8 **MATERIAL REDACTED**

Material Redacted

1.9 RESERVES

Payable as follows:

TYPE OF RESERVES	AMOUNT OF RESERVES
Airframe Reserves:	Year 1: **Material Redacted** * per airframe flight hour Year 2: **Material Redacted** * per airframe flight hour Year 3: **Material Redacted** * per airframe flight hour Year 4: **Material Redacted** * per airframe flight hour Years 5 - 8: **Material Redacted** * per airframe flight hour
	*Each of the airframe reserves amounts will be increased by **Material Redacted** per airframe flight hour in the event that LESSEE elects the -800
Engine Performance	Each of the figures below is per engine flight hour for each engine*:
Restoration Reserves: *	Year 1: **Material Redacted** Year 2: **Material Redacted** Year 3: **Material Redacted** Year 4: **Material Redacted** Years 5 - 8: **Material Redacted**
Engine LLP Reserves:	**Material Redacted** per engine cycle for each engine

*Engine reserves will be paid each month at the applicable rate based on the thrust rating at which a particular Engine is operated.

1.10 ADDITIONAL RENT FOR EXCESS AIRFRAME AND ENGINE CYCLES

Material Redacted for each cycle the airframe and **Material Redacted** for each cycle an engine operated during a calendar year in excess of the

maximum number of cycles which would result from an average hour/cycle ratio of ****Material Redacted**** hours to ****Material Redacted**** cycle

1.11 COUNTRY OF AIRCRAFT REGISTRATION

Republic of Panama or at LESSEE's request, the United States (if permitted by law)

1.12 MAINTENANCE PROGRAM

LESSEE's Maintenance Program

1.13 AGREED VALUE OF AIRCRAFT

****Material Redacted****

****Material Redacted****

*The agreed value is expressed in January 2004 U.S. Dollars and will increase in accordance with Boeing's announced escalation rates for the period from and including the 1st day of January 2004 through and including the delivery date of the Aircraft. ****Material Redacted****

1.14 LESSOR'S BANK ACCOUNT

International Lease Finance Corporation
JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
ABA# 021000021

ARTICLE 2
DEFINITIONS

Except where the context otherwise requires, the following words have the following meanings for all purposes of this Lease. The definitions are equally applicable to the singular and plural forms of the words. Any agreement defined below includes each amendment, modification, supplement and waiver thereto in effect from time to time.

2.1 GENERAL DEFINITIONS.

"AIRCRAFT" means the Airframe, two (2) Engines, APU, Parts and as the context permits, Aircraft Documentation, collectively. As the context requires, "Aircraft" may also mean the Airframe, any Engine, the APU, any Part, the Aircraft Documentation or any part thereof individually. For example, in the context of return to LESSOR the term "Aircraft" means the Airframe, Engines, APU, Parts and Aircraft Documentation collectively, yet in the context of LESSEE not creating any Security Interests other than Permitted Liens on the Aircraft, the term "Aircraft" means any of the Airframe, any Engine, the APU, any Part or the Aircraft Documentation individually.

"AIRCRAFT DOCUMENTATION" means all (a) log books, Aircraft records, manuals and other documents provided to LESSEE in connection with the Aircraft, (b) documents listed in the Estoppel and Acceptance Certificate and Exhibit L and (c) any other documents required to be maintained during the Lease Term and until the Termination Date by the Aviation Authority, LESSEE's Maintenance Program and this Lease.

"AIRFRAME" means the airframe listed in the Estoppel and Acceptance Certificate executed at Delivery together with all Parts relating thereto (except Engines or engines and the APU).

"AIRWORTHINESS DIRECTIVES" or "ADS" means all airworthiness directives (or equivalent) applicable to the Aircraft issued either by the Aviation Authority or the aviation authority of the country of manufacture of the Aircraft.

"APU" means (a) the auxiliary power unit of the Aircraft listed in the Estoppel and Acceptance Certificate executed at Delivery, (b) any replacement auxiliary power unit acquired by LESSOR and leased to LESSEE pursuant to Article 19.6 following a Total Loss of the APU; and (c) all Parts installed in or on such APU at Delivery (or substituted, renewed or replacement Parts in accordance with this Lease) so long as title thereto is or remains vested in LESSOR in accordance with the terms of Article 12.4.

"AVIATION AUTHORITY" means the Autoridad de Aeronautica Civil of the Republic of Panama or any Government Entity which under the Laws of the Republic of Panama from time to time has control over civil aviation or the registration, airworthiness or operation of aircraft in the Republic of Panama. If the Aircraft is registered in a country other than the Republic of Panama, "Aviation Authority" means the agency which regulates civil aviation in such other country.

"AVIATION DOCUMENTS" means any or all of the following which at any time may be obtainable from the Aviation Authority: (a) if required, a temporary certificate of airworthiness from the Aviation Authority allowing the Aircraft to be flown after Delivery to the State of Registration, (b) an application for registration of the Aircraft with the appropriate authority in the State of Registration, (c) the certificate of registration for the Aircraft issued by the State of Registration, (d) a full certificate of airworthiness for the Aircraft specifying transport category (passenger), (e) an air transport license, (f) an air operator's certificate, (g) such recordation of LESSOR's title to the Aircraft and interest in this Lease as may be available in the State of Registration and (h) all such other authorizations, approvals, consents and certificates in the State of Registration as may be required to enable LESSEE lawfully to operate the Aircraft.

"BASIC ENGINE" means those units and components of the Engine which are used to induce and convert fuel/air mixture into thrust/power; to transmit power to the fan and accessory drives; to supplement the function of other defined systems external to the Engine; and to control and direct the flow of internal lubrication, plus all essential accessories as supplied by the Engine manufacturer. The nacelle, installed components related to the Aircraft systems, thrust reversers, QEC and the primary exhaust nozzle are excluded.

"BEE" means any equipment which is to be provided by the purchaser of the Aircraft (whether actually provided by LESSOR as buyer-furnished equipment or Manufacturer as seller-purchased equipment).

"BUSINESS DAY" means a day other than a Saturday or Sunday on which the banks in the Republic of Panama and the city where LESSOR's Bank is located are open for the transaction of business of the type required by this Lease.

"CREDITOR" means any lessor, owner, bank, lender, mortgagee or other Person which is the owner of or has any interest in an aircraft engine or aircraft operated by LESSEE.

"CREDITOR AGREEMENT" means the applicable agreement between a Creditor and LESSEE or between Creditors pursuant to which such Creditor owns, leases or has an interest in either a Boeing B737-NG aircraft operated by LESSEE on which an Engine may be installed or in an aircraft engine which may be installed on the Airframe.

"DEFAULT" means any event which, upon the giving of notice, the lapse of time and/or a relevant determination, would constitute an Event of Default.

"DELIVERY" means the delivery of the Aircraft from LESSOR to LESSEE pursuant to Articles 3 and 6.

"DELIVERY DATE" means the date on which Delivery takes place.

"DOLLARS," and "\$" means the lawful currency of the U.S.

"ENGINE" means (a) each of the engines listed on the Estoppel and Acceptance Certificate; (b) any replacement engine acquired by LESSOR and leased to LESSEE pursuant to Article 19.5 following a Total Loss of an Engine; and (c) all Parts installed in or on any of such engines at Delivery (or substituted, renewed or replacement Parts in accordance with this Lease)

so long as title thereto is or remains vested in LESSOR in accordance with the terms of Article 12.4.

"EUROCONTROL" means the European Organization for the Safety of Air Navigation established by the Convention related to the Co-operation for the Safety of Air Navigation (Eurocontrol) signed on December 13, 1960, as amended.

"EVENT OF DEFAULT" means any of the events referred to in Article 25.2.

"FAA" means the Federal Aviation Administration of the Department of Transportation or any successor thereto under the Laws of the U.S.

"FARS" means the U.S. Federal Aviation Regulations embodied in Title 14 of the U.S. Code of Federal Regulations, as amended from time to time, or any successor regulations thereto.

"GENEVA CONVENTION" means the Convention on the International Recognition of Rights in Aircraft signed in Geneva, Switzerland on June 19, 1948.

"GOVERNMENT ENTITY" means any (a) national, state or local government, (b) board, commission, department, division, instrumentality, court, agency or political subdivision thereof and (c) association, organization or institution of which any of the entities listed in (a) or (b) is a member or to whose jurisdiction any such entity is subject.

"LANDING GEAR" means the installed main and nose landing gear, components and their associated actuators, side braces and parts.

"LAW" means any (a) statute, decree, constitution; regulation, order or any directive of any Government Entity, (b) treaty, pact, compact or other agreement to which any Government Entity is a signatory or party, (c) judicial or administrative interpretation or application of any of the foregoing or (d) any binding judicial precedent having the force of law.

"LEASE" means this Aircraft Lease Agreement, together with all Exhibits hereto.

"LESSOR'S LIEN" means any Security Interest created by LESSOR.

"MAINTENANCE PROGRAM" means LESSEE's maintenance program as approved by the Aviation Authority or such other maintenance program as LESSOR may, in its discretion, accept in writing.

"MANUFACTURER" means The Boeing Company.

"MPD" means the Maintenance Planning Document published by Manufacturer and applicable to the Aircraft.

"OVERHAUL" means the full reconditioning of the Aircraft, an Engine, the APU, Landing Gear, module or Part, as the case may be, in which such equipment has been fully disassembled; cleaned; thoroughly inspected; and returned to such condition specified by the

applicable manufacturer's manual as shall permit the operation of such Engine, APU, Part, Landing Gear, etc. for the maximum period of time, hours or cycles, as applicable, as specified by the relevant manufacturer's Overhaul manual.

"PART" means any part, component, appliance, system module, engine module, accessory, material, instrument, communications equipment, furnishing, LESSEE-furnished or LESSOR-purchased equipment or other item of equipment (other than complete Engines or engines or the APU) for the time being installed in or attached to the Airframe, any Engine or the APU or which, having been removed from the Airframe, any Engine or the APU, remains the property of LESSOR.

"PDM" means the post Delivery modification during which the installation of a blended winglet system and LESSEE's in flight entertainment system will be installed. Scheduling, arranging and coordinating the arrival at the PDM location of the Aircraft, BFE, material and parts will be LESSEE's responsibility.

"PERMITTED LIEN" means (a) LESSOR's Liens; (b) Security Interests arising in the ordinary course of LESSEE's business for Taxes either not yet assessed or, if assessed, not yet due or being contested in good faith in accordance with Article 16.5; (c) materialmen's, mechanics', workmen's, repairmen's, employees' liens or similar Security Interests (including liens for airport and navigation facility fees) arising by operation of Law after the Delivery Date in the ordinary course of LESSEE's business for amounts which are either not yet due or are being contested in good faith by appropriate proceedings (and for which adequate reserves have been made or, when required in order to pursue such proceedings, an adequate bond has been provided) so long as such proceedings do not involve any danger of sale, forfeiture or loss of the Aircraft; or liens on LESSEE's interest arising out of judgments or awards against LESSOR.

"PERSON" means any individual, firm, partnership, joint venture, trust, corporation, company, Government Entity, committee, department, authority or any body, incorporated or unincorporated, whether having distinct legal personality or not.

"PRIME RATE" means the rate of interest from time to time announced by JPMorgan Chase Bank in New York as its prime commercial lending rate.

"PROHIBITED COUNTRY" means any country to which the export and/or use (as applicable) of a B737-700 / 800 aircraft with CFM56-7B engines attached thereto is not permitted under (a) any United Nations sanctions, (b) the Council Regulation (EC) No. 149/2003 which updates and amends Council Regulation (EC) 1334/2000, (c) the United States Export Administration Act 1979 (as amended) or any successor legislation and/or the Export Administration Regulations promulgated thereunder, (d) where applicable, the various regulations administered from time to time by the Office of Foreign Assets Control of the U.S. Treasury Department, (e) any similar or corresponding legislation then in effect in the U.S., the United Kingdom, France, Spain or Germany or (f) any subsequent United Nations Sanctions Orders the effect of which prohibits or restricts the export and/or use of B737-700 / 800 aircraft with CFM56-7B engines attached thereto to such country. For purposes of this Lease, Prohibited Country will be defined by applicable regulations listed above which are updated, amended and

superseded from time to time, the violation of which may reasonably be expected to result in civil, criminal or seizure liability for LESSEE, LESSOR or the Aircraft.

"QEC" means all interface parts which are installed between the Engine pylon and the Basic Engine.

"RETURN CHECK" means the accomplishment of all work cards specified in the Maintenance Program and the MPD which (a) are necessary to clear the Aircraft of all such tasks **Material Redacted**, or (b) are required to be performed at lesser intervals than **Material Redacted**. If pursuant to the then-current MPD, the performance interval for a task is shorter than every **Material Redacted**, then such task will also be performed. All non-routine tasks generated as a result of the performance of these work cards must also be performed. For avoidance of doubt, if the inspection interval pursuant to the then-current MPD for a particular work card only refers to one or two of the three measurement tests, then the most restrictive measurement test or tests referred to in the then-current MPD will be utilized in determining whether the task must be performed.

"SECURITY INTEREST" means any encumbrance or security interest, however and wherever created or arising including (without prejudice to the generality of the foregoing) any right of ownership, security, mortgage, pledge, charge, encumbrance, lease, lien, statutory or other right in rem, hypothecation, title retention, attachment, levy, claim or right of possession or detention.

"STATE OF REGISTRATION" means the Republic of Panama, the United States of America at LESSEE's request (if permitted by Law) or such other country or state of registration of the Aircraft as LESSOR may, in its sole, but reasonable discretion, approve in writing.

"U.S." means the United States of America.

2.2 SPECIFIC DEFINITIONS. The following terms are defined in the Articles referenced below:

TERMS	ARTICLE
Agreed Value	19.1
Airframe Reserves	5.4.1
Default Interest	5.7
Delivery Location	3.1
Engine LLP Reserves	5.4.1
Engine Performance Restoration Reserves	5.4.1
Expenses	17.1
Expiration Date	4.3
Material Redacted	4.2.1
Indemnitees	17.1
Initial Lease Term	4.1
Lease Term	4.3
LESSOR's Assignee	24.2.1

LESSOR's Bank	5.6
LESSOR's Lender	24.3
Manufacturer's Escalation Rate	5.3.1
Modification	12.10.1
Net Total Loss Proceeds	19.1
Operative Documents	20.1.3
Rent	5.3.1
Reserves	5.4.1
Scheduled Delivery Date	3.2
Security Deposit	5.1.1
Taxes	16.1
Termination Date	4.4
Total Loss	19.1
Total Loss Date	19.1
Total Loss Proceeds	19.1
Transaction Fee	5.2

ARTICLE 3
PLACE AND DATE OF DELIVERY

3.1 PLACE OF DELIVERY. Delivery of the Aircraft by LESSOR to LESSEE will occur at Manufacturer's facility in Seattle, Washington or such other place as may be agreed in writing between the parties (the "DELIVERY LOCATION").

3.2 SCHEDULED DELIVERY DATE. As of the date of this Lease, Delivery of the Aircraft from Manufacturer to LESSOR and LESSOR to LESSEE is scheduled to occur in the month of February 2005. LESSOR will notify LESSEE in writing (or other method so long as LESSEE acknowledges such notice) from time to time and in a timely manner of the exact date on which LESSOR expects Delivery to take place (the "SCHEDULED DELIVERY DATE").

3.3 DELIVERY SUBJECT TO MANUFACTURER DELIVERY. LESSOR and LESSEE expressly acknowledge that Delivery of the Aircraft to by LESSOR to LESSEE is subject to and conditioned upon delivery of the Aircraft by Manufacturer to LESSOR.

3.4 NO LESSOR LIABILITY. LESSOR will not be liable for any loss or expense, or any loss of profit, arising from any delay or failure in Delivery to LESSEE unless such delay or failure arises as a direct consequence of the willful misconduct of LESSOR, and in no event will LESSOR be liable for any delay or failure which is caused by any breach or delay on the part of Manufacturer or any BFE supplier.

3.5 TOTAL LOSS OF AIRCRAFT PRIOR TO DELIVERY. If a Total Loss of the Aircraft occurs prior to Delivery, neither party will have any further liability to the other except that LESSOR will return to LESSEE the Security Deposit in accordance with Article 5.1.3 and any prepaid Rent.

3.6 CANCELLATION FOR DELAY. Promptly after LESSOR becomes aware that in Manufacturer's opinion a delay will cause Delivery to be delayed beyond December 31, 2005, LESSOR will promptly notify LESSEE in writing (or other method so long as LESSEE acknowledges such notice). By written notice given within ten (10) Business Days after LESSEE's receipt of such LESSOR notice, LESSEE may by written notice to LESSOR terminate this Lease and this Lease will terminate on the date of receipt of such notice. In the event of such termination, neither party will have any further liability to the other party except that LESSOR will promptly return to LESSEE the Security Deposit in accordance with Article 5.1.3 and any prepaid Rent. If LESSEE does not give notice of termination within such ten (10) Business Days, LESSEE loses all right to terminate under this Article 3.6 unless otherwise agreed in writing by the parties. **Material Redacted**

ARTICLE 4
LEASE TERM AND **MATERIAL REDACTED**

4.1 INITIAL LEASE TERM. The term of leasing of the Aircraft will commence on the Delivery Date and continue for twelve (12) months with six (6) successive, automatic twelve (12) month extensions and one (1) automatic three (3) month extension (the "INITIAL LEASE TERM") unless this Lease shall be earlier terminated or extended pursuant to the provisions of Article 4.2.1. Notwithstanding the foregoing, LESSOR and LESSEE will cooperate to modify the return date to allow LESSEE to perform the return C-check as near as possible to the expiration of the prior C-check without unduly prejudicing the marketing of the Aircraft to a follow-on operator.

4.2 **MATERIAL REDACTED**

4.2.1 **Material Redacted**

4.2.2 **Material Redacted**

4.3 "LEASE TERM" AND "EXPIRATION DATE". "LEASE TERM" means the term of leasing commencing on the Delivery Date and terminating on the Expiration Date. "EXPIRATION DATE" means the date on which LESSEE is required to redeliver the Aircraft to LESSOR in the condition required by this Lease on the last day of the Initial Lease Term **Material Redacted**.

4.4 "TERMINATION DATE". If LESSEE returns the Aircraft to LESSOR on the Expiration Date in the condition required by Article 23, then "TERMINATION DATE" has the same meaning as "Expiration Date", If LESSEE does not do so, then "TERMINATION DATE" means the date on which the first of the following events occurs:

(a) there is a Total Loss of the Aircraft prior to Delivery pursuant to Article 3.5;

(b) cancellation of this Lease occurs pursuant to Article 3.6;

(c) there is a Total Loss of the Aircraft and payment is made to LESSOR in accordance with Article 19.3;

(d) an Event of Default occurs and LESSOR repossesses the Aircraft or otherwise terminates this Lease pursuant to Article 25.3 prior to the Expiration Date and recovers possession and control of the Aircraft;

(e) an Event of Default occurs hereunder by LESSEE returning the Aircraft in the condition required by this Lease after the Expiration Date; or

(f) an Event of Default occurs and LESSOR repossesses the Aircraft or otherwise terminates this Lease pursuant to Article 25.3 after the Expiration Date and recovers possession and control of the Aircraft.

ARTICLE 5
SECURITY DEPOSIT, TRANSACTION FEE, RENT,
RESERVES AND OTHER PAYMENTS

5.1 SECURITY DEPOSIT.

5.1.1 LESSEE will pay LESSOR a security deposit of ****Material Redacted**** for its lease of the Aircraft (the "SECURITY DEPOSIT"). The Security Deposit is payable as follows (in US\$):

PAYMENT DATE	AMOUNT (-700)	AMOUNT (-800)
Two (2) Business Days following LOI Execution **Material Redacted**	**Material Redacted**	**Material Redacted**
Two (2) Business Days following Lease execution **Material Redacted**	**Material Redacted**	**Material Redacted**
On or before March 15, 2004 **Material Redacted**	**Material Redacted**	**Material Redacted**
On or before August 2, 2004 **Material Redacted**	**Material Redacted**	**Material Redacted**
TOTAL.....	**Material Redacted**	**Material Redacted**

5.1.2 The Security Deposit may be commingled with LESSOR's general funds and any interest earned on such Security Deposit will be for LESSOR's account. If the Security Deposit is reduced below the required amount by application to meet LESSEE's unperformed obligations under this Lease, LESSEE will replenish the Security Deposit within ten (10) days after LESSOR's demand therefor. The Security Deposit will serve as security for the performance by LESSEE of its obligations under this Lease and any other agreements between LESSEE and LESSOR relating to aircraft, engines, aircraft equipment or the extension of credit and may be applied by LESSOR upon the occurrence of an Event of Default hereunder or of a default by LESSEE under any such other agreements.

5.1.3 Upon termination of this Lease in accordance with Article 4.4, LESSOR will promptly return to LESSEE the amount of the Security Deposit then held by LESSOR (so long as no default by LESSEE exists under any other agreement between LESSEE and LESSOR relating to aircraft, engines or aircraft equipment or the extension of credit by LESSOR to LESSEE), without interest, less an amount determined by LESSOR to be a reasonable estimate of the costs,

if any, which LESSOR will incur to remedy any Default or Event of Default which has occurred and is continuing under this Lease, including the correction of any discrepancies from the required condition of the Aircraft on return of the Aircraft.

5.2 TRANSACTION FEE. Within two (2) Business Days after execution of this Lease, LESSEE will pay LESSOR a nonrefundable transaction fee of **Material Redacted** (the "TRANSACTION FEE").

5.3 RENT.

5.3.1 LESSEE will pay LESSOR the following amounts monthly in advance as rent for the Aircraft (the "RENT"):

INITIAL LEASE TERM: Payable monthly in advance and equal to the sum of:

(a)

Months 1 and 2	**Material Redacted** (in the event that LESSEE elects -700)	**Material Redacted** (in the event that LESSEE elects -800)
Remainder of Initial Lease Term	**Material Redacted** (in the event that LESSEE elects -700)	**Material Redacted** (in the event that LESSEE elects - 800)

All amounts in the table above are per month expressed in January 2004 U.S. Dollars* (prorated for any partial month during the Lease Term or during the first and last calendar month of the Lease Term if such month is less than a full month)

*The above base rent is expressed in January 2004 U.S. Dollars and will increase in accordance with Boeing's announced escalation rates for the period from and including the 1st of January 2004 through and including the Delivery Date of the Aircraft (the "MANUFACTURER'S ESCALATION RATE");

plus

(b) **Material Redacted** per month of the incremental cost (net of Manufacturer charges) of (i) all BFE approved by LESSOR (whether buyer-furnished equipment or seller-purchased equipment) paid for by LESSOR in place of or in addition to LESSEE's Specification BFE for the Aircraft as specified in LESSEE's Specification for the Aircraft and (ii) all other agreed-to changes to LESSEE's Specification for the Aircraft paid for by LESSOR. **Material Redacted**.

Any increases to the above base rent during the Lease Term will be calculated immediately prior to Delivery. **Material Redacted**

****Material Redacted****:

****Material Redacted****.

5.3.2 The first payment of Rent during the Lease Term will be paid no later than three (3) Business Days prior to the Scheduled Delivery Date. Each subsequent payment of Rent will be due monthly thereafter no later than the same day of the month as the Delivery Date of the Aircraft except that, if such day is not a Business Day, the Rent will be due on the immediately preceding Business Day. If Delivery occurred on the 29th, 30th or 31st of the month and in any given month during the Lease Term there is no such corresponding date, Rent will be payable on the last Business Day of such month. In the event that after LESSEE has paid the Rent three days prior to the Scheduled Delivery Date and then prior to Delivery the Delivery is delayed by more than seven (7) days, LESSOR will refund the Rent to LESSEE and LESSEE will repay the Rent prior to the Delivery Date.

5.4 RESERVES.

5.4.1 LESSEE will pay to LESSOR supplemental Rent, based on LESSEE's use of the Aircraft during the Lease Term, in the form of the following reserves in the following amounts (individually, "AIRFRAME RESERVES", "ENGINE PERFORMANCE RESTORATION RESERVES" and "ENGINE LLP RESERVES" and collectively "RESERVES"):

TYPE OF RESERVES	AMOUNT OF RESERVES
Airframe Reserves:	Year 1: **Material Redacted** * per Airframe flight hour Year 2: **Material Redacted** * per Airframe flight hour Year 3: **Material Redacted** * per Airframe flight hour Year 4: **Material Redacted** * per Airframe flight hour Years 5 - 8: **Material Redacted** * per Airframe flight hour
	*Each of the Airframe Reserves amounts will be increased by **Material Redacted** per Airframe flight hour in the event that LESSEE elects the - 800.

Engine Performance
Restoration Reserves*:

Each of the figures below is per Engine flight hour for each Engine (payable when the Engine is utilized on the Aircraft or another aircraft)*:

Year 1: **Material Redacted**
Year 2: **Material Redacted**
Year 3: **Material Redacted**
Year 4: **Material Redacted**
Years 5 - 8: **Material Redacted**

Engine LLP Reserves:

Material Redacted per Engine cycle for each Engine (payable when the Engine is utilized on the Aircraft or another aircraft)

*Engine Reserves will be paid each month at the applicable rate based on the thrust rating at which a particular Engine is operated during such month.

5.4.2 The amount of the Engine Performance Restoration Reserves and Engine LLP Reserves set forth in Article 5.4.1 will be increased by LESSOR in the event of an increase in the thrust rating of an Engine in accordance with Article 12.9.

5.4.3 Such Reserves will be paid on or before the 10th day of the calendar month next following the month in which the Delivery Date occurs and on or before the 10th day of each succeeding calendar month for flying performed during the calendar month prior to payment. All Reserves for flying performed during the month in which the Termination Date occurs will be paid on the Termination Date, unless otherwise agreed by the parties.

5.4.4 No interest will accrue or be paid at any time to LESSEE on such Reserves and, subject to LESSOR's obligations under Article 13, LESSOR may commingle the Reserves with LESSOR'S general funds.

5.5 ADDITIONAL RENT FOR EXCESS CYCLES. If in any calendar year (or portion thereof) of the Lease Term the Airframe or any Engine operated more cycles than the maximum number of cycles which would result from an average hour/cycle ratio of **Material Redacted** hours to **Material Redacted** cycle, LESSEE will pay LESSOR as additional Rent **Material Redacted** for each Airframe cycle and **Material Redacted** **Material Redacted** for each Engine cycle the Airframe and any Engine actually operated during such calendar year (or portion thereof) in excess of the number of cycles which result from an average hour/cycle ratio of **Material Redacted** hours to **Material Redacted** cycle. A calculation will be made as of December 31 of each year and such additional Rent will be due and payable by LESSEE on the date on which the next Reserves payment is due (in accordance with Article 5.4.3) following such hour/cycle calculation period.

Example: If the Airframe operated **Material Redacted** hours in a calendar year, it would have **Material Redacted** cycles resulting from an average hour/cycle ratio of **Material Redacted** hours to **Material Redacted** cycle. If in fact the Airframe

operated **Material Redacted** cycles in such calendar year, the Airframe operated **Material Redacted** excess cycles in such calendar year and LESSEE will pay LESSOR **Material Redacted** (**Material Redacted** excess cycles x **Material Redacted** = **Material Redacted**).

Similarly, if an Engine which is rated at **Material Redacted** thrust operated **Material Redacted** cycles in such calendar year, such Engine operated **Material Redacted** excess cycles in such calendar year and LESSEE will pay LESSOR **Material Redacted** (**Material Redacted** excess cycles x **Material Redacted** = **Material Redacted**).

Alternatively, if an Engine which is rated at **Material Redacted** thrust operated **Material Redacted** cycles in such calendar year, such Engine operated **Material Redacted** excess cycles in such calendar year and LESSEE will pay LESSOR **Material Redacted** (**Material Redacted** excess cycles x **Material Redacted** = **Material Redacted**).

5.6 LESSOR'S BANK ACCOUNT. The Security Deposit, Transaction Fee, Rent, Reserves and any other payment due under this Lease will be paid by wire transfer of immediately available U.S. Dollar funds to LESSOR's bank account at:

International Lease Finance Corporation
JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
ABA# 021000021

or to such other bank account in the United States (or such other jurisdiction as may be agreed) as LESSOR may from time to time designate by at least three (3) days prior written notice ("LESSOR'S BANK"). When it is stated in this Lease that an installment of the Security Deposit, the monthly Rent, Reserves or any other payment is due or must be paid or made by LESSEE by a specific date, then such payment actually must be received by LESSOR's Bank on or before such specific date on or before close of business (local time), even if, in order for such payment to be received by LESSOR's Bank by such specific date, LESSEE must initiate the wire transfer prior to such specific date.

5.7 DEFAULT INTEREST. If LESSOR's Bank does not receive the Rent or any other amount on or before the specific date when due, LESSOR will suffer loss and damage the exact nature and amount of which are difficult or impossible to ascertain. LESSEE will pay LESSOR as supplemental Rent (by way of agreed compensation and not as a penalty) interest on any due and unpaid amounts payable by LESSEE under this Lease. Interest will be calculated at a per annum rate (based on a 360 day year) which is equal to **Material Redacted** plus the Prime Rate in effect on the date on which the amount was originally due for the period from the date the amount originally was due through the date the amount actually is received at LESSOR's Bank or, in the case of LESSOR's performance of LESSEE's obligations hereunder, from the date of payment by LESSOR through the date of LESSEE's repayment to LESSOR ("DEFAULT Interest"). Default Interest will accrue on a day-to-day basis and be compounded monthly.

5.8 NO DEDUCTIONS OR WITHHOLDINGS. Subject to Article 16 of this Lease, All payments by LESSEE under this Lease, including the Security Deposit, Transaction Fee, Rent, Reserves, Default Interest, fees, indemnities or any other item, will be made in full without any deduction or withholding whether in respect of set-off, counterclaim, duties, or Taxes (in accordance with Article 16) imposed in the State of Registration or any jurisdiction from which such payments are made unless LESSEE is prohibited by Law from doing so, in which event LESSEE will gross up the payment amount such that the net payment received by LESSOR after any deduction or withholding equals the amounts called for under this Lease. LESSEE will also do all of the following:

(a) Ensure that the deduction or withholding does not exceed the minimum amount legally required;

(b) Pay to the relevant Government Entities within the period for payment permitted by applicable Law the full amount of the deduction or withholding (including the full amount of any deduction or withholding from any additional amount paid pursuant hereto); and

(c) Furnish to LESSOR within thirty (30) days after each payment an official receipt of the relevant Government Entities involved for all amounts so deducted or withheld.

5.9 NET LEASE.

5.9.1 This Lease is a net lease and LESSEE's obligation to pay Rent and make other payments in accordance with this Lease will be absolute and unconditional under any and all circumstances and regardless of other events, including the following:

(a) any right of set-off, counterclaim, recoupment, defense or other right (including any right of reimbursement) which LESSEE may have against LESSOR, Manufacturer, the Engine manufacturer or any other person for any reason, including any claim LESSEE may have for the foregoing;

(b) unavailability or interruption in use of the Aircraft for any reason, including a requisition thereof or any prohibition or interference with or other restriction against LESSEE's use, operation or possession of the Aircraft (whether by Law or otherwise), any defect in title, airworthiness, merchantability, fitness for any purpose, condition, design, specification or operation of any kind or nature of the Aircraft, the ineligibility of the Aircraft for any particular use or trade or for registration under the Laws of any jurisdiction or Total Loss of the Aircraft in accordance with Article 19.3;

(c) insolvency, bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, liquidation, receivership, administration or similar proceedings by or against LESSOR, LESSEE, Manufacturer, the Engine manufacturer or any other Person;

(d) invalidity or unenforceability or lack of due authorization of or other defect in this Lease;

(e) failure or delay on the part of any party to perform its obligations under this Lease; or

(f) any other circumstance which but for this provision would or might have the effect of terminating or in any other way affecting any obligation of LESSEE hereunder.

5.9.2 Nothing in Article 5.9 will be construed to limit LESSEE's rights and remedies in the event of LESSOR's breach of its warranty of quiet enjoyment set forth in Article 21.2 or to limit LESSEE's rights and remedies to pursue in a court of law any claim it may have against LESSOR or any other Person.

5.10 CURRENCY INDEMNITY. If under any applicable Law, whether as a result of a judgment against LESSEE or the liquidation of LESSEE or for any other reason, any payment hereunder is required to be made or recovered in a currency other than Dollars then, to the extent that the payment (when converted into Dollars at the "rate of exchange" on the date of payment or, in the case of a liquidation, the latest date for the determination of liabilities permitted by the applicable Law) falls short of the amount payable under this Lease, LESSEE will as a separate and independent obligation, fully indemnify LESSOR against the amount of the shortfall. If the amount received by LESSOR upon converting the payment into Dollars exceeds the amount payable under this Lease, LESSOR will remit such excess to LESSEE. For the purposes of this paragraph "rate of exchange" means the rate at which LESSOR is able on the relevant date to purchase Dollars in New York or London (at LESSOR's option) with such other currency.

5.11 LESSOR PERFORMANCE OF LESSEE OBLIGATION. If LESSEE fails to make any payment under this Lease to a third party in connection with the Aircraft or fails to perform any other obligation required under this Lease, LESSOR may (but is not required to) at its election and without waiver of its rights perform such obligation and/or pay such amount. Within five (5) Business Days after written notice to LESSEE of the amount paid by LESSOR on behalf of LESSEE, LESSEE will repay such amount to LESSOR together with Default Interest. Such payment to LESSOR will constitute additional Rent payable by LESSEE to LESSOR hereunder. Any payment, performance or compliance by LESSOR of a LESSEE obligation hereunder will not affect the occurrence or continuance of a Default or Event of Default, as the case may be.

5.12 CONSIDERATION FOR RENT AND OTHER AMOUNTS. The amount of the Rent and other payments contained herein are in consideration of LESSEE's waiver of warranties and indemnities set forth in Articles 8 and 17, respectively, and the other provisions of this Lease.

ARTICLE 6
INVOLVEMENT WITH AIRCRAFT MANUFACTURER

6.1 LESSEE SELECTION OF AIRCRAFT. LESSEE ACKNOWLEDGES THAT THE DESCRIPTION OF THE AIRCRAFT SET FORTH IN THIS LEASE IS BASED UPON INFORMATION SUPPLIED BY MANUFACTURER. LESSEE COVENANTS TO LESSOR THAT LESSEE HAS USED ITS OWN JUDGMENT IN SELECTING THE AIRCRAFT AND HAS DONE SO BASED ON ITS SIZE, DESIGN AND TYPE. LESSEE ACKNOWLEDGES THAT LESSOR IS NOT A MANUFACTURER, REPAIRER OR SERVICING AGENT OF THE AIRCRAFT.

6.2 AGENCY AGREEMENT. Certain obligations remain to be performed by LESSOR in connection with the manufacture, fabrication and completion of the Aircraft by Manufacturer which will be performed by LESSEE (as provided in the Agency Agreement). LESSEE will act as LESSOR's agent with respect to some of these matters pursuant to the terms of an Agency Agreement to be entered into between LESSEE and LESSOR in the form set forth in Exhibit B.

6.3 PROCUREMENT OF BFE. Unless otherwise agreed, LESSOR will procure all BFE for the Aircraft in accordance with the Aircraft specification. In respect of any additional BFE not part of LESSEE's Specification as of the date hereof, LESSOR and LESSEE shall use reasonable efforts to purchase such BFE under the supplier contract which provides the most favorable pricing.

6.4 ASSIGNMENT OF TRAINING. LESSOR hereby assigns to LESSEE all rights to training to which LESSOR is entitled as a result of LESSOR's purchase of the Aircraft and lease of the Aircraft to LESSEE. If LESSEE fails to take Delivery of the Aircraft when tendered in accordance with Article 6.7, LESSEE will immediately pay to LESSOR an amount equal to the Dollar value of such training based on what the training would have cost LESSEE had LESSEE purchased such training directly from Manufacturer.

6.5 LESSEE INSPECTION OF AIRCRAFT. During the course of final assembly of the Aircraft, and at Delivery, LESSEE will have its own representative present to inspect the Aircraft and to ensure its conformity with LESSEE's needs and the terms of this Lease. LESSEE will have ground inspection and acceptance flight rights with respect to the Aircraft. LESSEE acknowledges that, as between LESSEE and LESSOR, in accepting the Aircraft LESSEE is relying on its own inspection and knowledge of the Aircraft in determining whether the Aircraft meets the requirements of this Lease.

6.6 AIRCRAFT AT DELIVERY. At Delivery, the Aircraft will be as set forth in Exhibit A, as such description may be modified by any change requests agreed to among LESSEE, LESSOR and Manufacturer (which will be reflected in amendment(s) to this Lease). In the event of any discrepancies, LESSEE and LESSOR will cooperate in good faith with one another and with Manufacturer and the Engine manufacturer, as applicable, in order to arrive at a mutually acceptable resolution of any such discrepancies. LESSOR will use commercially reasonable efforts to cause Manufacturer to correct any discrepancies prior to Delivery or will cause Manufacturer to provide a commitment letter which will provide that any discrepancies which exist at Delivery will be corrected at no cost to LESSEE.

6.7 DELIVERY OF THE AIRCRAFT TO LESSEE. Subject to LESSEE and LESSOR having performed all of the conditions precedent to Delivery set forth herein, immediately following delivery of the Aircraft from Manufacturer to LESSOR, LESSOR will deliver the Aircraft to LESSEE at the Delivery Location. Provided that the Aircraft is in the condition required by Article 6.6, upon the tender of the Aircraft by LESSOR to LESSEE, LESSEE will accept the Aircraft and the date of tender by LESSOR to LESSEE will be deemed to be the Delivery Date for all purposes under this Lease, including, but not limited to, the commencement of LESSEE's obligation to pay Rent hereunder.

6.8 LESSEE ACCEPTANCE OF AIRCRAFT. If LESSEE fails to (a) comply with its obligations set forth in Article 6.2 (other than as a direct result of a failure by LESSOR to comply with LESSOR's obligations hereunder or under the Agency Agreement), (b) comply with the conditions contained in Articles 7.1 and 7.2 so as to allow Delivery to take place immediately following delivery of the Aircraft by Manufacturer to LESSOR or (c) take delivery of the Aircraft when properly tendered for delivery by LESSOR in the condition required hereunder, LESSEE will indemnify LESSOR for all costs and expenses incurred by LESSOR as a direct result thereof including (without limitation) any payments other than the purchase price which LESSOR becomes obliged to make to Manufacturer.

ARTICLE 7
PRE-DELIVERY, DELIVERY AND POST-DELIVERY
DOCUMENTARY AND OTHER REQUIREMENTS

7.1 PRE-DELIVERY REQUIREMENTS. LESSEE will do each of the following prior to the Scheduled Delivery Date of the Aircraft within the time frames set forth below:

7.1.1 Within one (1) month after execution of this Lease, LESSEE will deliver to LESSOR each of the following:

(a) copies of resolutions of the Board of Directors of LESSEE or other written evidence of appropriate corporate action, duly certifying and authorizing the lease of the Aircraft hereunder and the execution, delivery and performance of this Lease, together with an incumbency certificate as to the person or persons authorized to execute and deliver documents on behalf of LESSEE hereunder;

(b) an opinion of counsel in the form and substance of Exhibit F.

7.1.2 At least ten (10) days prior to the Scheduled Delivery Date, LESSEE will have delivered to LESSOR a Certificate of Insurance and Brokers' Letter of Undertaking in the form and substance of Exhibits C and D, respectively, (or other form reasonably satisfactory to LESSOR) from LESSEE's insurance brokers evidencing insurance of the Aircraft in accordance with this Lease from the Delivery Date.

7.1.3 At least three (3) Business Days prior to the Scheduled Delivery Date, LESSEE will do each of the following:

(a) pay to LESSOR the first monthly installment of Rent in accordance with Article 5.3.2;

(b) provide LESSOR with a copy of such Aviation Documents as may be available prior to the Scheduled Delivery Date;

(c) provide LESSOR with a power of attorney empowering LESSEE's representative, who may be an officer or employee of LESSEE, to accept the Aircraft on behalf of LESSEE;

(d) provide LESSOR with a power of attorney in the form of Exhibit G; and

(e) provide LESSOR with such other documents as LESSOR may reasonably request.

7.2 DELIVERY REQUIREMENTS. On the Delivery Date of the Aircraft, each of the following will occur:

- 7.2.1 LESSEE will execute and deliver to LESSOR an Estoppel and Acceptance Certificate in the form of Exhibit E covering the Aircraft and effective as of the Delivery Date.
- 7.2.2 if not previously done, LESSEE and LESSOR will sign an amendment or supplement to Exhibit A evidencing all agreed-to changes to the specification of the Aircraft.
- 7.2.3 LESSEE will deliver a certificate signed by an officer of LESSEE stating all of the following:
- (a) the representations and warranties contained in Article 20 are true and accurate on and as of the Delivery Date as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date);
 - (b) no Default or Event of Default has occurred and is continuing or will result from LESSEE's lease of the Aircraft hereunder; and
 - (c) to the extent applicable, such officer has examined the Creditor Agreements between LESSEE and the other Creditors and such Creditor Agreements contain terms pursuant to which, subject to reciprocal rights, such Creditors have agreed that they will not obtain any right, title or interest in an Engine which is installed on another aircraft (or, if this is not the case, such officer will identify in the certificate the parties, the aircraft and the Creditor Agreements for which this statement is untrue).
- 7.2.4 LESSEE's counsel will deliver an opinion confirming the matters set forth in the opinion of counsel described in Article 7.1 and advising that all filing and other requirements described in the earlier opinion of counsel have been met to the extent the same may be met prior to Delivery of the Aircraft.
- 7.2.5 If any Creditor Agreement provides or contemplates that such Creditor will obtain any right, title or interest in an Engine which is installed on such Creditor's aircraft, LESSEE will deliver (if reasonably available) to LESSOR an engines cooperation agreement in form and substance acceptable to LESSOR which is executed by LESSEE and LESSEE's Creditors (as defined therein); provided, however, to the extent such agreement has not been so delivered, LESSEE hereby agrees that LESSEE will not install an Engine on such Aircraft until such agreement shall have been delivered.
- 7.2.6 LESSOR will deliver to LESSEE an assignment of Manufacturer and Engine manufacturer rights in the form and substance of Exhibits H and I, respectively, and concurrently therewith LESSOR, to the extent it has not previously done so, will be deemed to have assigned all product assurance and product support applicable to the owner or operator of the Aircraft to LESSEE during the Lease Term.

7.2.7 LESSEE will deliver to LESSOR a copy of such Aviation Documents as have not been previously delivered which are available.

7.3 POST-DELIVERY REQUIREMENTS.

7.3.1 As soon as reasonably practicable after Delivery but not later than thirty (30) days after arrival of the Aircraft in Panama, if not previously provided, LESSEE will do each of the following:

(a) procure registration of the Aircraft in the register of aircraft of the State of Registration showing LESSOR as the owner and provide evidence of the same to LESSOR;

(b) provide LESSOR with copies of all Aviation Documents not previously delivered; and

(c) if the Aircraft could not be registered at Delivery, provide LESSOR with a follow-up opinion of counsel advising that the Aircraft has been registered in the State of Registration and that all necessary filings have been made.

7.3.2 Within forty five (45) days after Delivery, LESSEE will provide LESSOR with a Technical Evaluation Report for the Aircraft in the form and substance of Exhibit M, as revised.

ARTICLE 8
DISCLAIMERS

LESSOR HAS COMMITTED TO LESSEE THAT ON THE DELIVERY DATE THE AIRCRAFT WILL BE IN THE CONDITION REQUIRED BY ARTICLE 6. SUCH COMMITMENT OR COVENANT ON THE PART OF LESSOR EXPIRES AND THE DISCLAIMERS SET FORTH IN THIS ARTICLE 8 APPLY UPON LESSEE'S ACCEPTANCE OF THE AIRCRAFT AND EXECUTION OF THE ESTOPPEL AND ACCEPTANCE CERTIFICATE. AFTER SUCH TIME, THEN AS BETWEEN LESSOR AND LESSEE:

8.1 "AS IS, WHERE IS". LESSEE AGREES THAT IT IS LEASING THE AIRCRAFT "AS IS, WHERE IS". LESSEE UNCONDITIONALLY ACKNOWLEDGES AND AGREES THAT NEITHER LESSOR NOR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES OR REPRESENTATIVES HAVE MADE OR WILL BE DEEMED TO HAVE MADE ANY TERM, CONDITION, REPRESENTATION, WARRANTY OR COVENANT EXPRESS OR IMPLIED (WHETHER STATUTORY OR OTHERWISE) AS TO (a) THE CAPACITY, AGE, AIRWORTHINESS, VALUE, QUALITY, DURABILITY, CONFORMITY TO THE PROVISIONS OF THIS LEASE, DESCRIPTION, CONDITION (WHETHER OF THE AIRCRAFT, ANY ENGINE, ANY PART THEREOF OR THE AIRCRAFT DOCUMENTATION), DESIGN, WORKMANSHIP, MATERIALS, MANUFACTURE, CONSTRUCTION, OPERATION, DESCRIPTION, STATE, MERCHANTABILITY, PERFORMANCE, FITNESS FOR ANY PARTICULAR USE OR PURPOSE (INCLUDING THE ABILITY TO OPERATE OR REGISTER THE AIRCRAFT OR USE THE AIRCRAFT DOCUMENTATION IN ANY OR ALL JURISDICTIONS) OR SUITABILITY OF THE AIRCRAFT OR ANY PART THEREOF, OR THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, KNOWN OR UNKNOWN, APPARENT OR CONCEALED, EXTERIOR OR INTERIOR, (b) THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK, COPYRIGHT OR OTHER INTELLECTUAL PROPERTY RIGHTS, (c) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE OR (d) ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT OR ANY PART THEREOF, ALL OF WHICH ARE HEREBY EXPRESSLY EXCLUDED AND EXTINGUISHED.

8.2 WAIVER OF WARRANTY OF DESCRIPTION. IN CONSIDERATION OF (a) LESSEE'S RIGHTS HEREUNDER TO INSPECT THE AIRCRAFT AND (b) LESSOR'S ASSIGNMENT TO LESSEE OF ANY EXISTING AND ASSIGNABLE WARRANTIES OF MANUFACTURER AND THE ENGINE MANUFACTURER, LESSEE HEREBY AGREES THAT ITS ACCEPTANCE OF THE AIRCRAFT AT DELIVERY AND ITS EXECUTION AND DELIVERY OF THE ESTOPPEL AND ACCEPTANCE CERTIFICATE CONSTITUTE LESSEE'S WAIVER OF THE WARRANTY OF DESCRIPTION, ANY CLAIMS LESSEE MAY HAVE AGAINST LESSOR BASED UPON THE FAILURE OF THE AIRCRAFT TO CONFORM WITH SUCH DESCRIPTION AND ANY AND ALL RIGHTS IT MAY HAVE TO THE REMEDIES SET FORTH IN SECTIONS 10508 THROUGH 10522 OF THE CALIFORNIA COMMERCIAL CODE. EVEN IF AT ANY TIME THE FAILURE OF THE AIRCRAFT TO CONFORM TO SUCH DESCRIPTION SUBSTANTIALLY IMPAIRS THE

VALUE AND UTILITY OF THE AIRCRAFT AND EITHER (i) LESSEE ACCEPTED THE AIRCRAFT BASED ON A REASONABLE ASSUMPTION THAT THE NONCONFORMITY WOULD BE CURED AND IT WAS NOT SEASONABLY CURED OR (ii) LESSEE ACCEPTED THE AIRCRAFT WITHOUT DISCOVERING THE NONCONFORMITY BUT LESSEE'S ACCEPTANCE OF THE AIRCRAFT WAS REASONABLY INDUCED EITHER BY LESSOR'S ASSURANCES OR BY THE DIFFICULTY OF DISCOVERING ANY DEFECT PRIOR TO ACCEPTANCE, LESSEE AGREES NOT TO LOOK TO LESSOR FOR DAMAGES OR RELIEF ARISING OUT OF THE FAILURE OF THE AIRCRAFT TO CONFORM TO SUCH DESCRIPTION.

8.3 LESSEE WAIVER. LESSEE hereby waives as between itself and LESSOR and agrees not to seek to establish or enforce any rights and remedies, express or implied (whether statutory or otherwise) against LESSOR or the Aircraft relating to any of the matters mentioned in Articles 8.1 or 8.2 and the leasing thereof by LESSOR to LESSEE.

8.4 CONCLUSIVE PROOF. DELIVERY BY LESSEE TO LESSOR OF THE ESTOPPEL AND ACCEPTANCE CERTIFICATE WILL BE CONCLUSIVE PROOF AS BETWEEN LESSOR AND LESSEE THAT LESSEE'S TECHNICAL EXPERTS HAVE EXAMINED AND INVESTIGATED THE AIRCRAFT AND ENGINES AND (a) EACH IS AIRWORTHY AND IN GOOD WORKING ORDER AND REPAIR AND (b) THE AIRCRAFT AND ENGINES AND THE AIRCRAFT DOCUMENTATION ARE WITHOUT DEFECT (WHETHER OR NOT DISCOVERABLE AT DELIVERY) AND IN EVERY WAY SATISFACTORY TO LESSEE.

8.5 NO LESSOR LIABILITY FOR LOSSES. LESSEE agrees that LESSOR will not be liable to LESSEE, any sublessee or any Person, whether in contract or tort and however arising, for any cost, loss or damage (consequential or otherwise) arising out of the condition of the Aircraft, whether or not due in whole or in part to an act or omission or the active or passive negligence of LESSOR but excluding acts resulting from the willful misconduct of LESSOR.

8.6 NO LIABILITY TO REPAIR OR REPLACE. LESSOR will not be liable for any expense in repairing or replacing any item of the Aircraft or be liable to supply another aircraft or any item in lieu of the Aircraft or any Part thereof if the same is lost, confiscated, damaged, destroyed or otherwise rendered unfit for use.

8.7 NO WAIVER. Nothing in this Article 8 or elsewhere in this Lease will be deemed to be a waiver by LESSEE of any rights it may have against Manufacturer, the Engine manufacturer or any other Person including, without limitation, rights LESSEE may have under Article 9 of this Lease.

ARTICLE 9
MANUFACTURERS' AND VENDORS' WARRANTIES

9.1 WARRANTIES. As set forth in Article 7.2.5, at Delivery LESSOR will assign to LESSEE for the duration of the Lease Term the benefit of all warranties and indemnities given to LESSOR by Manufacturer and the Engine manufacturer. Effective on the Delivery Date, all other vendor warranties with respect to the Aircraft are hereby assigned by LESSOR to LESSEE. Additionally, LESSOR will cooperate in a commercially reasonable manner with LESSEE in order to enforce any material warranty claims and take all other actions reasonably necessary to effectively assign to LESSEE and to secure the benefits for LESSEE of such warranties.

9.2 REASSIGNMENT. On the Termination Date, the benefit of any warranty assigned by LESSOR to LESSEE pursuant to Articles 7.2.5 and 9.1 will be reassigned automatically to LESSOR or its designee (with the exception of any claims and rights of payment to LESSEE arising prior to the Termination Date). LESSEE'S rights under such warranties (including LESSEE'S claims and rights to payment thereunder) will revert to LESSOR during any period in which an Event of Default is continuing. Similarly, any additional warranties received by LESSEE from Manufacturer, Engine manufacturer and any other vendor or repair facility for work performed on the Aircraft, Engine or any Part during the Lease Term will be automatically assigned by LESSEE to LESSOR or its designee on the Termination Date (with the exception of any claims and rights of payment to LESSEE arising prior to the Termination Date). LESSEE at its own cost and expense will do all such things and execute such documents as may be required for these purposes.

9.3 WARRANTY CLAIMS. LESSEE will diligently and promptly pursue any valid claims it may have against Manufacturer and others under such warranties with respect to the Aircraft.

ARTICLE 10
OPERATION OF AIRCRAFT

10.1 COSTS OF OPERATION. LESSEE will pay all costs incurred in the operation of the Aircraft during the Lease Term and until the Termination Date, for profit or otherwise, including the costs of flight crews, cabin personnel, fuel, oil, lubricants, maintenance, insurance, storage, landing and navigation fees, airport charges, passenger service and any and all other expenses of any kind or nature, directly or indirectly, in connection with or related to the use, movement and operation of the Aircraft. The obligations, covenants and liabilities of LESSEE under this paragraph arising prior to return of the Aircraft to LESSOR will continue in full force and effect, notwithstanding the termination of this Lease or expiration of the Lease Term.

10.2 COMPLIANCE WITH LAWS. Except as otherwise provided in this Lease, LESSEE agrees throughout the Lease Term and until the Termination Date to maintain operational control of the Aircraft and use the Aircraft in accordance with applicable Laws of the State of Registration and of any country, state, territory or municipality into or over which LESSEE may operate. LESSEE will not employ, suffer or cause the Aircraft to be used in any business which is forbidden by Law or in any manner which may reasonably be expected to render it liable to condemnation, destruction, seizure, or confiscation by any authority. LESSEE will not permit the Aircraft to fly to any airport or country if so doing would cause LESSEE or LESSOR to be in violation of any Law applicable to either of them or the Aircraft except as may be necessary to preserve the Aircraft or the safety, well being or life of passengers or crew, provided, however, that in such event LESSEE will take reasonable actions to remove the Aircraft from such airport or country as soon as reasonably practical.

10.3 TRAINING. LESSEE will not use the Aircraft for testing or for training of flight crew members other than LESSEE crew members and will not use the Aircraft for training any more than it utilizes for training the other aircraft in its fleet.

10.4 NO VIOLATION OF INSURANCE POLICIES. LESSEE will not use or permit the Aircraft to be used in any manner or for any purpose which is not covered by the insurance policies LESSEE is required to carry and maintain as set forth in this Lease. LESSEE will not carry any goods of any description excepted or exempted from such policies or do any other act or permit to be done anything which may reasonably be expected to invalidate or limit any such insurance policy.

10.5 FLIGHT AND AIRPORT CHARGES.

10.5.1 LESSEE will pay promptly when due all airport or enroute navigation charges (including Eurocontrol charges if and when applicable), navigation service charges, landing fees and all charges payable by LESSEE for the use of or for services provided at any airport, whether in respect of the Aircraft or any other aircraft of LESSEE which, if unpaid, may reasonably be expected to subject the Aircraft to any lien, and will indemnify and hold LESSOR harmless in respect of the same. This indemnity will continue in full force and effect notwithstanding the termination or expiration of the Lease Term for any reason or the return of the Aircraft.

10.5.2 If requested by LESSOR (but not more often than each six (6) months unless a Default or Event of Default shall have occurred and be continuing), LESSEE will provide LESSOR with a list of the airports to which LESSEE regularly operates the Aircraft or its other aircraft (in the event that the operation of such other aircraft may reasonably be expected to give rise to a lien on the Aircraft for navigation, landing, parking, storage or other similar charges). LESSEE hereby authorizes Eurocontrol (if and when applicable) or another aviation authority or airport or creditor claiming rights on the Aircraft to confirm the status of LESSEE'S payments to such creditor for the Aircraft and its other aircraft, as and when requested by LESSOR.

ARTICLE 11
SUBLEASES

11.1 NO SUBLEASE WITHOUT LESSOR CONSENT. LESSEE WILL NOT SUBLEASE OR PART WITH POSSESSION OF THE AIRCRAFT (EXCEPT FOR MODIFICATION, MAINTENANCE, TESTING, SERVICE AND/OR REPAIR) AT ANY TIME WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR (NOT TO BE UNREASONABLY WITHHELD OR DELAYED) AND IN ACCORDANCE WITH SUCH REQUIREMENTS AS MAY FROM TIME TO TIME BE AGREED IN WRITING BETWEEN LESSOR AND LESSEE.

11.2 LESSOR COSTS. LESSEE will indemnify LESSOR on demand for all out-of-pocket expenses (including reasonable legal fees) incurred in connection with LESSOR's assessment of the subleasing proposal (whether or not LESSOR's consent to such sublease is ultimately given) and implementation of the sublease.

11.3 ANY APPROVED SUBLEASE. Any sublease approved by LESSOR will be for a term no greater than the remaining Lease Term. The applicable sublease agreement will contain provisions consistent with this Lease protecting LESSOR's title to the Aircraft, providing appropriate LESSOR disclaimers and indemnities, regarding the maintenance and repair standards for the Aircraft and concerning the insurances which will be carried by the sublessee and the circumstances which constitute a Total Loss of the Aircraft. Any such sublease will be subject and subordinate to this Lease. LESSOR will have an opportunity to review the proposed sublease agreement reasonably in advance in order to determine that it meets the requirements of this Article 11.3. In its sole and reasonable discretion, LESSOR may require an opinion of counsel in connection with such sublease, including LESSOR's right to repossess the Aircraft in the event of an Event of Default hereunder or under the sublease. LESSEE will not amend the terms of any approved sublease agreement without the prior written consent of LESSOR, which consent will not be unreasonably withheld.

11.4 ASSIGNMENT OF SUBLEASE. Any approved sublease will be assigned to LESSOR as security. LESSEE will deliver the original counterpart of the sublease to LESSOR and make any filings necessary to protect LESSOR's security interest.

11.5 WET LEASES. The wet leasing of the Aircraft during the Lease Term (in which LESSEE and its crews retain operational control of the Aircraft) will not be considered a sublease of the Aircraft and will be permitted without LESSOR's consent, provided that (a) the Aircraft remains registered in the State of Registration, (b) the Aircraft will be operated in accordance with applicable rules related to any Prohibited Country, (c) LESSEE provides LESSOR with either a certified copy of the applicable provisions from the wet lease agreement or an officer's certificate indicating whether LESSEE or the wet lessee will be responsible for maintaining the primary passenger, baggage and cargo liability insurance relating to operation under the wet lease and (d) LESSEE complies with Article 18.9.

11.6 CONTINUED RESPONSIBILITY OF LESSEE. LESSEE will continue to be responsible for performance of its obligations under this Lease during any period of sublease or wet lease.

ARTICLE 12
MAINTENANCE OF AIRCRAFT

12.1 GENERAL OBLIGATION. During the Lease Term and until the Termination Date, LESSEE alone has the obligation, at its expense, to maintain and repair the Aircraft, Engines, APU and all of the Parts (a) in accordance with the Maintenance Program, (b) in accordance with the rules and regulations of the Aviation Authority, (c) in accordance with Manufacturer's type design, (d) in accordance with any other regulations or requirements necessary in order to maintain a valid Certificate of Airworthiness for the Aircraft and meet the requirements at all times during the Lease Term and upon return of the Aircraft to LESSOR for issuance of a Standard Certificate of Airworthiness for transport category aircraft issued by the FAA in accordance with FAR Part 21 (except during those periods when the Aircraft is undergoing maintenance, Modification or repairs as required or permitted by this Lease and to the extent in conflict with the requirements of the Aviation Authority) and (e) in the same manner and with the same care as used by LESSEE with respect to aircraft and engines of like make and model operated by LESSEE and without in any way discriminating against the Aircraft as compared to such other aircraft.

12.2 SPECIFIC ENGINE REQUIREMENTS.

- 12.2.1 No Engine will remain in an unserviceable condition for more than three (3) months unless engine restoration is ongoing and has not been suspended or delayed without reasonable technical cause and LESSEE uses commercially reasonable efforts to cause such Engine to be returned to service.
- 12.2.2 When replacing Parts in the Engines, LESSEE will utilize only original equipment manufacturer parts (OEM parts). The foregoing will not apply to QEC and thrust reverser Parts.
- 12.2.3 LESSEE will not discriminate against the Engines with respect to Overhaul build standards and life-limited Part replacements and, in any event, at each performance restoration shop visit on an Engine, LESSEE will (a) build the Engine life-limited Parts to at least ****Material Redacted**** cycles remaining and (b) perform, at a minimum, a performance restoration workscope sufficient to allow such Engine to achieve at least ****Material Redacted**** hours and ****Material Redacted**** cycles of operation following such shop visit. Notwithstanding the foregoing, LESSOR agrees that the performance restoration workscope contained in the maintenance cost per flight hour when agreed to among LESSEE, LESSOR and LESSEE's engine maintenance provider will be substituted for the performance restoration workscope described above. Failing the foregoing, LESSOR and LESSEE agree to negotiate in good faith and agree on a performance restoration workscope for the last engine shop visit which is reasonable in view of the age and condition of the Engine, the required condition at return and the cost of such restoration to LESSEE and LESSOR.

12.2.4 With respect to the last Engine shop visit of an Engine prior to return of the Aircraft, LESSEE will submit to LESSOR in advance the intended workscope of such shop visit. If LESSOR requests, LESSEE will perform additional work at such shop visit at LESSOR's cost provided that if the same shall result in delay in redelivery, extension of the Lease Term or cause the Engine to be removed from service for a period in excess of the period the Engine would have been removed to revenue service absent such additional work, no Rent or other costs will be payable by LESSEE for the period which is attributable solely to LESSOR's requested work (unless and to the extent LESSOR and LESSEE shall have otherwise agreed in writing).

12.2.5 Except as otherwise agreed by the parties (including, pursuant to any side letter) LESSEE will not enter into any Engine maintenance cost per flight hour, power-by-the-hour or similar agreement with the Engine manufacturer or any other Engine maintenance facility or organization without LESSOR's prior written consent which consent shall not be unreasonably withheld or delayed. LESSEE will at its cost be responsible for performing all work necessary to meet the return conditions with respect to the Engines set forth in Article 23 even if such work is not covered by LESSEE's Engine maintenance agreement. Without limiting the foregoing, any such Engine maintenance agreement will provide that:

(a) LESSOR will receive and retain the monthly Engine Performance Restoration Reserves paid by LESSEE until an Engine shop visit has been completed;

(b) LESSEE will pay the Engine maintenance facility directly for any Engine Overhaul and repair costs in excess of the Engine Performance Restoration Reserves, including any differential between the hourly Engine Performance Restoration Reserves payable by LESSEE to LESSOR and the hourly rates charged by the Engine maintenance facility; and

(c) LESSEE will pay the Engine maintenance facility directly for any services provided by the Engine maintenance facility over and above repair of the Engines, such as trend monitoring, spare engines or spare parts.

12.3 SPECIFIC OBLIGATIONS. Without limiting Article 12.1, LESSEE agrees that such maintenance and repairs will include but will not be limited to each of the following specific items:

(a) performance in accordance with the Maintenance Program of all routine and non-routine maintenance work;

(b) incorporation in the Aircraft of all Airworthiness Directives, all mandatory service bulletins of Manufacturer, the Engine manufacturer and other vendors or manufacturers of Parts incorporated on the Aircraft and any service bulletins which must be performed in order to maintain the warranties on the Aircraft, Engines, APU and Parts;

(c) incorporation in the Aircraft of all other service bulletins of Manufacturer, the Engine manufacturer and other vendors which LESSEE schedules to adopt within the Lease Term for the rest of its B737-700 / 800 aircraft fleet. It is the intent of the parties that the Aircraft will not be discriminated from the rest of LESSEE's fleet in service bulletin compliance (including method of compliance) or other maintenance matters unless LESSEE's exclusion of the such modification is reasonable giving consideration to the remaining Lease Term and industry practice;

(d) incorporation in the Maintenance Program for the Aircraft of a corrosion prevention and control program as recommended by Manufacturer and the correction of any discrepancies in accordance with the recommendations of Manufacturer and the Structural Repair Manual. In addition, all inspected areas will be properly treated with corrosion inhibitor as recommended by Manufacturer;

(e) maintaining in English and keeping in an up-to-date status the records and historical documents set forth in Attachment 1 of Exhibit J;

(f) maintaining historical records, in English, for on condition, condition-monitored, hard time and life-limited Parts (including an FAA Form 8130 or JAA Form 1) from the manufacturer of such Part or a repair facility which evidence that such Part is new or overhauled and establish authenticity, total time in service and time since overhaul for such Part), the hours and cycles the Aircraft and Engines operate and all maintenance and repairs performed on the Aircraft; and

(g) properly documenting all repairs, Modifications and alterations and the addition, removal or replacement of equipment, systems or components in accordance with the rules and regulations of the Aviation Authority and reflecting such items in the Aircraft Documentation, including Manufacturer's manuals, as required by such rules and regulations. In addition, all repairs to the Aircraft will be accomplished in accordance with Manufacturer's Structural Repair Manual (or FAA-approved data supported by an FAA Form 8110-3 or equivalent). All Modifications and alterations will also be accomplished in accordance with FAA-approved data supported by FAA Form 8110-3 or equivalent.

12.4 REPLACEMENT OF PARTS.

12.4.1 LESSEE, at its own cost and expense, will promptly replace all Parts which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or rendered unfit or beyond economical repair (BER) for use for any reason. In the ordinary course of maintenance, service, repair, overhaul or testing, LESSEE may remove any Part provided that LESSEE replaces such Part as promptly as reasonably practicable. All replacement Parts will (a) be owned by LESSEE free and clear of all Security Interests (except Permitted Liens) of any kind or description (or, if not owned by LESSEE, LESSEE guarantees to LESSOR such title and clearance of all Security Interests), (b) be in airworthy condition, and of at least equivalent model, service bulletin and modification status and 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 and (c) have a current "serviceable tag" (an FAA Form 8130 or JAA Form 1) of the manufacturer or maintenance facility providing such items to LESSEE, indicating that such Parts are new, serviceable or Overhauled. So long as a substitution meets the requirements of the Maintenance Program and Aviation Authority, LESSEE may substitute for any Part a part that does not meet the requirements of the foregoing sentence if a complying Part cannot be procured or installed within the available ground time of the Aircraft and as soon as practicable the noncomplying part is removed and replaced by a complying Part. With respect to replacement modules in an Engine, the replacement module will not have been previously operated at a higher thrust rating than the replaced module. As set forth in Article 12.2.2, LESSEE may not replace any Part in the Engines, excluding QEC and thrust reversers, with a part other than an original equipment manufacturer part (an OEM part). With respect to replacement modules in an Engine, the replacement module will not have been previously operated at a higher thrust rating than the replaced module.

12.4.2 All Parts removed from the Airframe, any Engine or the APU will remain the property of LESSOR and subject to this Lease no matter where located, until such time as such Parts have been replaced by Parts (which have been incorporated or installed in or attached to the Airframe, such Engine or the APU) which meet the requirements for replacement Parts specified above and title to such replacement Parts has passed to LESSOR under the Laws of the State of Registration and the lex situs. To the extent permitted by the Laws of the State of Registration and the lex situs it is the intent of LESSOR and LESSEE that without further act and immediately upon any replacement Part becoming incorporated, installed or attached to the Airframe, an Engine or the APU as above provided, (a) title to the removed Part will thereupon vest in LESSEE, free and clear of all rights of LESSOR and LESSOR Liens and LESSOR will, upon LESSEE's reasonable request, provide LESSEE with a bill of sale thereto, (b) title to the replacement Part will thereupon vest in LESSOR free and clear of all rights of LESSEE free and clear of all rights of LESSEE and liens (other than LESSOR Liens) and LESSEE will, upon LESSOR's reasonable request, provide LESSOR with a bill of sale thereto and (c) such replacement Part will become subject to this Lease and be deemed to be a Part hereunder to the same extent as the Parts originally incorporated or installed in or attached to the Airframe, such Engine or the APU.

12.5 REMOVAL OF ENGINES.

12.5.1 If an Engine is removed for testing, service, repair, maintenance, Overhaul work, alterations or modifications, title to such Engine will at all times remain vested in LESSOR.

12.5.2 LESSEE will be entitled to remove any of the Engines from the Aircraft and install another engine or engines on the Aircraft, provided that LESSEE complies with each of the following obligations:

(a) the insurance requirements set forth in Article 18 and Exhibit C are in place;

(b) LESSEE ensures that the identification plates referred to in Article 15 are not removed from any Engine upon such Engine being detached from the Aircraft; and

(c) title to the Engine remains with LESSOR free from all Security Interests (except Permitted Liens) regardless of the location of the Engine or its attachment to or detachment from the Aircraft.

12.6 REMOVAL OF APU.

12.6.1 If the APU is removed for testing, service, repair, maintenance, Overhaul work, alterations or modifications, title to the APU will at all times remain vested in LESSOR.

12.6.2 LESSEE will be entitled to remove the APU from the Aircraft and install another auxiliary power unit on the Aircraft, provided that LESSEE complies with each of the following obligations:

(a) the insurance requirements set forth in Article 18 and Exhibit C are in place;

(b) LESSEE ensures that the identification plates referred to in Article 15 are not removed from the APU; and

(c) title to the APU remains with LESSOR free from all Security Interests (except Permitted Liens) regardless of the location of the APU or its attachment to or detachment from the Aircraft.

12.7 POOLING OF ENGINES, APU AND PARTS. With LESSOR's prior written consent, not to be unreasonably withheld or delayed, LESSEE may subject the Engines, APU and Parts to normal interchange or pooling agreements with responsible international scheduled commercial air carriers customary in the airline industry and entered into by LESSEE in the ordinary course of its business with respect to its entire B737-700 / 800 fleet so long as (a) in the case of pooling of an Engine or APU, such Engine or APU is returned to LESSEE within one hundred eighty (180) days, (b) no transfer of title to the Engine or APU occurs, (c) all other terms of this Lease continue to be observed with respect to the Engines, APU or Parts, including but not limited to Articles 8, 10, 12, 14, 15, 16, 17, 18 and 19 and (d) LESSEE continues to be fully responsible to LESSOR for the performance of all of its obligations hereunder.

12.8 INSTALLATION OF ENGINES ON OTHER AIRCRAFT. Any Engine removed from the Aircraft may be installed on another aircraft in LESSEE's fleet which utilizes engines of the same type as the Engine only if one of the situations described in this Article 12.8 exists:

- 12.8.1 LESSEE or LESSOR has title to such other aircraft free and clear of all Security Interests (except Permitted Liens).
- 12.8.2 LESSEE, LESSOR and all of the Creditors of LESSEE of such aircraft enter into an engines cooperation agreement in form and substance acceptable to LESSOR in which each party agrees to recognize one another's rights in the engines. LESSEE will reimburse LESSOR and LESSOR's Lender for their reasonable attorneys' fees and costs in negotiating and finalizing engine cooperation agreement arrangements with LESSEE and its Creditors.
- 12.8.3 Such other aircraft is subject to a Creditor Agreement (but no other Security Interests except Permitted Liens) which by its terms expressly or effectively states that such Creditor and its successors and assigns will not acquire any right, title or interest in any Engine by reason of such Engine being installed on such aircraft provided the owner of such Engine provides reciprocal title recognition provisions. To evidence the foregoing, at or before Delivery, LESSEE will provide LESSOR with an officer's certificate as to this matter (and, officer's certificate will be provided during the Lease Term with respect to other Creditor Agreements regarding aircraft entering LESSEE's operating fleet subsequent to Delivery). LESSEE hereby agrees that if LESSOR's title to an Engine is in fact impaired under any such Creditor Agreement, such impairment will be a Total Loss of such Engine and the provisions of Article 19.5 will apply. To the extent another Creditor Agreement contains such provisions, then LESSOR hereby agrees for the benefit of the Creditor of such Creditor Agreement that neither LESSOR nor its successors or assigns will acquire or claim any right, title or interest in any engine in which LESSEE or another Creditor has an interest as a result of such engine being installed on the Airframe.

12.9 ENGINE THRUST RATING. If an Engine is utilized by LESSEE on the Aircraft or on any other airframe (or if the Engine is utilized by any sublessee or user under a pooling arrangement in accordance with this Lease) at a thrust rating greater than the thrust rating set forth in Exhibit A, LESSEE will promptly notify LESSOR and the amounts of Engine Performance Restoration Reserves and, if applicable, Engine LLP Reserves, set forth in Article 5.4.1 will be increased in an amount consistent with Engine manufacturer's published data. Notwithstanding anything to the contrary herein, Engine Performance Restoration Reserves shall be calculated with respect to any relevant period based on the thrust rating at which the Engine is actually operated, from time to time, during such period.

12.10 MODIFICATIONS.

- 12.10.1 No modification, alteration, addition or removal to the Aircraft ("MODIFICATION") expected to cost over ****Material Redacted**** ****Material Redacted**** or deviation from the Aircraft's original type design or configuration will be made without the prior written consent of LESSOR, which consent will not be unreasonably withheld or delayed. The term Modification does not include Airworthiness Directives or Manufacturer's recommended

service bulletins, for which LESSOR's consent is not required.
Material Redacted.

- 12.10.2 LESSOR may review LESSEE's proposed designs, plans, engineering drawings and diagrams, and flight and maintenance manual revisions for any proposed Modification. If requested by LESSOR, LESSEE will furnish LESSOR (at LESSEE's expense) with such documents in final form and any other documents required by Law, as a result of such Modification. All Modifications incorporated on the Aircraft will be properly documented in the Aircraft Documentation and be fully approved by the Aviation Authority.
- 12.10.3 Notwithstanding any other provision of this Lease, no Modification will be made which has the effect of decreasing the utility or value of the Aircraft or invalidating any warranty applicable to the Aircraft.
- 12.10.4 No Modification will be made by LESSEE if an Event of Default exists and is continuing hereunder.
- 12.10.5 Unless otherwise agreed by LESSOR in writing, all permanent or structural Modifications will promptly become a part of the Aircraft and LESSEE relinquishes to LESSOR all rights and title thereto. However, all temporary and non-structural Modifications will remain the property of LESSEE and, at LESSOR's request and LESSEE's cost, will be removed from the Aircraft prior to return of the Aircraft, with LESSEE restoring the Aircraft to the condition it was in prior to the Modification in a manner cosmetically acceptable to LESSOR (considering international passenger airline standards). Notwithstanding the foregoing, no such removal will be permitted without LESSOR's permission after the occurrence of an Event of Default hereunder and immediately upon the occurrence of an Event of Default hereunder, without the requirement of any further act or notice, all right, title and interest in such Modifications will immediately vest in LESSOR.
- 12.10.6 LESSOR will bear no liability for the cost of Modifications of the Aircraft whether in the event of grounding or suspensions of certification, or for any other cause.

12.11 PERFORMANCE OF WORK BY THIRD PARTIES. Whenever maintenance and repair work on the Aircraft or Engines will be regularly performed by a Person other than LESSEE, such Person will be an FAA-authorized repair station.

12.12 REPORTING REQUIREMENTS.

- 12.12.1 Commencing with a report furnished ten (10) days after the end of the calendar month in which Delivery occurs, LESSEE will furnish to LESSOR a Monthly Report in English in the form attached hereto as Exhibit K. Each Monthly Report will be furnished within ten (10) days after the end of each calendar month, except that the Monthly Report pertaining to the last month (or any

portion thereof) of this Lease will be furnished to LESSOR on the Termination Date.

12.12.2 Once each eighteen months during the Lease Term, LESSEE will provide LESSOR with an updated Technical Evaluation Report for the Aircraft in the form and substance of Exhibit M, as revised.

12.12.3 From time to time, LESSEE will provide LESSOR with such other technical information or documents as LESSOR may reasonably request.

12.13 INFORMATION REGARDING MAINTENANCE PROGRAM. Upon reasonable notice to LESSEE, LESSEE will provide LESSOR with access to the Maintenance Program for the Aircraft, as reasonably requested by LESSOR.

12.14 LESSOR RIGHTS TO INSPECT AIRCRAFT. On reasonable notice, LESSOR and/or its authorized agents or representatives will have the right to inspect the Aircraft and Aircraft Documentation. LESSOR agrees that such requests will be coordinated with LESSEE so as to cause the minimum practical disturbance to LESSEE's operation or its personnel. LESSEE agrees to cooperate with LESSOR in making the Aircraft and Aircraft Documentation available to such authorized technical teams. LESSOR will have no duty to make any such inspection and will not incur any liability or obligation by reason of (and LESSEE's indemnity obligations pursuant to Article 17 will apply notwithstanding) making or not making any such inspection or by reason of any reports it receives or any reviews it may make of the Aircraft records.

ARTICLE 13
USE OF RESERVES

13.1 AIRFRAME RESERVES. LESSOR will reimburse LESSEE from the Airframe Reserves for the actual cost of performing all task as described in the MPD (including systems, zonal, CPCP, SID, structural and lubrication) performed during the Airframe heavy checks (performed at **Material Redacted** and **Material Redacted** years) any non routine tasks and the rectification of and deficiencies resulting from such inspection (including materials), with work performed for all other causes excluded, including those causes set forth in Article 13.5. Subject to Article 16.1 and excluding exchange fees and handling, packaging and shipping charges, reimbursement will be made up to the amount in the Airframe Reserves on the commencement date of the structural check.

13.2 ENGINE PERFORMANCE RESTORATION RESERVES.

13.2.1 LESSOR will reimburse LESSEE from the Engine Performance Restoration Reserves for the actual cost associated with performance restoration of the Basic Engine during completed Engine shop visits (i.e. heavy maintenance visits) requiring off-wing teardown and/or disassembly as described in Article 12.2.3, with work performed for all other causes excluded, including those causes set forth in Article 13.5. Subject to Article 16.1 and excluding exchange fees and handling, packaging and shipping charges, reimbursement for an Engine will be made up to the amount in the Engine Performance Restoration Reserves applicable to such Engine at the time of removal of such Engine.

13.2.2 Reimbursement from the Engine Performance Restoration Reserves will be limited as to each module of such Engine in accordance with the following percentages of the remaining total amount in the Engine Performance Restoration Reserves for such Engine:

Material Redacted % Fan and Accessory Gearbox Module

Material Redacted % High Pressure Compressor

Material Redacted % High Pressure Turbine

Material Redacted % Low Pressure Turbine

13.2.3 LESSEE will not enter into any Engine maintenance cost per flight hour, power-by-the-hour or similar agreement for the Engines with the Engine manufacturer or any other Engine maintenance facility or organization without LESSOR's consent.

13.3 ENGINE LLP RESERVES. LESSOR will reimburse LESSEE from the Engine LLP Reserves for an Engine for the actual out-of-pocket materials cost without overhead, LESSEE mark-up or profit factor associated with the replacement of life-limited Parts in such Engine during completed Engine shop visits (i.e. heavy maintenance visits) requiring off-wing teardown and/or disassembly as described in Article 1.2.2.3, with work performed for all other causes

excluded, including those causes set forth in Article 13.5. Subject to Article 16.1 and excluding exchange fees and handling, packaging and shipping charges, reimbursement for replacement of life-limited Parts in an Engine will be made up to the amount in the Engine LLP Reserves applicable to such Engine at the time of removal of such Engine.

13.4 REIMBURSEMENT. LESSEE will be entitled to reimbursement from the Reserves after the work is completed and the Airframe or Engine has left the repair agency, by submitting invoices and proper documentation within six (6) months after completion of the work. LESSOR shall reimburse LESSEE from the Reserves promptly and in any event within thirty (30) days after LESSEE has delivered to LESSOR such invoices and proper documentation. LESSEE may only seek reimbursement from the Airframe Reserves one time in any calendar year. For the Airframe, proper documentation includes a list of all routine and non-routine work cards with corresponding references to the MPD and an itemized labor and materials report. For the Engine, proper documentation includes a description of the reason for removal, a shop teardown report, a shop findings report, a full description of the workscope and complete disk records for the Engine both prior to and after the shop visit. Both the invoice supplied by the Engine repair facility and that submitted by LESSEE to LESSOR with respect to an Engine will state whether or not credits were provided due to life remaining on any removed Engine Parts and the amount of any such credits will be itemized.

13.5 REIMBURSEMENT ADJUSTMENT. By way of example, among the exclusions from reimbursement are those items resulting from repairs covered by LESSEE's or a third party's insurance, (deductibles being for the account of LESSEE) or warranties or required as a result of an Airworthiness Directive, manufacturer's service bulletin, negligent maintenance or installation, improper operations, misuse, neglect, accident, incident, ingestion, or other accidental cause. Reimbursement from the Reserves will not be available for the quick engine change (QEC) Parts, thrust reversers or any of their associated components. All invoices subject to reimbursement from LESSOR will be reduced (by adjustment between LESSEE and LESSOR retroactively if necessary) by the actual amounts received by LESSEE on account of such work from responsible third parties or other sources, such as insurance proceeds, manufacturer's warranties, guarantees, concessions and credits (including, with respect to Engines, credits due to life remaining on any removed Engine Parts). Notwithstanding the foregoing, in the event that accident, incident or other accidental cause necessitates a repair and during the course of such repair the workscope results in performance restoration to, the Engine or installation of LLPs with more life remaining, the performance restoration portion or LLP life betterment of such repair workscope may be claimed by LESSEE from Engine Performance Restoration Reserves or Engine LLP Reserves (as applicable).

13.6 COSTS IN EXCESS OF RESERVES. LESSEE will be responsible for payment of all costs in excess of the amounts reimbursed hereunder. If on any occasion the balance in the Airframe Reserves, Engine Performance Restoration Reserves for a particular Engine or Engine LLP Reserves for a particular Engine (at the time of the structural check, in the case of the Airframe, or at the time of removal, in the case of an Engine, the Landing Gear and the APU) is insufficient to satisfy a claim for reimbursement in respect of the Airframe or such Engine, as applicable, the shortfall may not be carried forward or made the subject of any further claim for reimbursement.

13.7 REIMBURSEMENT AFTER TERMINATION DATE. LESSEE may not submit any invoice for reimbursement from the Reserves after the Termination Date unless on or prior to such date LESSEE has notified LESSOR in writing that such outstanding invoice will be submitted after the Termination Date and the anticipated amount of such invoice. So long as LESSEE has provided such notice to LESSOR, LESSEE may then submit outstanding invoices at any time within six (6) months after the Termination Date. Subject to the foregoing, any balance remaining in the Reserves on the Termination Date will be retained by LESSOR, **Material Redacted**.

ARTICLE 14
TITLE AND REGISTRATION

14.1 TITLE TO THE AIRCRAFT DURING LEASE TERM. Title to the Aircraft will be and remain vested in LESSOR. LESSOR and LESSEE intend this Lease to be a "true lease". LESSEE will have no right, title or interest in the Aircraft except as provided in this Lease.

14.2 REGISTRATION OF AIRCRAFT. LESSEE at its sole cost and expense will (a) register and maintain registration of the Aircraft in the name of LESSOR at the register of aircraft in the State of Registration and (b) from time to time take all other steps then required by Law (including the Geneva Convention if applicable) or by practice, custom or understanding or as LESSOR may reasonably request to protect and perfect LESSOR's interest in the Aircraft and this Lease in the State of Registration or in any other jurisdictions in or over which LESSEE may operate the Aircraft.

14.3 FILING OF OTIS LEASE. To the extent permitted by Law and in accordance with the requirements of the Law from time to time, LESSEE at its sole cost and expense will cause this Lease to be kept, filed, recorded and refilled or rerecorded in the State of Registration and in any other offices necessary to protect LESSOR's rights hereunder.

14.4 EVIDENCE OF REGISTRATION AND FILINGS. As LESSOR may reasonably request from time to time (but not more often than once annually unless a Default or Event of Default shall have occurred and be continuing), LESSEE will furnish to LESSOR an opinion of counsel or other evidence reasonably satisfactory to LESSOR of the registrations and filings required hereunder.

ARTICLE 15
IDENTIFICATION PLATES

LESSOR will affix and LESSEE will at all times maintain on the Airframe, each Engine and the APU the identification plates containing the following legends or any other legend requested by LESSOR in writing:

15.1 AIRFRAME IDENTIFICATION PLATES.

Location: One to be affixed to the Aircraft structure above the forward entry door adjacent to and not less prominent than that of Manufacturer's data plate and another in a prominent place on the flight deck.

Size: No smaller than 2" x 3".

Legend: "THIS AIRCRAFT IS OWNED BY INTERNATIONAL LEASE FINANCE CORPORATION AND IS OPERATED UNDER LEASE BY COMPANIA PANAMENA DE AVIACION, S.A.

MANUFACTURER'S SERIAL NO: 32800

OWNER'S ADDRESS:

INTERNATIONAL LEASE FINANCE CORPORATION
10250 Constellation Boulevard, 34th Floor
Los Angeles, California 90067, U.S.A.
Fax: (310) 788-1990

15.2 ENGINE IDENTIFICATION PLATES.

Location: The legend on the plate must be no less prominent than the Engine data plate and must be visible.

Size: No smaller than 1" x 4".

Legend: "THIS ENGINE IS OWNED BY INTERNATIONAL LEASE FINANCE CORPORATION, LOS ANGELES, CALIFORNIA, USA AND IS OPERATED UNDER LEASE BY COMPANIA PANAMENA DE AVIACION, S.A."

15.3 APU IDENTIFICATION PLATE.

Location: The legend on the plate must be visible.

Size: No smaller than 1" x 3".

Legend: "THIS APU IS OWNED BY INTERNATIONAL LEASE FINANCE CORPORATION, LOS ANGELES, CALIFORNIA,

USA AND IS OPERATED UNDER LEASE BY COMPANIA PANAMENA DE
AVIACION, S.A."

ARTICLE 16
TAXES

16.1 GENERAL OBLIGATION OF LESSEE. Except as set forth in Article 16.2, LESSEE agrees to pay promptly when due, and to indemnify and hold harmless LESSOR on a full indemnity basis from, all license and registration fees and all taxes, fees, levies, imposts, duties, charges, deductions or withholdings of any nature (including without limitation any value added, franchise, transfer, sales, gross receipts, use, business, excise, turnover, personal property, stamp or other tax) together with any assessments, penalties, fines, additions to tax or interest thereon, however or wherever imposed (whether imposed upon LESSEE, LESSOR, on all or part of the Aircraft, the Engines or otherwise), by any Government Entity or taxing authority in the U.S., Panama or any foreign country or by any international taxing authority (including the City or County of Los Angeles), upon or with respect to, based upon or measured by any of the following (collectively, "TAXES"):

- (a) the Aircraft, Engines, APU or any Parts;
- (b) the use, operation or maintenance of the Aircraft or carriage of passengers or freight during the Lease Term and until the Termination Date;
- (c) this Lease, the payments due hereunder and the terms and conditions hereof; and
- (d) the ownership, financing, delivery, import or export, return, sale, payment of Total Loss Proceeds or other disposition of the Aircraft.

16.2 EXCEPTIONS TO INDEMNITY. The indemnity provided for in Article 16.1 does not extend to any of the following Taxes:

- (a) Taxes imposed by the U.S. or the State of California on the net income, gross receipts, capital, turnover or net worth and franchise taxes of LESSOR;
- (b) Taxes in jurisdictions in which LESSOR would have been subject to Tax to the extent that the parties had not consummated this transaction; provided, however, that if LESSEE's operation of the Aircraft to a jurisdiction and the operation of other aircraft owned by LESSOR to such jurisdiction causes LESSOR to be liable for any tax, then LESSEE will pay the portion of such Tax attributed to LESSEE's operations in such jurisdiction;
- (c) Taxes imposed in connection with a LESSOR's voluntary transfer or other disposition of all or any part of its interest in the Aircraft (or any part thereof) or this Lease other than resulting from an Event of Default which shall have occurred and be continuing or other foreclosure, seizure or sale of the Aircraft resulting from LESSEE's action or inaction;
- (d) Taxes imposed as a direct result of any LESSOR Lien;

(e) any additional or incremental tax which arise solely as a result of LESSOR's failure to provide information necessary, for LESSEE to properly complete and file any tax return or request an otherwise legally available exemption;

(f) Taxes solely attributable a sale or transfer of the Aircraft not resulting from an act or omission of LESSEE;

(g) Taxes attributable to the period prior to Delivery or after the Termination Date; or

(h) Taxes attributable to LESSOR's gross negligence, willful misconduct or breach of this Lease.

16.3 AFTER-TAX BASIS. The amount which LESSEE is required to pay with respect to any Taxes indemnified against under Article 16.1 is an amount sufficient to restore LESSOR on an after-tax basis to the same position LESSOR would have been in had such Taxes not been incurred. LESSEE may satisfy its obligations under this Article 16 by paying and indemnifying LESSOR for Taxes payable by LESSEE hereunder or grossing up payments made pursuant to this Lease in an amount sufficient to allow LESSOR to pay such Taxes and receive the full benefit of this Lease provided LESSEE will not be obligated to pay such Tax obligations twice as a result of gross-up and indemnity.

16.4 TIMING OF PAYMENT. Any amount payable to LESSOR pursuant to this Article 16 will be paid within thirty (30) days after receipt of a written demand therefor from LESSOR accompanied by a written statement describing in reasonable detail the basis for such indemnity and the computation of the amount so payable; provided, however, that such amount need not be paid by LESSEE prior to the earlier of (a) the date any Tax is payable to the appropriate Government Entity or taxing authority or (b) in the case of amounts which are being contested by LESSEE in good faith or by LESSOR pursuant to Article 16.5, the date such contest is finally resolved.

16.5 CONTESTS. If a claim is made against LESSOR for Taxes with respect to which LESSEE is liable for a payment or indemnity under this Lease, LESSOR will promptly give LESSEE notice in writing of such claim; provided, however, that LESSOR's failure to give notice will not relieve LESSEE of its obligations hereunder except to the extent such failure impairs or precludes LESSEE's ability to contest the claim or to the extent such failure results in additional liability to LESSEE. So long as (a) a contest of such Taxes does not involve any danger of the sale, forfeiture or loss of the Aircraft or any interest therein, (b) if LESSOR so requests, LESSEE has provided LESSOR with an opinion of independent tax counsel that a reasonable basis exists for contesting such claim and (c) adequate reserves have been made for such Taxes or, if required, an adequate bond has been posted, then LESSOR at LESSEE's written request will in good faith, with due diligence and at LESSEE's expense, contest (or permit LESSEE to contest in the name of LESSEE or LESSOR) the validity, applicability or amount of such Taxes.

16.6 REFUNDS. Upon receipt by LESSOR of a refund of all or any part of any Taxes (including any deductions or withholdings referred to in Article 5.8) which LESSEE has paid, LESSOR will pay to LESSEE the net amount of such Taxes refunded.

16.7 COOPERATION IN FILING TAX RETURNS. LESSEE and LESSOR will cooperate with one another in providing information which may be reasonably required to fulfill each party's tax filing requirements and any audit information request arising from such filing.

16.8 TAX RESTRUCTURING. In the event that any withholding, value added tax or similar tax or duty is payable in the State of Registration or any jurisdiction from which such payments originate in respect of any Rent, Reserves or other amounts payable pursuant to this Lease, LESSEE and LESSOR will cooperate in good faith to restructure this Lease in a manner which minimizes or eliminates any such tax including a synthetic lease through another country which has favorable tax treatment of such payments.

16.9 SURVIVAL OF OBLIGATIONS. The representations, warranties, indemnities and agreements of LESSEE provided for in this Article 16 will survive the Termination Date.

ARTICLE 17
INDEMNITIES

17.1 GENERAL INDEMNITY. Except as set forth in Article 17.2, LESSEE agrees to indemnify and hold harmless LESSOR and its officers, directors, employees, agents and shareholders (individually an "INDEMNITEE" and collectively "INDEMNITEES") from any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, disbursements and expenses (including legal fees, costs and related expenses) of every kind and nature, whether or not any of the transactions contemplated by this Lease are consummated (collectively "EXPENSES"), which are imposed on, incurred by or asserted against any Indemnatee and which are in any way relating to, based on or arising out of any of the following:

(a) this Lease or any transactions contemplated hereby;

(b) the operation, possession, use, non-use, control, leasing, subleasing, maintenance, storage, overhaul, testing or inspections of the Aircraft, any Engine, the APU or any Part (whether by LESSEE, any sublessee or any other Person other than LESSOR or any Person claiming by or through LESSOR in violation of LESSOR's covenant of quiet enjoyment contained in Article 21.2) during the Lease Term and until the Termination Date or the acceptance flights at return, whether or not the same is in compliance with the terms of this Lease, including without limitation claims for death, personal injury, property damage, other loss or harm to any Person and claims relating to any Laws, including without limitation environmental control, noise and pollution laws, rules or regulations;

(c) the manufacture, design, acceptance, improper rejection, delivery, return, sale after an Event of Default, import, export, condition, repair, modification, servicing, customer, product support, information or training provided by Manufacturer and other vendors, airworthiness, registration, reregistration, performance, sublease, merchantability, fitness for use, substitution or replacement of an Engine, APU or any Part by LESSEE under this Lease or other transfer of use or possession of the Aircraft, an Engine, the APU or any Part, including under a pooling or interchange arrangement, including without limitation latent and other defects, whether or not discoverable and patent, trademark or copyright infringement;

(d) the prevention or attempt to prevent the arrest, confiscation, seizure, taking in execution, impounding, forfeiture or detention of the Aircraft, or in securing the release of the Aircraft; or

(e) as a consequence of any Default or Event of Default by LESSEE.

The foregoing indemnity by LESSEE is intended to include and cover any Expense to which an Indemnatee may be subject (in contract, tort, strict liability or under any other theory) regardless of the negligence, active or passive or any other type, of such Indemnatee, so long as such Expense does not fall within any of the exceptions listed in Article 17.2.

17.2 EXCEPTIONS TO GENERAL INDEMNITIES. The indemnity provided for in Article 17.1 will not extend to Expenses of any Indemnitee to the extent resulting from or arising out of any of the following:

- (a) Expenses which have resulted from the willful misconduct of such Indemnitee;
- (b) Expenses which are attributable to acts or events which occur after the Termination Date and return of the Aircraft to LESSOR in the condition required hereunder, but in any such case only to the extent not attributable to acts or omissions of LESSEE;
- (c) ****Material Redacted****;
- (d) ****Material Redacted****;
- (e) ****Material Redacted****;
- (f) Expenses solely attributable a sale or transfer of the Aircraft not resulting from an act or omission of LESSEE;
- (g) Expenses representing Taxes, it being acknowledged that the terms of Article 16 apply exclusively to LESSEE's indemnity obligations with respect to Taxes; or
- (h) Expenses due to the breach by LESSOR (or any person lawfully claiming through LESSOR) of its covenant of quiet enjoyment pursuant to Article 21.2 (except to the extent covered by the insurances LESSEE is required to carry pursuant to Article 18 or other LESSEE insurances).

17.3 AFTER-TAX BASIS. The amount which LESSEE will be required to pay with respect to any Expense indemnified against under Article 17.1 will be an amount sufficient to restore the Indemnitee, on an after-tax basis, to the same position such Indemnitee would have been in had such Expense not been incurred after taking into account the amount of any credits, deductions or other Tax benefits or savings realized by such Indemnitee.

17.4 TIMING OF PAYMENT. It is the intent of the parties that each Indemnitee will have the right to indemnification for Expenses hereunder as soon as a claim is made and as soon as an Expense is incurred, whether or not such claim is meritorious and whether or not liability is established (but subject to Article 17.8). LESSEE will pay an Indemnitee for Expenses pursuant to this Article 17 within thirty (30) days after receipt of a written demand therefor from such Indemnitee accompanied by a written statement describing in reasonable detail the basis for such indemnity.

17.5 SUBROGATION. Upon the payment in full of any indemnity pursuant to this Article 17 by LESSEE, LESSEE will be subrogated to any right of the Indemnitee in respect of the matter against which such indemnity has been made.

17.6 NOTICE. Each Indemnatee and LESSEE will give prompt written notice one to the other of any liability of which such party has knowledge for which LESSEE is, or may be, liable under Article 17.1; provided, however, that failure to give such notice will not terminate any of the rights of Indemnitees under this Article 17 except to the extent that LESSEE has been prejudiced by the failure to provide such notice.

17.7 REFUNDS. If any Indemnatee obtains a recovery of all or any part of any amount which LESSEE has paid to such Indemnatee, such Indemnatee will pay to LESSEE the net amount recovered by such Indemnatee.

17.8 DEFENSE OF CLAIMS. Unless an Event of Default has occurred and is continuing, LESSEE and its insurers will have the right (in each such case at LESSEE's sole expense) to investigate or, provided that LESSEE or its insurers have not reserved the right to dispute liability with respect to any insurance policies pursuant to which coverage is sought, defend or compromise any claim covered by insurance for which indemnification is sought pursuant to Article 17.1 and each Indemnatee will cooperate with LESSEE or its insurers with respect thereto. If LESSEE or its insurers are retaining attorneys to handle such claim, such counsel must be reasonably satisfactory to the Indemnitees. If not, the Indemnitees will have the right to retain counsel of their choice at LESSEE's expense.

17.9 SURVIVAL OF OBLIGATION. Notwithstanding anything in this Lease to the contrary, the provisions of this Article 17 will survive the Termination Date and continue in full force and effect notwithstanding any breach by LESSOR or LESSEE of the terms of this Lease, the termination of the lease of the Aircraft to LESSEE under this Lease or the repudiation by LESSOR or LESSEE of this Lease.

ARTICLE 18
INSURANCE

18.1 CATEGORIES OF INSURANCE. Throughout the Lease Term and until the Termination Date, LESSEE will, at its own expense, effect and maintain in full force and effect the types of insurance and amounts of insurance (including deductibles) described in Exhibit C through such brokers and with such insurers as may be approved by LESSOR (acting reasonably and in consultation with the other providers of LESSEE's aircraft), such approval not to be unreasonably withheld, in London or New York or such other insurance markets as mutually agreed upon by the parties.

18.2 WRITE-BACK OF ANY DATE RECOGNITION EXCLUSION. In the event any of LESSEE's insurances (either the primary insurance or the reinsurance) contain any date recognition exclusion clause or similar clause excluding from such insurance coverage damage to any property (including the Aircraft) or death or injury to any person on account of accidents, incidents or occurrences caused by date recognition or other Year 2000-related problems, LESSEE at its cost will obtain for the benefit of itself and LESSOR the broadest write-back available in the insurance market where Lessee places its insurance with respect to such exclusion.

18.3 INSTALLATION OF THIRD PARTY ENGINE. If LESSEE installs an engine not owned by LESSOR on the Aircraft, either (a) LESSEE's hull insurance on the Aircraft will automatically increase to such higher amount as is necessary in order to satisfy both LESSOR's requirement to receive the Agreed Value in the event of a Total Loss and the amount required by the third party engine owner or (b) separate additional insurance on such engine will attach in order to satisfy separately the requirements of the LESSEE to such third party engine owner.

18.4 INSURANCE FOR INDEMNITIES. The insurance referred to in Article 18.1 will in each case include and insure (to the extent of the risks covered by the policies) the indemnity provisions of Article 17 and LESSEE will maintain such insurance of the indemnities for a minimum of two (2) years following the Termination Date.

18.5 INSURANCE REQUIRED BY MANUFACTURER. During the Lease Term, LESSEE will carry such insurance as may be required by Manufacturer in connection with LESSOR's assignment of Manufacturer's warranties and product support to LESSEE.

18.6 RENEWAL. Prior to the expiration or termination date of any insurance required hereunder, LESSEE will provide LESSOR with fax confirmation from LESSEE's insurance brokers that renewed certificates of insurance evidencing the renewal or replacement of such insurance and complying with Exhibit C will be issued on the termination date of the prior certificate. Within seven (7) days after such renewal, LESSEE will furnish its brokers' certificates of insurance to LESSOR.

18.7 ASSIGNMENT OF RIGHTS BY LESSOR. If LESSOR assigns all or any of its rights under this Lease as permitted by this Lease or otherwise disposes of any interest in the Aircraft to any other Person as permitted by this Lease, LESSEE will, upon request, procure that such Person hereunder be substituted as loss payee for LESSOR (without duplication in respect of hull, all

risks, hull war and allied perils risk coverage) and/or be added as an additional assured in the policies effected hereunder and enjoy the same rights and insurance enjoyed by LESSOR under such policies. LESSOR will nevertheless continue to be covered by such policies.

18.8 DEDUCTIBLES. If there is a material adverse change in the financial condition of LESSEE which LESSOR reasonably believes will cause LESSEE to be unable to pay the deductible upon the occurrence of a partial loss of the Aircraft or an Engine, then LESSOR (acting reasonably and in consultation with the other providers of LESSEE's aircraft) may require LESSEE at LESSEE's expense to lower its deductibles on the insurance maintained hereunder to a level which is available on commercially reasonable terms in the insurance market.

18.9 INSURANCE FOR WET LEASE OPERATIONS. In the event LESSEE is performing wet lease operations with the Aircraft pursuant to Article 11.5 and the wet lessee is carrying the primary passenger, baggage and cargo liability insurance with respect to the flights, then such insurance must meet the requirements of Exhibit C, including with respect to the amounts of coverage, naming of LESSOR as an additional insured and inclusion of the other endorsements set forth in Exhibit C. Moreover, LESSEE will at such times carry contingent passenger, baggage and cargo liability insurances for such flights. Prior to commencement of wet lease operations for a particular wet lessee where wet lessee will provide such coverage, LESSOR will receive certificates of insurance from the insurance brokers for LESSEE and, if applicable, the wet lessee evidencing such coverages.

18.10 OTHER INSURANCE. LESSOR may (acting reasonably and in consultation with the other providers of LESSEE's aircraft) from time to time by notice to LESSEE require LESSEE at LESSEE's expense to effect such other insurance or such variations to the terms of the existing insurance as may then be customary in the airline industry for aircraft of the same type as the Aircraft operated by similarly situated operators and at the time commonly available in the insurance market.

18.11 INFORMATION. LESSEE will provide LESSOR with any information reasonably requested by LESSOR from time to time concerning the insurance maintained with respect to the Aircraft or in connection with any claim being made or proposed to be made thereunder.

18.12 CURRENCY. All proceeds of insurance pursuant to this Lease will be payable in Dollars except as may be otherwise agreed by LESSOR except that third party liability coverage may be payable in the currency of the claim.

18.13 GROUNDING OF AIRCRAFT. If at any time any of the insurance required pursuant to this Lease will cease to be in full force and effect, LESSEE will promptly ground the Aircraft and keep the Aircraft grounded until such time as such insurance is in full force and effect again.

18.14 FAILURE TO INSURE. If at any time LESSEE fails to maintain insurance in compliance with this Article 18, LESSOR will be entitled but not bound to do any of the following (without prejudice to any other rights which it may have under this Lease by reason of such failure):

(a) to pay any premiums due or to effect or maintain insurance meeting the requirements hereof or otherwise remedy such failure in such manner as LESSOR

considers appropriate (and LESSEE will upon demand reimburse LESSOR in full for any amount so expended in that connection); or

(b) at any time while such failure is continuing, to require the Aircraft to remain at any airport or (as the case may be), proceed to and remain at any airport designated by LESSOR, until such failure is remedied.

18.15 REINSURANCE. Any reinsurance will be maintained with reinsurers and brokers approved by LESSOR (acting reasonably and in consultation with the other providers of LESSEE's aircraft). Such reinsurance will contain each of the following terms and will in all other respects (including amount) be satisfactory to LESSOR:

(a) the same terms as the original insurance;

(b) a cut-through and assignment clause satisfactory to LESSOR (acting reasonably and in consultation with the other providers of LESSEE's aircraft) and in accordance with industry practice; and

(c) payment will be made notwithstanding (i) any bankruptcy, insolvency, liquidation or dissolution of any of the original insurers and/or (ii) that the original insurers have made no payment under the original insurance policies.

18.16 LIMIT ON HULL IN FAVOR OF LESSEE. LESSEE may carry hull all risks or hull war and allied perils on the Aircraft in excess of the Agreed Value (which is payable to LESSOR) only to the extent such excess insurance which would be payable to LESSEE in the event of a Total Loss does not exceed ****Material Redacted**** of the Agreed Value and only to the extent that such additional insurance will not prejudice the insurances required herein or the recovery by LESSOR thereunder. LESSEE agrees that it will not create or permit to exist any liens or encumbrances over the insurances, or its interest therein, except as constituted by this Lease.

ARTICLE 19
LOSS, DAMAGE AND REQUISITION

Throughout the Lease Term and until the Termination Date, LESSEE will bear all risk of loss, theft, damage and destruction to the Aircraft.

19.1 DEFINITIONS. In this Article 19 and this Lease:

"AGREED VALUE" means an amount equal to ****Material Redacted**** is expressed in January 2004 U.S. Dollars which amount will increase in accordance with Manufacturer's Escalation Rate. ****Material Redacted****.

"NET TOTAL LOSS PROCEEDS" means the Total Loss Proceeds actually received by LESSOR following a Total Loss, less any legal and other out-of-pocket expenses, taxes or duties incurred by LESSOR in connection with the collection of such proceeds.

"TOTAL LOSS" means any of the following in relation to the Aircraft, Airframe, any Engine or the APU and "TOTAL LOSS DATE" means the date set forth in parenthesis after each Total Loss:

(a) destruction, damage beyond repair or being rendered permanently unfit for normal use for any reason (the date such event occurs or, if not known, the date on which the Aircraft, Airframe, Engine or APU was last heard of);

(b) actual, constructive, compromised, arranged or agreed total loss (the earlier of the date on which the loss is agreed or compromised by the insurers or forty five (45) days after the date of notice to LESSEE's brokers or insurers claiming such total loss);

(c) requisition of title, confiscation, forfeiture or any compulsory acquisition or other similar event (the date on which the same takes effect);

(d) sequestration, detention, seizure or any similar event for more than forty-five (45) consecutive days (the earlier of the date on which insurers make payment on the basis of a total loss or the date of expiration of such period);

(e) requisition for use for more than one hundred eighty (180) consecutive days, except as set forth in Article 19.9 (the earlier of the date on which the insurers make payment on the basis of a total loss or the date of expiration of such period);

(f) in the case of an Engine, the event described in Article 12.8.3 (the date on which the same takes effect);

(g) a proper, lawful sale of the Aircraft in connection with Eurocontrol charges owed by LESSEE (the date on which the sale occurs);

(h) any sale of the Aircraft in connection with a LESSEE bankruptcy, whether by an administrator, trustee or court (the date on which the intent to sell the Aircraft becomes known); or

(i) any other occurrence not permitted under this Lease (including a violation of the covenant of quiet enjoyment contained in Article 21.2) which deprives LESSEE of use or possession for a period of ninety (90) consecutive days or longer (the 90th day of such period) except where full insurance on the Aircraft is in effect or a full indemnity acceptable to LESSOR in lieu thereof exists and all other provisions of this Lease are being complied with (the ninetieth (90th) day of such period).

"TOTAL LOSS PROCEEDS" means the proceeds of any insurance or any compensation or similar payment arising in respect of a Total Loss.

19.2 NOTICE OF TOTAL LOSS. LESSEE will notify LESSOR in writing within three (3) Business Days after a Total Loss Date of the Aircraft, Airframe, any Engine or the APU.

19.3 TOTAL LOSS OF AIRCRAFT OR AIRFRAME. If the Total Loss of the Aircraft or Airframe occurs during the Lease Term, the following will occur:

19.3.1 After the Total Loss Date and until receipt by LESSOR of the Agreed Value and all other amounts then due under this Lease, LESSEE will continue to pay Rent and the parties will perform all of their other obligations under this Lease.

19.3.2 On the date which is the earlier of the following dates:

(a) the date on which the Total Loss Proceeds of the Aircraft or the Airframe are paid by LESSEE's insurance underwriters or brokers and

(b) the date which falls forty (45) days after the Total Loss Date,

LESSEE will pay to LESSOR an amount equal to the sum of:

(c) the Agreed Value and

(d) all other amounts then accrued under this Lease, less an amount equal to the Net Total Loss Proceeds received by LESSOR by such date.

19.3.3 LESSOR will apply the Net Total Loss Proceeds and any amounts received from LESSEE pursuant to Article 19.3.2 as follows:

(a) first, in discharge of any unpaid Rent and any other amounts accrued and unpaid up to the date of LESSOR's receipt of the Agreed Value;

(b) second, in discharge of the Agreed Value; and

(c) third, payment of the balance, if any, to LESSEE.

- 19.3.4 Upon receipt by LESSOR of all monies payable by LESSEE in Article 19.3, provided no Default or Event of Default has occurred and is continuing, this Lease will terminate except for LESSEE's obligations under Articles 10.5, 16 and 17 which survive the Termination Date.

FOR AVOIDANCE OF DOUBT, THE AGREED VALUE OF THE AIRCRAFT WILL BE PAYABLE TO LESSOR PURSUANT TO THIS ARTICLE 19.3 WHEN A TOTAL LOSS OF THE AIRFRAME OCCURS EVEN IF THERE HAS NOT BEEN A TOTAL LOSS OF AN ENGINE, ENGINES OR THE APU.

19.4 SURVIVING ENGINE(S). If a Total Loss of the Airframe occurs and there has not been a Total Loss of an Engine or Engines, then, provided no Default or Event of Default has occurred and is continuing, at the request of LESSEE (subject to agreement of relevant insurers) and on receipt of all monies due under Article 19.3 and payment by LESSEE of all airport, navigation and other charges on the Aircraft then due and owing, if any, LESSOR will transfer all its right, title and interest in the surviving Engine(s) to LESSEE, but without any responsibility, condition or warranty on the part of LESSOR other than as to freedom from any LESSOR's Liens.

19.5 TOTAL LOSS OF ENGINE AND NOT AIRFRAME.

- 19.5.1 Upon a Total Loss of any Engine not installed on the Airframe or a Total Loss of an Engine installed on the Airframe not involving a Total Loss of the Airframe, LESSEE will replace such Engine as soon as reasonably possible by duly conveying or causing to be conveyed to LESSOR title to another engine from LESSEE (or another Person with reasonable net worth or a guarantee from LESSEE) (a) free and clear of all Security Interests (except Permitted Liens) of any kind or description, (b) in airworthy condition and of the same or improved model, service bulletin and modification status and having a value and utility at least equal to the Engine which sustained the Total Loss, (c) not older (by reference to serial number or manufacture date) than the older of the two Engines delivered by LESSOR to LESSEE with the Aircraft on the Delivery Date and (d) in the same or better operating condition as the Engine which sustained a Total Loss, including time in service, hours and cycles since new and hours and cycles available to the next inspection, Overhaul or scheduled or anticipated removal. Such replacement engine will be an "Engine" as defined herein and the Engine which sustained such Total Loss will cease to be an "Engine".
- 19.5.2 LESSEE agrees at its own expense to take such action as LESSOR may reasonably request in order that any such replacement Engine becomes the property of LESSOR and is leased hereunder on the same terms as the destroyed Engine. LESSEE's obligation to pay Rent will continue in full force and effect, but an amount equal to the Net Total Loss Proceeds received by LESSOR with respect to such destroyed Engine will, subject to LESSOR's right to deduct therefrom any amounts then due and payable by LESSEE under this Lease, be promptly paid to LESSEE.

19.5.3 Notwithstanding Articles 19.5.1 and 19.5.2, if at the time of a Total Loss of an Engine not installed on the Aircraft or a Total Loss of an Engine installed on the Airframe not involving a Total Loss of the Airframe, LESSOR and LESSEE are parties to a spare engine lease pursuant to which LESSOR is leasing a spare engine to LESSEE of the same model and type as the Engine which has suffered such Total Loss, LESSOR will receive from LESSEE the replacement cost of the Engine instead of accepting a replacement engine. One (1) of such LESSOR spare engines will then be substituted under this Lease for the Engine which suffered such Total Loss and the applicable spare engine lease will terminate.

19.6 TOTAL LOSS OF APU.

19.6.1 Upon a Total Loss of the APU when not installed on the Airframe or a Total Loss of the APU while installed on the Airframe not involving a Total Loss of the Airframe, LESSEE will replace such APU as soon as reasonably possible by duly conveying or causing to be conveyed to LESSOR title to another auxiliary power unit (a) free and clear of all Security Interests (except Permitted Liens) of any kind or description, (b) in airworthy condition and of the same or improved model, service bulletin and modification status and having a value and utility at least equal to the APU which sustained the Total Loss, (c) not older (by reference to serial number or manufacture date) than the APU delivered by LESSOR to LESSEE with the Aircraft on the Delivery Date and (d) in the same or better operating condition as the APU which sustained the Total Loss, including time in service, hours and cycles since new and hours and cycles available to the next inspection, Overhaul or scheduled or anticipated removal. Such replacement auxiliary power unit will be the "APU" as defined herein and the auxiliary power unit which sustained such Total Loss will cease to be the "APU".

19.6.2 LESSEE agrees at its own expense to take such action as LESSOR may reasonably request in order that any such replacement APU becomes the property of LESSOR and is leased hereunder on the same terms as the destroyed APU. LESSEE's obligation to pay Rent will continue in full force and effect, but an amount equal to the Net Total Loss Proceeds received by LESSOR with respect to such destroyed APU will, subject to LESSOR's right to deduct therefrom any amounts then due and payable by LESSEE under this Lease, promptly be paid to LESSEE.

19.7 OTHER LOSS OR DAMAGE.

19.7.1 If the Aircraft or any Part thereof suffers loss or damage not constituting a Total Loss of the Aircraft or the Airframe or any Engine or the APU, all the obligations of LESSEE under this Lease (including payment of Rent) will continue in full force.

19.7.2 In the event of any loss or damage to the Aircraft or Airframe which does not constitute a Total Loss of the Aircraft or the Airframe, or any loss or damage to

an Engine or the APU which does not constitute a Total Loss of such Engine or the APU, LESSEE will at its sole cost and expense fully repair the Aircraft, Engine or APU in order that the Aircraft, Engine or APU is placed in an airworthy condition and substantially the same condition as it was prior to such loss or damage. All repairs will be performed in a manner which preserves and maintains all warranties and service life policies to the same extent as they existed prior to such loss or damage. LESSEE will notify LESSOR promptly of any loss, theft or damage to the Aircraft for which the cost of repairs is estimated to exceed **Material Redacted**, together with LESSEE's proposal for carrying out the repair. In the event that LESSOR does not agree with LESSEE's proposals for repair, LESSOR will so notify LESSEE within two (2) Business Days after its receipt of such proposal. LESSEE and LESSOR will then consult with Manufacturer and LESSEE and LESSOR agree to accept as conclusive, and be bound by, Manufacturer's directions or recommendations as to the manner in which to carry out such repairs. If Manufacturer declines to give directions or recommendations, LESSEE will carry out the repairs in accordance with the reasonable directions of LESSOR.

19.8 COPY OF INSURANCE POLICY. Promptly after the occurrence of a partial loss or Total Loss of the Aircraft, an Engine or the APU, LESSEE will provide LESSOR with all reasonable assistance in determining coverage under LESSEE's insurance policy.

19.9 GOVERNMENT REQUISITION. If the Aircraft, Airframe, any Engine or the APU is requisitioned for use by any Government Entity, LESSEE will promptly notify LESSOR of such requisition. All of LESSEE's obligations hereunder will continue as if such requisition had not occurred. So long as no Default or Event of Default has occurred and is continuing, all payments received by LESSOR or LESSEE from such Government Entity will be paid over to or retained by LESSEE. If a Default or Event of Default has occurred and is continuing, all payments received by LESSEE or LESSOR from such Government Entity may be used by LESSOR to satisfy any obligations owing by LESSEE.

19.10 LESSOR RETENTION OF RESERVES. **Material Redacted**.

ARTICLE 20
REPRESENTATIONS, WARRANTIES AND
COVENANTS OF LESSEE

20.1 REPRESENTATIONS AND WARRANTIES. LESSEE represents and warrants the following to LESSOR as of the date of execution of this Lease and as of the Delivery Date:

- 20.1.1 Corporate Status. LESSEE is a corporation duly incorporated, validly existing and in good standing under the Laws of Panama. It has the corporate power and authority to carry on its business as presently conducted and to perform its obligations hereunder.
- 20.1.2 Governmental Approvals. No authorization, approval, consent, license or order of, or registration with, or the giving of notice to the Aviation Authority or any other Government Entity is required for the valid authorization, execution, delivery and performance by LESSEE of this Lease, except as will have been duly effected as of the Delivery Date.
- 20.1.3 Binding. LESSEE's Board of Directors has authorized LESSEE to enter into this Lease, any Side Letters hereto and any other documentation in connection with the leasing of the Aircraft from LESSOR (collectively, the "OPERATIVE DOCUMENTS") and perform its obligations under the Operative Documents. This Lease and the other Operative Documents have been duly executed and delivered by LESSEE and represent the valid and binding obligations of LESSEE, enforceable in accordance with their terms except as enforceability may be limited by bankruptcy, insolvency, reorganization or other Laws of general application affecting creditors' rights and except by general principles of equity. When executed by LESSEE at Delivery, the same will apply to the Estoppel and Acceptance Certificate.
- 20.1.4 No Breach. The execution and delivery of the Operative Documents, the consummation by LESSEE of the transactions contemplated herein and compliance by LESSEE with the terms and provisions hereof do not and will not contravene any Law applicable to LESSEE, or result in any breach of or constitute any default under or result in the creation of any Security Interest upon any property of LESSEE, pursuant to any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan or credit agreement, corporate charter, by-law or other agreement or instrument to which LESSEE is a party or by which LESSEE or its properties or assets may be bound or affected. When executed by LESSEE at Delivery, the same will apply to the Estoppel and Acceptance Certificate.
- 20.1.5 Filings. Except for any filing or recording that may be required by the Aviation Authority, no filing or recording of any instrument or document (including the filing of any financial statement) is necessary under the Laws of the State of Registration and any applicable states in order for this Lease to constitute a valid and perfected lease of record relating to the Aircraft.

- 20.1.6 Translation or Notarization. None of the Lease or any other Operative Document needs to be translated, notarized, legalized, apostilled or consularized as a condition to the legality, validity, filing, enforceability or admissibility in evidence thereof.
- 20.1.7 Licenses. LESSEE holds all required licenses, certificates and permits from applicable Government Entities in Panama for the conduct of its business as a certificated air carrier as presently conducted and performance of its obligations under this Lease.
- 20.1.8 No Suits. To the knowledge of LESSEE after reasonable inquiry, there are no suits, arbitrations or other proceedings pending or threatened before any court or administrative agency against or affecting LESSEE which, if adversely determined, would have a material adverse effect on LESSEE's ability to perform under this Lease, except as described in the financial statements provided to LESSOR pursuant to Article 22.
- 20.1.9 No Withholding. Under the Laws of Panama currently in effect, LESSEE will not be required to deduct any withholding or other Tax from any payment it may make under this Lease.
- 20.1.10 No Restrictions on Payments. Under the Laws of Panama, there are no present restrictions on LESSEE making the payments required by this Lease.
- 20.1.11 General Obligations. The obligations of LESSEE under this Lease are direct, general and unconditional obligations of LESSEE and rank or will rank at least pari passu with all other present and future unsecured and unsubordinated obligations (including contingent obligations) of LESSEE, with the exception of such obligations as are mandatorily preferred by law and not by reason of any contract.
- 20.1.12 No Sovereign Immunity. LESSEE, under the Laws of Panama or of any other jurisdiction affecting LESSEE, is subject to private commercial law and suit. Neither LESSEE nor its properties or assets is entitled to sovereign immunity under any such Laws. LESSEE's performance of its obligations hereunder constitute commercial acts done for commercial purposes.
- 20.1.13 Tax Returns. All necessary returns have been delivered by LESSEE to all relevant taxation authorities in the jurisdiction of its incorporation and all taxes due and payable by LESSEE (other than such Taxes the amount or imposition of which are being contested by LESSEE by appropriate proceedings) have been paid.
- 20.1.14 No Material Adverse Effect. LESSEE is not in default under any agreement to which it is a party or by which it may be bound which default would have a material adverse effect on LESSEE's ability to perform under this Lease.

20.1.15 No Default or Event of Default under this Lease. At the time of execution of this Lease, no Default or Event of Default has occurred and is continuing and the financial statements provided to LESSOR pursuant to Article 22 fairly present the financial condition of LESSEE as of the date referenced therein.

20.2 COVENANTS. LESSEE covenants to LESSOR that it will comply with the following throughout the entire Lease Term:

- 20.2.1 Licensing. LESSEE will hold all required licenses, certificates and permits from applicable Government Entities in Panama for the conduct of its business as a certificated air carrier and performance of its obligations under this Lease. LESSEE will advise LESSOR promptly in the event any such licenses, certificates or permits are cancelled, terminated, revoked or not renewed.
- 20.2.2 Payments. If at any time any such restrictions may be applicable, LESSEE will obtain all certificates, licenses, permits, exemptions and other authorizations which are from time to time required for the making of the payments required by this Lease on the dates and in the amounts and currency which are stipulated herein, and will maintain the same in full force and effect for so long as the same will be required.
- 20.2.3 Sovereign Immunity. LESSEE, under the Laws of Panama or of any other jurisdiction affecting LESSEE, will continue to be subject to private commercial law and suit. Neither LESSEE nor its properties or assets are currently entitled to sovereign immunity under any such Laws. LESSEE's performance of its obligations hereunder will constitute commercial acts done for commercial purposes. LESSEE will advise LESSOR promptly of any change in the foregoing.
- 20.2.4 Information about Suits. LESSEE will promptly give to LESSOR a notice in writing of any suit, arbitration or proceeding before any court, administrative agency or Government Entity which, if adversely determined, would materially adversely affect LESSEE's ability to perform under this Lease.
- 20.2.5 Restrictions on Mergers. LESSEE will not sell or convey substantially all of its property and assets (except capital asset replacement in the normal course of business) or merge or consolidate with or into any other corporation unless (a) LESSEE is the surviving entity and, as such, has a net worth equivalent to its net worth as of the date hereof, or (b) LESSEE has obtained LESSOR's prior written consent which will not be unreasonably withheld or delayed.
- 20.2.6 Restriction on Relinquishment of Possession. LESSEE will not, without the prior consent of LESSOR, deliver, transfer or relinquish possession of the Aircraft except in accordance with Articles 11 and 12.
- 20.2.7 No Security Interests. LESSEE will not create or agree to or permit to arise any Security Interest (other than Permitted Liens) on or with respect to the Aircraft, title thereto or any interest therein. LESSEE will promptly, at its own expense,

take all action as may be necessary to discharge or remove any such Security Interest if it exists at any time. LESSEE will within promptly after becoming aware of the existence of any such Security Interest give written notice thereof to LESSOR.

20.2.8 Representations to Other Parties. LESSEE will not represent or hold out LESSOR as carrying goods or passengers on the Aircraft or as being in any way connected or associated with any operation of the Aircraft.

ARTICLE 21
REPRESENTATIONS, WARRANTIES AND
COVENANTS OF LESSOR

21.1 REPRESENTATIONS AND WARRANTIES. LESSOR represents and warrants the following to LESSEE as of the date of execution of the Lease and as of the Delivery Date and ALL OTHER WARRANTIES, EXPRESS OR IMPLIED HAVE BEEN WAIVED IN ACCORDANCE WITH ARTICLE 8:

- 21.1.1 Corporate Status. LESSOR is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of California. It has the corporate power and authority to carry on its business as presently conducted and to perform its obligations hereunder.
- 21.1.2 No Suits. To the knowledge of LESSOR after reasonable inquiry, there are no suits, arbitrations or other proceedings pending or threatened before any court or administrative agency against or affecting LESSOR which, if adversely determined, would have a material adverse effect on LESSOR's ability to perform under this Lease.
- 21.1.3 Governmental Approvals. No authorization, approval, consent, license or order of, or registration with, or the giving of notice to any U.S. Government Entity is required for the valid authorization, execution, delivery and performance by LESSOR of this Lease.
- 21.1.4 Binding. This Lease and the other Operative Documents have been duly authorized, executed and delivered by LESSOR and represent the valid and binding obligations of LESSOR, enforceable in accordance with their terms except as enforceability may be limited by bankruptcy, insolvency, reorganization or other Laws of general application affecting the enforcement of creditors' rights or general principles of equity.
- 21.1.5 No Breach. The execution and delivery of the Operative Documents, the consummation by LESSOR of the transactions contemplated herein and compliance by LESSOR with the terms and provisions hereof do not and will not contravene any Law applicable to LESSOR, or result in any breach of or constitute any default under any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan or credit agreement, corporate charter, by-law or other agreement or instrument to which LESSOR is a party or by which LESSOR or its properties or assets may be bound or affected.
- 21.1.6 Title to Aircraft. On the Delivery Date LESSOR will have good and valid title to the Aircraft.
- 21.1.7 Consents. LESSOR has obtained or will obtain all necessary consents with respect to the entry into or performance of its obligations under this Lease.

21.1.8 No Default. At the time of execution of this Lease, LESSOR is not in default under any agreement to which it is a party or by which it may be bound which default would have a material adverse effect on LESSOR's ability to perform under this Lease.

21.2 COVENANT OF QUIET ENJOYMENT. So long as no Default or Event of Default has occurred and is continuing hereunder, LESSOR covenants that neither LESSOR nor any person lawfully claiming by or through LESSOR will interfere with or otherwise disturb LESSEE's quiet, peaceful use and enjoyment of the Aircraft.

ARTICLE 22
FINANCIAL AND OTHER INFORMATION

LESSEE agrees to furnish each of the following to LESSOR:

(a) within sixty (60) days after the end of each fiscal quarter of LESSEE, three (3) copies of the unaudited consolidated financial statements (including a balance sheet and profit and loss statement) prepared for such quarter in accordance with international generally accepted accounting principles;

(b) within one hundred twenty (120) days after the end of each fiscal year of LESSEE, three (3) copies of the audited consolidated financial statements (including a balance sheet and profit and loss statement) prepared as of the close of such fiscal year in accordance with international generally accepted accounting principles. LESSEE's chief financial officer will also provide a certificate stating that no Default or Event of Default exists under this Lease or, if a Default or Event of Default does exist, then such officer will describe both the nature of the Default or Event of Default and measures being taken by LESSEE to remedy the same;

(c) promptly after distribution, three (3) copies of all reports and financial statements which LESSEE sends or makes available to other aircraft lessors; and

(d) from time to time, such other reasonable information as LESSOR or LESSOR's Lender (subject to the confidentiality restrictions set forth in Article 28.8) may reasonably request concerning the location, condition, use and operation of the Aircraft or the financial condition of LESSEE.

ARTICLE 23
RETURN OF AIRCRAFT

23.1 DATE OF RETURN. LESSEE is obligated to return the Aircraft, Engines, APU, Parts and Aircraft Documentation to LESSOR on the Expiration Date, unless a Total Loss of the Aircraft occurred prior to the Expiration Date and this Lease was terminated early in accordance with Article 19.3. If an Event of Default occurs hereunder by LESSEE failing to return the Aircraft on the Expiration Date or if an Event of Default occurs prior to or after the Expiration Date and LESSOR repossesses the Aircraft, the return requirements set forth in this Article 23 nonetheless must be met on the date the Aircraft is actually returned to LESSOR or repossessed by LESSOR.

23.2 LAST ENGINE SHOP VISITS. With respect to the last Engine shop visit of an Engine prior to return of the Aircraft, LESSEE will submit to LESSOR in advance the intended workscope of such shop visit. If LESSOR requests, LESSEE will perform additional work at such shop visit at LESSOR's cost provided that if the same shall result in delay in redelivery, extension of the Lease Term or cause the Engine to be removed from service early or for a period in excess of the period the Engine would have been removed from revenue service absent such additional work, no Rent or other costs will be payable by LESSEE for the period which is attributable solely to LESSOR's requested work (unless and to the extent LESSEE shall have otherwise agreed in writing). In the event that LESSOR requests LESSEE to remove an Engine from service for additional work, LESSOR will use reasonable efforts to provide a spare engine or will reimburse LESSEE for the cost of any spare engine provided or procured by LESSEE.

23.3 TECHNICAL REPORT. Six (6) months prior to the Expiration Date (and in an updated form at return of the Aircraft), LESSEE will provide LESSOR with a Technical Evaluation Report in the form and substance of Exhibit M, as revised, and, in addition upon LESSOR's request, will make cc-pies available of (a) drawings of the interior configuration of the Aircraft both as it presently exists and as it will exist at return, (b) an Airworthiness Directive status list, (c) a service bulletin incorporation list, (d) rotatable tracked, hard-time and life-limited component listings, (e) a list of LESSEE-initiated modifications and alterations, (f) interior material burn certificates, (g) access to the Aircraft Maintenance Program, (h) the complete workscope for the checks, inspections and other work to be performed prior to return, (i) a forecast of the checks, inspections and other work to be performed within 18 months after return of the Aircraft, (j) a list of all no-charge service bulletin kits with respect to the Aircraft which were ordered by LESSEE from Manufacturer or the Engine manufacturer, (k) current Engine disk sheets and a description of the last shop visit for each Engine and (l) any other data which is reasonably requested by LESSOR.

23.4 RETURN LOCATION. LESSEE at its expense will return the Aircraft, Engines, APU, Parts and Aircraft Documentation to LESSOR at Los Angeles, California or to such other airport as may be mutually agreed to by LESSEE and LESSOR.

23.5 FULL AIRCRAFT DOCUMENTATION REVIEW. For the period commencing at least ten (10) Business Days prior to the proposed redelivery date and continuing until the date on which the Aircraft is returned to LESSOR in the condition required by this Lease, LESSEE will provide for the review of LESSOR and/or its representative all of the Aircraft records and historical

documents described in Exhibit L in one central room with access to telephone, photocopy, fax and interne connections at the Aircraft return location.

23.6 COPY OF LESSEE'S MAINTENANCE PROGRAM. At return of the Aircraft and for use by LESSOR only for the purpose of bridging the Aircraft from LESSEE's Maintenance Program to the maintenance program of the next operator, LESSEE will provide LESSOR with a copy of LESSEE's Maintenance Program.

23.7 AIRCRAFT INSPECTION.

23.7.1 During the maintenance checks performed immediately prior to the proposed redelivery and at the actual return of the Aircraft, LESSOR and/or its representatives will have an opportunity to conduct a systems functional and operational inspection of the Aircraft (and other types of reasonable inspections based upon the Aircraft type, age, use and other known factors with respect to the Aircraft) and a full inspection of the Aircraft Documentation (including records and manuals), all to LESSOR's reasonable satisfaction. Any deficiencies from the Aircraft return condition requirements set forth in this Article 23 will be corrected by LESSEE at its cost prior to the acceptance flight described in Article 23.7.2.

23.7.2 Immediately prior to the proposed redelivery of the Aircraft, LESSEE will carry out for LESSOR and/or LESSOR's representatives an Aircraft acceptance flight in accordance with Manufacturer's standard flight operation check flight procedures or, if agreed to in writing by LESSOR, in accordance with an airline acceptance flight procedure, either of which will be for the duration necessary to perform such check flight procedures but in any event not less than two (2) hours. Flight costs and fuel will be furnished by and at the expense of LESSEE, Any deficiencies from the Aircraft return condition requirements set forth in this Article 23 will be corrected by LESSEE at its cost prior to return of the Aircraft.

23.7.3 To the extent that the ground inspection and acceptance flight extend beyond the Expiration Date, the Lease Term will be deemed to have been automatically extended and the obligations of LESSEE hereunder (including Article 23.13.3) will continue on a day-to-day basis until the Aircraft is accepted by LESSOR executing the Return Acceptance Receipt in the form of Exhibit J. In the event the Lease is extended solely as a result of work performed at LESSOR's request pursuant to Article 23.10.1, LESSEE will perform such additional work at LESSOR's cost provided that if the same shall result in delay in redelivery, extension of the Lease Term or cause the Aircraft to be removed from service for a period in excess of the period the Aircraft would have been removed to revenue service absent such additional work, no Rent or other costs will be payable by LESSEE for the period which is attributable solely to LESSOR's requested work (unless and to the extent LESSEE shall have otherwise agreed in writing).

23.8 CERTIFICATE OF AIRWORTHINESS MATTERS.

- 23.8.1 The Aircraft will possess a current Certificate of Airworthiness issued by the Aviation Authority (although this Certificate of Airworthiness may later be substituted by the Export Certificate of Airworthiness or equivalent if requested by LESSOR pursuant to Article 23.12). In addition, even if LESSEE must perform engineering, maintenance and repair work on the Aircraft beyond the requirements of Article 12, the Aircraft at return must be in the condition required in order to meet the requirements for issuance of a U.S. Standard Certificate of Airworthiness for transport category aircraft issued by the FAA in accordance with FAR Part 21 and, in addition, to meet the operating requirements of FAR Part 121 with no restrictions imposed.
- 23.8.2 At LESSOR's request, LESSEE at its cost will demonstrate that the Aircraft meets the requirements for issuance of the U.S. Standard Certificate of Airworthiness for transport category aircraft specified in Article 23.8.1 by delivering to LESSOR at LESSOR's option either an actual U.S. Standard Certificate of Airworthiness (if the Aircraft is to be registered in the U.S.) or a letter acceptable to LESSOR signed by an FAA Designated Airworthiness Representative (DAR) or another Person acceptable to LESSOR stating that the DAR or such Person has inspected the Aircraft and Aircraft Documentation (including records and manuals) and has found that the Aircraft meets the requirements for issuance of a U.S. Standard Certificate of Airworthiness for transport category aircraft in accordance with FAR Part 21 and, in addition, meets the operating requirements of FAR Part 121 with no restrictions imposed.
- 23.8.3 If the Aircraft is to be registered in a country other than in the U.S. after return from LESSEE, LESSOR may in its sole discretion waive the requirements of Article 23.8.2 and instead require that LESSEE at its expense (to the extent such expense is no greater than that which LESSEE would have incurred pursuant to Articles 23.8.1 and 23.8.2, with any additional expenses being for LESSOR's account) put the Aircraft in a condition to meet the requirements for issuance of a Certificate of Airworthiness of the aviation authority of the next country of register.

23.9 GENERAL CONDITION OF AIRCRAFT AT RETURN.

- 23.9.1 The Aircraft, Engines, APU and Parts will have been maintained and repaired in accordance with the Maintenance Program, the rules and regulations of the Aviation Authority and this Lease.
- 23.9.2 Aircraft Documentation (including records and manuals) will have been maintained in an up-to-date status, in accordance with the rules and regulations of the Aviation Authority and the FAA and this Lease and in a form necessary in order to meet the requirements of Article 23.8.1. The records and historical documents set forth in Attachment 1 of Exhibit J will be in English. If LESSEE subscribes to Manufacturer's on-line data access services, LESSEE must

nonetheless return the Aircraft manuals with all current revisions provided by Manufacturer in CD, microfilm or other format acceptable to LESSOR.

- 23.9.3 The Aircraft will be in the same working order and condition as at Delivery (subject to the other provisions of this Article 23, reasonable wear and tear from normal flight operations excepted), with all pilot discrepancies and deferred maintenance items cleared on a terminating action basis.
- 23.9.4 The Aircraft will be airworthy (conform to type design and be in a condition for safe operation), with all Aircraft equipment, components and systems operating in accordance with their intended use and within limits approved by Manufacturer, the Aviation Authority and the FAA.
- 23.9.5 The Aircraft interior (including cabin and windows) and exterior will be clean and cosmetically acceptable to LESSOR, with all compartments free of foreign objects, dirt, grease, fluids, stains, grime, cracks, tears and rips and ready to be placed into immediate commercial airline operations.
- 23.9.6 No special or unique Manufacturer, Engine manufacturer or Aviation Authority inspection or check requirements which are specific to the Aircraft or Engines (as opposed to all aircraft or engines of their types) will exist with respect to the Airframe, Engines and Aircraft equipment, components and systems.
- 23.9.7 All repairs to the Aircraft will have been accomplished in accordance with Manufacturer's Structural Repair Manual (or FAA-approved data supported by FAA Form 8110-3) for the Aircraft.
- 23.9.8 All modifications and alterations to the Aircraft will have been accomplished in accordance with FAA-approved data supported by FAA Form 8110-3.
- 23.9.9 The Aircraft will be returned with LESSOR's Engines and APU installed and with the same equipment as at Delivery, subject only to those replacements, additions and Modifications permitted under this Lease. To the extent LESSEE performed a Modification which cost in excess of ****Material Redacted**** and LESSOR did not approve such Modification in accordance with Article 12.10.1, LESSOR may require LESSEE to return the Aircraft in its original condition prior to such Modification.
- 23.9.10 All Airworthiness Directives which are issued prior to the date of return of the Aircraft and require compliance (either by means of repetitive inspections, modifications or terminating action) prior to return of the Aircraft to LESSOR or within ****Material Redacted**** after the Termination Date will have been complied with on the Aircraft on a terminating action basis at LESSEE's cost. Airworthiness Directives which do not have a terminating action will be accomplished at the highest level of inspection or modification possible. If, after using best efforts, LESSEE is unable to acquire the material, parts or components necessary to accomplish such Airworthiness Directive, LESSEE will pay to LESSOR upon return of the Aircraft the estimated cost of

terminating such Airworthiness Directive. If the estimated cost cannot be mutually agreed upon by LESSEE and LESSOR, LESSEE and LESSOR will each obtain an estimate from a reputable FAA approved maintenance facility (unaffiliated with LESSEE or LESSOR) and the estimated cost will be the average of the two estimates.

- 23.9.11 All modifications which must be performed prior to the date of return of the Aircraft or within ****Material Redacted**** after the Termination Date in order to meet the FAA requirements for FAR Part 121 operations will have been incorporated on the Aircraft at LESSEE's cost.
- 23.9.12 The Aircraft will be in compliance with Manufacturer's Corrosion Prevention and Control Program (CPCP) specified for the model type by Manufacturer.
- 23.9.13 If any waivers, deviations, dispensations, alternate means of compliance, extensions or carry-overs with respect to maintenance or operating requirements, repairs or Airworthiness Directives are granted by the Aviation Authority or permitted by the Maintenance Program, LESSEE at its sole cost and expense will nonetheless perform such maintenance or operating requirements, repairs or Airworthiness Directives as if such waivers, deviations, dispensations, alternate means of compliance, or extensions or carry-overs did not exist.
- 23.9.14 The Aircraft will be free from any Security Interest except LESSOR's Liens and no circumstance will have so arisen whereby the Aircraft is or could become subject to any Security Interest or right of detention or sale in favor of the Aviation Authority, any airport authority, or any other authority.
- 23.9.15 All no-charge vendor and Manufacturer's service bulletin kits received by LESSEE for the Aircraft but not installed thereon will be on board the Aircraft as cargo. All no-charge vendor and Manufacturer's service bulletin kits ordered by LESSEE but not yet received will, upon receipt by LESSEE, be forwarded as instructed by LESSOR. At LESSOR's request, any other service bulletin kit which LESSEE paid for will also be delivered to LESSOR on board the Aircraft, but LESSOR will reimburse LESSEE for its actual out-of-pocket costs for such kit, unless LESSEE purchased such kit as part of its implementation of a service bulletin on its fleet of aircraft of the same type as the Aircraft but had not yet installed such kit on the Aircraft, in which case such kit will be furnished free of charge to LESSOR.
- 23.9.16 The Aircraft will be free of any leaks found to be outside of maintenance manual limits and any damage resulting therefrom. All repairs will have been performed on a permanent basis in accordance with the applicable manufacturer's instructions.

23.9.17 The Aircraft fluid reservoirs (including oil, oxygen, hydraulic and water) will be serviced to full and the waste tank serviced in accordance with Manufacturer's instructions. Fuel tanks will be at least as full as at Delivery.

23.10 CHECKS PRIOR TO RETURN. Immediately prior to return of the Aircraft to LESSOR, LESSEE at its expense will do each of the following:

23.10.1 Have performed, by an FAA-approved repair station, a Return Check ("RETURN CHECK") means the accomplishment of all work cards specified in the Maintenance Program and the MPD which (a) are necessary to clear the Aircraft of all such tasks for **Material Redacted**, or (b) are required to be performed at lesser intervals than **Material Redacted**. If pursuant to the then-current MPD, the performance interval for a task is shorter than every **Material Redacted**, then such task will also be performed. All non-routine tasks generated as a result of the performance of these work cards must also be performed. For avoidance of doubt, if the inspection interval pursuant to the then-current MPD for a particular work card only refers to one or two of the three measurement tests, then the most restrictive measurement test or tests referred to in the then-current MPD will be utilized in determining whether the task must be performed.). LESSEE will also weigh the Aircraft. Any discrepancies revealed during such inspection will be corrected in accordance with Manufacturer's maintenance and repair manuals or FAA-approved data. LESSEE agrees to perform during such check any other work reasonably required by LESSOR (and not otherwise required under this Lease) and LESSOR will reimburse LESSEE for such work at LESSEE's preferred customer rates.

23.10.2 Perform an internal and external corrosion inspection and correct any discrepancies in accordance with the recommendations of Manufacturer and the Structural Repair Manual. In addition, all inspected areas will be properly treated with corrosion inhibitor as recommended by Manufacturer.

23.10.3 Remove LESSEE's exterior markings, including all exterior paint, by pneumatically scuff sanding (or stripping, if reasonably determined by LESSOR taking into account the condition of the exterior paint) the paint from the fuselage, empennage and Engine cowlings, and clean, reseal, refinish, prepare (including application of alodine or another corrosion inhibitor) and prime the surfaces to be painted, all in accordance with Manufacturer's and paint manufacturer's recommendations. LESSEE will then repaint the fuselage, empennage and Engine cowlings in the colors and logo specified by LESSOR. Such painting will be accomplished in such a manner as to result in a uniformly smooth and cosmetically acceptable aerodynamic surface. All external placards, signs and markings will be properly attached, free from damage, clean and legible. **Material Redacted**.

23.10.4 Clean the exterior and interior of the Aircraft.

- 23.10.5 If reasonably required by LESSOR, apply touch-up paint to the interior of the Aircraft, including flight deck, and replace missing, broken or illegible placards.
- 23.10.6 In accordance with Article 23.9.7, permanently repair damage to the Aircraft that exceeds Manufacturer's limits and replace any non-flush structural patch repairs installed on the Aircraft with flush-type repairs unless a flush-type repair is unavailable.
- 23.10.7 With LESSOR and/or its representatives present, perform a full and complete hot and cold section videotape borescope on each Engine and its modules in accordance with the Engine manufacturer's maintenance manual.
- 23.10.8 If the Engine historical and technical records and/or condition trend monitoring data of any Engine indicate an acceleration in the rate of deterioration in the performance of an Engine, LESSEE will correct, to LESSOR's reasonable satisfaction, such conditions which are determined to be causing such accelerated rate of deterioration.
- 23.10.9 With LESSOR and/or its representatives present, accomplish a power assurance run on the Engines. LESSEE will evaluate the Engine performance and record the Engine power assurance test conditions and results on the Return Acceptance Receipt.
- 23.10.10 LESSEE will provide evidence to LESSOR's reasonable satisfaction that the Engine historical and technical records, borescope inspection, trend monitoring and other checks specified in Article 23.10.9 do not reveal any condition which would cause the Engines or any module to be unserviceable, beyond serviceable limits or serviceable with an increased frequency of inspection or with calendar time, flight hour or flight cycle restrictions under the Engine manufacturer's maintenance manual. LESSEE will correct any discrepancies in accordance with the guidelines set out by the Engine manufacturer which may be discovered during such inspection.
- 23.10.11 In the event the Engine historical and technical records, borescope inspection, trend monitoring and other checks specified in Article 23.10.9 result in a dispute regarding the conformity of an Engine with the requirements of this Article 23, LESSEE and LESSOR will consult with the Engine manufacturer and follow the Engine manufacturer's recommendations (including the accomplishment of an Engine test cell operational check) with regard to determining if such Engine complies with the requirements of this Article 23 and the manner in which any discrepancies from the requirements of this Article 23 will be rectified.
- 23.10.12 If the APU historical and technical records and/or condition trend monitoring data indicate an acceleration in the rate of deterioration in the performance of the APU, LESSEE will correct, to LESSOR's reasonable satisfaction, such conditions which are determined to be causing such accelerated rate of deterioration.

23.10.13 With LESSOR and/or its representatives present, perform a full and complete hot and cold section videotape borescope on the APU in accordance with the APU manufacturer's procedures. LESSEE will provide evidence to LESSOR's satisfaction that the borescope inspection does not reveal any condition which would cause the APU to be unserviceable, beyond serviceable limits or serviceable with an increased frequency of inspection or with calendar time, flight hour or flight cycle restrictions. LESSEE will correct any discrepancies in accordance with the guidelines set out by the APU manufacturer which may be discovered during such inspection.

23.11 PART LIVES. At return, the condition of the Aircraft will be as follows:

23.11.1 The Aircraft will have zero (0) hours consumed since the last Return Check or equivalent check per the MPD (excluding hours consumed on the acceptance flight and any ferry flight) sufficient to clear the Aircraft for ****Material Redacted**** of operation.

23.11.2 Each Engine will meet all of the following:

(a) Each Engine will have ****Material Redacted**** remaining until its next anticipated removal (based upon the Engine manufacturer's estimated mean time between removals for engines of the same type as the Engines).

(b) Each Engine will have a remaining EGT margin sufficient to permit the operation of such Engine for the hours and cycles set forth in the preceding subparagraph, based upon the historical experience of LESSEE.

(c) Each Part of an Engine which has a hard time limit will have ****Material Redacted**** of such Part's full allotment of hours and cycles remaining to operate until its next scheduled Overhaul or removal. However, if ****Material Redacted**** of such hard time Part's full allotment of hours and cycles remaining is less than ****Material Redacted****, then such hard time Part will be returned with at least ****Material Redacted**** remaining. If such hard time Part's full allotment of hours and cycles is less than 4,000 hours or 4,000 cycles (whichever is applicable), then such hard time Part will be returned with zero (0) hours and cycles since its last Overhaul or refurbishment, as applicable.

(d) Each Part of an Engine which has a life-limit will have at least ****Material Redacted**** remaining until removal. If such life-limited Part's full allotment of hours and cycles is less than ****Material Redacted****, then such life-limited Part will be returned new.

(e) No life-limited Part of an Engine or APU will have more hours or cycles consumed than such Engine's data plate.

23.11.3 The APU will have no more than ****Material Redacted**** consumed since the last hot section refurbishment (excluding hours consumed on the acceptance flight and any ferry flight).

In addition, at return LESSEE will pay LESSOR an amount equal to the number of hours consumed on the APU at return since the last hot section refurbishment multiplied by an APU hot section refurbishment calculated as follows:

such APU hot section refurbishment cost price per hour will be the quotient obtained by dividing (a) the expected cost of the next APU hot section refurbishment cost by (b) the full allotment of hours between hot section refurbishments as approved by the MPD. If LESSEE and LESSOR are unable to agree on the expected cost of the next scheduled APU hot section refurbishment, such cost will be established by taking the average of the price quotes submitted by two (2) reputable FAA-approved APU hot section refurbishment cost facilities (unaffiliated with LESSEE or LESSOR), one selected by LESSEE and the other selected by LESSOR.

- 23.11.4 The Landing Gear will have ****Material Redacted**** of hours/cycles/calendar time (whichever is the more limiting factor) pursuant to the MPD remaining until the next Overhaul or scheduled removal.

In addition, at return LESSEE will pay LESSOR an amount equal to the number of hours/cycles/days (whichever is the more limiting factor) consumed on each Landing Gear at return since the last Overhaul multiplied by a Landing Gear Overhaul cost per hour/cycle/day calculated as follows:

such Landing Gear Overhaul cost price per hour/cycle/day will be the quotient obtained by dividing (a) the expected cost of the next Landing Gear Overhaul by (b) the full allotment of hours/cycles/days between scheduled Overhauls for such Landing Gear as approved by the MPD. If LESSEE and LESSOR are unable to agree on the expected cost of the next scheduled Landing Gear Overhaul, such cost will be established by taking the average of the price quotes submitted by two (2) reputable FAA-approved landing gear Overhaul facilities (unaffiliated with LESSEE or LESSOR), one selected by LESSEE and the other selected by LESSOR.

- 23.11.5 Each Part of the Airframe or the APU which has a hard time (hour/cycle) limit to Overhaul or removal pursuant to the MPD will have ****Material Redacted**** of such Part's full allotment of hours and cycles remaining to operate until its next scheduled Overhaul or removal pursuant to the MPD. However, if ****Material Redacted**** of such hard time Part's full allotment of hours and cycles remaining is less than ****Material Redacted****, then such hard time Part will be returned with at least ****Material Redacted**** remaining to operate until its next scheduled Overhaul or refurbishment pursuant to the MPD. If such hard time Part's full allotment of hours and cycles between, Overhauls or refurbishment pursuant to the MPD is less than ****Material Redacted****, then such hard time Part will be returned zero (0) hours and zero (0) cycles out of Overhaul (except hours accumulated on any acceptance or ferry flight).

- 23.11.6 Each life-limited Part of the Airframe or the APU will have ****Material Redacted**** of such Part's full allotment of hours and cycles remaining to operate until removal pursuant to the MPD. However, if ****Material Redacted**** of such life-limited Part's full allotment of hours and cycles remaining is less than ****Material Redacted****, then such life-limited Part will be returned with at least ****Material Redacted**** remaining to operate pursuant to the MPD. If such life-limited Part's full allotment of hours and cycles remaining to operate pursuant to the MPD is less than ****Material Redacted****, then such life-limited Part will be returned with 100% of its total approved hours and cycles remaining.
- 23.11.7 Each Part which has a calendar limit will have ****Material Redacted**** remaining to operate pursuant to the MPD after return of the Aircraft to LESSOR. If a Part has a total approved life pursuant to the MPD of ****Material Redacted****, then such Part will be returned with 100% of its total approved life remaining.
- 23.11.8 No Part of the Aircraft or Engine (excluding life-limited Parts on the Engine, which are covered by Article 23.11.2(e)) will have total hours and total cycles since new greater than ****Material Redacted**** of that of the Airframe ****Material Redacted****.
- 23.11.9 Each Aircraft tire and brake ****Material Redacted**** (except for the acceptance flight and any ferry flight).

23.12 EXPORT AND DEREGISTRATION OF AIRCRAFT. At LESSOR's request, LESSEE at its cost will (a) provide an Export Certificate of Airworthiness or its equivalent from the State of Registration so that the Aircraft can be exported to the country designated by LESSOR, (b) assist with deregistration of the Aircraft from the register of aircraft in the State of Registration, (c) assist with arranging for prompt confirmation of such deregistration to be sent by the registry in the State of Registration to the next country of registration and (d) perform any other acts reasonably required by LESSOR in connection with the foregoing. ****Material Redacted****.

23.13 LESSEE'S CONTINUING OBLIGATIONS. In the event that LESSEE does not return the Aircraft to LESSOR on the Expiration Date and in the condition required by this Article 23 for any reason (whether or not the reason is within LESSEE's control) unless such delay is as a result of work performed at the request of LESSOR pursuant to Article 23.10.1 or is otherwise over and above LESSEE's obligations pursuant to this Article 23:

- 23.13.1 the obligations of LESSEE under this Lease will continue in full force and effect on a day-to-day basis until such return. This will not be considered a waiver of LESSEE's Event of Default or any right of LESSOR hereunder.
- 23.13.2 ****Material Redacted****.
- 23.13.3 LESSEE will fully indemnify LESSOR on demand for all losses (including consequential damages), liabilities, actions, proceedings, costs and expenses thereby suffered or incurred by LESSOR and, in addition, until such time as the

Aircraft is redelivered to LESSOR and put into the condition required by this Article 23, instead of paying the Rent specified in Article 5.3, LESSEE will pay twice the amount of Rent for each day from the scheduled Expiration Date until the Termination Date (the monthly Rent payable under Article 5.3.1 will be prorated based on the actual number of days in the applicable month). Payment will be made upon presentation of LESSOR's invoice.

23.13.4 LESSOR may elect, in its sole and absolute discretion, to accept the return of the Aircraft prior to the Aircraft being put in the condition required by this Article 23 and thereafter have any such non-conformance corrected at such time as LESSOR may deem appropriate (but within ninety (90) days following the return of the Aircraft) and at commercial rates then-charged by the Person selected by LESSOR to perform such correction. Any direct expenses incurred by LESSOR for such correction will be payable by LESSEE within fifteen (15) days following the submission of a written statement by LESSOR to LESSEE, identifying the items corrected and setting forth the expense of such corrections. LESSEE's obligation to pay such amounts will survive the Termination Date.

23.14 AIRPORT AND NAVIGATION CHARGES. LESSEE will ensure that at return of the Aircraft any and all airport, navigation and other charges which give rise or may if unpaid give rise to any lien, right of detention, right of sale or other Security Interest in relation to the Aircraft, Engine, APU or any Part have been paid and discharged in full and will at LESSOR's request produce evidence thereof satisfactory to LESSOR, except to the extent being contested in good faith provided LESSEE shall have agreed in writing to pay any such charges determined pursuant to such contest to be due and owing to the relevant authority.

23.15 RETURN ACCEPTANCE RECEIPT. Upon return of the Aircraft in accordance with the terms of this Lease, LESSEE will prepare and execute two (2) Return Acceptance Receipts in the form and substance of Exhibit J and LESSOR will countersign and return one such Return Acceptance Receipt to LESSEE. In addition, LESSEE and LESSOR will execute a Lease Termination for filing with the FAA evidencing termination of this Lease.

23.16 INDEMNITIES AND INSURANCE. The indemnities and insurance requirements set forth in Articles 17 and 18, respectively, will apply to Indemnitees and LESSOR's representatives during return of the Aircraft, including the ground inspection and acceptance flight. With respect to the acceptance flight, LESSOR's representatives will receive the same protections as LESSOR on LESSEE's Aviation and Airline General Third Party Liability Insurance.

23.17 STORAGE. At LESSOR's request, LESSEE will continue to lease the Aircraft under this Lease for a period not to exceed thirty (30) days. During this period, LESSEE will have no obligations under this Lease except, at LESSOR's cost, to park and store the Aircraft in accordance with Manufacturer's recommended short term storage program at one of LESSEE's principal maintenance facilities in the State of Registration and to maintain all insurance on the Aircraft. LESSEE will not utilize the Aircraft for any reason during this period.

ARTICLE 24
ASSIGNMENT

24.1 NO ASSIGNMENT BY LESSEE. EXCEPT AS OTHERWISE PROVIDED HEREIN, NO ASSIGNMENT, NOVATION, TRANSFER, MORTGAGE OR OTHER CHARGE MAY BE MADE BY LESSEE OF ANY OF ITS RIGHTS OR OBLIGATIONS WITH RESPECT TO THE AIRCRAFT, ANY ENGINE OR PART, OR THIS LEASE.

24.2 SALE OR ASSIGNMENT BY LESSOR.

24.2.1 Subject to LESSEE's rights pursuant to this Lease, LESSOR may at any time and without LESSEE's consent sell, assign or transfer its rights, interest and obligations hereunder or with respect to the Aircraft to a third party ("LESSOR'S ASSIGNEE"). For a period of two (2) years after such sale or assignment and at LESSEE's cost, LESSEE will continue to name LESSOR as an additional insured under the Aviation and Airline General Third Party Liability Insurance specified in Exhibit C.

24.2.2 The term "LESSOR" as used in this Lease means the lessor of the Aircraft at the time in question. In the event of the proper sale of the Aircraft and transfer of LESSOR's rights and obligations under this Lease, LESSOR's Assignee will become "LESSOR" of the Aircraft under this Lease and the transferring party (the prior "LESSOR") will be relieved of all liability to LESSEE under this Lease for obligations arising on and after the date the Aircraft is sold. LESSEE will acknowledge and accept LESSOR's Assignee as the new "LESSOR" under this Lease and will look solely to LESSOR's Assignee for the performance of all LESSOR obligations and covenants under this Lease arising on and after the Aircraft sale date provided such transfer, sale or assignment is in conformity with the requirements of this Article 24.

24.3 LESSOR'S LENDER. Subject to LESSEE's rights pursuant to this Lease, LESSOR may at any time and without LESSEE's consent grant security interests over the Aircraft and assign the benefit of this Lease to a lender ("LESSOR'S LENDER") as security for LESSOR's obligations to LESSOR's Lender. Accordingly, if LESSOR's Lender requires, as a condition to providing financing, any reasonable, nonsubstantive modification of this Lease, LESSEE agrees to enter into an agreement so modifying this Lease.

24.4 LESSEE COOPERATION. On request by LESSOR, LESSOR's Assignee or LESSOR's Lender, LESSEE will execute all such documents (such as a lease assignment agreement) as LESSOR, LESSOR's Assignee or LESSOR's Lender may reasonably require to confirm LESSEE's obligations under this Lease and obtain LESSEE's acknowledgment that LESSOR is not in breach of the Lease. LESSEE will provide all other reasonable assistance and cooperation to LESSOR, LESSOR's Assignee and LESSOR's Lender in connection with any such sale or assignment or the perfection and maintenance of any such security interest, including, at LESSOR's cost, making all necessary filings and registrations in the State of Registration and providing all opinions of counsel with respect to matters reasonably requested by LESSOR,

LESSOR's Lender or LESSOR's Assignee. LESSOR will reimburse LESSEE for its reasonable out-of-pocket costs in reviewing documents required by LESSOR or LESSOR's Lender.

24.5 PROTECTIONS.

24.5.1 ****Material Redacted****.

24.5.2 LESSOR will obtain for the benefit of LESSEE an acknowledgment from any LESSOR's Assignee or LESSOR's Lender that, so long as no Event of Default has occurred and is continuing hereunder, such Person and any Person lawfully claiming through such Person will not interfere with LESSEE's quiet, peaceful use and enjoyment of the Aircraft.

24.5.3 ****Material Redacted****.

24.5.4 ****Material Redacted****.

24.5.5 ****Material Redacted****.

24.5.6 ****Material Redacted****.

24.5.7 Wherever the term "LESSOR" is used in this Lease in relation to any of the provisions relating to disclaimer, title and registration, indemnity and insurance contained in Articles 8, 14, 17 and 18, respectively, or with respect to Article 20.2.8, the term "LESSOR" will be deemed to include LESSOR's Assignee and LESSOR's Lender, if applicable. For avoidance of doubt, in the event of LESSOR's sale or financing of the Aircraft, the disclaimer and indemnity provisions contained in Articles 8 and 17 will continue to be applicable after the sale or assignment to International Lease Finance Corporation, as well as being applicable to LESSOR's Assignee and LESSOR's Lender.

ARTICLE 25
DEFAULT OF LESSEE

25.1 LESSEE NOTICE TO LESSOR. LESSEE will promptly notify LESSOR if LESSEE becomes aware of the occurrence of any Default or Event of Default.

25.2 EVENTS OF DEFAULT. The occurrence of any of the following will constitute an Event of Default and material breach of this Lease by LESSEE:

- (a) LESSEE fails to take delivery of the Aircraft when obligated to do so under the terms of this Lease;
- (b) LESSEE fails to make a Rent or other scheduled payment due hereunder in the manner and by the date provided herein and fails to make such payment within three (3) Business Days after the date such payment is due;
- (c) LESSEE fails to obtain or maintain the insurance required by Article 18;
- (d) LESSEE fails to return the Aircraft to LESSOR on the Expiration Date in accordance with Article 23;
- (e) LESSEE fails to observe or perform any of its other obligations hereunder and fails to cure the same within thirty (30) days after written notice thereof to LESSEE. If such failure cannot by its nature be cured within thirty (30) days, LESSEE will have the reasonable number of days necessary to cure such failure (not to exceed a period of ninety (90) days) so long as it uses diligent efforts to do so;
- (f) any representation or warranty of LESSEE herein proves to be untrue in any material respect and if the effect of such misrepresentation is curable, will not have been cured within thirty (30) days after LESSEE learns of such misrepresentation including by written notice from LESSOR;
- (g) the registration of the Aircraft is cancelled other than as a result of an act or omission of LESSOR;
- (h) LESSEE abandons the Aircraft or Engines;
- (i) LESSEE temporarily discontinues (in the absence of other Defaults) or permanently discontinues business or sells or otherwise disposes of all or substantially all of its assets other than as permitted hereunder;
- (j) a material adverse change occurs in the financial condition of LESSEE which effects LESSEE's ability to perform its obligations hereunder;
- (k) LESSEE no longer possesses the licenses, certificates and permits required for the conduct of its business as a certificated air carrier in Panama and the failure to possess the same is not cured within sixty (60) days;

(l) LESSEE (i) suspends payment on its debts or other material obligations, (ii) is unable to or admits its inability to pay its debts or other material obligations as they fall due, (iii) is adjudicated or becomes bankrupt or insolvent or (iv) proposes or enters into any composition or other arrangement for the benefit of its creditors generally;

(m) any proceedings, resolutions, filings or other steps are instituted or threatened with respect to LESSEE relating to the bankruptcy, liquidation, reorganization or protection from creditors of LESSEE or a substantial part of LESSEE's property. If instituted by LESSEE, the same will be an immediate Event of Default. If instituted by another Person, the same will be an Event of Default if not dismissed, remedied or relinquished within sixty (60) days;

(n) any order, judgment or decree is entered by any court of competent jurisdiction appointing a receiver, trustee or liquidator of LESSEE or a substantial part of its property, or if a substantial part of LESSEE's property is to be sequestered. If instituted by or done with the consent of LESSEE, the same will be an immediate Event of Default. If instituted by another Person, the same will be an Event of Default if not dismissed, remedied or relinquished within sixty (60) days;

(o) any indebtedness for borrowed moneys or a guarantee or similar obligation owed by LESSEE with an unpaid balance of at least ****Material Redacted**** is properly declared due before its stated maturity or LESSEE is properly in default beyond any applicable grace period under any agreement pursuant to which LESSEE has the right to possess and operate any aircraft; or

(p) LESSEE is in default under any other lease or agreement between LESSEE and LESSOR and the same is not cured within its specified cure period.

25.3 LESSOR'S GENERAL RIGHTS. Upon the occurrence of any Event of Default, LESSOR may do all or any of the following at its option (in addition to such other rights and remedies which LESSOR may have by statute or otherwise but subject to any requirements of applicable Law):

(a) terminate this Lease by giving written notice to LESSEE;

(b) require that LESSEE immediately cease flying the Aircraft and leave it parked in its then-current location by giving written notice to LESSEE, in which case LESSEE's obligations under this Lease will continue (including the obligations set forth in Articles 17 and 18);

(c) require that LESSEE immediately move the Aircraft to an airport or other location designated by LESSOR and park the Aircraft there by giving written notice to LESSEE, in which case LESSEE's obligations under this Lease will continue (including the obligations set forth in Articles 17 and 18);

(d) take possession of the Aircraft. If LESSOR takes possession of the Aircraft, it may enter upon LESSEE's premises where the Aircraft is located without liability.

Upon repossession of the Aircraft, LESSOR will then be entitled to sell, lease or otherwise deal with the Aircraft as if this Lease had never been made. LESSOR will be entitled to the full benefit of its bargain with LESSEE;

(e) for LESSEE's account, do anything that may reasonably be required to cure any default and recover from LESSEE all reasonable costs, including legal fees and expenses incurred in doing so and Default Interest;

(f) proceed as appropriate to enforce performance of this Lease and to recover any damages for the breach hereof, including the amounts specified in Article 25.5; or

(g) apply all or any portion of the Security Deposit and any other security deposits held by LESSOR pursuant to any other agreements between LESSOR and LESSEE to any amounts due.

25.4 DEREGISTRATION AND EXPORT OF AIRCRAFT. If an Event of Default has occurred and is continuing, LESSOR may take all steps necessary to deregister the Aircraft in and export the Aircraft from the State of Registration.

25.5 LESSEE LIABILITY FOR DAMAGES. If an Event of Default occurs, in addition to all other remedies available at law or in equity, LESSOR has the right to recover from LESSEE and LESSEE will pay LESSOR within two (2) Business Days after LESSOR's written demand, all of the following:

(a) all amounts which are then due and unpaid hereunder and which become due prior to the earlier of LESSOR's recovery of possession of the Aircraft or LESSEE making an effective tender thereof;

(b) any losses suffered by LESSOR because of LESSOR's inability to place the Aircraft on lease with another lessee or to otherwise utilize the Aircraft on financial terms as favorable to LESSOR as the terms hereof or, if LESSOR elects to dispose of the Aircraft, the funds arising from a sale or other disposition of the Aircraft are not as profitable to LESSOR as leasing the Aircraft in accordance with the terms hereof would have been (and LESSOR will be entitled to accelerate any and all Rent which would have been due from the date of LESSOR's recovery or repossession of the Aircraft through the Expiration Date) which rent shall be discounted to present value less any amounts (i) in respect of a lease, which over its term shall be received by LESSOR discounted to present value as set forth above or (ii) in the case of a sale or other disposition, the amounts which were received by LESSOR as a result of such sale or other disposition (or if not relet or sold, less an amount equal to the fair market rental value of the aircraft for the balance of the Lease Term determined by an independent appraiser acceptable to LESSOR and LESSEE or chosen by a court);

(c) all costs, associated with LESSOR's exercise of its remedies hereunder, including but not limited to repossession costs, legal fees, Aircraft storage costs, Aircraft re-lease or sale costs;

(d) any amount of principal, interest, fees or other sums paid or payable on account of funds borrowed in order to carry any unpaid amount;

(e) any loss, premium, penalty or expense which may be incurred in repaying funds raised to finance the Aircraft or in unwinding any financial instrument relating in whole or in part to LESSOR's financing of the Aircraft;

(f) any loss, cost, expense or liability sustained by LESSOR due to LESSEE's failure to redeliver the Aircraft in the condition required by this Lease; and

(g) any other loss, damage, expense, cost or liability which LESSOR suffers or incurs as a direct result of the Event of Default and/or termination of this Lease, including (but without duplication of amounts due and payable pursuant to (f) above) an amount sufficient to compensate LESSOR for any loss of LESSOR's residual interest in the Aircraft caused by LESSEE's default.

25.6 WAIVER OF DEFAULT. By written notice to LESSEE, LESSOR may at its election waive any Default or Event of Default and its consequences and rescind and annul any prior notice of termination of this Lease. The respective rights of the parties will then be as they would have been had no Default or Event of Default occurred and no such notice been given.

25.7 PRESENT VALUE OF PAYMENTS. In calculating LESSOR's damages hereunder, upon an Event of Default all Rent and other amounts which would have been due hereunder during the Lease Term if an Event of Default had not occurred will be calculated on a present value basis using a discounting rate of ****Material Redacted**** per annum discounted to the earlier of the date on which LESSOR obtains possession of the Aircraft or LESSEE makes an effective tender thereof.

25.8 USE OF "TERMINATION DATE". For avoidance of doubt, it is agreed that if this Lease terminates and the Aircraft is repossessed by LESSOR due to an Event of Default, then, notwithstanding the use of the term "Termination Date" in this Lease, the period of the Lease Term and the "Expiration Date" will be utilized in calculating the damages to which LESSOR is entitled pursuant to Article 25.5. For example, it is agreed and understood that LESSOR is entitled to receive from LESSEE the Rent and the benefit of LESSEE's insurance and maintenance of the Aircraft until expiration of the Lease Term.

ARTICLE 26
NOTICES

26.1 MANNER OF SENDING NOTICES. Any notice, request or information required or permissible under this Lease will be in writing and in English. Notices will be delivered in person or sent by fax, letter (mailed airmail, certified and return receipt requested), or by expedited delivery addressed to the parties as set forth in Article 26.2. In the case of a fax, notice will be deemed received on the date set forth on the confirmation of receipt produced by the sender's fax machine immediately after the fax is sent. In the case of a mailed letter, notice will be deemed received upon actual receipt. In the case of a notice sent by expedited delivery, notice will be deemed received on the date of delivery set forth in the records of the Person which accomplished the delivery. If any notice is sent by more than one of the above listed methods, notice will be deemed received on the earliest possible date in accordance with the above provisions.

26.2 NOTICE INFORMATION. Notices will be sent:

If to LESSOR: INTERNATIONAL LEASE FINANCE CORPORATION
Until February 28, 2004:
1999 Avenue of the Stars, 39th Floor
Los Angeles, California 90067, U.S.A.
On and after March 1, 2004:
10250 Constellation Boulevard, 34th Floor
Los Angeles, California 90067, U.S.A.
Attention: Legal Department
Fax: 310-788-1990
Telephone: 310-788-1999

If to LESSEE: COMPANIA PANAMENDA DE AVIACION S.A. (COPA)
Avenida Justo Arosemena y Calle 39
Apartado 1572
Panama 1, Panama
Attention: Chief Executive Officer
Fax: 507-227-1952
Telephone: 570-207-6170

or to such other places and numbers as either party directs in writing to the other party.

ARTICLE 27
GOVERNING LAW AND JURISDICTION

27.1 CALIFORNIA LAW. This Lease is being delivered in the State of California and the Lease and all other Operative Documents will in all respects be governed by and construed in accordance with the Laws of the State of California (notwithstanding the conflict Laws of the State of California).

27.2 NON-EXCLUSIVE JURISDICTION IN CALIFORNIA. As permitted by Section 410.40 of the California Code of Civil Procedure, the parties hereby irrevocably submit to the non-exclusive jurisdiction of the Federal District Court for the Central District of California and the State of California Superior or Municipal Court in Los Angeles, California. Nothing herein will prevent either party from bringing suit in any other appropriate jurisdiction.

27.3 SERVICE OF PROCESS. The parties hereby consent to the service of process (a) in the manner directed by any of the courts referred to above, (b) in accordance with Section 415.40 of the California Code of Civil Procedure by mailing copies of the summons and complaint to the person to be served by first-class mail to the address set forth in Article 26.2, postage prepaid, return receipt requested, (c) in one of the manners specified in Article 26.1 or (d) in accordance with the Hague Convention, if applicable.

27.4 PREVAILING PARTY IN DISPUTE. If any legal action or other proceeding is brought in connection with or arises out of any provisions in this Lease, the prevailing party will be entitled to recover reasonable attorneys' fees and other costs incurred in such action or proceedings. The prevailing party will also, to the extent permissible by Law, be entitled to receive pre- and post-judgment Default Interest.

27.5 WAIVER. EACH OF LESSEE AND LESSOR HEREBY WAIVES THE RIGHT TO A TRIAL BY JURY. EACH OF LESSEE AND LESSOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH EITHER OF THEM MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS LEASE BROUGHT IN ANY OF THE COURTS REFERRED TO IN ARTICLE 27.2, AND HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

ARTICLE 28
MISCELLANEOUS

28.1 PRESS RELEASES. The parties will give copies to one another, in advance if possible, of all news, articles and other releases provided to the public media regarding this Lease or the Aircraft.

28.2 POWER OF ATTORNEY. LESSEE hereby irrevocably appoints LESSOR as its attorney for the purpose of putting into effect the intent of this Lease following an Event of Default, including without limitation, the return, repossession, deregistration and exportation of the Aircraft. To evidence this appointment, LESSEE has executed the Power of Attorney in the form of Exhibit G. LESSEE will take all steps required under the Laws of the State of Registration to provide such power of attorney to LESSOR.

28.3 LESSOR PERFORMANCE FOR LESSEE. The exercise by LESSOR of its remedy of performing a LESSEE obligation hereunder is not a waiver of and will not relieve LESSEE from the performance of such obligation at any subsequent time or from the performance of any of its other obligations hereunder.

28.4 LESSOR'S PAYMENT OBLIGATIONS. Any obligation of LESSOR under this Lease to pay or release any amount to LESSEE is conditioned upon (a) all amounts then due and payable by LESSEE to LESSOR under this Lease or under any other agreement between LESSOR and LESSEE having been paid in full and (b) no Default or Event of Default having occurred and continuing hereunder at the time such payment or release of payment is payable to LESSEE.

28.5 APPLICATION OF PAYMENTS. Any amounts paid or recovered in respect of LESSEE liabilities hereunder may be applied to Rent, Default Interest, fees or any other amount due hereunder in such proportions, order and manner as LESSOR determines.

28.6 USURY LAWS. The parties intend to contract in strict compliance with the usury Laws of the State of California and, to the extent applicable, the U.S. Notwithstanding anything to the contrary in the Operative Documents, LESSEE will not be obligated to pay Default Interest or other interest in excess of the maximum non-usurious interest rate, as in effect from time to time, which may by applicable Law be charged, contracted for, reserved, received or collected by LESSOR in connection with the Operative Documents. During any period of time in which the then-applicable highest lawful rate is lower than the Default Interest rate, Default Interest will accrue and be payable at such highest lawful rate; however, if at later times such highest lawful rate is greater than the Default Interest rate, then LESSEE will pay Default Interest at the highest lawful rate until the Default Interest which is paid by LESSEE equals the amount of interest that would have been payable in accordance with the interest rate set forth in Article 5.7.

28.7 DELEGATION OF AUTHORITY BY LESSOR. LESSOR may delegate to any Person(s) all or any of its authority to perform or exercise powers or discretion vested in it by this Lease according to the terms of the Lease in LESSOR's reasonable discretion.

28.8 CONFIDENTIALITY. The Operative Documents and all non-public information (including financial information obtained pursuant to Article 22) obtained by either party about the other are confidential and are between LESSOR and LESSEE only and will not be disclosed

by a party to third parties (other than to such party's auditors or legal advisors; as required in connection with any filings of this Lease in accordance with Article 14; in connection with LESSOR's potential sale of the Aircraft or assignment of this Lease; as required for enforcement by either party of its rights and remedies with respect to this Lease or as required by applicable Law including Tax law; or to a LESSOR's Lender which agrees in writing to be bound by the terms of this Article 28.8 or similar confidentiality provisions) without the prior written consent of the other party. If any disclosure will result in an Operative Document becoming publicly available, LESSEE and LESSOR will cooperate with one another to obtain confidential treatment as to the commercial terms and other material provisions of such Operative Document.

28.9 RIGHTS OF PARTIES. The rights of the parties hereunder are cumulative, not exclusive, may be exercised as often as each party considers appropriate and are in addition to its rights under general Law. The rights of one party against the other party are not capable of being waived or amended except by an express waiver or amendment in writing. Any failure to exercise or any delay in exercising any of such rights will not operate as a waiver or amendment of that or any other such right. Any defective or partial exercise of any such rights will not preclude any other or further exercise of that or any other such right and no act or course of conduct or negotiation on a party's part or on its behalf will in any way preclude such party from exercising any such right or constitute a suspension or any amendment of any such right.

28.10 FURTHER ASSURANCES. Each party agrees from time to time to do and perform such other and further acts and execute and deliver any and all such other instruments as may be required by Law, reasonably requested by the auditors of the other party or requested by the other party to establish, maintain or protect the rights and remedies of the requesting party or to carry out and effect the intent and purpose of this Lease.

28.11 TRANSLATIONS OF LEASE. If this Lease is translated into another language, whether or not signed by LESSEE and LESSOR in such other language, solely the terms and provisions of this English version of the Lease will prevail in any dispute.

28.12 USE OF WORD "INCLUDING". The term "INCLUDING" is used herein without limitation.

28.13 HEADINGS. All article and paragraph headings and captions are purely for convenience and will not affect the interpretation of this Lease. Any reference to a specific article, paragraph or section will be interpreted as a reference to such article, paragraph or section of this Lease.

28.14 INVALIDITY OF ANY PROVISION. If any of the provisions of this Lease become invalid, illegal or unenforceable in any respect under any Law, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired.

28.15 NEGOTIATION. The terms of this Lease are agreed by LESSOR from its principal place of business in Los Angeles, California.

28.16 TIME IS OF THE ESSENCE. Time is of the essence in the performance of all obligations of the parties under this Lease and, consequently, all time limitations set forth in the provisions of this Lease will be strictly observed.

28.17 AMENDMENTS IN WRITING. The provisions of this Lease may only be amended or modified by a writing executed by LESSOR and LESSEE.

28.18 COUNTERPARTS. This Lease may be executed in any number of identical counterparts, each of which will be deemed to be an original, and all of which together will be deemed to be one and the same instrument when each party has signed and delivered one such counterpart to the other party.

28.19 DELIVERY OF DOCUMENTS BY FAX. Delivery of an executed counterpart of this Lease or of any other documents in connection with this Lease by fax will be deemed as effective as delivery of an originally executed counterpart. Any party delivering an executed counterpart of this Lease or other document by fax will also deliver an originally executed counterpart, but the failure of any party to deliver an originally executed counterpart of this Lease or such other document will not affect the validity or effectiveness of this Lease or such other document.

28.20 ENTIRE AGREEMENT. The Operative Documents constitute the entire agreement between the parties in relation to the leasing of the Aircraft by LESSOR to LESSEE and supersede all previous proposals, agreements and other written and oral communications in relation hereto. The parties acknowledge that there have been no representations, warranties, promises, guarantees or agreements, express or implied, except as set forth herein.

28.21 ****Material Redacted****.

IN WITNESS WHEREOF, LESSEE and LESSOR have caused this Lease to be executed by their respective officers as of November 30, 2003.

INTERNATIONAL LEASE FINANCE
CORPORATION

COMPANIA PANAMENA DE AVIACION,
S.A. (COPA)

By: /s/ David R. De Mars

By: /s/ Pedro Heilbron

Its: Assistant Vice President

Its: CEO

AIRCRAFT LEASE AGREEMENT

Dated as of

December 23, 2004

between

WELLS FARGO BANK NORTHWEST, N.A.,
NOT IN ITS INDIVIDUAL CAPACITY, BUT SOLELY AS
TRUSTEE UNDER THE TRUST AGREEMENT

as

Lessor

and

COMPANIA PANAMENA DE AVIACION, S.A.

as

Lessee

in respect of one

Boeing B737-800 Aircraft

Manufacturer's Serial Number 29670

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THIS AIRCRAFT LEASE AGREEMENT (this "Agreement") is made as of the 23rd day of December, 2004 between:

- (1) WELLS FARGO BANK NORTHWEST, N.A., a national banking association formed under the federal laws of the United States of America, with its principal place of business at 299 South Main Street, Salt Lake City, Utah 84111, not in its individual capacity (except when referred to as "WFB"), but solely as trustee under the Trust Agreement (as defined below) (the "Lessor"); and
- (2) COMPANIA PANAMENA DE AVIACION, S.A., a corporation formed under the laws of the Republic of Panama with its principal place of business at Avenida Justo Arosemena y Calle 39, Apartado 1572, Panama 1, Republic of Panama ("Lessee").

WHEREAS: Lessor wishes to lease to Lessee and Lessee is willing to lease from Lessor the Aircraft on the terms of this Agreement.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 DEFINITIONS

In this Agreement the following expressions have the meanings set out opposite:

- | | |
|------------------------|---|
| AAC | the Autoridad de Aeronautica Civil or any successor agency charged with supervising civil aviation in the Republic of Panama. |
| ACCEPTANCE CERTIFICATE | a certificate of the Lessor substantially in the form set out in Schedule 2. |
| AFFILIATE | as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 50% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such person, whether by contract or otherwise. |
| AFTER-TAX BASIS | means, with respect to any amount (an "Amount") required by any Transaction Document to be paid on an "After Tax Basis" |

to or for the benefit of any Person, such Amount plus an additional amount that will cause the sum of such amounts, after subtracting the amount of all Taxes (including Lessor Taxes) required to be paid by such Person as a result of the receipt (actual or constructive) or accrual of such Amount plus the additional amount payable pursuant to this sentence (net of any current actual reduction in such Person's liability for Lessor Taxes caused by the payment of such Amount) to be equal to the amount that such Person would receive if such Taxes were not required to be paid by such Person.

AGREED MAINTENANCE PERFORMER

unless otherwise agreed by Lessor and Lessee, a Person approved by the FAA to perform maintenance and/or modification services on commercial aircraft and/or commercial aircraft engines.

AGREED VALUE

has the meaning specified in Schedule 7.

AIR AUTHORITY

the AAC.

AIRCRAFT

the aircraft described in Part 1 of Schedule 1 (which term includes, unless the context otherwise requires, all Engines, Parts and, except in respect of Clause 9 and Schedule 4 hereof, Aircraft Documents).

AIRCRAFT DOCUMENTS

the documents, data, manuals and records identified in Part 2 of Schedule 1 and all additions, renewals, revisions and replacements from time to time made in accordance with this Agreement.

AIRCRAFT PURCHASE AGREEMENT

the aircraft sale and purchase agreement dated as of October 1, 2003 between the Initial Purchaser and the Beneficiary insofar as it relates to the Aircraft between such parties in connection therewith.

AIRFRAME

the Aircraft, excluding the Engines and Aircraft Documents.

AIRFRAME 6C/24,000 FLIGHT HOUR

means the 6C/24,000 Flight Hour block check

BLOCK STRUCTURAL CHECK	including inspections, and system check, all in accordance with the Approved Maintenance Program. Included are all routine and non-routine 6C check tasks and any maintenance or replacement of any part failing any 6C check routine requirement for an operational or functional test of the part while installed on the Aircraft.
AIRFRAME 6C/24,000 FLIGHT HOUR BLOCK STRUCTURAL CHECK SUPPLEMENTAL RENT	has the meaning specified in Clause 5.4(a)(i).
AIRFRAME 6C/24,000 FLIGHT HOUR BLOCK STRUCTURAL CHECK SUPPLEMENTAL RENT RATE	has the meaning specified in Schedule 7.
AIRWORTHINESS DIRECTIVE OR AD	an airworthiness directive issued by the FAA and/or the AAC.
ANNUAL EXPIRY DATE	each annual anniversary date of the Delivery Date which occurs before (or on) the Final Expiry Date.
ANNUAL SUPPLEMENTAL RENT ADJUSTMENT	has the meaning specified in Schedule 7.
APPRAISAL PROCEDURE	the following procedure for determining the "fair market rental value" of the Aircraft or any part thereof pursuant to Clause 13.2(c)(ii)(b): (a) Lessor shall select an internationally recognized independent aircraft appraiser experienced in appraising aircraft of the make and model of the Aircraft in its sole and absolute discretion who shall make a determination of "fair market rental value" of the Aircraft or part thereof in accordance with the terms hereof and customary industry practices; and (b) the fees and expenses of the appraiser shall be paid by Lessee. "Fair market rental value" shall mean the value determined by an appraisal completed on an "as-is" and "where-is" basis.
APPROVED MAINTENANCE PROGRAM OR LESSEE'S APPROVED MAINTENANCE	an Air Authority approved maintenance program for the Aircraft based on the

PROGRAM	Maintenance Planning Document, as amended by Lessee based on Lessee's operating experience, and encompassing scheduled maintenance (including block maintenance), condition-monitored maintenance, and/or on-condition maintenance of Airframe, Engines and Parts, including servicing, testing, preventive maintenance, repairs, structural inspections, system checks, overhauls, approved modifications, mandatory service bulletins, engineering orders, airworthiness directives, corrosion control, inspections and treatments.
APU	the auxiliary power unit installed on the Aircraft on the Delivery Date or any replacement auxiliary power unit installed in accordance with this Agreement, as applicable.
APU PERFORMANCE RESTORATION	means an off-wing APU shop visits including disassembly, inspection, component repair and balancing, testing and re-assembly of the relevant APU, accomplished in accordance with the APU manufacturer's component maintenance manual, with a scheduled Life Limited Part and Airworthiness Directive release of no less than 6,000 Cycles and 3 years and on-condition release of no less than 9,000 Flight Hours and 6,000 Cycles and 3 years.
APU SUPPLEMENTAL RENT	has the meaning specified in Clause 5.4(a)(iv).
APU SUPPLEMENTAL RENT RATE	has the meaning specified in Schedule 7.
ASSIGNMENT	an assignment by Lessor of its right, title and interest in and to this Agreement in favor of Financing Parties.
ASSUMED ANNUAL UTILIZATION	has the meaning specified in Schedule 7.
ASSUMED ANNUAL UTILIZATION ADJUSTMENT TABLE	has the meaning specified in Schedule 7.
ASSUMED LIBOR RATE	has the meaning specified in Schedule 7.

ASSUMED RATIO	has the meaning specified in Schedule 7.
ASSUMED RATIO ADJUSTMENT TABLE	has the meaning specified in Schedule 7.
ASSUMED RENT	has the meaning specified in Schedule 7.
BENEFICIARY	RBS Aerospace Limited, a limited company incorporated in Ireland with registered address at 1 George's Quay Plaza, George's Quay, Dublin 2, Ireland.
BILL OF SALE	the full warranty bill of sale duly executed and delivered by Initial Purchaser to Lessor, pursuant to and in accordance with the terms of the Aircraft Purchase Agreement.
BOEING	The Boeing Company, a Delaware corporation.
BUSINESS DAY	means, in the case of payments, any day (other than a Saturday or Sunday) on which banks are open for business in New York City, New York, USA or, in all other cases, any day (other than a Saturday or Sunday) on which banks are open for business in New York City, New York, USA, London, England, Dublin, Ireland and in the Republic of Panama.
COMMONLY CONTROLLED ENTITY	an entity, whether or not incorporated, that is under common control with Lessee within the meaning of Section 4001 of ERISA or is part of a group that includes Lessee and that is treated as a single employer under Section 414 of the Internal Revenue Code.
COPA HOLDINGS GUARANTEE	a guarantee agreement substantially in the form of Schedule 10.
COUNTRY OF INCORPORATION	Republic of Panama.
COUNTRY OF REGISTRATION	Republic of Panama.
CROSS-DEFAULT AMOUNT	has the meaning specified in Schedule 7.
CYCLE	one takeoff and landing of the Aircraft.

DAMAGE NOTIFICATION THRESHOLD	has the meaning specified in Schedule 7.
DEFAULT	any Event of Default and any event which with the giving of notice or lapse of time, or both, would constitute an Event of Default.
DELIVERY	the delivery of the Aircraft by Lessor to Lessee pursuant to this Agreement.
DELIVERY DATE	the date on which Delivery of the Aircraft occurs in accordance with this Agreement.
DELIVERY LOCATION	Boeing Field, Seattle, Washington or such other location as Lessor and Lessee may agree.
DELTA	Delta Air Lines, Inc.
DISCOUNT RATE	has the meaning specified in Schedule 7.
DOLLAR(S) AND \$	the lawful currency of the United States of America.
ENGINE	whether or not installed on the Aircraft: <ul style="list-style-type: none"> (a) each engine of the manufacture and model specified in Part 1 of Schedule 1 which Lessor delivers to Lessee with the Aircraft on the Delivery Date, such engines being described as to serial numbers on the Certificate of Acceptance; or (b) any engine which has replaced that engine, title to which has or should have, passed to Lessor in accordance with this Agreement; and in each case includes all modules and Parts from time to time belonging to or installed in that engine but excludes any properly replaced engine title to which has, or should have, passed to Lessee pursuant to this Agreement.
ENGINE CYCLE	the operation of an engine installed on an aircraft from and

including a take-off to and including the landing of that aircraft.

ENGINE EVENT OF LOSS	the occurrence with respect to an Engine only, whether or not installed on the Airframe, of any of those events described in the definition of Event of Loss.
ENGINE FLIGHT HOUR	each hour or part thereof (rounded to the nearest 1/100th of an Hour) that an engine is operated, elapsing from the moment the wheels of the airframe on which such engine is installed leave the ground until the wheels of such airframe next touch the ground.
ENGINE LLP SUPPLEMENTAL RENT	has the meaning specified in Clause 5.4(a)(ii).
ENGINE LLP SUPPLEMENTAL RENT RATE	has the meaning specified in Schedule 7.
ENGINE MANUFACTURER	means CFM International, Inc.
ENGINE PERFORMANCE RESTORATION	means an off-wing engine shop visit including performance restoration or full overhaul of core modules of the relevant Engine, accomplished in accordance with the Engine manufacturer's workscope planning guide as customized for Lessee, with a scheduled Life Limited Part and Airworthiness Directive release of no less than 7,500 Cycles and 3 years and on-condition release of no less than 11,000 Flight Hours and 7,500 Cycles and 3 years.
ENGINE SUPPLEMENTAL RENT	has the meaning specified in Clause 5.4(a)(iii).
ENGINE SUPPLEMENTAL RENT RATE	has the meaning specified in Schedule 7.
ERISA	means the Employee Retirement Income Security Act of 1974, as amended.
EVENT OF DEFAULT	an event specified in Clause 13.1.
EVENT OF LOSS	with respect to the Aircraft, the Airframe or an Engine: (a) the actual or constructive total loss of such property (including any damage

to such property which results in an insurance settlement on the basis of a total loss, or requisition for use or hire which results in an insurance settlement on the basis of a total loss);

- (b) such property being destroyed, damaged beyond repair or permanently rendered unfit for normal use for any reason whatsoever;
- (c) the requisition of title, or other compulsory acquisition, capture, seizure, deprivation, confiscation or detention (collectively, a "requisition") for any reason of such property by the government of the Country of Registration or other authority, but excluding requisition for use or hire not involving requisition of title; or
- (d) the hijacking, theft, condemnation, confiscation, seizure or requisition (other than a requisition of title) for use or hire of such property for (i) more than sixty (60) days; or (ii) if earlier, a period ending on the Final Expiry Date.

If an Event of Loss occurs with respect to the Airframe, an Event of Loss with respect to the Aircraft (including the Airframe and the Engine) shall be deemed to have occurred.

EXCLUDED COUNTRY

(x) Iraq and Libya, and (y) any country to which the use of the Aircraft is prohibited by (i) the Dual-Use and Related Goods (Export Control) Regulations 1996 pursuant to the European Communities Act 1972, (ii) the Dual-Use and Related Goods (Export Control) (Amendment) Regulations 1997 pursuant to the European Communities Act 1972, (iii) the United States Export Administration Act 1979 (as amended), (iv) any successor legislation for and/or the export administration regulations promulgated under the foregoing

or (iv) any sanctions orders or legislation from time to time promulgated by any of the United Nations, the European Union or any Government Entity of the Country of Registration or any other country having jurisdiction over Lessor or RBS, the effect of which prohibits the use of Boeing aircraft operated by Lessee on flights to and from such country.

FAA the Federal Aviation Administration of the United States of America and any successor thereof.

FAR means the Federal Aviation Regulations set forth in Title 14 of the United States Code of Federal Regulations, as amended and modified from time to time.

FINAL DELIVERY DATE December 31, 2005.

FINAL EXPIRY DATE the date falling 90 months after the Delivery Date, or if earlier the date on which:

- (a) Lessor receives the Agreed Value and other amounts then due and payable to it by Lessee following an Event of Loss pursuant to Clause 11; or
- (b) the Term of this Agreement shall end in accordance with Clause 13.2.

FINAL INSPECTION has the meaning specified in Clause 1.1 of Schedule 3 hereto.

FINANCIAL INDEBTEDNESS means any indebtedness in respect of:

- (a) moneys borrowed or raised;
- (b) any liability under any debenture, bond, note, loan stock, acceptance, documentary credit or other security;
- (c) obligations under finance leases;
- (d) the acquisition cost of any asset to the extent payable before or after the time

of acquisition or possession, not being indebtedness in respect of the purchase of goods or services in the ordinary course of trading, payment for which is deferred for a period of not greater than thirty (30) days or, in respect of goods or services the purchase price of which is not material, ninety (90) days; or

- (e) any guarantee, indemnity or similar assurance against financial loss of any person in respect of the above.

FINANCING PARTIES

RBS and such other Persons as may from time to time provide to Owner and/or Lessor debt, equity or other forms of financing with respect to the Aircraft, and/or for whose benefit security over, or rights relating to, the Aircraft and/or this Agreement is granted by Owner and/or Lessor, with or without recourse, whether at the request of Owner and/or Lessor. FINANCING PARTIES' REPRESENTATIVE such Person, if any, as may be designated as such from time to time in a written notice from Lessor to Lessee.

FLIGHT HOUR

each hour (computed to the nearest hundredth of an hour) elapsing from the moment the wheels of the Aircraft leave the ground on take off until the wheels of the Aircraft next touch the ground.

GAAP

means generally accepted accounting principles in effect from time to time in the Republic of Panama provided such standards are consistent with international accounting standards; otherwise, in accordance with international accounting standards; or, should at any time, Lessee or Guarantor, as applicable, elect, at its sole discretion to maintain their financial statements in accordance with US GAAP, generally accepted accounting principles from time to

	time in effect in the United States.
GENEVA CONVENTION	means the Convention on the International Recognition of Rights in Aircraft signed at Geneva, Switzerland on 19 June 1948, and amended from time to time.
GOVERNING LAW	the laws of the State of New York.
GOVERNMENT ENTITY	(a) any national government, political subdivision thereof, or local jurisdiction therein; (b) any instrumentality, board, commission, court, or agency of any thereof, however constituted; and (c) any association, organization, or institution of which any of the above is a member or to whose jurisdiction any thereof is subject.
GUARANTOR	Copa Holdings, S.A.
HABITUAL BASE	Republic of Panama.
HEAD LEASE	if Owner is not the same entity as Lessor, any aircraft lease agreement between Owner and Lessor in respect of the Aircraft.
INDEMNIFIED TAX	has the meaning specified in Clause 5.11(b).
INDEMNITEE	each of the following: (i) Beneficiary, (ii) Initial Purchaser (but only for claims arising against Initial Purchaser solely as a result of Initial Purchaser being a party in the chain of title and where no act or omission of Initial Purchaser, its successors, assigns, officers, or employees, allegedly contributed to the event leading to indemnification requirement), (iii) Lessor and Owner, (iv) each Financing Party, (v) each security trustee or other Financing Parties' Representative, and (vi) each shareholder, Subsidiary, Affiliate, beneficiary, member, director, officer, agent and employee of any of the

Persons described in items (i) - (v).

INITIAL PURCHASER means Delta.

INSURANCES has the meaning specified in Clause 9.1

INTERNAL REVENUE CODE the U.S. Internal Revenue Code of 1986, as amended.

INTEREST RATE the rate equal to LIBOR during the applicable period plus three and one-half percent (3.5%) per annum, but not to exceed the maximum amount permitted by law.

JAA the body referred to as the "Joint Aviation Authority" established by the members of the European Civil Aviation Conference. The term "JAA" shall also include the European Aviation Safety Agency ("EASA") as the context admits or requires.

LANDING GEAR the landing gear assembly of the Aircraft meaning the complete strut assembly, consisting of inner and outer cylinders and all associated parts that comprise each landing gear assembly as listed in the Aircraft Documents including side struts, braces, uplock and downlock mechanisms, and electrical wiring and hydraulic hardware but excluding ratable parts including, without limitation, wheels, tires, brakes, transducers and switch assemblies.

LANDING GEAR SUPPLEMENTAL RENT has the meaning specified in Clause 5.4(a)(v).

LANDING GEAR SUPPLEMENTAL RENT RATE has the meaning specified in Schedule 7.

LEASE SUPPLEMENT NO. 1 means a Lease Supplement No. 1 to this Agreement substantially in the form of Schedule 8 hereto, duly completed and executed by Lessor and Lessee.

LESSEE CONTROLLED CONTEST has the meaning specified in Clause 5.11(c).

LESSEE POWER OF ATTORNEY means a Lessee Power of Attorney

substantially in the form of Schedule 9.

LESSOR LIEN

- (a) a Mortgage, an Assignment and any other charge, pledge, lien, security interest, hypothecation or encumbrance whatsoever from time to time created by or through Owner, Lessor or Beneficiary in connection with the financing of the Aircraft;
- (b) any other security interest or encumbrance in respect of the Aircraft which results from acts or omissions of or claims against Owner, Lessor or Beneficiary not related to the transactions contemplated by or permitted under this Agreement or from claims for which Lessee is not responsible under this Agreement; and
- (c) liens in respect of the Aircraft for Lessor Taxes.

LESSOR TAX

any of the following Taxes:

- (a) any Tax imposed (by withholding or otherwise) on, or calculated by reference to, the gross or net income (including any minimum Tax or personal holding company tax), profits (including any excess profits Tax or accumulated earnings Tax), gains, gross or net receipts, capital, or net worth, corporate franchise or conduct of business of a Tax Indemnitee by any jurisdiction under the laws of which such Tax Indemnitee is incorporated or otherwise organized or in which such Tax Indemnitee has an office or other fixed place of business or is engaged in business, provided that "Lessor Taxes" shall not include (i) any Sales Tax or (ii) any Tax imposed by any Government Entity or other taxing authority of any jurisdiction if and to the extent that

such Tax is a result of any connection between Lessee or the Aircraft, the Airframe, any Engine or any Part or any interest in any thereof with the jurisdiction imposing the Tax, including, without limitation, any one or more of the following: (A) the registration, use, operation, or presence of the Aircraft, the Airframe, any Engine or any Part or any interest in any thereof in the jurisdiction imposing the Tax, or (B) the incorporation or other organization of Lessee or any Specified Person under the law of the jurisdiction imposing the Tax, or (C) the management, residence, presence, place of business, acts, activities or transactions of Lessee or any Specified Person in the jurisdiction imposing the Tax, or (D) the payment of any amount payable by or for the account of Lessee or any Specified Person pursuant to any Transaction Document in or from the jurisdiction imposing the Tax; or

- (b) Taxes imposed with respect to any period commencing (and, in the case of (i), ending) or event occurring (i) prior to the Delivery Date or (ii) after the Final Expiry Date and in either case, unrelated to Lessor's dealings with Lessee with respect to the transactions contemplated by this Agreement; or
- (c) any Tax imposed by any Government Entity in the Country of Registration on or with respect to the sale, assignment, transfer or other disposition of all or any part of (i) Lessor's or Owner's right, title and interest in the Aircraft or this Agreement, (ii) any Tax Indemnitee's interest in Lessor or any Transaction Document and (iii) any Financing

Party's loan to the Owner relating to, or security over, or rights relating to, the Aircraft other than any sale, assignment, transfer or other disposition that occurs in connection with (w) an Event of Loss, or (x) an exercise of remedies after the occurrence and during the continuance of an Event of Default, or (y) a substitution or replacement of the Aircraft, the Airframe, any Engine or any Part, or (z) the maintenance, repair or pooling of the Aircraft, the Airframe, any Engine or any Part; or

- (d) any Tax caused directly by the gross negligence or willful misconduct of any Tax Indemnitee (other than any gross negligence caused by an act or omission of Lessee or any Specified Person) or the breach by Lessor of any covenant of Lessor in this Agreement; or
- (e) any Tax imposed on or payable by a Tax Indemnitee to the extent caused directly by, and would not have been imposed but for, the existence of a Lessor Lien; or
- (f) with respect to any Tax Indemnitee, Taxes imposed to the extent the same results from the failure by such Tax Indemnitee to pay, or to file any required Tax return or to provide required information in respect of, any Tax on a proper and timely basis (provided, however, that, with respect to any Tax required to be paid or any Tax return required to be filed solely as a result of the transactions contemplated by the Transaction Documents, such Person has before the due date for payment of such Tax or the filing of such Tax return either received a written demand therefor or

otherwise been made aware in writing of the imposition of such Tax and the due dates for payment thereof or the filing of such Tax return as applicable) other than where any such failure arises as a result of any breach by Lessee of any provision of, or the default by Lessee in the performance of, its obligations under this Agreement or as a result of any Event of Default occurring or otherwise arising as a result of the willful misconduct or gross negligence of Lessee; or

- (g) in the case of a transferee of a Tax Indemnatee, Taxes to the extent that the aggregate amount of such Taxes exceeds the aggregate amount of the Taxes that would have been imposed on or payable by the transferor Tax Indemnatee and for which Lessee would have been required to indemnify the transferor Tax Indemnatee pursuant to Clause 5.7, 5.8, 5.9 or 5.10 under applicable laws in effect on the date of transfer; or
- (h) Any Tax to the extent increased or not reduced as a result of the failure of a Tax Indemnatee to file any Tax Document, to supply a tax identification number or to comply with any certification of tax residence or other documentation requirement of applicable law, in each case, that is a condition to the allowance of any exemption from, reduction in rate of, or other relief from, such Tax, provided that (1) Lessee shall have given such Tax Indemnatee timely written notice of such requirement and shall have delivered to such Tax Indemnatee such forms as may be necessary to comply with such requirement and accompanying

instructions issued by the relevant Government Entity or other tax authority as to the proper completion thereof and (2) such Tax Indemnatee is entitled under applicable law to provide the requested certification or other documentation; provided, however, that such Tax Indemnatee shall not be required to comply with any such certification, information, documentation, reporting or other requirement if such Tax Indemnatee determines in its sole discretion exercised in good faith that such compliance may result in any adverse consequences to such Tax Indemnatee.

LIBID

in relation to any period and amount in respect of which an interest rate is to be determined pursuant thereto, LIBOR for such amount and such period minus 12.5 basis points (but in no event shall LIBID be less than zero).

LIBOR

in relation to any period and amount in respect of which an interest rate is to be determined pursuant hereto:

- (a) the offered rate (if any) appearing on page 3750 (or its successor or replacement page) of the Telerate Screen for dollars for the specified period at 11:00 a.m. on the Quotation Date therefor; or
- (b) if no such rate is available on page 3750 (or its successor or replacement page) of the Telerate Screen, the rate determined by Lessor to be the arithmetic mean (rounded upwards, if not already such a multiple, to the nearest whole multiple of one sixteenth of one percent) of the rates (as notified to Lessor) at which each of the Reference Banks (on the basis that at least two Reference Banks so notify Lessor) was offering to prime

banks in the London Interbank Market, on the Quotation Date, deposits in dollars for the specified period;

for the purposes of this definition, SPECIFIED PERIOD means the period having a duration equal to or as close as practicable to the relevant period in respect of which LIBOR fails to be determined in relation to any unpaid sum.

LIFE LIMITED PARTS

any Part that has a pre-determined life limit as mandated by the manufacturer of such Part, the FAA or any other Governmental Entity having jurisdiction over matters relating to airworthiness, which requires any such Part to be discarded upon reaching such life limit.

LOSSES

any and all cost, expense (including any and all legal fees and expenses and the fees and expenses of other professional advisers), claims, proceedings, losses, liabilities, obligations, damages (whether direct, indirect, special, incidental or consequential), suits, judgments, fees, penalties or fines (whether criminal or civil) of any kind or nature whatsoever, including any of the foregoing arising or imposed with or without any Indemnitee's fault or negligence, whether passive or active or under the doctrine of strict liability.

MAINTENANCE PLANNING DOCUMENT OR MANUFACTURER'S MAINTENANCE PLANNING DOCUMENT

the recommended maintenance program for the Aircraft issued and in effect from time to time by the Manufacturer.

MAJOR CHECKS

means any C check, multiple C check or heavier check (including associated structural inspections and corrosion prevention and control items) for the Aircraft as set out in the Approved Maintenance Program.

MANDATORY ORDER OR MO

a mandatory order issued by the FAA and/or the AAC.

MANUFACTURER

Boeing.

MAXIMUM DEDUCTIBLE AMOUNT	has the meaning specified in Schedule 7.
MINIMUM LIABILITY COVERAGE	has the meaning specified in Schedule 7.
MINIMUM WAR RISK COVERAGE	has the meaning specified in Schedule 7.
MONTH	is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month (and references to "months" shall be construed accordingly) save that, where any such period would otherwise end on a non-Business Day, it shall end on the next Business Day, provided that if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month.
MORTGAGE	any Mortgage over the Aircraft granted by Lessor in favor of the Financing Parties.
OTHER AGREEMENTS	any aircraft lease agreement (other than this Agreement) or other aircraft financing agreement made or to be made between (i) Lessee, and (ii) Lessor, Beneficiary or any Affiliate of Lessor or Beneficiary or any trustee for the benefit of Lessor or Beneficiary or for the benefit of any Affiliate of Lessor or Beneficiary.
OWNER	Lessor or such other Person notified in writing by Lessor to Lessee.
PART	whether or not installed on the Aircraft or any Engine: <ul style="list-style-type: none"> (a) any component, furnishing or equipment (other than a complete Engine) furnished with the Aircraft on the Delivery Date; and (b) any other component, furnishing or equipment (other than a complete Engine) title to which has, or should have, passed to Owner pursuant to this

Agreement;

but excludes any such items title to which has, or should have, passed to Lessee pursuant to this Agreement.

PARTICIPATION AGREEMENT

the Participation Agreement dated as of the date hereof between Beneficiary, Lessor and Lessee.

PERMITTED LIEN

- (a) any lien for any Tax (i) which has not been assessed or (ii) if assessed, which is not yet due and payable or (iii) if assessed and due and payable, which is being contested in good faith by appropriate proceedings in accordance with applicable law;
- (b) any lien of a repairer, mechanic, carrier, hangar-keeper or other similar lien arising in the ordinary course of business or by operation of law in respect of obligations which are not overdue or are being contested in good faith by appropriate proceedings in accordance with applicable law;

but only if (in the case of both (a) and (b)) (i) adequate resources have been provided by Lessee, or adequate reserves have been established and are maintained in the accounting records of Lessee in accordance with GAAP, for the payment of the Taxes or obligations; and (ii) such proceedings, or the continued existence of the lien, do not give rise to any material likelihood of the sale, forfeiture or other loss of the Aircraft or any interest therein or of criminal liability on Owner, Lessor, Beneficiary or any Financing Party;
- (c) any Lessor Lien; and
- (d) any lien arising out of any judgment or

award against Lessee so long as such judgment or award shall, within 45 days after the entry thereof, have been discharged or vacated, or execution thereof stayed pending appeal or shall have been discharged, vacated or reversed within 45 days after the expiration of such stay, and so long as during any such 45 day period, there is not, or any such judgment or award does not involve, any material risk of the sale, forfeiture or loss of the Aircraft, Airframe, any Engine, or any of the Aircraft Documents or any interest therein or any discernable risk of criminal liability or any material risk of civil penalty against Owner, Lessor, Beneficiary or any Financing Party.

PERSON

any individual person, corporation, company, partnership, limited liability company, firm, joint stock company, joint venture, trust, estate, unincorporated organization, association, Government Entity, or other entity, or any commercial or other arrangement or relationship that is deemed to be an entity for the purpose of any applicable law.

PRICE ESCALATION ADJUSTMENTS

has the meaning specified in Schedule 7.

QUOTATION DATE

means, in relation to any period in respect of which LIBOR is to be determined, the day two Business Days before the beginning of such period.

RBS

Royal Bank of Scotland plc.

REDELIVERY DATE

the Final Expiry Date.

REDELIVERY LOCATION

Miami International Airport, Miami, Florida, or such other location in the continental United States of America as Lessor and Lessee may agree.

REFERENCE BANKS	means The Royal Bank of Scotland plc, Bank of America NT&SA and Citibank N.A.
REFUND	has the meaning specified in Clause 5.11(d).
RENT	all amounts payable pursuant to Clause 5.3.
RENT ADJUSTMENT FACTOR	has the meaning specified in Schedule 7.
RENT COMMENCEMENT DATE	the date on which Lessor tenders the Aircraft for Delivery to Lessee under and in accordance with Clauses 4.1 and 4.2.
RENT DATE	the first day of each Rental Period.
RENTAL PERIOD	each period ascertained in accordance with Clause 5.2.
RETURN CONDITIONS	means the conditions specified in Schedule 3.
SALES TAX	any Tax that is, or is in the nature of, a sales, use, rental, leasing, value added, turnover, services, goods and services, consumption, transaction privilege, or similar Tax.
SCHEDULED DELIVERY DATE	Month of May 2005.
SECURITY DEPOSIT	all amounts payable pursuant to Clause 5.1.
SECURITY DEPOSIT AMOUNT	has the meaning specified in Schedule 7.
SECURITY INTEREST	any mortgage, charge, pledge, lien, security interest, assignment, hypothecation, right of setoff or other agreement or arrangement having the effect of creating an encumbrance other than a Permitted Lien.
SELLER	Boeing.
SIMILAR LAWS	any federal, state, local, non-U.S. or other laws or regulations that are similar to Section 406 of ERISA or Section 4975 of the Internal Revenue Code.
SOLVENT	when used with respect to any Person, means that, as of any date of determination, (a) the amount of the "present fair saleable value" of

the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable Panamanian and U.S. federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have in its good faith opinion, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

SPECIFIED PERSON

any sublessee or any other Person that uses or has the right to use or has possession or custody of the Aircraft, the Airframe, any Engine or any Part, or any shareholder, Subsidiary, Affiliate, contractor, director, officer, agent or employee of any of the foregoing.

SUBSIDIARY

- (a) in relation to any reference to accounts, any company whose accounts are consolidated with the accounts of Lessee in accordance with GAAP;
- (b) for any other purpose an entity from

time to time:

- (i) of which another has direct or indirect control or owns directly or indirectly more than 50 percent of the voting share capital; or
- (ii) which is a direct or indirect subsidiary of another under the laws of the jurisdiction of its incorporation.

SUPPLEMENTAL RENT

all amounts payable pursuant to Clause 5.4.

SUPPLEMENTAL RENT RATE

any of the Airframe 6C/24,000 Flight Hour Block Structural Check Supplemental Rent Rate, the Engine LLP Supplemental Rent Rate, the Engine Supplemental Rent Rate, the APU Supplemental Rent Rate and the Landing Gear Supplemental Rent Rate.

TAX

any present and future tax (including, without limitation, any gross receipts, gross or net income, franchise, doing business, sales, transfer, business, occupation, fuel, leasing, turnover, excess profits, registration, capital gains, import/export, use, rental, leasing, value added, goods and services, consumption, transaction privilege, excise, property, license, documentary or stamp tax), duty, levy, assessment, impost, withholding or other similar charge, and any penalty, additions to tax, fine, surcharge or interest relating thereto, imposed by any Government Entity or other taxing authority in any jurisdiction or by any international or multinational authority.

TAX CLAIM

has the meaning specified in Clause 5.12(a).

TAX DOCUMENT

has the meaning specified in Clause 5.11(b).

TAX INDEMNITEE

each of the following: (i) Owner, (ii) Beneficiary, (iii) Lessor, (iv) each Financing Party, (v) each security trustee or other Financing Parties' Representative, and

(vi) each shareholder, Subsidiary, Affiliate, beneficiary, member, director, officer, agent and employee of any of the Persons described in items (i) - (v).

TAX SAVING has the meaning specified in Clause 5.11(d).

TERM OR LEASE TERM the period commencing on the Delivery Date and ending on but excluding the next succeeding Annual Expiry Date or, if earlier, on the Final Expiry Date, provided that the Term shall be automatically renewed on each Annual Expiry Date for consecutive periods of one year's duration up until and including the Final Expiry Date, subject to the provisions of Clauses 11 and 13.2.

TRANSACTION DOCUMENTS this Agreement, the Participation Agreement, the Trust Agreement, the Aircraft Purchase Agreement, the Warranty Assignment, the Bill of Sale, the Acceptance Certificate, Lease Supplement No. 1, the Lessee Power of Attorney and the Copa Holdings Guarantee, and all documents, instruments and certificates delivered pursuant hereto or thereto.

TRUST AGREEMENT means the Trust Agreement dated the date hereof between Beneficiary, as trustor, and Wells Fargo Bank Northwest, N.A., as trustee.

UCC Uniform Commercial Code, as the same may be in effect in any applicable jurisdiction within the United States.

UNUSED SUPPLEMENTAL RENT an amount equal, from time to time, to all Supplemental Rent paid by Lessee and not repaid to, or as directed by, Lessee by Lessor or applied to Lessee's obligations as provided under this Agreement.

WARRANTY ASSIGNMENT a Warranty Assignment substantially in the form of Schedule 12.

1.2 CONSTRUCTION:

(a) In this Agreement, unless the contrary intention is stated, a reference to:

- (i) each of "Lessor" or "Lessee" or any other Person includes without prejudice to the provisions of this Agreement any successor in title to it and any permitted assignee;
 - (ii) words importing the plural form shall apply to the singular and vice versa;
 - (iii) any document shall include that document as amended, novated, supplemented or otherwise modified from time to time and includes all exhibits, appendices, attachments and supplements thereto;
 - (iv) a "law" (1) includes any statute, decree, constitution, regulation, order, judgment or directive or requirement of any Government Entity; (2) includes any treaty, pact, compact or other agreement to which any Government Entity is a signatory or party; (3) includes any judicial or administrative interpretation or application thereof and (4) is a reference to that provision as amended, substituted or reenacted;
 - (v) a Clause or a Schedule is a reference to a clause of or a schedule to this Agreement; and
 - (vi) the words "include," "includes," and "including" are deemed to be followed by the words "without limitation" whether or not such words appear;
- (b) the headings in this Agreement are to be ignored in construing this Agreement.

2. REPRESENTATIONS AND WARRANTIES

2.1 LESSEE'S REPRESENTATIONS AND WARRANTIES:

Lessee represents and warrants to Lessor that:

- (a) STATUS: Lessee is a corporation duly incorporated and validly existing under the laws of the Country of Incorporation and has the corporate power to own its assets and carry on its business as it is being conducted and is the holder of all necessary air transportation and other licenses or permits required in connection therewith and with the use and operation of the Aircraft;
- (b) POWER AND AUTHORITY: Lessee has the corporate power to enter into and perform, and has taken all necessary corporate action to authorize the entry into, performance and delivery of, this Agreement and each of the

other Transaction Documents to which it is a party and the transactions contemplated hereby and thereby;

- (c) **LEGAL VALIDITY:** this Agreement and each of the other Transaction Documents to which it is a party has been duly authorized by Lessee, each of this Agreement and the Participation Agreement has been duly executed and delivered by Lessee and each of this Agreement and the Participation Agreement does, and each of the other Transaction Documents when executed and delivered by Lessee (subject to execution and delivery by the other parties thereto) will, constitute a legal, valid and binding obligation of Lessee, enforceable against Lessee in accordance with its terms, except as enforceability may be limited, by applicable bankruptcy, insolvency or other laws affecting creditors' rights generally and/or general principles of equity;
- (d) **NON-CONFLICT:** the entry into and performance by Lessee of, and the transactions contemplated by, this Agreement does not and will not:
 - (i) conflict with any laws binding on Lessee;
 - (ii) conflict with the constitutional documents of Lessee; or
 - (iii) conflict with or result in default under any indenture, mortgage, contract, agreement or other document which is binding upon Lessee or any of its assets or result in the creation of any Security Interest over any of its assets (other than the Security Deposit);
- (e) **AUTHORIZATION:** all authorizations, consents, registrations and notifications required under the laws of the Country of Incorporation and the Country of Registration and any other relevant jurisdictions in connection with the entry into and performance by Lessee of, and the validity and enforceability against Lessee of, this Agreement and the other Transaction Documents to which it is a party and the transactions contemplated hereby and thereby, have been (or will on or before the Delivery Date have been) obtained or effected (as appropriate) and are (or will on their being obtained or effected be) in full force and effect, except as provided in Section 8.11(f);
- (f) **NO IMMUNITY:**
 - (i) Lessee is subject to civil and commercial law with respect to its obligations under this Agreement and the other Transaction Documents; and
 - (ii) neither Lessee nor any of its assets is entitled to any right of immunity from suit, jurisdiction, attachment prior to judgment, attachment in

aid of execution, set-off, execution or other legal process, and the entry into and performance of this Agreement and the other Transaction Documents by Lessee constitute private and commercial acts;

- (g) ACCOUNTS: the audited consolidated financial statements of Lessee and its Subsidiaries most recently delivered to Lessor:
 - (i) have been prepared in accordance with GAAP; and
 - (ii) fairly represent the consolidated financial condition of Lessee and its Subsidiaries as at the date thereof;
- (h) FULL DISCLOSURE: its audited financial statements referred to in Clause 2.1(g) provided to Lessor by Lessee for the purposes of this Agreement do not contain any untrue or materially misleading statement of a material fact;
- (i) MATERIAL ADVERSE EFFECT: No event has occurred since December 31, 2003 which constitutes, or which with the giving of notice and/or lapse of time or both would constitute, a contravention of, or default under, any agreement or instrument by which Lessee or Guarantor or any of their assets are bound or affected, being a contravention or default which might either have a material adverse effect on the financial condition, business, assets or operations of Lessee or Guarantor or on their ability to observe and perform their obligations under the Transaction Documents;
- (j) TAXES:
 - (i) Lessee has filed or caused to be filed in such manner as is required by law or regulation all Tax returns which Lessee is required by any applicable law to file with any Government Entity or other taxing authority, and has paid or caused to be paid all Taxes reported on such returns to be due or which have become due pursuant to any notice, demand or assessment received by Lessee or any of its Affiliates, except for any such notice, demand or assessment (A) which is being contested in good faith in accordance with the applicable law, (B) which does not and will not involve a material risk of sale, forfeiture or loss of the Aircraft, the Airframe, any Engine or any Part, and (C) for which an adequate reserve has been established and maintained in the accounting records of Lessee in accordance with GAAP;
 - (ii) no material claim for any Tax has been asserted against Lessee by any Government Entity or other taxing authority other than claims that are included in the liabilities for Taxes in the audited consolidated financial statements described in Clause 2.1(g) or

which are being contested in good faith by appropriate proceedings and with respect to which appropriate reserves have been maintained to the extent required by GAAP and which arose after the date of such audited consolidated financial statements and which does not and will not involve a material risk of sale, forfeiture or loss of the Aircraft;

- (iii) all applicable customs duties and Sales Taxes in respect of the Aircraft, its sale to Lessor and lease hereunder to Lessee on the Delivery date, have been paid;
 - (iv) there is no Tax of the Country of Incorporation or the Country of Registration, or any taxing authority of either thereof or therein which is imposed in respect of any payment to be made by Lessee to Lessor pursuant to the Transaction Documents, or is imposed on or by virtue of the execution, delivery or performance of the Transaction Documents; and
 - (v) there is no Tax of the Country of Incorporation or the Country of Registration, or any taxing authority of either thereof or therein which is imposed in respect of any payment to be made to Lessee pursuant to the Transaction Documents, or is imposed on any Lender on or by virtue of the execution, delivery or performance of the Transaction Documents;
- (k) NO DOING BUSINESS: neither Lessor nor Beneficiary is or will be deemed to be resident, domiciled or carrying on business in The Republic of Panama or be subject to taxation in The Republic of Panama by reason only of the execution, performance and/or enforcement of any of the Transaction Documents;
- (l) ENFORCEMENT: in any execution proceedings taken in The Republic of Panama for the enforcement of the Transaction Documents, the courts of The Republic of Panama will give effect to and enforce any final (non-appealable) judgment granted in the United States, without re-examination or re-litigation of any matter adjudicated therein, provided that if a final and conclusive judgment in respect of any of the Transaction Documents is given by a foreign court of competent jurisdiction to deal with any action arising therefrom, such judgment would be recognized and enforced in the Courts of the Republic of Panama without retrial of the originating action by instituting exequatur proceedings in the Supreme Court of Panama and upon determination by such tribunal that: (i) the courts of the judgment country would in similar circumstances recognize a final and conclusive judgment of the Courts of the Republic of Panama; (ii) the judgment has been issued as a consequence of an action "in personam"; (iii) the judgment was rendered after personal service on the defendant;

(iv) the cause of action upon which judgment was based does not contravene public policy of Panama; and (v) the documents evidencing the judgment are in authentic form according to the laws of the judgment country and have been duly legalized by Panamanian Consul; and no filing, recording, registering of or with respect to the Transaction Documents will be necessary in the Republic of Panama in order to protect, preserve or perfect the validity and enforceability of the Transaction Documents, and the interests thereby created, except as stated in Section 8.11(f);

- (m) POWER OF ATTORNEY: the Lessee Power of Attorney remains in full force and effect;
- (n) UCC MATTERS: the "location" of Lessee, for purposes of Section 9-307 of the Uniform Commercial Code of the State of New York, is in the State of Florida;
- (o) SOLVENCY: Lessee is Solvent; and
- (p) ERISA: (A) the execution, delivery and performance of the Transaction Documents will not involve any transaction in connection with which a civil penalty could be assessed pursuant to Section 502 of ERISA, any tax could be imposed under Section 4975 of the Internal Revenue Code; or a violation of any Similar Laws could result and (B) neither Lessee nor any Subsidiary or Commonly Controlled Entity (i) maintains, contributes to or has any liability in respect of, (ii) is obligated to maintain or contribute to, or has, at any time within the five years preceding the date of this representation, maintained, contributed to or had any liability in respect of or (iii) has been obligated to maintain or contribute to, any employee benefit plan that is subject to Title IV of ERISA.

2.2 LESSEE'S FURTHER REPRESENTATIONS AND WARRANTIES:

Lessee further represents and warrants to Lessor that:

- (a) NO DEFAULT: no Default has occurred and is continuing or would result from the entry into or performance of this Agreement and the other Transaction Documents;
- (b) REGISTRATION:
 - (i) except for (x) the filing of UCC financing Statements with regard to the Lease, and the Security Deposit in the District of Columbia, all of which shall have been accomplished on or before the Delivery Date, and (y) the filing and recordation of this Agreement, the Lease Supplement No. 1 and the Bill of Sale as provided in Clause 8.11(f), it is not necessary or advisable under

the laws of the Country of Incorporation, the Country of Registration or the Habitual Base in order to ensure the validity, effectiveness and enforceability of this Agreement or the other Transaction Documents or to, establish, perfect or protect the property rights of Lessor in or with respect to the Aircraft or any Engine or Part, or the Security Deposit, that this Agreement or any other Transaction Document or any other document or instrument relating thereto be filed, registered or recorded or that any other action be taken; and

- (ii) upon completion of the filings referenced in Clause 2.2(b)(i) and the recordation, registration or indexing of the instruments so filed by the appropriate Government Entities, under the laws of the Country of Incorporation, the Country of Registration and the Habitual Base and the other jurisdictions referred to in Clause 8.11(f), the property rights of Lessor and Beneficiary in the Aircraft, the Lease and the Security Deposit will be fully established and perfected;
- (c) LITIGATION: no litigation, arbitration or administrative proceedings are pending or to its knowledge threatened against Lessee in any jurisdiction which reasonably may be expected to have a material adverse effect upon its financial condition or business or its ability to perform its obligations under this Agreement;
- (d) PARI PASSU: the obligations of Lessee under this Agreement rank at least pari passu with all other present and future unsecured and unsubordinated obligations (including contingent obligations) of Lessee, with the exception of such obligations as are mandatorily preferred by law and not by virtue of any contract;
- (e) MATERIAL ADVERSE CHANGE: there has been no material adverse change in the consolidated financial condition or operations of Lessee and its Subsidiaries or the financial condition or operations of Lessee since the date as to which the financial statements most recently provided to Lessor on or prior to the Delivery Date were drawn up; and
- (f) NO BROKERS: Lessee has not engaged the services of a broker or similar representative or agent for the purposes of procuring the leasing of the Aircraft pursuant to this Agreement.

2.3 REPETITION:

The representations and warranties in Clause 2.1 and Clause 2.2 will survive the execution of this Agreement. The representations and warranties contained in Clause 2.1 and Clause 2.2 will be deemed to be repeated by Lessee on the

Delivery Date and the representations set forth in Clause 2.1(a) through (h), (j)(iii), (l), (m) and (n) will be deemed to be repeated by Lessee on each Rent Date with reference to the facts and circumstances then existing.

2.4 LESSOR'S REPRESENTATIONS AND WARRANTIES:

Lessor (as to clauses (b), (c), (d), (e), (f), (g) and (h) and WFB (as to clauses (a), (b), (c), (d), (e), (f), (g) and (h)) represents and warrants to Lessee that:

- (a) STATUS: WFB is a national banking association duly incorporated and validly existing under the federal laws of the United States and has the corporate power to own its assets and carry on its business as it is being conducted;
- (b) POWER AND AUTHORITY: each of Lessor and WFB has the corporate power to enter into and perform, and has taken all necessary corporate action to authorize the entry into, performance and delivery of, this Agreement and the other Transaction Documents to which it is a party and the transactions contemplated by this Agreement and the other Transaction Documents to which it is a party;
- (c) LEGAL VALIDITY: each of the Transaction Documents to which it is a party has been duly authorized, executed and delivered by it, and constitutes its legal, valid and binding obligations, enforceable against it in accordance with their respective terms except insofar as enforceability may be limited by (i) applicable bankruptcy, insolvency or other laws affecting creditors' rights generally or (ii) general principles of equity;
- (d) NON-CONFLICT: the entry into and performance by it of, and the transactions contemplated by, this Agreement and the other Transaction Documents to which it is a party do not and will not:
 - (i) conflict with any laws, rules or regulations binding on it;
 - (ii) conflict with the constitutional documents of Lessor or WFB; or
 - (iii) conflict with any indenture, mortgage, contract or other document which is binding upon it or any of its assets;
- (e) AUTHORIZATION: all authorizations, consents, registrations and notifications required under the laws of the State of Utah, the State of New York (the place of closing) and the federal laws of the United States in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, this Agreement and the other Transaction Documents to which it is a party have been (or will on or before the Delivery Date have been) obtained or effected (as appropriate)

and are (or will on their being obtained or effected be) in full force and effect;

(f) NO IMMUNITY:

- (i) it is subject to civil commercial law with respect to its obligations under this Agreement and the other Transaction Documents to which it is a party; and
- (ii) neither it nor any of its assets is entitled to any right of immunity and the entry into and performance of this Agreement and the other Transaction Documents to which it is a party by it constitute private and commercial acts;

(g) TITLE: At the time of Delivery, Lessor shall have good title to the Aircraft, free and clear of any Liens;

(h) NO BROKERS: Lessor has not engaged the services of a broker or similar representative agent for the purposes of this Agreement and the transactions contemplated herein;

2.5 REPETITION:

The representations and warranties in Clause 2.4 will survive the execution of this Agreement and will be deemed to be repeated by Lessor on the Delivery Date with reference to the facts and circumstances then existing.

3. CONDITIONS PRECEDENT

3.1 CONDITIONS PRECEDENT:

Lessor's obligation to deliver and lease the Aircraft under this Agreement is subject to satisfaction of each of the following conditions:

- (a) receipt by Lessor and Beneficiary from Lessee of the following satisfactory in form and substance to Lessor:
 - (i) TRANSACTION DOCUMENTS: each Transaction Document shall have been duly executed and delivered by each party thereto other than Lessor;
 - (ii) CONSTITUTIONAL DOCUMENTS: a copy of the constitutional documents of Lessee and the Guarantor;
 - (iii) RESOLUTIONS: a copy of a resolution of the board of directors of Lessee and Guarantor, in each case approving the terms of, and the transactions contemplated by, this Agreement and the other

Transaction Documents to which it is a party, resolving that it enter into this Agreement and the other Transaction Documents to which it is a party, and authorizing execution of this Agreement and the other Transaction Documents to which it is a party and consummation of the transactions contemplated hereby and thereby;

- (iv) OPINIONS: (i) an opinion reasonably satisfactory in form and substance to Lessor (based on New York law) by Greenberg Traurig, P.A., (ii) an opinion reasonably satisfactory in form and substance to Lessor (based on Panamanian law) by Galindo Arias & Lopez, Panamanian counsel to Lessee, (iii) at Lessor's cost, an opinion reasonably satisfactory in form and substance to Beneficiary by Patton, Moreno & Asvat, Panamanian counsel to the Lessor and Beneficiary, with respect to Panamanian law; and (iv) at Lessor's cost, a jurisdictional review by Patton, Moreno & Asvat, Panamanian counsel to Lessor and Beneficiary, as to the rights of creditors and lessors of aircraft under Panamanian law, satisfactory in form and substance to Beneficiary;
- (v) APPROVALS: evidence of the issuance of each approval, license and consent which is required in relation to, or in connection with the performance by Lessee of any of its obligations under this Agreement and the other Transaction Documents;
- (vi) LICENSES: copies of Lessee's air transport license, air operator's certificates and all other material licenses, certificates and permits required by Lessee in relation to, or in connection with, the operation of the Aircraft;
- (vii) CERTIFICATE: a certificate of a duly authorized officer of Lessee:
 - (a) setting out a specimen of the signature of each Person authorized to execute documents on behalf of Lessee pursuant to the resolutions referred to in Clause 3.1(a)(iii);
 - (b) certifying that each copy of each document specified in Clause 3.1(a)(ii) and (iii) is correct, complete and in full force and effect; and
 - (c) certifying as to the matters stated in Clause 3.2(a), (b) and (d);
- (viii) UCC FINANCING STATEMENTS: UCC financing statements with respect to the Aircraft and this Agreement in a form acceptable to Lessor shall have been prepared for filing with the appropriate Government Entity in the District of Columbia;

- (ix) PAYMENTS: all sums due to Lessor under this Agreement on or before the Delivery Date including, without limitation, the first payment of Rent and the full amount of the Security Deposit;
- (x) INSURANCES: a certificate of insurance and broker's letter of undertaking satisfactory to Lessor and evidencing that Lessee is taking the required steps to ensure due compliance with the provisions of this Agreement as to Insurances with effect on and after the Delivery Date,
- (xi) FINANCIAL STATEMENTS: the latest available financial statements and accompanying documents of Lessee as described in Clause 8.2(b)(i) and (ii);
- (xii) TITLE: Initial Purchaser shall have transferred good title to the Aircraft to Lessor and Lessor shall have received a signed original of the Bill of Sale;
- (xiii) AUTHORIZATION: the Aircraft shall have been certified by the FAA as to type and airworthiness for export to Panama, and Lessee shall have permanent or temporary authority to operate the Aircraft, and copies of relevant documents shall have been delivered to Lessor;
- (xiv) PROCESS AGENT: a letter from the process agent appointed by Lessee in this Agreement accepting that appointment;
- (xv) ACCEPTANCE CERTIFICATE: the Acceptance Certificate, dated, fully completed, and executed by Lessee on behalf of Lessor;
- (xvi) IMPORT: evidence that any required import license, and all customs formalities relating to the import of the Aircraft into the Habitual Base have been obtained or complied with (if no such licenses or formalities are required, a statement to that effect included in the legal opinion described in paragraph (ii) will satisfy Lessee's obligation under this paragraph (ix)), and evidence that the import of the Aircraft into the Habitual Base is exempt from Taxes, or that any such Taxes have been paid in full;
- (xvii) POWERS OF ATTORNEY: the Lessee Power of Attorney; and
- (xviii) REGISTRATION, RECORDINGS: receipt by Lessor of evidence that on the Delivery Date the Aircraft has been provisionally registered under the laws of the Country of Registration and that this Agreement, Lease Supplement No. 1 and the Bill of Sale will be recorded with the Public Registry of Panama as required by Section 8.11(f), and that all filings, registrations, recordings and other actions have been or will be taken which are necessary or

advisable to ensure the validity, effectiveness and enforceability of this Agreement and the other Transaction Documents and to protect the rights and interests of Lessor in the Aircraft;

- (xix) MANUFACTURER DELIVERY DOCUMENTS: receipt by Lessor of originals of the Manufacturer delivery documents, including certified copies of the relevant bills of sale (FAA and full warranty);
- (xx) GENERAL: such other documents and financial information as Lessor may reasonably request in order to (i) consummate or give effect to the transactions contemplated by this Agreement and the Transaction Documents and (ii) assess the financial and commercial condition of Lessee, present and future, and Lessor's being satisfied in its sole discretion with such financial and commercial condition.

3.2 FURTHER CONDITIONS PRECEDENT:

The obligations of Lessor to deliver and lease the Aircraft under this Agreement are subject to the further conditions precedent that:

- (a) the representations and warranties of Lessee under Clauses 2.1 and 2.2 are correct and would be correct if repeated on Delivery of the Aircraft under this Agreement;
- (b) no Default has occurred and is continuing or would reasonably be expected to result from the leasing of the Aircraft to Lessee under this Agreement;
- (c) no change shall have occurred after the date of the execution and delivery of this Agreement in laws that in the case of Lessor or Beneficiary, in the reasonable opinion of counsel, would make it illegal for such Person to participate in this transaction or to make its Loan available to Lessor; and
- (d) no action or proceeding or governmental action shall have been instituted or 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 Agreement or the other Transaction Documents or the transactions contemplated hereby and thereby.

3.3 LESSEE CONDITIONS PRECEDENT:

Lessee's obligation to accept delivery and to lease the Aircraft are subject to the following additional conditions precedent:

- (a) receipt by Lessee on or before the Delivery Date of:
 - (i) a certificate signed by a duly authorized officer of Lessor certifying that Lessor's representations and warranties in Clause 2.4 are true and correct on the Delivery Date as if given on such date;
 - (ii) each of this Agreement, Lease Supplement No. 1 and the Participation Agreement, duly executed and delivered by Lessor, and the Warranty Assignment duly executed and delivered by the parties thereto;
 - (iii) Initial Purchaser shall have transferred good title to the Aircraft to Lessor and Lessor shall have received a signed original of the Bill of Sale;
 - (iv) the Aircraft shall have been certified by the FAA as to type and airworthiness for export to Panama, and Lessee shall have permanent or temporary authority to operate the Aircraft, and copies of relevant documents shall have been delivered to Lessor; and
 - (v) receipt by Lessee of all documents required to operate the Aircraft in Panama.
- (b) Lessor shall have tendered delivery of the Aircraft to Lessee in accordance with Clauses 4.1 and 4.2.

3.4 WAIVER:

- (a) The conditions specified in Clauses 3.1 and 3.2 are for the sole benefit of Lessor and may be waived or deferred in whole or in part by Lessor. Such waiver or deferral may be subject to such conditions as shall be accepted by Lessee.
- (b) The conditions specified in Clause 3.3 are for the sole benefit of Lessee and may be waived or deferred in whole or in part by Lessee. Such waiver or deferral may be subject to such conditions as shall be accepted by Lessor.

3.5 POST-CLOSING MATTERS:

Lessee shall, at its sole cost and expense, provide to Lessor (i) evidence that the UCC Financing Statement referenced in Clause 2.2(b)(i)(y) has been duly filed with the appropriate Government Entity in the District of Columbia (which evidence may take the form of a filed-stamped copy of such UCC financing statement), (ii) evidence that the AAC has issued a permanent registration

certificate for the Aircraft as required by Section 8.11(f)(iii) and (iii) an opinion of Panamanian counsel to Lessee as to the making of proper filings as required by Section 8.11(f)(i).

4. COMMENCEMENT

4.1 LEASING:

- (a) Subject to satisfaction of the conditions set forth in Clauses 3.1 and 3.2, Lessor will lease the Aircraft to Lessee and Lessee will take the Aircraft on lease for the Term, which shall commence on the Delivery Date immediately upon transfer of title to the Aircraft from Seller to Lessor, and which leasing shall be unconditionally and irrevocably evidenced by Lessee's execution and delivery of Lease Supplement No. 1; and
- (b) Lessee will be responsible for all risks associated with any loss of or damage to the Aircraft or caused by the operation of the Aircraft from the execution of Lease Supplement No. 1 until the return of the Aircraft to Lessor pursuant to the terms of this Agreement.

4.2 DELIVERY:

Lessor shall deliver the Aircraft to Lessee immediately following delivery thereof by the Manufacturer. Immediately following Lessor's purchase of the Aircraft from Seller, Lessor will tender the Aircraft for Delivery to Lessee and Lessee will unconditionally and irrevocably effect acceptance of the Aircraft by execution and delivery to Lessor of the duly completed and executed Lease Supplement No. 1, notwithstanding any delay in Delivery after the Scheduled Delivery Date, subject to Section 4.4. Simultaneously with Lessor's purchase of the Aircraft, Lessee will execute, as agent of Lessor, and deliver to Delta the Acceptance Certificate. Upon execution and delivery by Lessee of Lease Supplement No. 1, Lessee's acceptance of the Aircraft under this Agreement shall be unconditional and irrevocable for all purposes. Lessor will include Lessee, and Lessee will participate, in all stages of the acceptance procedure of the Aircraft from the Manufacturer and Lessee shall be satisfied that the Aircraft as delivered from Manufacturer meets the delivery conditions set forth on Schedule 1 hereof.

4.3 DELAYED DELIVERY:

It is intended that the Delivery Date will be the Scheduled Delivery Date. However, Lessor shall not be responsible for any loss or damages, including without limitation loss of profit, arising from or in connection with any delay in the delivery of or failure to deliver the Aircraft to Lessee under this Agreement on the Scheduled Delivery Date for any reason whatsoever. Notwithstanding any such delay, Lessor shall not be excused from its obligation to Deliver the Aircraft to Lessee unless such delay resulted from any cause which is outside the control of Lessor.

4.4 TERMINATION FOR NON-DELIVERY:

The parties agree that if Delivery of the Aircraft has not occurred for any reason whatsoever including, without limitation, any circumstance described in Clause 4.2 or 4.3 above, on or before the Final Delivery Date, then unless the parties shall have agreed in writing to extend the Delivery Date and the Final Delivery Date, this Agreement shall immediately terminate. Upon such termination, neither party will have any further obligations or liability under this Agreement other than pursuant to Clause 15.8 except that Lessor will repay the amount of the Security Deposit.

4.5 PURCHASE OF AIRCRAFT:

Lessee agrees that Lessor's obligation to deliver the Aircraft to Lessee under the terms of this Agreement is expressly subject to Lessor obtaining good title to the Aircraft from Initial Purchaser pursuant to the Aircraft Purchase Agreement.

5. PAYMENTS

5.1 SECURITY DEPOSIT AND LETTER OF CREDIT:

(a) PAYMENT: Lessee shall pay to Lessor a Security Deposit in cash in the amount defined as the Security Deposit Amount in Schedule 7 hereof in the following installments:

- (i) US**Material Redacted** at the time this Agreement is executed;
- (ii) US**Material Redacted** three months prior to Delivery Date; and
- (iii) the balance to be paid no later than three Business Days prior to Delivery Date.

(b) CONCERNING THE SECURITY DEPOSIT:

- (i) The Security Deposit shall be deposited in a designated account of the Lessor maintained at the Royal Bank of Scotland, New York Branch or such other account in the United States as Lessor shall designate in writing. Lessor will not hold the Security Deposit as agent or on trust for Lessee or in any similar fiduciary capacity.
- (ii) Lessee may provide the Security Deposit in the form of a letter of credit, issued by a bank satisfactory to Lessor, having a term of no more than one year, and otherwise in form and substance (including the designation of the presentment location) satisfactory to Lessor.

(c) CONCERNING THE LETTER OF CREDIT:

If at any time prior to the Final Expiry Date, the long-term unsecured unsubordinated and unguaranteed debt obligations as rated by Moody's Investors Services Inc. or Standard & Poor's Corporation of the then current bank issuing the letter of credit shall be less than A2 and A respectively or shall be on creditwatch by either of such agencies, Lessee shall procure that the relevant letter of credit is replaced by a letter of credit by another bank acceptable to Lessor (in its sole discretion).

5.2 RENTAL PERIODS:

The Term will be divided into Rental Periods. The first Rental Period will commence on the Delivery Date, and each subsequent Rental Period will commence on the date succeeding the last day of the previous Rental Period. Each Rental Period will end on but exclude the numerically corresponding day in the next Month except that if a Rental Period would otherwise overrun the Final Expiry Date, it will end on the Final Expiry Date.

5.3 RENT:

- (a) TIME OF PAYMENT: Lessee will pay to Lessor Rent in advance on each Rent Date. Payment must be initiated in such manner as to ensure that Lessor receives credit for the payment on the Rent Date. If a Rental Period begins on a non-Business Day, the Rent payable in respect of that Rental Period shall be paid on the Business Day immediately following the date on which such Rental Period commences.
- (b) AMOUNT: The Rent payable in respect of each Rental Period shall be the Assumed Rent based on the Assumed LIBOR Rate and will be adjusted upward or downward by the Rent Adjustment Factor. On each Rent Calculation Date (as defined below), the Rent shall be calculated and set for the six consecutive Rental Periods immediately following such Rent Calculation Date. For purposes of this Clause 5.3(b), "Rent Calculation Date" shall mean the date that falls three days prior to the Delivery Date and each six-month anniversary thereof; provided, however, if such date or any such anniversary thereof is not a Business Day, then the Rent Calculation Date shall be the immediately preceding Business Day.

5.4 SUPPLEMENTAL RENT:

- (a) AMOUNT: Lessee will pay Supplemental Rent to Lessor in relation to each calendar month (or part of a month) of the Term, on the 10th day following the end of that calendar month (except that the last payment of Supplemental Rent during the Term shall be paid on the Final Expiry Date), calculated as follows:

- (i) AIRFRAME: in respect of an Airframe 6C/24,000 Flight Hour Block Structural Check, an amount equal to the Airframe 6C/24,000 Flight Hour Block Structural Check Supplemental Rent Rate, pro-rated on a per diem basis, if applicable, for any calendar month which falls partially within the Term and partially outside the Term (the "Airframe 6C/24,000 Flight Hour Block Structural Check Supplemental Rent");
- (ii) ENGINE LIFE-LIMITED PARTS: in respect of the Life-Limited Parts for each Engine, an amount equal to the Engine LLP Supplemental Rent Rate for each Engine Cycle operated by that Engine during that calendar month ("Engine LLP Supplemental Rent"); provided, however, Lessee shall have no obligation to make any payment of Engine LLP Supplemental Rent in respect of any period during which the Engine installed on the Aircraft is subject to a maintenance cost per hour agreement or similar arrangement with the Agreed Maintenance Performer so long as (x) such agreement or arrangement is approved in advance (i.e., before the enrollment of the Engine installed on the Aircraft in any such agreement or arrangement) in writing by Lessor (such approval not to be unreasonably withheld), and (y) in the event that the Engine installed on the Aircraft is enrolled in any such agreement or arrangement before Lessor approves such agreement or arrangement, or in the event that any Engine enrolled in any such agreement or arrangement is to be installed on the Aircraft before Lessor approves such agreement or arrangement, then Lessee shall pay and continue to pay Engine LLP Supplemental Rent in accordance with this subclause for all periods prior to the time at which Lessee obtains Lessor's written approval (which approval shall not be unreasonably delayed) of the applicable agreement or arrangement (if ever); and (z) for the avoidance of doubt it is agreed that at least one of the criteria upon which such a maintenance cost per hour agreement will be approved by the Lessor shall be a requirement for that agreement to expressly include an adequate fund provision specifically allocated to LLP's to which the Lessor will have rights of access under certain conditions, and drawdowns on such LLP fund will not diminish the adequacy of any fund allocation applicable to the engine performance restoration.
- (iii) ENGINE PERFORMANCE RESTORATION: in respect of each Engine, an amount equal to the Engine Supplemental Rent Rate for each Engine Flight Hour (or fraction thereof) operated by that Engine during that calendar month ("Engine Supplemental Rent"); provided, however, Lessee shall have no obligation to make any payment of Engine Supplemental Rent in respect of any period

during which the Engine installed on the Aircraft is subject to a maintenance cost per hour agreement or similar arrangement with the Agreed Maintenance Performer so long as (x) such agreement or arrangement is approved in advance (i.e., before the enrollment of the Engine installed on the Aircraft in any such agreement or arrangement) in writing by Lessor (such approval not to be unreasonably withheld), and (y) in the event that the Engine installed on the Aircraft is enrolled in any such agreement or arrangement before Lessor approves such agreement or arrangement, or in the event that any Engine enrolled in any such agreement or arrangement is to be installed on the Aircraft before Lessor approves such agreement or arrangement, then Lessee shall pay and continue to pay Engine Supplemental Rent in accordance with this subclause for all periods prior to the time at which Lessee obtains Lessor's written approval (which approval shall not be unreasonably delayed) of the applicable agreement or arrangement (if ever);

- (iv) APU: in respect of the APU, an amount equal to the APU Supplemental Rent Rate for each Flight Hour operated by the APU during that calendar month ("APU Supplemental Rent"); provided, however, Lessee shall have no obligation to make any payment of APU Supplemental Rent in respect of any period during which the APU installed on the Aircraft is subject to a maintenance cost per hour agreement or similar arrangement with the APU manufacturer or Agreed Maintenance Performer so long as (x) such agreement or arrangement is approved in advance (i.e., before the enrollment of the APU installed on the Aircraft in any such agreement or arrangement) in writing by Lessor (such approval not to be unreasonably withheld), and (y) in the event that the APU installed on the Aircraft is enrolled in any such agreement or arrangement before Lessor approves such agreement or arrangement, or in the event that any APU enrolled in any such agreement or arrangement is to be installed on the Aircraft before Lessor approves such agreement or arrangement, then Lessee shall pay and continue to pay APU Supplemental Rent in accordance with this subclause for all periods prior to the time at which Lessee obtains Lessor's written approval (which approval shall not be unreasonably delayed) of the applicable agreement or arrangement (if ever); and
- (v) LANDING GEAR: in respect of the Landing Gear, an amount equal to the Landing Gear Supplemental Rent Rate, pro-rated on a per diem basis, if applicable, for any calendar month which falls partially within the Term and partially outside the Term ("Landing Gear Supplemental Rent");

provided that with respect to any maintenance cost per hour agreement described in subclauses (iii) and (iv) above to be approved by Lessor, such agreement must (or as otherwise reasonably agreed by Lessor and Lessee) have (i) payments and maintenance structured on a fully restored zero-time basis where the Approved Maintenance Performer will be responsible for the payment of the redelivery maintenance adjustment provided for in Part 3 of Schedule 3 for all Engine or APU use since the last Engine Performance Restoration or APU Performance Restoration, as applicable, during the Lease Term or since new if no such Engine Performance Restoration or APU Performance Restoration, as applicable, has been accomplished during the Lease Term, (ii) payments and/or corresponding maintenance inclusive of all applicable airworthiness directives, manufacturer category 1/2/3 service bulletins, and domestic object damage, (iii) satisfactory restrictions on the use of multiple repair used serviceable exchange parts, incident materials, manufacturer approved FAA PMA parts, and parts with non-manufacturer approved repairs, (iv) satisfactory flight hour and calendar warranty provisions and periods, (v) satisfactory test cell performance guarantees and performance retention guarantees, and (vi) satisfactory provisions for assignment to Lessor.

- (b) ADJUSTMENT: The Supplemental Rent Rates, if applicable, shall be adjusted after the Delivery Date not more frequently than annually (with any such adjustment having retrospective application as appropriate to reflect the provisions of paragraph (ii) below and the amount required to give effect to such retrospective application shall be payable by Lessee upon demand by Lessor) based on the following:
- (i) ANNUAL SUPPLEMENTAL RENT ADJUSTMENT: upwards by the Annual Supplemental Rent Adjustment commencing on January 1, 2005 and each annual anniversary date thereafter; and
 - (ii) HOUR TO CYCLE RATIO ADJUSTMENT: Lessor and Lessee acknowledge that the Engine Supplemental Rent Rate is based upon the assumption that the Aircraft will operate on the Assumed Ratio. If that assumption proves to be incorrect at any time for any period of twelve (12) consecutive months during the Term based upon Lessee's actual operating experience during such twelve (12) months, and in the case of the Assumed Ratio the hour to cycle ratio differs from the Assumed Ratio by more than 0.1 during such twelve (12) month period, (i) Lessor shall have the right, upon written notice to Lessee, to adjust the Engine Supplemental Rent Rate (in the case of a decrease in the ratio below the Assumed Ratio) and (ii) Lessor will make that adjustment (in the case of an increase in the ratio above the Assumed Ratio) in respect of Engine Supplemental Rent payable for the next year of the Lease Term. The Engine Supplemental Rent Rate shall be adjusted by

calculating the actual engine hour to cycle ratio for the applicable 12-month period and using that to select the corresponding Engine Supplemental Rent Adjusted Value adjustment dollar figure from the Assumed Ratio Adjustment Table in Schedule 7. If actual hour to cycle ratio falls outside the specific ratios set forth in the Assumed Ratio Adjustment Table in Schedule 7, then the Engine Supplemental Rent Adjusted Value shall be determined by extrapolating (or interpolating) from (or between) the nearest observed values in the table.

- (iii) ANNUAL UTILIZATION ADJUSTMENT: Lessor and Lessee acknowledge that the Airframe 6C/24,000 Flight Hour Block Structural Check Supplemental Rent Rate is based upon the assumption that the Airframe will operate at the Assumed Annual Utilization. If that assumption proves to be incorrect at any time for any period of twelve (12) consecutive months during the Term based upon Lessee's actual operating experience during such twelve (12) months, (i) Lessor shall have the right, upon written notice to Lessee, to adjust the Airframe 6C/24,000 Flight Hour Block Structural Check Supplemental Rent Rate (in the case of utilization above the Assumed Annual Utilization) and (ii) Lessor, upon written request from Lessee, will make that adjustment (in the case of an increase in the utilization below the Assumed Annual Utilization). The Airframe 6C/24,000 Flight Hour Block Structural Check Supplemental Rent Rate shall be adjusted by calculating the actual Airframe utilization for the applicable 12-month period and using that to select the corresponding Airframe Structural Check Reserve Amount from the Assumed Annual Utilization Adjustment Table in Schedule 7. If actual utilization falls outside the specific values set forth in the Assumed Annual Utilization Adjustment Table in Schedule 7, then the adjusted value shall be determined by extrapolating (or interpolating) from (or between) the nearest observed values in the table.
- (c) ADJUSTMENT/ABATEMENT FOR ENGINE EVENT OF LOSS: If following an Engine Event of Loss the maintenance status for the replacement Engine (pursuant to Clause 8.13(a)) is such that the Engine LLP Supplemental Rent and Engine Supplemental Rent held with respect to the Engine which suffered the Engine Event of Loss differs from that which corresponds to the maintenance status of such replacement Engine, Lessor shall calculate the amount of the adjustment to the amounts of Engine LLP Supplemental Rent and Engine Supplemental Rent in respect of such Engine required so that the amounts then held correspond to the status of the replacement Engine. Any adjustment which requires an increase in the amounts held as Engine LLP Supplemental Rent and the Engine Supplemental Rent shall be promptly paid by Lessee to Lessor in cash. Any adjustment which

requires a decrease in amounts held as Engine LLP Supplemental Rent and/or Engine Supplemental Rent shall be effected, so long as no Default or Event of Default is then in existence by Lessor abating Lessee's payment of Engine LLP Supplemental Rent and/or Engine Supplemental Rent in respect of such replacement Engine until the amounts of Engine LLP Supplemental Rent and/or Engine Supplemental Rent correspond to the status of the replacement Engine.

- (d) LESSOR'S PROPERTY: Lessee acknowledges and agrees that Supplemental Rent is additional rent for the leasing of the Aircraft and not cash collateral or other collateral security for Lessee's maintenance obligations under this Agreement. Once paid all Supplemental Rent is the property of Lessor, it is not refundable to Lessee under any circumstances whatsoever and Lessee has no interest therein whatsoever. The foregoing is subject to Lessor's obligations under and in accordance with Clause 7.4 or 11.1(b) of this Agreement.
- (e) SHORTFALLS. In any case in which the amount paid to Lessee by Lessor pursuant to Clause 7.4 is not sufficient to pay the cost of such check, overhaul, inspection, performance restoration or parts replacement, Lessee shall be obliged to and shall meet such shortfall from its own resources and shall not subsequently be permitted to claim reimbursement of such amounts under this Agreement.
- (f) LETTERS OF CREDIT. At Lessee's option and with Lessor's agreement Lessee may provide at the Delivery Date and annually thereafter during the Lease Term, letters of credit issued by a bank acceptable to Lessor, in lieu of Supplemental Rent, in respect of Aircraft utilization in Flight Hours, Cycles or calendar months as appropriate to each maintenance event type. Each letter of credit shall have validity of 6 months or until issue of a replacement letter of credit (whichever occurs later). Payment of the redelivery maintenance adjustments at the Redelivery Date by Lessee to Lessor pursuant to Clause 12.5 will terminate Lessor's requirement for such letters of credit. In addition, each letter of credit shall be issued in a form and from a bank acceptable to Lessor. The first letter of credit issued at the Delivery Date shall be for the amount of Supplemental Rent that would accrue for the first 3 months of operation with an assumed utilization of 250 Flight Hours and 83 Cycles per month and the amount of Supplemental Rent that would have accrued on the last day of the month prior to the Delivery Date. Semi-annually thereafter, the letter of credit shall be the amount of Supplemental Rent that would have accrued on the last day of the month prior to issue plus that which would accrue for the following 3 months of operation with an assumed utilization of 250 Flight Hours and 83 Cycles per month less any Supplemental Rent reimbursement that would have occurred in respect of the maintenance events outlined herein to reduce the Supplemental Rent balance in respect

of that maintenance event by the lesser of (a) the relevant Supplemental Rent balance and (b) the valid invoice in respect of that maintenance event.

5.5 PAYMENTS:

All payments by Lessee to Lessor under this Agreement will be made for value on the due date in Dollars and in same day funds to the account in the United States as Lessor may advise Lessee and Beneficiary in writing.

5.6 DEFAULT INTEREST:

If Lessee fails to pay any amount payable under this Agreement on the due date, Lessee will pay on demand from time to time to Lessor interest (both before and after judgment) on that amount, from the due date to the date of payment in full by Lessee to Lessor, at the Interest Rate. All such interest will be compounded monthly and calculated on the basis of the actual number of days elapsed and a 360 day year.

5.7 WITHHOLDING:

- (a) All payments by Lessee, or with respect to any obligation of Lessee, under or in connection with any of the Transaction Documents will be made without setoff or counterclaim, free and clear of and without deduction or withholding for or on account of any Tax or other amount, except to the extent that any such deduction or withholding is required by applicable law with respect to any Tax;
- (b) if any Tax is required by any applicable law to be deducted or withheld from or with respect to any amount payable by Lessee or with respect to any obligation of Lessee under any of the Transaction Documents to or for the benefit of any Tax Indemnitee, Lessee shall:
 - (i) unless such Tax is a Lessor Tax, pay such additional amount as shall be necessary to enable such Tax Indemnitee to receive, after such deduction or withholding (including any deduction or withholding with respect to such additional amount) and after subtracting the net amount of all Taxes (including Lessor Taxes) payable by such Tax Indemnitee as a result of such Tax Indemnitee's receipt or accrual of such additional amount, the amount which such Tax Indemnitee would have received if such deduction or withholding had not been required;
 - (ii) pay the amount required to be deducted or withheld to the appropriate Government Entity or other taxing authority in a timely and proper manner; and

- (iii) deliver to such Tax Indemnitee, not later than thirty (30) days after the date on which such payment is paid, an original receipt issued by the relevant Government Entity or other taxing authority or other documentation reasonably acceptable to such Tax Indemnitee verifying that the obligation described in subclause (ii) has been timely and properly performed.

5.8 TAX INDEMNITY:

Lessee shall pay, and on demand shall indemnify, protect, defend and hold harmless each Tax Indemnitee from and against, all Taxes (other than any and all Lessor Taxes or any Taxes which Lessee would not be responsible for under Clause 14.2(b)) which are imposed upon, attributable to, or with respect to, or are required to be paid in connection with, or as a result of, any of the payments or transactions or activities contemplated in the Transaction Documents (regardless of how or when such Taxes are imposed, whether imposed upon a Tax Indemnitee, Lessee, the Aircraft or otherwise), including, without limitation, Taxes imposed on or with respect to, or required to be paid in connection with or as a result of (directly or indirectly), any of the following: (i) the Aircraft, the Airframe, any Engine or any Part or any interest in any thereof, (ii) the purchase, acceptance, delivery, financing, mortgaging, registration, re-registration, de-registration, importation, exportation, ownership, leasing, subleasing, wet-leasing, chartering, presence, management, control, possession, performance, use, operation, repair, maintenance, condition, service, overhaul, substitution, replacement, pooling, interchange, removal, alteration, improvement, modification, refurbishment, transportation, landing, storage, redelivery, repossession, sale, transfer of title or other disposition of the Aircraft, the Airframe, any Engine or any Part or any interest in any thereof, or (iii) any Rent, receipts, gains, earnings, income, insurance proceeds, or other amounts paid or payable or received or receivable with respect to the Aircraft, the Airframe, any Engine or any Part or any interest in any thereof or the transactions contemplated in the Transaction Documents, or (iv) any of the Transaction Documents or any amendment or supplement thereto or the execution, delivery, filing, recording, performance or enforcement of any thereof.

Each Tax Indemnitee shall, at the expense of Lessee, take commercially reasonable actions with a view toward mitigating any event or circumstance which would give rise to or result in a claim for indemnification pursuant to this Clause 5.8 or a withholding Tax pursuant to Clause 5.7; provided, however, nothing herein shall require any Tax Indemnitees to take any action which it shall have determined, in its sole discretion exercised in good faith, may result in a material economic, legal or regulatory disadvantage to such Tax Indemnitee.

5.9 SALES TAX:

All amounts payable by Lessee, or with respect to any obligation of Lessee, under this Agreement and the other Transaction Documents, are exclusive of any Sales Tax. If any Sales Tax is required by any applicable law to be paid with respect to any of the transactions, activities or payments contemplated in any of the Transaction Documents, Lessee shall (i) pay such Sales Tax to the appropriate Government Entity or other taxing authority in a timely and proper manner, and indemnify each Tax Indemnitee from and against such Sales Tax, in accordance with the provisions of this Clause 5, and (ii) deliver to Lessor, not later than thirty (30) days after the date on which such Sales Tax is due, an original receipt issued by the relevant Government Entity or other taxing authority or other documentation reasonably acceptable to such Tax Indemnitee verifying that the obligation described in subclause (i) has been properly performed.

5.10 VALUE ADDED TAX:

- (a) For the purposes of this Clause 5:
 - (i) VAT means value added tax and any goods and services, sales or turnover tax, imposition or levy of a like nature; and
 - (ii) SUPPLY includes anything on or in respect of which VAT is chargeable;
- (b) Lessee shall pay to Lessor or the relevant taxing authority, as the case may be, the amount of any VAT chargeable in respect of any supply for VAT purposes under this Agreement in a timely and proper manner; and
- (c) Each amount stated as payable by Lessee under this Agreement is exclusive of VAT (if any), and if VAT is payable in respect of any amount as aforesaid, Lessee shall pay all such VAT and shall indemnify Lessor against any claims for the same (and where appropriate Lessee shall increase the payments which would otherwise be required to be made hereunder so that Lessor is left in the same position as it would have been in had no VAT been payable); and Lessee shall provide evidence to Lessor, if available, in respect of payment of any such VAT.

5.11 PAYMENTS; TAX REPORTS; INFORMATION:

- (a) PAYMENTS: Lessee shall pay each Indemnified Tax (as defined in Clause 5.11(b)) in a timely and proper manner directly to the relevant taxing authority, to the extent that direct payment by Lessee is permitted by applicable law, and shall deliver to the Tax Indemnitee for the account of which Lessee paid such Tax the original (or a certified copy of an) official receipt for Lessee's payment of such Tax (if obtainable by Lessee) or such other documentary evidence of Lessee's payment of such Tax as is reasonably acceptable to such Tax Indemnitee. Any additional amount payable by Lessee directly to any Tax Indemnitee pursuant to Clause 5.7

shall be paid together with the payment to which such additional amount relates. Any amount payable by Lessee directly to any Tax Indemnitee pursuant to Clause 5.8, 5.9 or 5.10 shall be paid in immediately available funds within ten (10) days after Lessee receives such Tax Indemnitee's written demand therefor. Any claim for payment pursuant hereto shall be made by Lessor or the relevant Tax Indemnitee in writing, accompanied by a certificate of an officer of such Tax Indemnitee setting forth in reasonable detail the amount and method of calculation of the payment so demanded.

- (b) **REPORTS:** If any report, return, certification, statement or other document (a "Tax Document") is required to be filed by any Tax Indemnitee with respect to any Tax for which Lessee is required to indemnify such Tax Indemnitee pursuant to this Clause 5 (an "Indemnified Tax"), Lessee shall promptly notify such Tax Indemnitee of such requirement and:
- (i) if permitted by applicable law, prepare and file such Tax Document in a timely and proper manner (except for any such Tax Document which such Tax Indemnitee notifies Lessee that such Tax Indemnitee intends to prepare and file) and deliver a copy of such Tax Document to such Tax Indemnitee, provided that such Tax Indemnitee delivers to Lessee, at Lessee's timely written request and expense, such information within such Tax Indemnitee's reasonable control as Lessee may reasonably request and as may be reasonably necessary for Lessee to prepare such Tax Document; or
 - (ii) if Lessee is not permitted by applicable law to file such Tax Document, Lessee shall prepare and deliver to such Tax Indemnitee a proposed form of such Tax Document within a reasonable time prior to the time such Tax Document is required to be filed;
- (c) **INFORMATION:** Lessee shall furnish to each Tax Indemnitee, promptly after receipt of such Tax Indemnitee's written request therefor, such documents and other information as such Tax Indemnitee may reasonably request to enable such Tax Indemnitee to comply with its Tax reporting, payment, audit and litigation requirements relating to such Tax Indemnitee's participation in the transactions contemplated in the Transaction Documents. Each of Lessor and Beneficiary shall furnish to Lessee such information maintained in the regular course of its business as is (i) reasonably requested by Lessee in writing, (ii) reasonably necessary to enable Lessee to comply with its Tax reporting, payment, audit and litigation requirements relating to the transactions contemplated in the Transaction Documents, and (iii) not otherwise available to Lessee; provided that Lessor shall not be required to furnish or disclose to Lessee

or any other Person any Tax return or other document relating to the tax affairs of Lessor or any of its Affiliates; and

- (d) REFUNDS; TAX SAVINGS: If and to the extent that a Tax Indemnitee (x) receives a refund (in cash or as an offset against any liability for a Lessor Tax) of any Indemnified Tax previously paid by Lessee or for which Lessee previously paid an indemnity to a Tax Indemnitee pursuant to Clause 5.7, 5.8, 5.9 or 5.10 (a "Refund"), or (y) actually realizes a reduction in its liability for any Lessor Tax as a result of any deduction, Tax credit or other Tax benefit for any Indemnified Tax paid by Lessee or for which Lessee previously paid an indemnity to a Tax Indemnitee pursuant to Clause 5.7, 5.8, 5.9 or 5.10 (a "Tax Saving"), such Tax Indemnitee shall pay to Lessee, the amount of such actual Refund or Tax Saving minus the net amount of all Taxes payable by such Tax Indemnitee with respect to the receipt or accrual of such Refund or Tax Saving and minus all costs and expenses incurred by such Tax Indemnitee with respect to claiming and obtaining such Refund or Tax Savings, provided, however, that if a Default or an Event of Default exists and is continuing, such Tax Indemnitee may hold the amount then due to Lessee under this Clause 5.11(d) until such Default or Event of Default ceases to exist, and provided, further, that in no event shall such payment exceed (i) the amount of all prior payments by Lessee to such Tax Indemnitee under Clause 5.7, 5.8, 5.9 or 5.10 minus (ii) the amount of all prior payments by such Tax Indemnitee pursuant to this Clause 5.11(d), but any such excess shall be carried forward and applied as a credit to reduce any future indemnity liability of Lessee under Clause 5.7, 5.8, 5.9 or 5.10. If a Tax Indemnitee pays Lessee any amount under this Clause 5.11(d) and if and to the extent that it is subsequently determined by the taxing authority having jurisdiction that such Tax Indemnitee was not entitled to the Tax Saving or Refund for which such Tax Indemnitee made such payment to Lessee, such determination shall be treated as the imposition of a Tax for which Lessee is obligated to indemnify such Tax Indemnitee pursuant to the provisions of Clause 5.8, without regard to the exclusion of Lessor Taxes in Clause 5.8.

5.12 CONTEST OF CLAIM FOR TAX

- (a) If a claim shall be made for or in respect of any Tax (including withholding Taxes) for which the Lessee is obligated pursuant to Clauses 5.7, 5.8, 5.9 or 5.10, to indemnify such Tax Indemnitee (a "Tax Claim"), such Tax Indemnitee shall give Lessee written notice of such Tax Claim as soon as reasonably practicable, provided that any failure of such Tax Indemnitee to give such notice or any delay by such Tax Indemnitee in giving such notice shall not affect the obligations of Lessee under this Clause 5 unless, and only to the extent that, the failure to promptly provide such notice results in (A) a material increase in the amount which Lessee

is required to indemnify, (B) material additional obligations for Lessee in defending against such Tax Claim or (C) precluding or materially prejudicing Lessee's right to defend any such Tax Claim. If Lessee delivers to such Tax Indemnatee within thirty days after the date of receipt of such Tax Indemnatee's notice, a written request that such Tax Indemnatee contest such Tax Claim (or, in the case of a Lessee Controlled Contest, permit Lessee to contest such Tax Claim) and if (and only so long as) the conditions described in clause 5.12(b) are satisfied, such Tax Indemnatee shall, in good faith and at Lessee's expense, contest (or, in the case of a Lessee Controlled Contest, permit Lessee to contest if permitted by applicable law) the validity, applicability or amount (as the case may be) of the Taxes that are the subject of such Tax Claim by (x) resisting payment thereof, (y) not paying such Taxes except under protest if protest is necessary and proper, or (z) if payment is made, using reasonable efforts to obtain a refund thereof in administrative and/or judicial proceedings permitted by applicable law (including all appeals, other than, as appellant, an appeal or petition to the United States Supreme Court or the equivalent court of any other jurisdiction).

- (b) CONDITIONS: A Tax Indemnatee's obligation under Clause 5.12(a) with respect to any Tax Claim is subject to the satisfaction of the following conditions at the time the contest is requested and at all times while the contest (if any) is continuing: (i) no Default described in Clause 13.1(a) or (g) or Event of Default shall have occurred and be continuing, (ii) the amount of the Tax Claim (plus, if the Tax that is the subject of the Tax Claim is a recurring Tax, the aggregate amount of all similar Tax Claims with respect to all subsequent tax periods during the remainder of the Term) shall exceed the Tax Contest Threshold, (iii) if requested by such Tax Indemnatee, such Tax Indemnatee shall have received (at Lessee's expense) from independent tax counsel selected by Lessee and reasonably acceptable to such Tax Indemnatee a written opinion that there is a realistic expectation that such contest will be successful, (iv) Lessee shall have agreed to pay, and shall be paying, on demand and on an After-Tax Basis, all reasonable costs and expenses incurred by such Tax Indemnatee in connection with the contest of such Tax Claim, (v) if the contest is to be conducted in a manner requiring payment of the Tax Claim, Lessee shall have advanced to such Tax Indemnatee, without interest, the amount of the Tax Claim and shall have agreed to indemnify such Tax Indemnatee on an After-Tax Basis for any adverse Tax consequences of such interest-free advance, (vi) Lessee shall have agreed in writing that the Taxes that are the subject of the Tax Claim are Indemnified Taxes, except to the extent that the final determination of such contest demonstrates that such Taxes are Lessor Taxes and (vii) Lessor shall have determined in good faith that the action to be taken will not result in any risk of criminal penalty or any material risk of sale, forfeiture or loss of, or the creation of any Lien (other than a Permitted Lien) on, the Aircraft.

- (c) LESSEE CONTROLLED CONTESTS: For the purposes of this Clause 5, the words "Lessee Controlled Contest" means a contest pursuant to this Clause 5.12 involving only Indemnified Taxes, provided that (i) such contest may be conducted under applicable law in the name of Lessee and participation by a Tax Indemnitee in the contest is not required, (ii) no tax return of a Tax Indemnitee is held open with respect to which such Tax Indemnitee may reasonably be considered to have an actual or potential liability for Taxes that are not Indemnified Taxes, and (iii) no Tax Indemnitee shall then be contesting the same Tax in the same jurisdiction. Lessee shall, at its expense, conduct and control any Lessee Controlled Contest and, in the case of any contest involving a claim for one or more Indemnified Taxes and a claim for one or more Lessor Taxes, conduct and control such contest to the extent that it relates to claims for Indemnified Taxes, but only to the extent that the contest of the claims for Indemnified Taxes may be and are severed from the contest of claims for Lessor Taxes (and Lessor shall, at the request and expense of Lessee, use reasonable efforts in good faith to obtain such severance), provided, however, that in no event shall the Lessee be permitted, or a Tax Indemnitee be required, to take any action pursuant to this Clause 5.12 unless (and only so long as) the conditions described in clause 5.12(b) are satisfied. With respect to any contest conducted by the Lessee, the Lessee shall retain control over such contest but shall consult in good faith with Lessor and shall consider in good faith reasonable requests of Lessor including reasonable requests to participate in such contest.
- (d) TAX INDEMNITEE CONTROLLED CONTESTS: The affected Tax Indemnitee shall, at the expense of Lessee, conduct and control any contest (other than a Lessee Controlled Contest) of a Tax Claim pursuant to this Clause 5.12, provided, however, that in no event shall the Tax Indemnitee be required to commence or continue any contest pursuant to this Clause 5.12 unless (and only so long as) the conditions described in clause 5.12(b) are satisfied. With respect to any contest conducted by the a Tax Indemnitee, the Tax Indemnitee shall have sole control over such contest (including choice of forum) but shall consult in good faith with Lessee and shall consider in good faith reasonable requests of Lessee including reasonable requests to participate in such contest.
- (e) No Tax Indemnitee shall settle or compromise any Tax Claim or contest proceeding or (except as permitted by Clause 5.12(a)) refrain from appealing any adverse determination with respect thereto without the prior written consent of Lessee, provided that a Tax Indemnitee may in its sole discretion unconditionally waive in writing its right to the indemnification provided for in Clause 5.8 with respect to any Tax Claim and refrain from contesting, or continuing the contest of, such claim, in which event:

- (i) Lessee shall have no liability to such Tax Indemnitee with respect to such Tax Claim (and, if the Indemnified Tax that is the subject of such Tax Claim is a recurring Tax, with respect to any corresponding claim with respect to any other taxable period if and to the extent that such failure to contest causes the contest of such corresponding claim to be precluded), and
 - (ii) the Tax Indemnitee shall refund to Lessee any amounts theretofore paid or advanced by Lessee with respect to such Indemnified Tax, excluding all contest costs described in Clause 5.12(b)(iv) above.
- (f) Upon a final determination of a contest pursuant to this Clause 5.12:
- (i) if the amount of the indemnity payable by Lessee pursuant to this Clause 5 with respect to the contested Tax Claim exceeds the amount (if any) advanced by Lessee to the Tax Indemnitee pursuant to Clause 5.12(b)(v), Lessee shall pay to the Tax Indemnitee the amount of such excess not later than thirty (30) days after the day on which Lessee receives the Tax Indemnitee's written demand for the indemnity payable by the Lessee after the date of such final determination; or
 - (ii) if the amount (if any) of the advance made by Lessee to the Tax Indemnitee pursuant to Clause 5.12(b)(v) exceeds the amount of the indemnity payable by Lessee to the Tax Indemnitee pursuant to this Clause 5 with respect to the contested Tax Claim, the Tax Indemnitee shall pay to Lessee the amount of such excess not later than thirty (30) days after the date on which the Lessor receives the Lessee's written demand therefor after the date of such final determination.

5.13 INDEMNITIES TO BE PAID ON AN AFTER-TAX BASIS/SURVIVAL:

Any indemnity or other amount payable by Lessee pursuant to Clause 5.7, 5.8, 5.9 or 5.10 shall be paid on an After-Tax Basis.

All the obligations and liabilities of Lessee under this Clause 5 shall survive and remain in full force and effect, notwithstanding the expiration or earlier termination or cancellation of this Agreement and the return of the Aircraft to Lessor, until all such obligations have been fully performed and all such liabilities have been paid in full.

5.14 ABSOLUTE OBLIGATIONS:

This Agreement is a net lease. Lessee's payment and other obligations under this Agreement are absolute and unconditional irrespective of any contingency whatsoever including (but not limited to):

- (a) any right of setoff, counterclaim, recoupment, defense or other right which either party to this Agreement may have against the other, or which Lessee may have against the Manufacturer or any other Person for any reason whatsoever;
- (b) any unavailability of the Aircraft for any reason (other than Lessor's failure to properly tender delivery of the Aircraft in accordance with this Agreement), including, but not limited to, a requisition of the Aircraft or any prohibition or interruption of or interference with or other restriction against Lessee's use, operation or possession of the Aircraft;
- (c) any lack or invalidity of title or any other defect in title, airworthiness, merchantability, fitness for any purpose, condition, design, or operation of any kind or nature of the Aircraft for any particular use or trade, or for registration or documentation under the laws of any relevant jurisdiction, or any Event of Loss in respect of or any damage to the Aircraft occurring after Delivery;
- (d) any insolvency, bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceedings by or against Lessor or Lessee;
- (e) any invalidity or unenforceability or lack of due authorization of, or other defect in, this Agreement or any other Transaction Document; and
- (f) any other cause which but for this provision would or might otherwise have the effect of terminating or in any way affecting any obligation of Lessee under this Agreement.

Nothing in this Clause 5.14 will be construed so as to limit Lessee's right to institute separate legal proceedings or otherwise independently pursue any claim against Lessor or any other Person in the event of a breach of Clause 7.1 or to otherwise limit Lessee's rights and remedies to pursue in a court of law any claim it may have against Lessor or any other Person.

5.15 SECURITY:

- (a) To the fullest extent permitted by law and by way of continuing security, Lessee grants a security interest in the Security Deposit and all rights of Lessee to payment thereof, the debt represented thereby and/or any and all interest of Lessee therein to Lessor by way of first priority possessory security interest as security for Lessee's obligations under this Agreement and the Other Transaction Documents (the "Secured Liabilities"). Except as expressly permitted or required under this Agreement, including without limitation as set forth in Clauses 4.4 and 7.2 hereof, Lessee will not be entitled to repayment of the Security Deposit. Lessee will not assign, transfer or otherwise dispose of all or part of its rights in the

Security Deposit and Lessee agrees that it will enter into any additional documents and instruments necessary or reasonably requested by Lessor to evidence, create or perfect Lessor's Security Interest in and to the Security Deposit;

- (b) If Lessee fails to comply with any provision of this Agreement or any Event of Default has occurred and is continuing, Lessor may immediately or at any time thereafter, without prior notice to Lessee:
 - (i) setoff all or any part of the Secured Liabilities against the liabilities of Lessor in respect of the Security Deposit; and/or
 - (ii) apply or appropriate the Security Deposit in or towards the payment or discharge of the Secured Liabilities in such order as Lessor sees fit; and/or
 - (iii) exercise any other remedy or right available under applicable law.
- (c) If Lessor has exercised the setoff described in subclause (b) above, Lessee shall, following a demand in writing from Lessor, promptly restore the Security Deposit to the level at which they stood immediately prior to such setoff.

5.16 CURRENCY INDEMNITY:

- (a) Except for Losses suffered or incurred by Lessor and in respect of which Lessee has an obligation to indemnify Lessor hereunder, which shall be payable by Lessee to Lessor in the currency and in the amount in which such Loss is suffered or incurred, all amounts payable to Lessor under this Agreement shall be payable in Dollars in New York and payment in Dollars in New York is of the essence.
- (b) If Lessor receives an amount in respect of Lessee's liability under this Agreement or if such liability is converted into a claim, proof, judgment or order in a currency other than the currency (the "contractual currency") in which the amount is expressed to be payable under this Agreement:
 - (i) Lessee will indemnify Lessor, on an After-Tax Basis, as an independent obligation against any loss arising out of or as a result of such conversion;
 - (ii) if the amount received by Lessor, when converted into the contractual currency (at the market rate at which Lessor is able on the relevant date to purchase the contractual currency in London or at its option New York with that other currency), is less than the amount owed in the contractual currency, Lessee will, forthwith on

demand, pay to Lessor an amount in the contractual currency equal to the deficit; and

(iii) Lessee will pay to Lessor on demand any exchange costs and Taxes (other than Lessor Taxes) payable in connection with the conversion;

(c) Lessee waives any right it may have in any jurisdiction to pay any amount under this Agreement in a currency other than that in which it is expressed to be payable.

5.17 SETOFF:

Lessor may set off any matured obligation owed by Lessee under this Agreement or the Other Agreements against any obligation owed by Lessor to Lessee, regardless of the place of payment or currency. If the obligations are in different currencies, Lessor may convert either obligation at the market rate of exchange available in London or at its option New York for the purpose of the setoff.

6. MANUFACTURER'S WARRANTIES

(a) So long as no Event of Default has occurred which is continuing, with effect from Delivery, Lessor assigns to Lessee, and authorizes Lessee to exercise such rights as Lessor may have under any warranty with respect to the Aircraft, any Engine or any Part made by any manufacturer, vendor, sub-contractor or supplier (including compensation for loss of use of the Aircraft) to the extent that the same may be assigned or otherwise made available to Lessee. In furtherance of the foregoing, Lessor shall take such actions, at Lessee's cost and expense, as Lessee may reasonably request to make such warranties available to Lessee. Manufacturer shall deliver its consent to the assignment of any such warranties upon Delivery of the Aircraft. Lessee will give Lessor prompt written notice of any warranty claim in excess of the Warranty Claim Notification Threshold which is settled with Lessee on the basis of a cash payment other than reimbursements for work performed directly by Lessee;

(b) If any Default has occurred and is continuing, Lessor may:

(i) retain for its own account any such proceeds previously paid to Lessor which would have been remitted to Lessee under this Clause 6 in the absence of such Default; and

(ii) cause any proceeds of any pending claims to be paid to Lessor, rather than Lessee;

until Lessee shall have cured any such Default whereupon Lessor shall pay any such proceeds which have not otherwise been applied to Lessee.

- (c) On the Final Expiry Date, all rights held by Lessee derived from any warranties referenced in this Clause 6 (other than in respect of claims pending or discovered (provided the claim is filed promptly after the Final Expiry Date) as of the Final Expiry Date) shall immediately revert to Lessor, without any further act or deed by any Person; provided, however, Lessee shall nonetheless take such actions, at Lessee's cost and expense, as Lessor may reasonably request to ensure that all such rights are made available to Lessor; and
- (d) Notwithstanding anything to the contrary set forth above in this Clause 6 or elsewhere in this Agreement, nothing in this Clause 6 shall be deemed to impose any liability or obligation on Lessor to transfer, assign or otherwise make available to Lessee any rights with respect to any warranties other than such rights, if any, as may have been transferred, assigned or otherwise made available to Lessor.

7. LESSOR'S COVENANTS

7.1 QUIET ENJOYMENT:

Provided no Event of Default has occurred and is continuing, neither Lessor nor any Person claiming through or under Lessor (excluding a Person claiming through Lessor with respect to any Losses, Taxes or other liability for which Lessee is obligated to indemnify Lessor under this Agreement or for which Lessee is otherwise responsible under this Agreement) will disturb the quiet use, possession and enjoyment of the Aircraft by Lessee in accordance with the terms of this Agreement; but the proper exercise by Lessor of its rights under or in connection with this Agreement will not constitute such a disturbance. The foregoing covenant is given by Lessor in lieu of the rights of Lessee arising under, and Lessee hereby waives and disclaims any and all rights arising under, Section 2A-211 of the UCC. Lessee agrees that its only right with respect to a default by Lessor under this Agreement, including a breach of the foregoing covenant, is to make a claim against Lessor for actual damages resulting directly therefrom and in any event subject to Clause 16.3 hereof.

7.2 LESSOR OBLIGATIONS FOLLOWING FINAL EXPIRY DATE:

Within thirty (30) days following the Final Expiry Date, or such later time as Lessee has paid to Lessor all amounts which may then be due and payable under this Agreement and/or the Other Agreements, so long as no Default or Event of Default has occurred and is continuing, Lessor will pay to Lessee an amount (the "Relevant Cash Amount") equal to the amount (if any) of the Security Deposit then held and not applied by Lessor pursuant to Clauses 5.15 or 13.2, together with interest (as defined below). Should a Default or Event of Default have occurred and be then continuing, Lessor shall retain the Relevant Cash Amount, may apply the same in full or partial satisfaction of any such Default or Event of

Default and shall return such Relevant Cash Amount to Lessee less any amount so applied promptly after such Default or Event of Default ceases to exist.

For the purposes of this Clause 7.2, "Interest" means interest at the rate of six-month Dollar LIBID on an amount equal to the Relevant Cash Amount for a period equal to the period during which such amount was held by Lessor (net of any and all Taxes).

7.3 UNAPPLIED SUPPLEMENTAL RENT:

So long as no Default or Event of Default has then occurred and is continuing, on the Final Expiry Date Lessor shall pay to Lessee an amount equal to the Unused Supplemental Rent minus the Landing Gear Supplemental Rent. Should a Default or Event of Default have occurred and be then continuing, Lessor shall retain the amounts otherwise payable to Lessee under this Clause 7.3 until such time as such Default or Event of Default shall have ceased to exist whereupon it shall promptly pay to Lessee such amounts less any amount thereof applied in full or partial cure of such Default or Event of Default.

7.4 MAINTENANCE CONTRIBUTIONS:

(a) Provided no Default has occurred and is continuing, Lessor will pay (as a separate and independent obligation and not as a return of Supplemental Rent) the following amounts to the relevant Agreed Maintenance Performer (or to Lessee, shall Lessor have received evidence of payment of the relevant Agreed Maintenance Performer), up to the amount owing to it (with any remaining balance to be paid to Lessee), by way of contribution to the cost of maintenance of the Aircraft performed by any Agreed Maintenance Performer:

(i) AIRFRAME: With respect to the Airframe, the completion, in accordance with this Agreement, of the Airframe 6C/24,000 Hour Block Structural Check, an amount equal to the aggregate amount of the Airframe 6C/24,000 Hour Block Supplemental Rent actually paid by Lessee at the date such work starts less the aggregate amount previously paid by Lessor under this sub-clause;

(ii) ENGINE LIFE-LIMITED PARTS: With respect to Life-Limited Parts within any Engine, the replacement, in accordance with this Agreement, of those Parts, the lesser of (x) the amount of that invoice and (y) an amount equal to the aggregate amount of the Engine LLP Supplemental Rent actually paid in respect of that Engine paid by Lessee at the date such work starts less the aggregate amount previously paid in respect of that Engine by Lessor under this sub-clause;

- (iii) ENGINE PERFORMANCE RESTORATION: With respect to any Engine, the performance, in accordance with this Agreement, of Engine Performance Restoration in respect of that Engine, an amount equal to the aggregate amount of the Engine Supplemental Rent actually paid by Lessee in respect of that Engine at the date such work starts less the aggregate amount previously paid in respect of that Engine by Lessor under this sub-clause;
- (iv) APU PERFORMANCE RESTORATION: With respect to the APU, the performance, in accordance with this Agreement, of all APU Performance Restoration shop visits, an amount equal to the aggregate amount of the APU Supplemental Rent actually paid by Lessee at the date such work starts less the aggregate amount previously paid by Lessor under this sub-clause; and
- (v) LANDING GEAR: With respect to the Landing Gear, the performance in accordance with this Agreement, of all work on the Landing Gear in the nature of overhaul and requiring removal and disassembly, an amount equal to the aggregate amount of the Landing Gear Supplemental Rent actually paid by Lessee at the date such work starts less the aggregate amount previously paid by Lessor under this sub-clause.

7.5 CLAIMS FOR REIMBURSEMENT:

Lessee shall promptly submit to Lessor invoices with customary detail for labor and materials for all maintenance for which reimbursement is sought under Clause 7.4. Lessor shall, subject as provided below, pay to Lessee all amounts reimbursable hereunder within thirty (30) days of actual receipt of (i) an invoice for the relevant work, (ii) evidence of payment thereof and (iii) the agreed workscope maintenance plans, the final report and such other supporting documentation as typically provided by the Agreed Maintenance Performer, in each case reasonably satisfactory to Lessor, evidencing the performance of such maintenance. Notwithstanding the above Lessor and Lessee may agree a mutually satisfactory mechanism for the acceptance by Lessor of preliminary invoices. If within ten (10) days following the expiry of such thirty (30) day period referred to above, Lessor has not provided a detailed and reasoned explanation to Lessee as to why it is not satisfied with such invoices and supporting documentation, Lessor shall be deemed to be so satisfied for the purposes of this Clause 7.5; provided however that no reimbursement shall be made in respect of (i) components unless they are scheduled to be overhauled at that check and their lives are fully restored (and if this is not the case, a pro-rating payment adjustment will be made in respect of overhauls or replacements that are made before the relevant component scheduled life limit); (ii) any maintenance resulting from design faults or damage covered by warranty or caused by accidental damage, foreign objects, faulty maintenance, operational mishandling (unless the same shall result in a full

restoration) or line related quick engine change (QEC) kit maintenance (unless such maintenance is carried out at a different facility to the relevant Airframe check) or line replacement unit component maintenance; (iii) any cost items which are the costs of removal, reinstallation, transportation or are exchange, handling or similar costs or charges; (iv) any cost which is in excess of the relevant manufacturer's list price for the relevant parts or maintenance work; or (v) any maintenance, overhaul, renewal, replacement or repair which may be reimbursable out of any insurance claim (assuming, for these purposes, that no deductibles applied to the relevant insurances).

Any overhaul, performance restoration or other work performed by Lessee or by any Affiliate of Lessee shall be invoiced at Lessee's or such Affiliate's standard rate in respect of performing such work (which shall be no higher than the standard rate then prevailing in the United States aviation industry in respect of performing such work).

8. LESSEE'S COVENANTS

8.1 DURATION:

The undertakings in this Clause and in Clause 12 will:

- (a) except as otherwise stated, be performed at the expense of Lessee; and
- (b) remain in force until the Final Expiry Date in accordance with this Agreement and thereafter to the extent of any accrued rights of Lessor in relation to those undertakings.

8.2 INFORMATION:

Lessee will:

- (a) notify Lessor promptly of the occurrence of any Event of Loss and of any Default or any other event which reasonably may be expected to have a materially adverse effect on Lessee's ability to perform any of its obligations under this Agreement;
- (b) furnish to Lessor:
 - (i) as soon as available but not in any event later than 90 days after the last day of each fiscal quarter of Lessee, the consolidated financial statements of Lessee as soon as they are available (and comprising a balance sheet, a profit and loss statement and a statement of cash flows) prepared for the most recent previous financial quarter certified by a duly authorized financial officer of Lessee as being true and correct, each prepared in accordance with GAAP;

- (ii) as soon as available but in no event later than 120 days after the last day of each financial year of Lessee, its audited consolidated balance sheet as of such day and its audited consolidated profit and loss statement and audited consolidated statement of cash flows for the year ending on such day (each prepared in accordance with GAAP); and
 - (iii) on request from time to time, such other information regarding Lessee as Lessor may reasonably request;
- (c) without duplication of the information contained in the monthly reports furnished pursuant to Clause 8.2(e) below, promptly furnish to Lessor all information Lessor from time to time reasonably requests regarding the Aircraft, any Engine or any Part, its use, location and condition including, without limitation, the hours available on the Aircraft and any Engine until the next scheduled Major Check, or Engine overhaul or shop visit, as the case may be;
- (d) on request by Lessor from time to time, furnish to Lessor evidence reasonably satisfactory to Lessor that all Taxes and charges incurred by Lessee with respect to the Aircraft, including without limitation all payments due to the relevant air traffic control authorities, have been paid and discharged in full;
- (e) within ten days following the end of each calendar month during the Term, provide Lessor with a monthly report on the Aircraft and each Engine substantially in the form of Schedule 6 or in such other form as Lessor may reasonably request from time to time with respect to such calendar month (or portion thereof falling within the Term);
- (f) without duplication of information or reporting provided under paragraph (e) above, give Lessor not less than 30 days' prior written notice as to the time and location of all Major Checks;
- (g) without duplication of information or reporting provided under paragraph (e) above, notify Lessor, promptly, of the removal of any Engine for the purpose of Engine Performance Restoration; and
- (h) promptly notify Lessor of:
 - (i) any loss, theft, damage or destruction to the Aircraft, any Engine or any Part, or any modification to the Aircraft, if in any such case the potential cost would reasonably be expected to exceed the Damage Notification Threshold; and
 - (ii) any claim or other occurrence likely to give rise to a claim under the Insurances in excess of the Damage Notification Threshold and

provide, from time to time upon request by Lessor, the status of any negotiations with the insurance brokers over any such claim.

8.3 LAWFUL AND SAFE OPERATION:

Lessee will operate the Aircraft only for commercial purposes from the Delivery Date until the date on which the Aircraft is returned to Lessor pursuant to this Agreement; provided, that Lessee must always:

- (a) comply with the law for the time being in force in any country or jurisdiction which may for the time being be applicable to the Aircraft or, so far as concerns the use and operation of the Aircraft, an owner or operator thereof, and take all reasonable steps to ensure that the Aircraft is not used for any illegal purpose;
- (b) not use the Aircraft in any manner contrary to any recommendation of the manufacturers of the Aircraft, any Engine or any Part or any recommendation or regulation of the Air Authority or for any purpose for which the Aircraft is not designed or reasonably suitable;
- (c) ensure that the crew and engineers employed by Lessee have the qualifications and hold the licenses required by the Air Authority and applicable law;
- (d) use the Aircraft solely in commercial or other operations primarily in passenger service and in passenger configuration for which Lessee is duly authorized by the Air Authority and applicable law;
- (e) not use the Aircraft for the carriage of any goods, materials, livestock or items of cargo which involves a change of passenger configuration (or is inconsistent with passenger service and passenger configuration) or which could reasonably be expected to cause damage to the Aircraft or which would not be adequately covered by the Insurances, or any item or substance whose possession or carriage is illegal under any applicable law. Lessee will comply with any carriage regulations or restrictions from time to time issued by IATA;
- (f) not use the Aircraft for purposes of training, qualifying or re-confirming the status of cockpit personnel, except for the benefit of Lessee's cockpit personnel, and then only if the use of the Aircraft for such purpose is not disproportionate to the use of other aircraft of the same type operated by Lessee for such purpose;
- (g) not cause or permit the Aircraft to proceed to, or remain at, any location in an Excluded Country; provided, however, that no Default shall occur, if, due to climatic or atmospheric conditions, acts of God or to preserve the Aircraft or any Engine or Part or to preserve the life or safety of

passengers and/or crew, the Aircraft proceeds to an Excluded Country and the Lessee causes the Aircraft to be removed from such Excluded Country as soon as practicable after such conditions shall have ceased to exist;

- (h) obtain and maintain in full force all certificates, licenses, permits and authorizations for the time being required for the use and operation of the Aircraft, and for the making of payments required by, and the compliance by Lessee with, its other obligations under this Agreement;
- (i) not use, operate, or locate the Aircraft or suffer or permit the Aircraft to be used, operated or located (x) in any manner not covered by the Insurances, or (y)(A) in any recognized or threatened area of hostilities (unless covered by war risk and allied perils insurance pursuant to Schedule 4) or (B) in any area excluded from coverage by the Insurances, or (z) in any manner which would prejudice the interests of the Indemnitees in the Insurances, the Aircraft, any Engine or any Part;
- (j) not operate, maintain, insure or deal with the Aircraft or any Engine or Part in a manner which discriminates against the Aircraft or such Engine or Part, when compared with the manner in which Lessee operates, maintains, insures or deals with similar aircraft, engines or parts in Lessee's fleet;
- (k) promptly pay or cause to be paid within such period as may be agreed between Lessee and the relevant Government Entity all license, registration, navigation and airport fees and charges assessed and demanded by any Governmental Authority relating to the Aircraft which if not paid within such period would give rise to a Lien on the Aircraft other than a Permitted Lien; and
- (l) In the event that the Aircraft is detained or arrested in connection with outstanding charges incurred during the Lease Term in connection with (i) the furnishing, issue or provision of information, directions and other facilities in connection with the navigation or movement of aircraft (including the control or movement of vehicles in any part of an airport used for the movement of aircraft), or (ii) the landing, parking or taking off of aircraft at airports or for the use of, or services provided at, airports, then, without prejudice to Lessor's rights under Clause 13, Lessee agrees that it shall promptly discharge such charges and procure that such detention or arrest is lifted. Neither Lessor nor any Financing Party shall have any liability whatsoever as a result of any detention or arrest of the Aircraft in respect of any such charges or in relation to such detention or arrest or the lifting thereof.

8.4 OUTGOINGS:

Lessee will, except as otherwise expressly set forth herein, promptly pay on an After-Tax Basis:

- (a) all license, registration, filing, recording and landing fees and all other amounts of any nature imposed by any Government Entity with respect to the Aircraft, including without limitation, ownership, delivery, leasing, possession, use, operation, return, sale or other disposition of the Aircraft (other than any such fees or amounts which are attributable to a sale or other disposition of any right, title or interest in or to the Aircraft or this Lease and other Transaction Documents by Lessor, Owner or Beneficiary except to the extent such sale or other disposition arise as a result of and during the continuance of an Event of Default or is required by the terms of the Transaction Documents); and
- (b) all rent, fees, charges and other amounts in respect of any premises where the Aircraft or any Part thereof is located from time to time;

(in each case other than Taxes because Lessee's indemnification obligations with respect to Taxes are set forth in Clauses 5.7, 5.8, 5.9, 5.10 and 5.13) except to the extent that such payment is being contested in good faith by appropriate proceedings, in respect of which adequate resources have been provided by Lessee and nonpayment of which does not give rise to any material likelihood of the Aircraft or any interest therein being sold, forfeited or otherwise lost or of criminal liability on the part of Owner, Lessor or any Financing Party.

8.5 SUB-LEASING:

- (a) Except as otherwise set forth in this Clause 8.5, Lessee will not, without the prior written consent of Lessor, sublease or otherwise part with possession of the Aircraft, the Engines or any Part except that Lessee may part with possession (i) with respect to the Aircraft, the Engines or any Part to the relevant manufacturers for testing or similar purposes or to an Agreed Maintenance Performer for testing, service, repair, maintenance or overhaul work, or alterations, modifications or additions to the extent required or permitted by this Agreement; and (ii) with respect to an Engine or Part, as expressly permitted by this Agreement;
- (b) Notwithstanding Clause 8.5(a), Lessee shall be permitted to wet lease the Aircraft for a term (including renewals) not to exceed six months, provided the Aircraft (i) shall be operated solely by regular employees of Lessee (or by personnel contracted by Lessee in the same manner as with respect to its other flight operations) possessing all current certificates and licenses that are required by applicable Regulations, including by the Country of Registration, and shall remain in the operational control and possession of Lessee, (ii) shall be subject to insurance coverage as provided for in this Agreement, (iii) shall be used and operated in

accordance with this Agreement and shall be maintained or caused to be maintained by Lessee in accordance with the Approved Maintenance Program and Lessee's normal maintenance practices and (iv) shall not be subject to any change in its Habitual Base or Country of Registration.

8.6 INSPECTION:

- (a) Lessor and any Person designated by Lessor may at reasonable times and on reasonable written notice, at their own expense, visit, inspect and survey the Aircraft, any Engine, any Part or the Aircraft Documents (or any portion thereof); provided, however, that (i) any inspection of the Aircraft will not interfere with the maintenance or operation of the Aircraft, or otherwise disrupt Lessee's normal business operations, (ii) any inspection of the Aircraft Documents shall occur only during normal business hours, (iii) any inspection of the Aircraft shall occur only during regularly scheduled maintenance (Lessee to notify Lessor, upon request, of the next scheduled maintenance) and (iv) Lessor shall not perform an inspection more than once in any calendar year (except during the last year of the Lease Term or if a Default or Event of Default shall have occurred and be continuing, in which case the frequency of such inspection rights shall be reasonable but otherwise unlimited). Lessee shall comply with the reasonable requests of Lessor or its designee during the course of such inspection including (x) any request to travel on the flight deck as an observer, subject to any applicable Regulations and insurances, and (y) any requests to conduct visual, walk-around inspections of the Aircraft during regularly scheduled maintenance for the Aircraft and requests to go on board the Aircraft and/or to open any panels, bays, etc. during any such walk-around inspection, provided no such request shall materially affect the date of completion of such maintenance and return of the Aircraft to revenue service;
- (b) Lessee will pay to Lessor on demand all reasonable out-of-pocket expenses incurred by Lessor in connection with any such visit, inspection or survey to the extent that such visit, inspection or survey is made to verify the correction of defects identified by Lessor during a prior visit, inspection or survey; and
- (c) Lessor will have no duty or liability to make, or arising out of any such visit, inspection or survey.

8.7 TITLE:

Lessee will:

- (a) not do or knowingly permit to be done or omit or knowingly permit to be omitted to be done any act or thing which might reasonably be expected to jeopardize the title of Owner in and to the Aircraft or any Engine;
- (b) on all occasions when the ownership of the Aircraft, any Engine or any Part is relevant, make clear to third parties that title is held by Owner;
- (c) not at any time (i) represent or hold out Owner, Lessor, Beneficiary or the Financing Parties as carrying goods or passengers on the Aircraft or as being in any way connected or associated with any operation or carriage (whether for hire or reward or gratuitously) which may be undertaken by Lessee; or (ii) pledge the credit of Owner, Lessor, Beneficiary or the Financing Parties;
- (d) ensure that there is always affixed, and not removed or in any way obscured, a fireproof plate (having dimensions of not less than 10 cm. x 7 cm.) in a reasonably prominent position on Aircraft and on each Engine stating:

"THIS [AIRCRAFT/ENGINE] IS OWNED BY WELLS FARGO BANK NORTHWEST, N.A., AS TRUSTEE, AND IS LEASED TO Compania Panamena de Aviacion, S.A."
- (e) not create or permit to exist any Security Interest upon the Aircraft, any Engine or any Part;
- (f) not do or permit to be done anything outside the scope of normal airline operations and procedures which may reasonably be expected to cause the Aircraft, any Engine or any Part to become subject to penalty, forfeiture, impounding, detention, damage or destruction and without prejudice to the foregoing, if any such penalty, forfeiture, impounding, detention, damage or destruction occurs, give Lessor notice thereof as promptly as reasonably practicable and promptly commence and diligently prosecute all steps necessary to procure the immediate release of the Aircraft, any Engine or Part, as the case may be;
- (g) not abandon the Aircraft, any Engine or any Part;
- (h) pay and discharge or cause to be paid and discharged when due and payable or make adequate provision by way of security or otherwise for all debts, damages, claims and liabilities before they give rise to a Security Interest over or affecting the Aircraft, any Engine or any Part except to the extent the same are being contested in good faith by appropriate proceedings during the pendency of such proceedings and adequate resources therefor have been provided in accordance with GAAP; and

- (i) not attempt, or hold itself out as having any power, to sell, lease (except as permitted by this Agreement) or otherwise dispose of the Aircraft, any Engine or any Part.

8.8 GENERAL:

Lessee will:

- (a) maintain its business as a commercial airline, will preserve its corporate existence (other than as permitted in Clause 8.8(c)) and will maintain such of its rights, privileges, licenses and franchises as are required to perform its obligations under this Agreement;
- (b) not change its "location" (as determined with reference to and for purposes of Section 9-307 of the UCC) in such manner as would, pursuant to Section 9-307 of the UCC, change the location for filing financing statements or renewals thereof from the District of Columbia, except upon 10 days prior written notice thereof to Lessor;
- (c) not consolidate or merge into or with any other corporation or other Person, and not convey, transfer, lease or otherwise dispose of all or substantially all of its property and other assets to, or acquire all or substantially all of the property or other assets or capital stock of (if such acquisition is analogous in either purpose or effect to a consolidation or merger), any corporation or other Person without the prior written consent of the Lessor, such consent not to be unreasonably withheld, unless:
 - (i) the Person formed by such consolidation or into which Lessee is merged or the Person that acquires by conveyance, transfer or lease all or substantially all of the assets of Lessee (the "Lessee Successor"):
 - (a) has a tangible net worth (determined in accordance with GAAP) equal to or greater than that of Lessee immediately prior to such merger or consolidation;
 - (b) shall execute and deliver to Lessor, Owner and Beneficiary an agreement in a form reasonably satisfactory to such Persons containing an assumption by such Lessee Successor of the due and punctual performance and observance of each covenant and condition to be performed or observed by Lessee under each of the Transaction Documents to which Lessee is a party, whether actual or contingent or relating to the period before or after the date of such assumption; and

- (c) the Copa Holdings Guarantee shall continue to be applicable and enforceable in accordance with its terms;
- (ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;
- (iii) Lessee shall have delivered to Lessor, Owner and Beneficiary (x) a certificate of an officer to the effect that such consolidation, merger, conveyance, transfer or lease and the assumption agreement described in clause (i) above comply with this Clause 8.8(c) and that all conditions precedent herein provided for relating to such transaction have been complied with and that such assumption agreement has been duly authorized, executed and delivered by the Lessee Successor, constitutes its legal, valid and binding obligation and is enforceable against such Lessee Successor 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 principles of equity, and (y) an opinion of counsel in form and substance reasonable satisfactory to Lessor and Beneficiary; and
- (iv) Such filings and recordings shall have been made and Lessee shall have delivered to Lessor such other opinions and documents, in each case as either of them shall reasonably request.

Upon any consolidation or merger, or any conveyance, transfer or lease of all or substantially all of the assets of Lessee in accordance with this Clause 8.8(c), the Lessee Successor shall succeed to, be substituted for, and may exercise every right and power of, and shall assume every obligation and liability of, Lessee under this Lease with the same effect as if the Lessee Successor had been named as 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 Lessee Successor which shall theretofore have become such in the manner prescribed in this Clause 8.8(c) from any liability under the Transaction Documents. 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 this Lease.

- (d) the obligation of Lessee to pay in U.S. Dollars outside The Republic of Panama is of the essence to Lessor. If for any reason any exchange control or other legal prohibition or restriction shall be imposed by The Republic of Panama with respect to the payment in U.S. Dollars outside The Republic of Panama, Lessee shall forthwith obtain any permit, authorization, waiver or exemption as may be necessary to permit the free

transfer of such U.S. Dollars to designated places outside The Republic of Panama or obtain all necessary waivers and exemptions therefrom, and if Lessee shall for any reason, because of legal restrictions or otherwise, be unable to obtain such permit, authorization, waiver or exemption, it shall forthwith make all necessary and satisfactory arrangements with reputable banking or other financing institutions to provide satisfactory assurance to Lessor that all of Lessee's obligations hereunder will be satisfied as they arise in the manner contemplated by this Lease.

8.9 NON-DISCRIMINATION:

Without limiting any other provision of this Agreement, Lessee will cause the Aircraft and the Engines to be maintained and used, in substantially the same manner and with substantially the same care as used by or on behalf of Lessee with respect to similar aircraft and engines of like make, model and vintage operated by Lessee. Lessee also agrees that it will not, nor will it permit anyone to, discriminate in a manner in any way adverse to the interests of Lessor, Owner or any Financing Party in the Aircraft (as compared to other aircraft of the same type operated by or on behalf of Lessee) with respect to its use, operation or maintenance, modification or alteration during the Lease Term other than the withdrawal of the Aircraft from use and operation as is necessary to prepare the Aircraft for return to Lessor upon such expiration, cancellation or termination.

8.10 RECORDS:

Lessee will:

- (a) procure that accurate, complete and current records of all flights made by, and all maintenance carried out on, the Aircraft (including in relation to each Engine and Part subsequently installed, before the installation) are kept in English and in such manner as the Air Authority may from time to time require (including, but not limited to the requirements of FAR 91.417, FAR 121.380 and the requirements of the Approved Maintenance Program). The maintenance records will form part of the Aircraft Documents;
- (b) procure access (in house or through third parties) to a revision service in respect of, and will maintain with appropriate revisions in English and in accordance with FAR 91.417 and FAR 121.380, all technical publications required by applicable laws and sound practice of major international air transport operators in respect of the Aircraft; and
- (c) retain the Aircraft Documents and other materials at Lessee's principal place of business, and subject to applicable law, regulation and legal process not permit any other person to have possession of or control over the same without Lessor's prior written consent, except for an Approved

Maintenance Provider while completing maintenance, testing, repair, modification or other services in respect of the Aircraft or any Engine or Part.

8.11 PROTECTION:

Lessee will:

- (a) take all actions reasonably requested by Lessor that are within Lessee's control to keep the Aircraft registered with the Air Authority in the name of Owner;
- (b) make any and all filings required to be made with the Air Authority registry that are within its control and take all other actions within its control that are requested by Lessor and necessary or advisable to reflect on the Air Authority registry any change in the ownership of the Aircraft, or in the interests of Lessor, Owner or the Financing Parties in this Agreement or the Aircraft, any modification to the Aircraft (such as the permanent replacement of any Engine or Part in accordance with this Agreement) or as a result of any change in applicable law. Lessor will bear any costs incurred as a consequence of a transfer by Lessor, Owner or the Financing Parties of the interests of Lessor, Owner or the Financing Parties in this Agreement or the Aircraft or a change in the identity of Lessor, Owner or the Financing Parties (in each case, unrelated to the replacement of any Engine or Part by Lessee or a Default), and Lessee will bear any other costs incurred in complying with this Clause, including in connection with the replacement of any Engine or Part by Lessee in accordance herewith; and
- (c) do all acts and things (including, without limitation, making any filing or registration with the Air Authority or any other Government Entity or as required to comply with the Geneva Convention where applicable) and execute and deliver all documents (including, without limitation, any amendment of this Agreement) as may from time to time be required by Lessor:
 - (i) following any change in the ownership or financing of the Aircraft which is permitted pursuant to Clause 14 or in the manner of securing Lessor's obligations to the Financing Parties, in each case at the cost of Lessor; or
 - (ii) following any modification of the Aircraft, any Engine or any Part or the permanent replacement of any Engine or Part in accordance with this Agreement, so as to ensure that the rights of Lessor as owner of the Aircraft and under this Agreement apply with the same effect as before; or

(iii) to establish, maintain, preserve, perfect and protect the rights of Lessor under this Agreement or in the Aircraft and, at the cost of Lessor, the rights of any Financing Party, in particular (without limitation), if in the Country of Registration there shall be, or shall be brought into force, any legislative or other provisions giving effect to the Geneva Convention or otherwise relating to recognition of rights in aircraft, Lessee shall at its own cost forthwith do all such acts as may be necessary to perfect recognition of Lessor's title to and interest in the Aircraft and, at the cost of Lessor, the rights of any Financing party as mortgagee and/or assignee in accordance with such legislative or other provisions.

If the Country of Incorporation has, or at any time brings into force, any legislative or other provisions giving effect to the Convention on International Interests in Mobile Equipment (the "Convention") and/or the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment (the "Protocol"), Lessee at its own cost and expense shall from time to time, do or cause to be done any and all acts and things which may be required or desirable (in the reasonable opinion of Lessor) to ensure that Lessor and, at the cost of Lessor, any Financing Party have the full benefit of the Convention and/or the Protocol in connection with the Aircraft and any Engine, including (but not limited to):

- (A) any matters connected with registering, perfecting, preserving and/or enhancing any international interest(s) vested in Lessor with respect to the Aircraft and/or any Engine and constituted by this Agreement;
- (B) entry in to agreements (subordination or otherwise) to protect and/or enhance and/or improve the priority of any international interest(s) referred to in the foregoing paragraph (A); and
- (C) excluding in writing the application of any provisions of the Convention and/or Protocol that Lessor may deem desirable in connection with the foregoing.

In this sub clause the following terms have the following meanings:

INTERNATIONAL INTEREST has the meaning as expressed in the Convention and Protocol;

STATE has the meaning as expressed in the Convention and Protocol;
and

STATE IN WHICH LESSEE IS SITUATED IN shall be constructed in accordance with the expression "state in which the debtor is situated in" as set out in Article 4 of the Convention.

- (d) if at any time subsequent to the initial registration of the Aircraft and the initial filing of Uniform Commercial Code financing statements, any other filing or any recording or other act becomes necessary to perfect, protect and preserve the rights and interests of Lessor hereunder and in the Aircraft and the Security Deposit, including without limitation the filing of continuation statements with respect to filed Uniform Commercial Code financing statements, at its cost and expense, procure that such filings, recordings and acts are done pursuant to applicable law. Lessee agrees that Lessor is hereby authorized to make any filings or recordings referred to in this paragraph;
- (e) not to revoke the Lessee Power of Attorney; and
- (f) to cause the following:
 - (i) the filing of a Spanish language Public Deed with respect to the Bill of Sale, the Trust Agreement, this Agreement and Lease Supplement No. 1 at the Public Registry of Panama within 48 hours after the date and time of Delivery;
 - (ii) the obtaining of a temporary 'certificado de matricula' from the National Aeronautic Registry of the Civil Aviation Authority of Panama with respect to the Aircraft at or before Delivery;
 - (iii) the obtaining of a permanent 'certificado de matricula' from the National Aeronautic Registry of the Civil Aviation Authority of Panama promptly, and in any event within 45 days after Delivery; and
 - (iv) promptly and in due course after Delivery, a Public Registry Certificate confirming registration of the Public Deed referred to in the preceding clause (i).

8.12 MAINTENANCE AND REPAIR:

Lessee will, at its own expense:

- (a) keep the Aircraft airworthy (except during any period during which the Aircraft is undergoing maintenance, repair or modification as required or permitted hereunder) in all respects and in good repair and condition;
- (b) not change the Approved Maintenance Program without all necessary approvals from the Air Authority; provided, however, that if any such

change adversely affects the interests of Lessor with respect to the maintenance status of the Aircraft (or payments in respect of such status) required pursuant to the provisions of Clause 12 and Schedule 3 of this Agreement, then the requirements of such provisions shall be deemed adjusted so that the maintenance condition of the Aircraft at redelivery required thereby is not diminished, and the payments to or by Lessor are not adversely changed from the maintenance condition and payments that would have been required in the absence of such change to the Approved Maintenance Program;

- (c) provide Lessor with a summary of, access to and information regarding substantial changes to the Approved Maintenance Program;
- (d) maintain the Aircraft in accordance with the Approved Maintenance Program through an Agreed Maintenance Performer;
- (e) maintain the Aircraft in accordance with the rules and regulations of the Air Authority applicable to the Aircraft;
- (f) comply (or cause compliance) with all Mandatory Orders and Airworthiness Directives and similar mandatory requirements applicable to the Aircraft, any Engine or Part having a compliance date during the Term or existing as of the Final Expiry Date and having a compliance date within 180 days after the Final Expiry Date and which are required by the Air Authority or the FAA (provided that in relation to Airworthiness Directives Lessor and Lessee agree to the cost sharing formula set out in Schedule 11);
- (g) comply (or cause compliance) with all applicable laws and the regulations of the Air Authority and other aviation authorities with jurisdiction over Lessee or the Aircraft, any Engine or Part regardless of upon whom such requirements are imposed and which relate to the maintenance, condition, use or operation of the Aircraft or require any modification or alteration to the Aircraft, any Engine or Part; and
- (h) maintain in good standing a current certificate of airworthiness (in the appropriate category for the nature of the operations of the Aircraft) for the Aircraft issued by the Air Authority except where (i) the Aircraft is undergoing maintenance, modification or repair required or permitted by this Agreement; or (ii) the Air Authority shall have withdrawn or suspended such certificate in respect of all aircraft of the same model or period of manufacture as the Aircraft (in which case Lessee shall comply with all directions of the Air Authority in connection with such withdrawal or suspension). Lessee will from time to time provide to Lessor a copy of the certificate of airworthiness promptly after receipt of a written request.

8.13 PERMANENT REPLACEMENT OF ENGINES AND PARTS:

- (a) Subject to Clauses 8.14 and 8.16, Lessee shall promptly procure the replacement of any Engine (an "Original Engine") which has suffered an Engine Event of Loss, and Lessee may procure the replacement of any Engine (an "Original Engine") in order to comply with the requirements of the Return Conditions, in each case with an engine complying with the following conditions:
- (i) it is of the same manufacturer and model (or, at Lessee's option, an improved model), it is suitable for installation and use on the Airframe without impairing the value or utility of the Airframe and it is compatible with the remaining installed Engine, it has equivalent interchangeable modification status, equivalent or lower flight hours elapsed and cycles elapsed since Life Limited Parts replacement and since last Engine Performance Restoration, equivalent remaining warranty status as the Original Engine and equivalent or greater value and utility as the Original Engine; at the time of the engine replacement Lessor or Lessee, as applicable, shall adjust the Engine Supplemental Rent to reflect the maintenance utility of the replacement engine;
 - (ii) it has become and remains the property of Lessor free from Security Interests (except Permitted Liens) and on installation on the Aircraft will without further act be subject to this Agreement; and Lessee shall supply to Lessor with an officer's certificate demonstrating full compliance with this Clause 8.13(a); and
 - (iii) Lessee has full details of its source and maintenance records with back to birth traceability on all Life Limited Parts.

Such replacement Engine shall be deemed an "Engine" as defined herein for all purposes hereunder. Lessee agrees to promptly notify Lessor of any such substitution, and provide Lessor with an officer's certificate confirming full compliance with this Clause 11.1(e). Lessee agrees to take such action and execute such documents, including a warranty bill of sale, as Lessor may reasonably request in order that any such replacement Engine shall be duly and properly titled in the name of Owner and leased by Lessor hereunder to the same extent as the Engine thereby. Lessor shall take such action and shall execute such documents, and shall cause Owner to take such action and execute such documents, as are reasonably necessary to convey title to the Engine replaced pursuant to the preceding sentence to Lessee. Such conveyance shall be free of and warranted as against Lessor Liens, but otherwise without representation or warranty, express or implied.

- (b) Subject to Clause 8.16 hereof, Lessee shall promptly procure the replacement of any Part which has become time-, cycle- or calendar-expired, lost, stolen, seized, confiscated, destroyed, damaged beyond repair, unserviceable or permanently rendered unfit for use, with a part complying with the following conditions:
 - (i) it is of the same manufacturer and model (or, at Lessee's option, an improved model), it is in as good operating condition as the replaced Part, it has equivalent interchangeable modification status and equivalent or more hours available until the next scheduled check, inspection, overhaul and shop visit as the replaced Part and it is of an equivalent or greater value and utility as the replaced Part;
 - (ii) it has become and remains the property of Lessor free from Security Interests (except Permitted Liens) and on installation on the Aircraft will without further act be subject to this Agreement; and Lessee shall supply to Lessor all such title documents as Lessor may require in good faith to evidence and perfect the same; and
 - (iii) Lessee has full details of its source and maintenance records with back to birth traceability as to Life Limited Parts.
- (c) Any Part so replaced, upon satisfaction of the requirements set forth above, shall become the property of Lessee free and clear of Lessor Liens.

8.14 REMOVAL AND INTERCHANGE OF ENGINES:

Lessee will:

- (a) ensure that no Engine is removed from the Airframe unless it is promptly replaced as expressly permitted by this Agreement;
- (b) ensure that any Engine which is not installed on the Aircraft, or an aircraft permitted by paragraph (d) below is, except as expressly permitted by this Agreement, properly and safely stored (unless installed on another airframe operated by Lessee as permitted hereunder) and insured, and kept free from Security Interests (other than Permitted Liens), and either (i) has been inducted into a repair shop and is undergoing repair or (ii) unserviceable awaiting repair shop visit for no longer than 45 days; and
- (c) be permitted, if no Event of Default has occurred and is continuing, to install any Engine on an aircraft operated by Lessee (or, any permitted sub-lessee), provided that neither (i) the provisions of any applicable law nor (ii) the terms of any lease or other agreement or Security Interest to which such aircraft or engine is subject, prohibit such installation or will

have the effect at any time of divesting or impairing the title and interests of Lessor as owner and any Financing Party as mortgagee of such Engine.

Lessee shall obtain from the lessor of any airframe on which an Engine is installed and from any holder of a Security Interest in any airframe on which an Engine is installed, an agreement (which may be in the form of a relevant clause in any lease agreement, mortgage, security agreement or similar agreement in respect of such airframe) in writing for the benefit of the Lessor (or directly with the Lessor) that such Person will respect the interests of Lessor as owner and lessor, respectively, and of the Financing Parties, in such Engine and will not acquire or claim any right, title or interest in such Engine as a result of such Engine being installed on such other airframe at any time while such Engine is subject to this Agreement. Provided Lessee shall have received from a lessor of or secured party holding a Security Interest in any airframe leased to Lessee or owned by Lessee and subject to a Security Interest under such an agreement, Lessor hereby agrees for the benefit of such lessor or secured party that Lessor will not acquire or claim as against such lessor or secured party, any rights, title or interest in any engine covered by such lease or Security Interest as a result of any such engine being installed on the Airframe at any time while such engine is subject to such lease or Security Interest.

8.15 REMOVAL AND INTERCHANGE OF PARTS:

Lessee will, subject to Clause 8.16:

- (a) ensure that no Part is at any time removed from the Aircraft unless it is promptly replaced by a part complying with Clause 8.13(b);
- (b) ensure that any Part which is not installed on the Aircraft (or any other aircraft as expressly permitted by this Agreement) is properly and safely stored and insured, and kept free from Security Interests (other than Permitted Liens); and
- (c) be permitted, if no Event of Default has occurred and is continuing, to install any Part on an aircraft operated by Lessee (or any permitted sub-lessee), provided that Clause 8.14(d) would be complied with in respect of such Part if it were an Engine.

8.16 TEMPORARY INSTALLATION OF ENGINES AND PARTS:

Notwithstanding the provisions of Clause 8.13 and Clause 8.15, Lessee will be permitted, if no Event of Default has occurred and is continuing, to install, or permit the installation of, any engine or part on the Aircraft by way of replacement if:

- (a) there is not available to Lessee or, where there is a permitted sublease in place, the sub-lessee thereunder, at the time and in the place that engine or

part is required to be installed on the Aircraft, a replacement engine or, as the case may be, part complying with the requirements of Clause 8.13 above;

- (b) it would result in a disruption of the operation of the Aircraft and/or the business of Lessee or, where there is a permitted sublease in place, the sub-lessee thereunder, to ground the Aircraft until an engine or part, as the case may be, complying with the requirements of Clause 8.13 above becomes available for installation on the Aircraft; and
- (c) as soon as practicable after installation of the same on the Aircraft but, in any event, no later than the earlier of (i) the next Major Check or Engine Shop Visit (as applicable) or (ii) the Final Expiry Date, Lessee or, where there is a permitted sublease in place, the sub-lessee thereunder, removes any such engine or part and replaces it with the Engine or Part replaced by it or by an engine or part, as the case may be, complying with Clause 8.13 above.

8.17 POOLING OF ENGINES AND PARTS:

Without prejudice to its rights pursuant to Clauses 8.14(d) and 8.15(c), Lessee shall not without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed, permit or enter into any agreement or arrangement for the pooling or interchange of any Engine or Part with any other Person.

8.18 EQUIPMENT CHANGES:

- (a) Lessee shall not make any modification or addition to the Aircraft (each an "Equipment Change"), except for an Equipment Change which:
 - (i) is completed in connection with the post-Delivery installation of the In-flight Entertainment/Communications System (IFE) or the Winglets; or
 - (ii) is expressly permitted by this Agreement; or
 - (iii) does not diminish the value, utility, condition, or airworthiness of the Aircraft and either (aa) constitutes a modification to the class configuration or passenger seating in the cabin, or (bb) has a cost of less than US\$250,000, or (cc) has the prior written approval of Lessor which approval shall not be unreasonably withheld or delayed; or
 - (iv) arises due to the requirements of the Air Authority and/or the FAA or otherwise constitutes an obligation of Lessee under this Agreement.

- (b) So long as no Default or Event of Default has occurred and is continuing, Lessee may remove any Equipment Change to the extent it is severable from the Aircraft and (i) such Equipment Change is not required by the Air Authority and/or the FAA and (ii) such severance will not adversely affect the value, utility, condition or airworthiness of the Aircraft as compared to value, utility, condition or airworthiness of the Aircraft immediately prior to such severance, assuming the Aircraft was of the value and utility and in the condition and repair required by the terms of this Agreement; and
- (c) Title to Equipment Change, whether or not the removal of which is permitted pursuant to Clause 8.18(b), will on installation and until such permitted removal, without further act, vest in Lessor subject to this Agreement free and clear of all Security Interests (other than Permitted Liens). Lessee will at its own expense take all such steps and execute, and procure the execution of, all such instruments as Lessor may require and which are necessary to ensure that title so passes to Lessor according to all applicable laws. At any time when requested by Lessor, Lessee will provide evidence to Lessor's satisfaction (including the provision, if required, to Lessor of bills of sale and legal opinions) that title has so passed to Lessor. Upon any permitted removal thereof, Lessor will, at Lessee's cost and upon Lessee's request, provide Lessee with such documents as Lessee shall reasonably request to cause title to such modifications to vest in Lessee free and clear of Lessor Liens but otherwise without representation or warranty, express or implied.

8.19 THIRD PARTY:

All the obligations of Lessee under this Agreement shall continue in full force and effect notwithstanding any parting with possession of the Aircraft by Lessee (other than redelivery of the Aircraft by Lessee to Lessor pursuant to Clause 12).

9. INSURANCE

9.1 INSURANCES:

- (a) Lessee shall, at its own expense, maintain in full force during the Lease Period insurances in respect of the Aircraft in terms, amounts, form and substance customarily maintained by similar carriers operating similar aircraft in similar circumstances otherwise satisfactory to Lessor (acting reasonably) complying with the requirements of this Clause 9 and Schedule 4 (the "Insurances", which expression includes, where the context so admits, any relevant re-insurance(s));
- (b) The Insurances shall be effected through such brokers and with such insurers (in each case which are properly licensed and are operating in

accordance with Panamanian law), and shall be subject to such deductibles and subject to such exclusions, as may (in each case) be indicated in Schedule 4 or otherwise satisfactory to Lessor; and

(c) The Insurances shall be effected either:

- (i) on a direct basis with insurers of recognized standing who normally participate in aviation insurances in the leading international insurance markets and led by reputable underwriter(s) satisfactory to Lessor, acting reasonably (and for such purposes Lessee's current lead underwriter is deemed to be satisfactory to Lessor); or
- (ii) with a single insurer or group of insurers approved by Lessor who does not fully retain the risk but effects substantial reinsurance with reinsurers in the leading international insurance markets and through brokers each of recognized standing and acceptable to Lessor for a percentage acceptable to Lessor (acting reasonably) of all risks insured (and for such purposes Lessee's current lead underwriter is deemed to be acceptable to Lessor).

9.2 REQUIREMENTS

Lessor's current requirements as to the Insurances are as specified in this Clause and in Schedule 4. Lessor may from time to time and in good faith stipulate other requirements for the Insurances so that (a) the scope and level of cover are maintained in line with best industry practice of similar carriers operating similar aircraft in similar circumstances, and (b) the interests of Lessor and the other Indemnitees continue to be prudently protected, provided that other requirements shall not reduce the maximum deductibles, nor raise the minimum war and allied perils liabilities amount, unless Lessee shall have raised the same on a fleet wide basis..

9.3 STANDARDS

Lessee shall be obligated to maintain insurance in respect of the Aircraft for the purposes of this Agreement which reflects Lloyds' endorsement AVN67B (as at the date hereof) or the equivalent thereof. In the event that any provision of AVN67B (as at the date hereof) conflicts or is otherwise inconsistent with the requirements of this Clause 9 and Schedule 4 then (so long as it shall be general industry practice to insure aircraft financed or leased on the basis of such endorsement) the provisions of AVN67B shall prevail and such endorsement shall be deemed to satisfy the requirements of this Agreement.

9.4 CHANGE

If at any time Lessor, following a change in circumstances and acting reasonably, decides to revoke its approval of any insurer or reinsurer, Lessor and/or its brokers shall consult with Lessee and Lessee's insurers or, if applicable, brokers regarding whether that approval should be revoked to protect the interests of the parties insured. If, following the consultation, Lessor considers that any change should be made, Lessee shall then, as promptly as reasonably practicable, arrange or procure the arrangement of alternative cover satisfactory to Lessor, provided such change is approved by each other Lessor or secured lender on aircraft in Lessee's fleet affected by such change and does not otherwise make compliance by Lessee with the insurance requirements set forth in this Clause 9 or in Schedule 4 hereto impossible or not practicable.

9.5 INSURANCE COVENANTS

Lessee shall:

- (a) ensure that all legal requirements as to insurance of the Aircraft, any Engine or any Part which may from time to time be imposed by the laws of the Country of Registration or any state, from or over which the Aircraft may be flown, in so far as they affect or concern the operation of the Aircraft, are complied with, and in particular those requirements compliance with which is necessary to ensure that:
 - (i) the Aircraft is not in danger of detention or forfeiture;
 - (ii) the Insurances remain valid and in full force and effect; and
 - (iii) the interests of the Indemnitees in the Insurances and the Aircraft or any Part are not thereby prejudiced;
- (b) comply with the terms and conditions of each policy of the Insurances and not do, consent or agree to any act or omission which:
 - (i) invalidates or may be reasonably expected to invalidate the Insurances; or
 - (ii) renders or may be reasonably expected to render void or voidable the whole or any part of any of the Insurances; or
 - (iii) brings any particular insured liability within the scope of an exclusion or exception to the Insurances;
- (c) not without the prior written approval of Lessor take out any additional insurance or reinsurance in respect of the Aircraft which would prejudice the rights of Lessor or any additional insured in respect of the policies required to be maintained by Lessee hereunder, unless relating solely to

liability insurances, hull total loss, business interruption, profit commission and deductible risk;

- (d) on request, provide to Lessor evidence that the Insurance premiums have been paid;
- (e) not make any modification or alteration to the Insurances material and adverse to the interests of any of the Indemnitees;
- (f) be responsible for any deductible under the Insurances;
- (g) if at any time insurance clause AVN 2000 or its successor is endorsed on the policies of Insurance, ensure that the insurance write back clauses AVN 2001 and AVN 2002 as applicable (or any equivalent clauses) are endorsed on the policies of Insurance required to be maintained under this Agreement and give and comply with all representations, warranties and undertakings required by the insurers or reinsurers in connection with such clauses; and
- (h) provide any other material information and assistance in respect of the Insurances which Lessor may from time to time reasonably request for substantial reasons.

9.6 RENEWAL OF INSURANCES

Lessee shall commence renewal procedures in a timely manner prior to expiry of any of the Insurances, and provide to Lessor:

- (a) upon the request of Lessor, a written status report of renewal negotiations 10 days prior to each expiry date;
- (b) confirmation of completion of renewal prior to each expiry date; and
- (c) certificates of insurance (and where appropriate certificates of reinsurance), and a broker's letter of undertaking in a form acceptable to Lessor in English, detailing the coverage and confirming the insurers' (and any reinsurers') agreement to the specified insurance requirements of this Agreement within seven days after each renewal date (and, in the case of the reinsurance certificate and reinsurance broker's letter of undertaking, within 14 days after each renewal date).

9.7 FAILURE TO INSURE

If Lessee fails to maintain the Insurances in compliance with this Agreement, Lessee shall:

- (a) forthwith ground or cause to be grounded the Aircraft and shall keep or procure that the Aircraft be kept grounded until such time as the Insurances shall again be in full force and effect; and
- (b) immediately notify Lessor of the non-compliance of the Insurances and provide Lessor with full details of any steps which Lessee is taking or proposes to take, in order to remedy such non-compliance;

and each of the Indemnitees will be entitled but not bound (without prejudice to any other rights of Lessor under this Agreement):

- (i) to pay the premiums due or to effect and maintain insurances required hereunder but not maintained in accordance herewith or otherwise remedy Lessee's failure in such manner (including, without limitation to effect and maintain an "owner's interest" policy) as Lessor acting in good faith considers appropriate. Any sums so expended by Lessor will become immediately due and payable by Lessee to Lessor together with interest thereon at the Default Rate, from the date of expenditure by Lessor up to the date of reimbursement by Lessee; and
- (ii) at any time while such failure is continuing to require the Aircraft to remain at any airport or to proceed to and remain at any airport designated by it until the failure is remedied.

9.8 CONTINUING INSURANCE FOR INDEMNITY

Lessor may require Lessee to effect and to maintain (at no cost to Lessor) liability insurance after the Final Expiry Date with respect to its liability under the indemnities in Clause 10 for such period as Lessor may reasonably require (but in any event for not more than two years following the Final Expiry Date or until completion of the next C Check (or equivalent check) with respect to the Aircraft (whichever is the earlier to occur)) which provides for each Indemnitee to be named as additional insured. Lessee's obligation in this Clause shall not be affected by Lessee ceasing to be lessee of the Aircraft and/or any of the Indemnitees ceasing to have any interest in respect of the Aircraft.

10. INDEMNITY

10.1 GENERAL:

Lessee agrees to defend, indemnify and hold harmless the Indemnitees, on demand and on an After-Tax Basis, from and against any and all Losses (regardless of when the same is made or incurred, whether before, during or after the Term):

- (a) which may at any time be imposed, incurred, suffered or asserted, directly or indirectly as a result of or connected with the possession, delivery, performance, management, ownership or possession, registration, control, maintenance, condition, service, repair, overhaul, leasing, use, operation, modification, insurance, inspection, testing, design, sublease, condition or return of, or other matters relating to, the Aircraft, any Engine or Part (either in the air or on the ground) whether or not such Losses may be attributable to any defect in the Aircraft, any Engine or any Part, whether or not discoverable, or to its design, testing or use or otherwise, and regardless of when the same arises or whether it arises out of or is attributable to any act or omission, negligent or otherwise, of any Indemnitee or to strict liability; or
- (b) which without duplication of recovery arise out of any act or omission which invalidates or which renders voidable any of the Insurances; or
- (c) which without duplication of recovery may at any time be suffered or incurred as a consequence of (i) any design, article or material in the Aircraft, any Engine or any Part, including any defect in design and regardless of whether it is discoverable; or (ii) its operation or use during the Term hereof constituting an infringement of patent, copyright, trademark, design or other proprietary right; or
- (d) which may at any time be suffered or incurred, directly or indirectly, as a result of any breach by Lessee of any of its obligations under this Agreement.

but excluding any Losses in relation to a particular Indemnitee to the extent that such Losses:

- (i) are covered pursuant to any other indemnity provision of this Agreement or in respect of which Lessor has agreed to not seek reimbursement from Lessee pursuant to an express provision of this Agreement; or
- (ii) arise as a result of the gross negligence (other than gross negligence imputed to that Indemnitee by reason of its interest in the Aircraft or this Agreement), willful misconduct of that Indemnitee or any Indemnitee or breach of any representation, warranty or obligation hereunder or under any other Transaction Document; or
- (iii) consists of Taxes (but without prejudice to any Indemnitee's rights under any other provision of this Agreement relating to Taxes); or
- (iv) arise as a result of a Lessor Lien; or

- (v) represents or constitutes ordinary and usual operation or overhead expenses of such Indemnitee, except to the extent that the same arise on the occurrence of an Event of Default; or
- (vi) is attributable to an event or circumstances which occur after the Final Expiry Date unless such Loss results from, or arises out of, any act, omission or circumstance existing during the Term; or
- (vii) are attributable to the sale, assignment or other transfer (voluntary or involuntary) of all or part of any Indemnitee's interest in or to the Aircraft, any Engine or Part, this Agreement or any Transaction Document other than a sale, assignment or other transfer required by the terms of a Transaction Document, arising as a result of or otherwise in connection with an Event of Default or an Event of Loss or if requested by, or consented to, by Lessee; or
- (viii) are costs or expenses of entering into amendments to this Agreement and/or other Transaction Documents not required by the terms of a Transaction Document, and not requested by, or consented to, by Lessee.

10.2 NOTIFICATION:

Lessor shall promptly notify Lessee in writing of any matter for which Lessee is obligated to indemnify under this Clause 10 (each a "Claim"); provided, however, the delay or failure of Lessor to give notice to Lessee in accordance with this Clause 10.2 will not discharge or release Lessee from any of its indemnity obligations under Clause 10.1 except, and only to the extent, that such delay or failure was attributable to circumstances which were, given reasonable diligence, impractical or impossible for Lessor to avoid and results in a material increase in the amount which Lessee is required to indemnify, materially prejudices or precludes Lessee's right to defend any such Claim or results in material, additional obligations for Lessee in defending against any suit or proceeding relating to such matter.

10.3 CONTEST:

Lessor and Lessee will consult with one another to consider what action may properly be taken to defend or otherwise resist or mitigate any Claim. Provided no Default or Event of Default shall have occurred and be continuing, Lessee shall, following such consultation, have the right to assume and conduct promptly and diligently the defense of the relevant Indemnitee with respect to such Claim, and no Claim will be settled by an Indemnitee without the prior written consent of Lessee (not to be unreasonably withheld or delayed), provided that:

- (a) Lessee shall have consulted, and shall continue to consult, with Lessor as to the defense and conduct thereof;

- (b) Lessee shall have made, and continue to make, adequate provision or reserve with respect to such Claim and any associated costs and expenses (in accordance with GAAP) and shall have fully indemnified or agreed to indemnify the Indemnitees for all costs, liabilities, expenses or damages on an After Tax Basis arising as a result of such Claim or its defense by Lessee of such Indemnitee pursuant to this Clause; provided, however, that Lessee shall not be bound by such an agreement to indemnify to the extent that it is established that, in accordance with the terms of this Clause 10, that Lessee is not liable to such Indemnitees in respect of such Claim.
- (c) without prejudice to Lessee's continued right to contest any Claim, no Indemnitee shall be prevented by this Clause 10.3 from settling or paying any Claim immediately if such Indemnitee is required by applicable law to do so but such Indemnitee shall pay over to Lessee any amount paid by Lessee by way of indemnity in respect of such settlement or payment which is later refunded to such Indemnitee if (i) Lessee agrees that it was liable for such claim under this Clause 10 and (ii) Lessee establishes that it would have been successful in respect of such contest and (iii) no Default has occurred and is continuing, and if a Default shall have occurred and be continuing the same shall be retained by Lessor until such Default (and any other Default) shall have been cured then promptly paid to Lessee to the extent not applied in satisfaction of Lessee's obligations in respect of any Default; and

Lessor shall be entitled, upon consultation with and prior written notice to Lessee, to terminate Lessee's participation in the defense of a Claim where an act or omission of Lessee indicates that the interests of any Indemnitee have a reasonable likelihood of being materially adversely prejudiced by Lessee's continued participation in the defense of such Claim.

10.4 SUBROGRATION:

Upon payment in full to an Indemnitee of any demand for indemnification under this Agreement, Lessee will be subrogated to any rights and remedies of such Indemnitee in respect of the Loss in respect of which such payment has been made (a "Subrogated Claim") and without warranty as to the enforceability of such rights, and subject to the following provisions:

- (a) such Indemnitee shall, at the sole cost and expense of Lessee, assist Lessee in any manner reasonably requested by Lessee for the purpose of enforcing and obtaining the rights and benefits intended to be conferred by this Clause 10.4 upon Lessee;

- (b) Lessee shall keep Lessor fully informed of any Subrogated Claim by Lessee, shall consult with Lessor regarding the conduct of such Subrogated Claim; and

Unless doing so would materially prejudice Lessee's ability to recover on such Subrogated Claim, Lessee shall pursue any Subrogated Claim in its own name, as subrogee to the rights thereto.

10.5 DURATION:

The indemnities contained in this Agreement will continue in full force after the Final Expiry Date.

11. EVENTS OF LOSS

11.1 EVENTS OF LOSS

- (a) PRE-DELIVERY: If an Event of Loss occurs prior to delivery of the Aircraft to Lessee, this Agreement will immediately terminate and except as expressly stated in this Agreement neither party will have any further obligation or liability under this Agreement other than pursuant to Clause 15.8, except that Lessor will refund to Lessee the amount of any Security Deposit and any other amounts paid by or on behalf of Lessee under this Agreement; and
- (b) POST-DELIVERY: If an Event of Loss occurs after delivery of the Aircraft to Lessee, Lessee will pay the Agreed Value to Lessor on or prior to the earlier of (i) ninety (90) days after the Event of Loss; and (ii) the date of receipt of the insurance proceeds in respect of that Event of Loss. Subject to the rights of any insurers and reinsurers or other third party, upon irrevocable payment in full to Lessor of that amount and all other amounts which are then due and owing to Lessor under this Agreement, Lessor will without recourse or warranty (except as to the absence of Lessor Liens) procure that Owner shall transfer to Lessee all right, title and interest in and to the Aircraft, all on an as is, where is, basis, and will at Lessee's expense, execute and deliver such bills of sale and other documents and instruments as Lessee may reasonably request to evidence (on the public record or otherwise) the transfer and the vesting of Owner's rights in the Aircraft in Lessee, free and clear of (x) all rights of Owner and Lessor and (y) all Lessor Liens. The receipt by Lessor of the insurance proceeds in respect of the Event of Loss on or prior to the date required pursuant to this Clause 11.1(b) shall discharge Lessee from its obligation to pay the Agreed Value to Lessor, provided such proceeds are not less than the Agreed Value and are available to Lessor to be applied to pay such Agreed Value and any excess of insurance proceeds (and any other amounts if any, paid to Lessor by or on behalf of Lessee) over and above the Agreed

Value, less any other amounts due and owing on the date of payment of the Agreed Value by Lessee to Lessor hereunder, shall be promptly refunded to Lessee or as otherwise required by law. If the insurance proceeds are paid initially to Lessee and not to Lessor, they may be retained by Lessee if Lessee shall have paid the Agreed Value and all other amounts then due and owing to Lessor, otherwise Lessee shall pay the Agreed Value to Lessor immediately upon the receipt by Lessee of such proceeds. If Lessee pays the Agreed Value and all other amounts due and owing to Lessor in accordance with this Clause 11.1(b), Lessor shall promptly assign (and shall procure that Owner assigns) to Lessee its rights under the Insurances to receive the insurance proceeds in respect of the Event of Loss (to the extent that such proceeds shall not have been paid to Lessee). Additionally, but without duplication, upon receipt by Lessor of the Agreed Value and any other amounts then due and owing by Lessee hereunder following an Event of Loss, Lessor shall pay or cause to be paid to Lessee amounts equal to any amounts held by Lessor or to its order as Supplemental Rent less any portion thereof theretofore applied or paid by Lessor to Lessee or its order in accordance with the terms and provisions of this Agreement.

11.2 REQUISITION:

During any requisition for use or hire of the Aircraft, any Engine or Part which does not constitute an Event of Loss:

- (a) the Rent and other charges payable under this Agreement will not be suspended or abated either in whole or in part, and Lessee will not be released from any of its other obligations under this Agreement (other than operational obligations with which Lessee is unable to comply by virtue of the requisition); and
- (b) so long as no Default or Event of Default has occurred and is continuing, Lessee will be entitled to any hire or other compensation paid by the requisitioning authority during the Term. Lessee will, as soon as practicable after the end of any such requisition, cause the Aircraft to be put into the condition required by this Agreement. Lessor will be entitled to all compensation payable by the requisitioning authority in respect of any change in the structure, state or condition of the Aircraft arising during the period of requisition, and Lessor will apply such compensation in reimbursing Lessee for the cost of complying with its obligations under this Agreement in respect of any such change; provided, however, if any Default or Event of Default has occurred and is continuing, Lessor may apply the compensation or hire in or towards settlement of any amounts owing by Lessee under this Agreement or the other Transaction Documents and any excess thereof shall be applied as described above.

12. RETURN OF AIRCRAFT

12.1 RETURN:

On the Final Expiry Date, Lessee will, unless an Event of Loss shall have occurred, at its expense, redeliver the Aircraft and Aircraft Documents to Lessor at the Redelivery Location, in a condition complying with Schedule 3, free and clear of all Security Interests and Permitted Liens (other than Lessor Liens).

12.2 FINAL INSPECTION:

Immediately prior to redelivery of the Aircraft, Lessee will make the Aircraft available to Lessor for the Final Inspection, as set forth in Schedule 3.

12.3 NON-COMPLIANCE:

(a) If at the time of completion of Final Inspection Lessee has not fully complied with its obligation to redeliver the Aircraft and Aircraft Documents to Lessor in the condition and status required under this Agreement (including Schedule 3 hereto), or Lessee fails to make the Aircraft available to Lessor on a timely basis for inspection and redelivery pursuant to Clause 12.1 and Schedule 3 hereto, the Term may be, upon written notice by Lessor acting in good faith in this regard, extended up to the time when the Aircraft has been redelivered to Lessor in full compliance with this Agreement, for the sole purpose of enabling such non-compliance or failure to be promptly rectified, and during such extension period:

(i) Lessee shall not use the Aircraft in flight operations except those related directly to the redelivery of the Aircraft to Lessor;

(ii) all Lessee's obligations and covenants under this Agreement will remain in full force until Lessee so redelivers the Aircraft

(iii)

(A) if such extension is due to any act or omission of Lessor or any Person claiming through Lessor, Lessee shall not be obligated to pay Rent during such extension period and Lessor shall promptly after receipt of an invoice, reimburse Lessee for any and all out-of-pocket expenses incurred for the maintenance of Insurances, maintenance, storage, testing, inspection, repair and parking of the Aircraft to the extent such expenses are attributable to any such act or omission of Lessor, or

- (B) otherwise, Lessee shall pay Rent to Lessor during such extension period at a rate per month equal to the amount of Rent payable in respect of the last scheduled Rental Period at a rate per month equal to the Rent payable in respect of the last scheduled Rental Period plus, after the first ten (10) days of such extension period, thirty-five percent (35%) prorated for actual time elapsed.
- (b) Unless otherwise agreed by Lessee and Lessor any extension of the Term under this Clause 12.3 (other than an extension arising as a result of an act or omission of Lessor, Owner or Beneficiary) shall not prejudice Lessor's right to treat such non-compliance or failure as an Event of Default at any time, and to enforce such rights and remedies as may be available to Lessor in respect thereof under the terms of this Agreement or applicable law. Without limiting the generality of the foregoing, Lessee's Rent obligation under Clause 12.3(a)(iii) above shall be without prejudice to (but without duplication of) Lessor's rights under Clause 13; and
- (c) Lessor may elect (either on first tender of the Aircraft by Lessee or at any time during the said extension period) to accept redelivery of the Aircraft notwithstanding non-compliance with Clause 12.1 or Schedule 3, in which case Lessee will indemnify Lessor on an After-Tax Basis, and provide cash to Lessor (in an amount satisfactory to Lessor acting reasonably) as security for that indemnity in respect of the actual cost to Lessor of putting the Aircraft into the condition required by this Agreement based upon reasonable prevailing market labor rates and costs of materials.

12.4 ACKNOWLEDGEMENT:

Provided Lessee has complied with its obligations under this Clause 12 (including Schedule 3), upon redelivery of the Aircraft by Lessee to Lessor at the Redelivery Location, Lessor will deliver to Lessee an acknowledgement confirming that Lessee has redelivered the Aircraft to Lessor in accordance with this Clause 12 (including Schedule 3).

12.5 REDELIVERY MAINTENANCE ADJUSTMENT:

On the Final Expiry Date, Lessee shall make maintenance adjustment payments to Lessor on an After-Tax Basis in accordance with Part 3 of Schedule 3 hereto.

12.6 EXPORT DOCUMENTS:

Upon redelivery Lessee shall provide to Lessor all documents necessary to export the Aircraft from the Habitual Base (including, without limitation, a valid and subsisting export license for the Aircraft if required by the relevant Governmental Authorities of the Habitual Base) and required in relation to the deregistration of the Aircraft with the Air Authority.

12.7 MAINTENANCE PROGRAM

Prior to the Final Expiry Date and upon Lessor's request, Lessee shall provide Lessor or its agent reasonable access to the Aircraft Documents (including without limitation all completed maintenance records) and the Approved Maintenance Program as updated and maintained by Lessee up to the date of redelivery in order to facilitate the Aircraft's integration into any subsequent operator's fleet including a cross-reference of Lessee's Approved Maintenance Program items including task-cards to the MRB (Maintenance Review Board) or Manufacturer's Maintenance Planning Document items, as appropriate.

12.8 FUEL:

Upon redelivery of the Aircraft to Lessor, an adjustment shall be made in favor of Lessor or Lessee, as the case may be, in respect of fuel on board on the Delivery Date and the Final Expiry Date at the lower of the price then prevailing or then available at the Redelivery Location.

13. DEFAULT

13.1 EVENTS:

Each of the following events will constitute an Event of Default (whether the occurrence of any such events is voluntary or involuntary or occurs 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 Government Entity):

- (a) **NONPAYMENT:** Lessee fails to make any payment of Security Deposit, Rent, Supplemental Rent or Agreed Value or any payment pursuant to Clause 12.5 within three (3) Business Days following the due date or, in the case of other sums payable to Lessor or any other Indemnitee, within ten (10) Business Days following the date of receipt of demand therefor or the date otherwise due in accordance with this Agreement;
- (b) **INSURANCE:** Lessee fails to comply with any provision of Clause 9 or any insurance required to be maintained under this Agreement is cancelled or terminated or notice of cancellation is given in respect of any such insurance and no substitute insurance meeting the requirements of Clause 9 and Schedule 4 of this Agreement has been procured;
- (c) **BREACH:** Lessee fails to comply with any provision of this Agreement that is not otherwise addressed in this Clause 13.1 and, if such failure is capable of remedy, the failure continues for 30 days after receipt by Lessee of notice from Lessor to Lessee;
- (d) **REPRESENTATION:** any representation or warranty made (or deemed to be repeated) by Lessee in or pursuant to this Agreement is or proves to have

been incorrect in any material respect when made or deemed to be repeated and, if such incorrectness is capable of remedy, the same continues for 30 days after receipt of notice by Lessee from Lessor;

(e) CROSS DEFAULT:

- (i) Financial Indebtedness of Lessee having a principal amount in the aggregate in excess of the Cross-Default Amount (or the equivalent thereof in other currencies) is or are not paid when due or within any originally agreed upon applicable grace period relating thereto; or
- (ii) any such Financial Indebtedness becomes due prior to the date when it would otherwise have become due as a result of an event of default (howsoever described); or
- (iii) any event of default, howsoever described, occurs under any Other Agreement; or
- (iv) any event of default, howsoever described, occurs under any aircraft lease agreement in which Lessee is lessee and as a result thereof a dispossessory remedy is exercised by or on behalf of the lessor; provided that, should the relevant event of default not relate to payment of rent under such lease, such exercise of a dispossessory remedy is not frivolous or vexatious under prevailing circumstances.

(f) BANKRUPTCY, ETC.:

- (i) Lessee or Guarantor shall consent to, or commence any case, proceeding or other action seeking, the appointment of a custodian, receiver, trustee, liquidator or other similar official of itself or of a substantial part of its property, or shall admit in writing its inability to pay its debts generally as they come due, or shall suspend payments on its indebtedness or a moratorium shall be declared in respect of all or a substantial part of the indebtedness of Lessee or Guarantor, or a court of competent jurisdiction shall determine that Lessee or Guarantor is generally not paying its debts as such debts become due, or Lessee or Guarantor shall make a general assignment for the benefit of creditors; or
- (ii) Lessee or Guarantor shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, suspension of payments (suspension de pagos) or relief with respect to it in a proceeding under any bankruptcy or insolvency or other similar laws (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against Lessee

or Guarantor in any such proceeding, or Lessee or Guarantor shall, by voluntary petition, answer or consent, seek relief under the provisions of any now existing or future bankruptcy, insolvency, liquidation, receivership, administrative receivership, administration, suspension of payments or other similar law providing for the reorganization or winding-up of debtors, or providing for an agreement, composition, extension or adjustment with its creditors; or

- (iii) if the Lessee or Guarantor convenes a general meeting of its creditors with a view to a general readjustment or general rescheduling of its indebtedness (or a substantial part thereof); or
- (iv) if the Lessee or Guarantor becomes or is declared insolvent (en quiebra) or in suspension of payments (suspension de pagos) or any application is made to any court for the Lessee or Guarantor to be declared insolvent (en quiebra) or in suspension of payments (suspension de pagos) or the Lessee or Guarantor is deemed for the purposes of any law of The Republic of Panama to be unable to pay its debts as they fall due or to be insolvent; and in the case of any such event which occurs without the consent of the Lessee, a period of 60 days shall have elapsed without such event being cured, dismissed, stayed or eliminated; or
- (v) an order, judgment or decree shall be entered in any proceeding by any court of competent jurisdiction appointing, without the consent of Lessee or Guarantor, a custodian, receiver, trustee, liquidator or other similar official of Lessee or Guarantor or any substantial part of its property, or sequestering any substantial part of the property of Lessee or Guarantor (other than for the purposes of amalgamation, merger or reorganization not involving or arising out of insolvency), and any such order, judgment or decree or appointment or sequestration shall remain in force undismitted, unstayed or unvacated for a period of 60 days after the date of entry thereof; or
- (vi) a petition against Lessee or Guarantor in a proceeding under applicable bankruptcy, insolvency or other similar laws, as now or hereafter in effect, shall be filed and shall not be stayed, withdrawn or dismissed within 60 days thereafter, or if, under the provisions of any law providing for reorganization or winding-up of debtors which may apply to Lessee or Guarantor, any court of competent jurisdiction shall assume jurisdiction, custody or control of Lessee or Guarantor 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 60 days; or

- (vii) any additional proceeding similar to those referred to in paragraph (i), (ii), (iii), (iv), (v) or (vi) above for the relief of financially distressed debtors under the laws of the United States or The Republic of Panama or any other jurisdiction is instituted, taken or commenced by or against Lessee or Guarantor, voluntarily or involuntarily, and if involuntarily, has not been stayed or dismissed within 60 days.
- (g) **SUSPENSION OF BUSINESS:** Lessee ceases to operate as a regularly scheduled air carrier or suspends such operations for a period in excess of ninety (90) days other than as a result of war, insurrection, acts of terrorism, acts of God (such as fires, floods or earthquakes), labor strife or strike or regulatory order affecting all similarly situated operators of similar aircraft or all aircraft of the same type and vintage as the Aircraft; or
- (h) **DISPOSAL:** Lessee disposes, conveys or transfers all or substantially all of its assets, liquidates or dissolves or consolidates or merges with any other Person (whether by one or a series of transactions, related or not) except as permitted in Clause 8.8(c); or
- (i) **DELIVERY:** Lessee fails to accept delivery of the Aircraft when validly tendered pursuant to this Agreement by Lessor; or
- (j) **REDELIVERY:** Lessee fails to return the Aircraft to Lessor on the Final Expiry Date in accordance with Clause 12 and Schedule 3, except as otherwise provided in Sub-Clause 12.3; or
- (k) **LITIGATION:** a judgment for the payment of money not covered by insurance in excess of the Cross-Default Amount (or the equivalent thereof in other currencies) shall be rendered against Lessee or Guarantor and the same shall remain undischarged for a period of sixty (60) days, unless during such period, execution of such judgment shall have been effectively stayed by agreement of the parties involved or by court order or such judgment shall have been adequately bonded; or
- (l) **ASSIGNMENT/TRANSFER/SUBLEASE:** Lessee makes or permits any assignment or transfer of Lessee's interest in this Agreement, or of Lessee's right to possession of the Aircraft or the Airframe, or Lessee subleases the Aircraft, the Airframe or any Engine, in any case except as expressly permitted or required in this Agreement; or
- (m) **ARREST/ATTACHMENT:** Any arrest is made, or any attachment or other kind of judicial lien over the Aircraft is registered (excluding an attachment or

judicial lien which constitutes a Permitted Lien), and such arrest, attachment or judicial lien is not discharged by Lessee within 60 days thereafter; or

- (n) APPROVALS: any consent, authorization, license, certificate or approval of or registration with or declaration to any Government Entity required in connection with this Agreement, including, without limitation:
 - (i) any authorization required by Lessee to obtain and transfer freely dollars (or any other relevant currency) out of any relevant country; or
 - (ii) any authorization required by Lessee to authorize, or required in connection with, the execution, delivery, validity, enforceability or admissibility in evidence of this Agreement or any other Transaction Document or the performance by Lessee of its obligations under this Agreement or any other Transaction Document; or
 - (iii) the registration of the Aircraft or the Aircraft's certificate of airworthiness; or
 - (iv) any airline license or air transport license required by Lessee,

is withheld, or is revoked, suspended, cancelled, withdrawn, terminated or not renewed, or otherwise ceases to be in full force (other than, in the case of subclause (iii) above, as a result of any act or omission of Lessor or any party claiming by or through Lessor not resulting from an act or omission of the Lessee) and is not, as applicable, restored, replaced, returned, re-granted or renewed within sixty (60) days; or

- (o) ADVERSE CHANGE: any event or series of events occurs which, in the reasonable opinion of Lessor, might reasonably be expected to have a material adverse effect on the financial condition or operations of Lessee or on the ability of Lessee to comply with its obligations under this Agreement; or
- (p) UNLAWFUL: it is or becomes unlawful for Lessee (other than as a result of any act or omission of Lessor or any Person claiming by or through Lessor not attributable to an act or omission of Lessee) to perform any of its obligations under this Agreement or any other Transaction Document, or this Agreement or any other Transaction Document is or becomes wholly or partly invalid or unenforceable and the same continues for a period in excess of sixty (60) days; or
- (q) CHANGE OF CONTROL: Any Person or group of Persons acquires control of Lessee without the prior consent of Lessor, which consent shall not be

unreasonably withheld or delayed. This Section 13.1(q) shall not apply in the event that a current shareholder or Affiliate of Lessee acquires control of Lessee. As used herein, the term "control" shall mean the direct or indirect right to control in excess of 50% of the voting shares of Lessee.

13.2 RIGHTS AND REMEDIES:

If an Event of Default occurs, Lessor may at its option (and without prejudice to any of its other rights under this Agreement), at any time thereafter so long as the same shall be continuing (without notice to Lessee except as specified or required under applicable law):

- (a) by notice to Lessee and with immediate effect cancel the leasing of the Aircraft (but without prejudice to the continuing obligations of Lessee under this Agreement), whereupon the Lease Term and all rights of Lessee under this Agreement shall cease; and/or
- (b) proceed by appropriate court action or actions to enforce performance of this Agreement including the payment of all Rent and all other amounts payable to Lessor or any Indemnitee pursuant to the terms of this Agreement; and/or
- (c) proceed by appropriate court action or actions to recover damages for the breach of this Agreement which shall include:
 - (i) all Rent and other amounts which are or become due and payable under this Agreement prior to (A) in the case of clause (ii)(a) below, the date Lessor re-leases the Aircraft, (B) in the case of clause (ii)(b) below (unless the proviso thereto is applicable), the date Lessor is tendered or obtains possession of the Aircraft, and (C) otherwise, the date Lessor specifies for payment of the amounts determined pursuant to this clause (c); or, in any case, if earlier, (x) the date on which Lessee tenders full payment of the amounts determined as provided in this clause (c), or (y) the date on which Lessor obtains or is tendered possession of the Aircraft (such applicable date, the "Reference Date");
 - (ii) an amount (the "Mitigated Rent Amount") equal to the aggregate Rent for the remainder of the Term (determined without reference to any right of Lessor to cancel the leasing of the Aircraft, whether or not such right is exercised), discounted periodically (equal to installment frequency) to present worth at the Discount Rate to the Reference Date, less the applicable amount, if any, set forth below:
 - (a) in the event that Lessor has re-let the Aircraft on terms (other than rental payment terms) which, taken as a whole, Lessor reasonably regards as being substantially similar to

the terms of this Agreement, an amount equal to the aggregate basic rental payments to become due under such re-lease for the period coinciding with the remainder of the Term (determined without reference to any right of Lessor to cancel the leasing of the Aircraft, whether or not such right is exercised), discounted periodically (equal to installment frequency) to present worth at the Discount Rate to the Reference Date; or

- (b) in the event that Lessor elects to retain the Aircraft or has sold the Aircraft or has re-let the Aircraft on terms (other than rental payment terms) which, taken as a whole, Lessor does not reasonably regard as being substantially similar to the terms of this Agreement, an amount equal to the fair market rental value (determined pursuant to the Appraisal Procedure) of the Aircraft for the period commencing with the date that Lessor reasonably anticipates that the Aircraft could be re-let at such rental rate and ending with the date that the Term was scheduled to expire (determined without reference to any right of Lessor to cancel the leasing of the Aircraft, whether or not such right is exercised), discounted periodically (equal to installment frequency) to present worth at the Discount Rate to the Reference Date; provided that, if Lessor is unable after reasonable effort to dispose of the Aircraft or if circumstances reasonably indicate that such effort will not be availing, the Mitigated Rent Amount shall be determined pursuant to clause (ii) above without subtracting any amounts pursuant to this clause (b);
- (iii) all costs, expenses and other incidental damages incurred by Lessor in exercising its remedies hereunder or otherwise incurred by Lessor as a result of an Event of Default, including repossession costs, legal fees, Aircraft storage, preservation, shipment, repair, refurbishment, modification, maintenance and insurance costs, Aircraft re-lease or sale costs (including any costs incurred prepare the Aircraft for sale or lease, advertising costs, sale or lease costs (including commissions), in any way relating to the Aircraft or any Part, including to put the Aircraft in the condition required in Clause 12 and Schedule 3, or in the Redelivery Location, all such costs and incidental damages being referred to herein collectively as "Enforcement and Remarketing Costs";
- (iv) without duplication, any loss, cost, expense or damage to Lessor's residual interest in the Aircraft, incurred by Lessor due to Lessee's failure to maintain the Aircraft in accordance with the terms of this Agreement or Lessee's failure to redeliver the Aircraft in the

condition required by this Agreement, if any, including any consequential loss of revenue or profits, all such amounts being referred to herein collectively as "Aircraft Condition Damages"; and

- (v) without duplication, any premium, penalty or incremental expense which may be incurred as a result of such Event of Default in repaying funds received by Lessor to finance the Aircraft or in unwinding any financial instrument relating in whole or in part to Lessor's financing of the Aircraft, all such amounts being herein referred to collectively as "Unwind Expenses";

provided, however, that if the measure of damages provided in clauses (i)-(v) above is inadequate to place Lessor in the same economic position, on an After-Tax Basis, as Lessor would have been in if Lessee had timely performed each of its obligations under this Agreement, then Lessor shall be entitled to recover as damages such additional amount, giving due credit for payments or proceeds of dispositions of the Aircraft, as is necessary to place Lessor in such economic position; and/or

- (d) either:

- (i) enter upon the premises where all or any part of the Aircraft and/or any Engine is located and take immediate possession of and, at Lessor's sole option, remove the same, all without liability accruing to Lessor for or by reason of such entry or taking of possession whether for the restoration of damage to property, conversion or otherwise, caused by such entry or taking, except damages caused by Lessor's gross negligence or willful misconduct; or

- (ii) by delivering notice to Lessee, require Lessee to redeliver the Aircraft and/or any Engine to Lessor at the Redelivery Location on the date specified in such notice and in all respects in the condition required by this Agreement upon the return pursuant to Clause 12 (it being understood that Lessee shall not delay any such return for the purpose of placing the Aircraft and/or any Engine in such condition, but shall nevertheless be liable to Lessor for the failure of the Aircraft and/or any Engine to be in such condition); and/or

- (e) sell at private or public sale, as Lessor may determine, or hold, use, operate or lease to others the Aircraft and/or any Engine as Lessor in its sole discretion may determine, all free and clear of any rights of Lessee as if this Agreement had not been entered into, it being agreed that Lessor shall have no obligation or duty to sell the Aircraft and/or any Engine and Lessor shall be obligated to attempt to re-lease the Aircraft only to the

extent, if any, that it is required to do so under Article 2A of the UCC; and/or

- (f) by written notice to Lessee specifying a payment date (which shall be a date not earlier than five (5) Business Days following the date of such notice), Lessor may demand that Lessee pay to Lessor, and Lessee shall pay to Lessor on the payment date specified in such notice (in lieu of the Rent due for the period commencing after the date specified for payment in such notice) the sum of the following amounts:
 - (i) all Rent and other amounts which are, or will become, due and payable under this Agreement prior to the Reference Date (references therein to clause (c) being deemed references to this clause (f));
 - (ii) an amount equal to the Mitigated Rent Amount; and
 - (iii) an amount equal to Lessor's reasonably anticipated Enforcement and Remarketing Costs, Unwind Expenses and Aircraft Condition Damages;

provided, however, that if the measure of damages provided in clauses (i)-(ii) above is inadequate to place Lessor in the same economic position, on an After-Tax Basis, as Lessor would have been in if Lessee had timely performed each of its obligations under this Agreement, then Lessor shall be entitled to recover as damages such additional amount, giving due credit for payments or proceeds of dispositions of the Aircraft, as is necessary to place Lessor in such economic position; it being understood that (subject to any final non-appealable judgment of a court of competent jurisdiction), to the extent that any of the foregoing amounts in clause (iii) above represents an estimate by Lessor of losses, damages, costs or expenses which Lessor reasonably anticipates to incur, (x) Lessor shall adjust (upward or downward, as the case may be) the amount thereof as needed to reflect the actual amount of such losses, damages, costs or expenses incurred by Lessor when substantially all of such amounts become known to Lessor, but Lessee shall remain obligated to pay the amount demanded by Lessor in accordance with clause (iii) above (subject to such subsequent adjustment) and (y) notwithstanding the amount specified in such demand, Lessor shall be entitled to claim such other (and greater) amount as described in subclause (x) in any action against Lessee hereunder; and/or

- (g) draw upon the Security Deposit and apply such amounts to any amounts owing to Lessor hereunder,

In addition to the foregoing, Lessor shall be entitled to exercise such other rights and remedies as may be available under applicable law and Lessee shall be liable on an After-Tax Basis for, and shall pay Lessor on demand interest on all unpaid amounts at the Interest Rate, from the due date until the date of payment in full.

Lessee hereby agrees that, in the event of the return to or repossession by Lessor of the Aircraft and/or any Engine or any Part, any rights in any warranty (express or implied) previously assigned to Lessee or otherwise held by Lessee shall without further act, notice or writing be assigned or reassigned to Lessor, if assignable, subject to the terms hereof.

No remedy referred to in this Clause 13 is intended to be exclusive, but, to the extent permissible under this Agreement or under applicable law, 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; provided, however, that nothing in this Clause 13 shall be construed to permit Lessor to obtain a duplicate recovery of any element of damages to which Lessor is entitled or to obtain damages in excess of those permitted by law. No express or implied waiver by Lessor of any Default or Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Default or Event of Default.

13.3 POWER OF ATTORNEY:

Lessee hereby appoints Lessor as the attorney-in-fact of Lessee, with full authority in the place and stead of Lessee and in the name of Lessee or otherwise, for the purpose of carrying out the provisions of this Agreement in accordance with the terms and conditions hereof and taking any action and executing any instrument that Lessor may, acting reasonably, deem necessary or advisable to accomplish the purposes hereof (including, but not limited to, the return of the Aircraft and, upon termination or cancellation of this Agreement, the removal of this Agreement from public records); provided, however, that Lessor may only take action or execute instruments under this Clause 13 after an Event of Default has occurred and while it is continuing. Lessee hereby declares that the foregoing powers are granted for valuable consideration, constitute powers granted as security for the performance of the obligations of Lessee hereunder and are coupled with an interest and shall be irrevocable. Without limiting the generality of the foregoing or any other rights of Lessor under this Agreement, upon the occurrence and during the continuation of an Event of Default, Lessor shall have the sole and exclusive right and power to (i) settle, compromise, adjust or defend any actions, suits or proceedings relating to or pertaining to the Engine, any Part or this Agreement (other than suits between the parties hereto) and (ii) make proof of loss, appear in and prosecute any action arising from any policy or policies of insurance maintained pursuant to this Agreement, and settle, adjust or

compromise any claims for loss, damage or destruction under, or take any other action in respect of, any such policy or policies, but, in no event, may settle any matter by means of an admission of liability on the part of Lessee unless required by law to do so.

14. ASSIGNMENT

14.1 ASSIGNMENT BY LESSEE:

LESSEE WILL NOT ASSIGN, DELEGATE OR OTHERWISE TRANSFER (VOLUNTARILY, INVOLUNTARILY, BY OPERATION OF LAW OR OTHERWISE) ANY OF ITS RIGHTS OR OBLIGATIONS UNDER THIS AGREEMENT EXCEPT IN CONNECTION WITH A TRANSACTION PERMITTED BY CLAUSE 8.8(C), OR CREATE OR PERMIT TO EXIST ANY SECURITY INTEREST (OTHER THAN PERMITTED LIENS) OVER ANY OF ITS RIGHTS UNDER THIS AGREEMENT, AND ANY ATTEMPT TO DO SO SHALL BE NULL AND VOID.

14.2 ASSIGNMENT BY LESSOR:

(a) Lessor or Owner may sell, assign or transfer all or any of their respective rights under this Agreement and in the Aircraft (a "Transfer") subject to compliance with the following conditions:

- (i) the proposed purchaser, assignee or transferee (the "Transferee") shall confirm, in favor of Lessee and Guarantor, in writing its undertaking to perform the obligations of Lessor under this Agreement and other Transaction Documents (including without limitation, all obligations in respect of any Security Deposit, proceeds of insurance and/or Supplemental Rent), to the extent the same arise on or after the effective date of Transfer and confirm Lessor's covenant of quiet enjoyment which confirmations shall be reasonably satisfactory to Lessee, whereupon Lessor or Owner, as the case may be, will be released from its obligations under this Agreement and the Participation Agreement;
- (ii) the Transfer will not increase Lessee's and Guarantor's indemnity or other obligations (including with respect to withholding taxes) under this Agreement or the Guaranty, as applicable or diminish Lessee's rights under this Agreement (to be determined in each case at the time of such Transfer by applying all applicable laws as are in effect on the effective date of the Transfer or which have been enacted on or prior to such effective date but scheduled to come into effect thereafter); and
- (iii) unless an Event of Default has occurred and is continuing, Lessor shall be responsible for and pay (on or promptly after the time of

such Transfer) Lessee's and Guarantor's legal and other costs incurred in respect of such Transfer;

- (iv) the Transferee shall not be in bankruptcy or similar proceedings at the time of the transfer;
 - (v) no Transferee shall be an air carrier or Affiliate (other than a financial institution or credit company) of an air carrier in competition with Lessee and operating similar aircraft; and
 - (vi) the Transferee shall confirm in writing its agreement to keep the trust structure, or another tax structure not materially adversely affecting the tax position of this Lessee, in place.
- (b) Notwithstanding any such Transfer, Lessor, Owner and Beneficiary will remain entitled to the benefit of each indemnity under this Agreement to the extent that any claim thereunder relates to any period prior to the effective date of such Transfer, and shall remain entitled to the benefit of the liability insurances effected pursuant to this Agreement for a period of two years following the effective date of such Transfer.
- (c) Upon and subject to compliance by Lessor and any Transferee with the terms and conditions of Clause 14.2(a), Lessee shall execute and deliver in connection with such Transfer such documents and assurances (including a consent to the Transfer) and take such further action at Lessor's cost (unless an Event of Default has occurred and is continuing) as Lessor may reasonably request to establish or protect the rights and remedies created or intended to be created in favor of Transferee in connection with such Transfer.

14.3 GRANTS OF SECURITY INTERESTS:

Lessor or Owner shall be entitled at any time after the Delivery Date to grant a Security Interest in the Aircraft or its right, title and interest in this Agreement (each, an "Additional Mortgage") in favor of any Financing Party (each, an "Additional Mortgagee") provided the same shall not result in an increase of Lessee's obligations or liabilities hereunder on the date of such transaction nor restrict Lessee's rights in respect of this Agreement or the Aircraft. In the case of any such grant by Lessor or Owner of an Additional Mortgage to an Additional Mortgagee in all or any portion of Lessor's or Owner's rights, title and interest in and to the Aircraft and this Agreement, subject to this Clause 14.3 and to Lessee receiving a letter of quiet enjoyment substantially similar to Part 4 of Schedule 5 (and including the additional paragraphs set forth in Part 5 of Schedule 5 if the Additional Mortgage includes an Assignment (or such substantially similar wording as Lessor and Lessee may agree)) from such Additional Mortgage and notice of assignment in a form reasonably acceptable to Lessee, Lessee shall

promptly, at the specific written request of Lessor, as the case may be, and with Lessor or Owner, as the case may be, paying all of Lessee's out-of-pocket costs and expenses execute an acknowledgement of assignment in such form as Lessor or Owner, as the case may be, may reasonably request.

15. MISCELLANEOUS

15.1 SURVIVAL:

All provisions of this Agreement constituting an obligation on the part of either party to indemnify the other party or any other Indemnitee shall survive the expiration or any termination or cancellation of this Agreement and shall continue in full force and effect.

15.2 WAIVERS, REMEDIES CUMULATIVE:

The rights under this Agreement:

- (i) may be exercised as often as necessary;
- (ii) are cumulative and not exclusive of its rights under any law; and
- (iii) may be waived only in writing and specifically.

Delay in exercising or nonexercise of any such right will not constitute a waiver of that right.

15.3 DELEGATION:

Lessor may delegate to any Person or Persons all or any of the trusts, powers or discretions vested in it by these presents and any such delegation may be made upon such terms and conditions and subject to such regulations (including power to subdelegate) as Lessor in its absolute discretion thinks fit, provided no such delegation shall affect the rights, obligations or liabilities of Lessee or Guarantor.

15.4 CERTIFICATES:

Save where expressly provided in this Agreement, any determination by Lessor (in accordance with the terms of this Agreement) as to any rate of interest payable under this Agreement will, in the absence of manifest error, be conclusive and binding on Lessee.

15.5 APPROPRIATION:

If any sum paid or recovered in respect of the liabilities of Lessee under this Agreement is less than the amount then due, Lessor may apply that sum to amounts due under this Agreement in such proportions and order and generally in

such manner as Lessor, acting reasonably, may determine and, upon written request, notify Lessee of such application.

15.6 SEVERABILITY:

If a provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that will not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement; or
- (b) the legality, validity or enforceability in any other jurisdiction of that or any other provision of this Agreement.

15.7 REMEDY:

If Lessee fails to comply with any provision of this Agreement, Lessor may, without being in any way obliged to do so or responsible for so doing and without prejudice to the ability of Lessor to treat the noncompliance as a Default or an Event of Default, effect compliance on behalf of Lessee, whereupon Lessee shall become liable to pay immediately any sums expended by Lessor together with all costs and expenses (including legal costs) in connection therewith.

15.8 EXPENSES:

- (a) Each of Lessor and Lessee will pay its own expenses (including legal, professional, and out-of-pocket expenses) incurred or payable in connection with the negotiation, preparation, and execution of this Agreement;
- (b) Without duplication of any other amounts payable by Lessee hereunder, Lessee will pay to Lessor promptly following demand all reasonable expenses (including legal, professional, and out-of-pocket expenses) related to any amendment to or extension of any other documentation in connection with, or the granting of any waiver or consent under, this Agreement which has been requested by Lessee;
- (c) Lessor will pay to Lessee promptly following demand all reasonable expenses (including legal, professional, and out-of-pocket expenses) related to any amendment to or extension of any other documentation in connection with, or the granting of any waiver or consent under, this Agreement which has been requested by Lessor unless the same arises out of, or is connected with, the occurrence of an Event of Default;
- (d) Without duplication of any other amounts payable by Lessee hereunder, Lessee will pay to Lessor promptly following demand all reasonable expenses (including legal and other costs) payable or incurred by Lessor in

connection with the enforcement of or preservation of any of Lessor's rights under, this Agreement, or in respect of the repossession of the Aircraft; and

- (e) Except as provided in clause 14.2(a)(ii), Lessee will pay to Lessor promptly following demand all reasonable expenses (including legal, survey and other costs) payable or incurred by Lessor in connection with (i) up to \$2,000 with respect to the Trust Agreement and the tax structure of this transaction, and (ii) the filing or recording of this Agreement in the Country of Registration, the Habitual Base and other states (as appropriate given the operation of the Aircraft), including, in each case, the provision of legal opinions, tax advice (to the extent related to the Trust Agreement and the tax structure of this transaction), stamp duties, notarial fees, translations and registrations, if required by either Lessor or Lessee.

All expenses payable pursuant to this Clause 15.8 will be paid in the currency in which they are incurred by Lessor or Lessee, as the case may be.

15.9 TIME OF ESSENCE:

The time stipulated in this Agreement for all payments and for the performance of all other obligations under this Agreement will be of the essence of this Agreement.

15.10 NOTICES:

All notices under, or in connection with, this Agreement will, unless otherwise stated, be given in writing by letter or facsimile. Any such notice is deemed effectively to be given as follows:

- (i) if by letter, when delivered;
- (i) if by facsimile, when transmitted and full transmission has been separately notified by telephone by the transmitting party.

The address, facsimile and telephone numbers of Lessee and Lessor are as follows:

Lessee:	Address:	Compania Panamena de Aviacion, S.A. Avenida Justo Arosemena y Calle 39 Apartado 1572 Panama 1, Republic of Panama
	Attn:	Vice President - Finance
	Facsimile:	011.507.227.2522
	Telephone:	011.507.227.2623

Lessor: Address: WELLS FARGO BANK NORTHWEST, N.A.
 299 South Main Street
 Salt Lake City, Utah 84111

 Attn: Corporate Trust Department
 Facsimile: +1 (801) 246-5053
 Telephone: +1 (801) 246-5630

15.11 LAW AND JURISDICTION:

- (a) This Agreement is governed by the Governing Law including all matters of construction, validity and performance. This Agreement is delivered in the State of New York;
- (b) Both parties agree that the Supreme Court of the County of New York, State of New York and the federal courts of the United States of America sitting in the Southern District of New York are to have jurisdiction to settle any disputes that may arise in connection with or arising out of the legal relationships established by this Agreement (including, without limitation, claims for set-off or counterclaim) and the other Transaction Documents or otherwise arising in connection with this Agreement and the other Transaction Documents. Both parties hereby irrevocably and unconditionally submit to the jurisdiction of the Supreme Court of the City of New York, State of New York and the federal courts of the United States of America sitting in the Southern District of New York. The submission to such jurisdiction shall not (and shall not be construed so as to) limit the rights of any party to take proceedings against any other party in any other court of competent jurisdiction, nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not;
- (c) Nothing in this Clause limits the right of either party to bring proceedings against the other in connection with this Agreement:
 - (i) in any other court of competent jurisdiction; or
 - (ii) concurrently in more than one jurisdiction.
- (d) Each party irrevocably and unconditionally:
 - (i) agrees that if the other party brings legal proceedings against it or its assets in relation to this Agreement no immunity from such legal proceedings (which will be deemed to include, to the extent available, suit, attachment prior to judgment, other attachment, the

obtaining of judgment, execution or other enforcement) will be claimed by or on behalf of itself or with respect to its assets;

- (ii) waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, the defense of sovereign immunity, any claim that it is not personally subject to the jurisdiction of the above-named courts by reason of sovereign immunity or otherwise or that it is immune from any legal process (whether thorough service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, or any objection on the grounds of venue or forum non conveniens or any similar grounds; and
 - (iii) consents generally in respect of any such proceedings to the giving of any relief or the issue of any process in connection with such proceedings including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such proceedings.
- (e) Each party:
- (i) irrevocably waives objection to the Supreme Court of the County of New York, State of New York and the federal courts of the United States of America sitting in the Southern District of New York on grounds of venue or inconvenient forum or otherwise as regards proceedings in connection with this Agreement; and
 - (ii) agrees that a final (no longer appealable) judgment or order of a court of the State of New York or a federal court of the United States of America sitting in the Southern District of New York in connection with this Agreement is conclusive and binding on it and may be enforced against it in the courts of any other jurisdiction.
- (f) EACH OF LESSEE AND LESSOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY ALL RIGHTS TO A JURY TRIAL IN RESPECT OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY OR THE LESSOR/LESSEE RELATIONSHIP BEING ESTABLISHED), INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND OTHER COMMON LAW AND STATUTORY CLAIMS. EACH OF LESSOR AND LESSEE REPRESENTS AND WARRANTS THAT IT VOLUNTARILY

WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH ITS LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS. IN THE EVENT OF LITIGATION, THIS CLAUSE MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT;

- (g) The parties hereto agree that, in the event of non-compliance with any of its obligations under this Agreement by Lessee, Lessor may bring an action against Lessee in respect of such non-compliance under the laws of the state of New York or under the laws governing civil aviation of the Republic of Panama, or in any jurisdiction where Lessee or any of its assets may be found. Lessee acknowledges that the laws governing civil aviation of the Republic of Panama, in Articles 20 and 24 of Law 21 of January 29, 2003, authorize Lessor, in the event of non-compliance with any of its obligations under this Agreement by Lessee, to terminate this Agreement and take possession and material control of the Aircraft in accordance with the terms of this Agreement, without notice or judicial procedure; and
- (h) Lessee shall at all times maintain an agent for service of process in New York. Such agent shall be Corporate Service Company (CSC), 1133 Avenue of the Americas, Suite 3100, New York, New York 10036, and any claim form, judgment or other notice of legal process shall be sufficiently served on Lessee if delivered to such agent at its address for the time being. If for any reason, such agent no longer serves as agent of Lessee to receive service of process in New York, Lessee shall promptly appoint another agent and advise Lessor thereof.

15.12 SOLE AND ENTIRE AGREEMENT:

- (a) ENTIRE AGREEMENT; AMENDMENTS: This Agreement and the other Transaction Documents are the sole and entire agreement between Lessor and Lessee in relation to the leasing of the Aircraft, and supersede all previous agreements in relation to that leasing. Any amendments hereto shall be made in writing and signed on behalf of Lessor and Lessee; and
- (b) TRUE LEASE: The parties intend and agree that this Agreement:
 - (i) constitutes a "true lease" and not a "security interest" as defined in Section 1-201(37) of the UCC; and
 - (ii) confers only a leasehold interest on Lessee in and to the Aircraft on and subject to the terms of this Agreement, and no ownership or

other interest with respect to the Aircraft is provided to Lessee under this Agreement.

Lessee shall not file any tax return that is inconsistent with the provisions of this Clause 15.12(b).

15.13 INDEMNITIES:

All rights expressed to be granted to each Indemnatee under this Agreement (other than Lessor and Beneficiary) are given to Lessor on behalf of that Indemnatee.

15.14 COUNTERPARTS:

This Agreement may be executed in counterparts each fully-executed set of which will constitute one and the same document.

15.15 LANGUAGE:

All notices to be given under this Agreement will be in English. All documents delivered to Lessor pursuant to this Agreement will be in English, or if not in English, will be accompanied by a certified English translation. If there is any inconsistency between the English version of this Agreement and any version in any other language, the English version will prevail.

15.16 NO BROKERS:

Each party agrees to indemnify and hold the other harmless from and against any and all claims, suits, damages, costs and expenses (including, but not limited to, reasonable attorneys' fees) asserted by any agent, broker or other third party for any commission or compensation of any nature whatsoever based upon the lease of the Aircraft, if such claim, suit, damage, cost or expense arises out of any action or alleged action by the indemnifying party, its employees or agents.

15.17 CONFIDENTIALITY:

(a) Each of Lessor and Lessee agrees that it will endeavor to keep all terms and provisions of this Agreement and the agreements and documents related hereto, and all other information, material, documents and data furnished by the other party hereunder as confidential (except Aircraft Documents), and that all such other information, material, documents and data will not be furnished or disclosed by it to any other Person, firm or corporation except (to the extent that such Person agrees to be bound by the confidentiality standards of this Clause) Beneficiary, any Financing Party, the Manufacturer, the manufacturer of the Engines, the Air Authority or such other governmental agency that may require submission of other information, material, documents or data), without the other party's prior written consent; provided, however, that both parties hereby

consent to the disclosure of any and all such confidential information to their respective boards of directors and the boards of directors of their respective affiliates; creditors, Beneficiary, the Financing Parties and lawyers, accountants and others providing professional services to Lessee, Lessor, Beneficiary or any Financing Party; provided further that neither party or other Person shall be deemed to be in breach of this provision by virtue of it making any filing for public record which is required under the laws of the Country of Incorporation, the State of New York or the federal laws of the United States of America; and

- (b) The restrictions in Clause 15.17(a) with respect to disclosure of confidential information shall not apply to any information which any party demonstrates (i) becomes available to the public other than as a result of a disclosure by such party or its representatives; (ii) was available to such party on a nonconfidential basis prior to its disclosure pursuant to this Agreement; (iii) becomes available to such party on a nonconfidential basis from a source other than the other party hereto or its representatives, (iv) it is compelled to or required to disclose by legal action; (v) is required in connection with any litigation hereunder; (vi) is required in connection with a disposition or other transfer of rights permitted or consented to in writing by both parties hereunder; or (vii) is required or advised based on legal advice of counsel in order to protect and perfect the interests and rights of Lessor hereunder; provided the proposed transferee agrees in writing to be bound by the provisions of this Clause 15.17, each party shall only be required to use the same degree of care to prevent unauthorized disclosure of the information described above as it would use to prevent the disclosure of its own commercial and financial information of the same or similar nature and which it considers proprietary or confidential.

15.18 LIABILITY OF LESSOR LIMITED:

It is expressly agreed and understood that all representations, warranties and undertakings of Lessor hereunder shall be binding upon Lessor only in its capacity as trustee under the Trust Agreement, and neither the institution acting as Lessor nor the Beneficiary shall be liable in its individual capacity for any breach of Lessor's representations, warranties and undertakings except in the case of the institution acting as Lessor for breach of its own covenants, representations and warranties contained herein, to the extent covenanted or made in its individual capacity.

16. DISCLAIMERS AND WAIVERS

LESSOR AND LESSEE AGREE THAT THE DISCLAIMERS, WAIVERS AND CONFIRMATIONS SET FORTH IN CLAUSES 16.1 TO 16.3 BELOW SHALL APPLY AT ALL TIMES DURING THE TERM WITH EFFECT FROM

LESSEE'S ACCEPTANCE OF THE AIRCRAFT BY EXECUTION OF THE LEASE SUPPLEMENT NO.1, WHICH SHALL BE CONCLUSIVE EVIDENCE THAT LESSEE HAS FULLY INSPECTED THE AIRCRAFT AND EVERY PART THEREOF AND THAT THE AIRCRAFT, THE ENGINES, THE PARTS AND THE AIRCRAFT DOCUMENTS ARE, AS BETWEEN LESSOR AND LESSEE, TECHNICALLY ACCEPTABLE AND ARE IN SUITABLE CONDITION FOR DELIVERY TO AND ACCEPTANCE BY LESSEE.

16.1 EXCLUSION:

THE AIRCRAFT IS DELIVERED "AS IS, WHERE IS" AND LESSEE AGREES AND ACKNOWLEDGES THAT AS BETWEEN LESSOR AND LESSEE:

- (A) EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, NONE OF LESSOR, OWNER OR BENEFICIARY WILL BE DEEMED TO HAVE MADE OR GIVEN, (WHETHER BY VIRTUE OF HAVING DONE OR FAILED TO DO ANY ACT, OR HAVING ACQUIRED OR FAILED TO ACQUIRE ANY STATUS UNDER OR IN RELATION TO THIS AGREEMENT OR OTHERWISE), AND WILL NOT HAVE ANY LIABILITY IN RELATION TO, ANY WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, WITH RESPECT TO, THE AIRCRAFT, ANY ENGINE OR ANY PART, INCLUDING BUT NOT LIMITED TO: THE DESCRIPTION, AIRWORTHINESS, MERCHANTABILITY, COMPLIANCE WITH SPECIFICATIONS, OPERATION, FREEDOM FROM INFRINGEMENT OF PATENT OR OTHER PROPRIETARY RIGHTS, FITNESS FOR ANY PARTICULAR USE OR PURPOSE, VALUE, DURABILITY, CONDITION, OR DESIGN, OF THE AIRCRAFT OR ANY PART, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP, THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, OR AS TO ANY OTHER MATTER WHATSOEVER, EXPRESS OR IMPLIED (INCLUDING ANY IMPLIED WARRANTY ARISING FROM A COURSE OF PERFORMANCE OR DEALING OR USAGE OF TRADE) WITH RESPECT TO THE AIRCRAFT, ANY ENGINE OR ANY PART; OR
- (B) EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, NONE OF LESSOR, OWNER OR BENEFICIARY SHALL HAVE ANY OBLIGATION OR LIABILITY WHATSOEVER TO LESSEE (WHETHER ARISING IN CONTRACT OR IN TORT, AND WHETHER ARISING BY REFERENCE TO NEGLIGENCE OR STRICT LIABILITY OF LESSOR OR OTHERWISE) FOR:
 - (i) ANY LIABILITY, LOSS OR DAMAGE CAUSED OR ALLEGED TO BE CAUSED DIRECTLY OR INDIRECTLY BY

THE AIRCRAFT OR ANY ENGINE OR BY ANY INADEQUACY THEREOF OR DEFICIENCY OR DEFECT THEREIN OR BY ANY OTHER CIRCUMSTANCE IN CONNECTION THEREWITH;

- (ii) THE USE, OPERATION OR PERFORMANCE OF THE AIRCRAFT OR ANY RISKS RELATING THERETO;
- (iii) ANY INTERRUPTION OF SERVICE, LOSS OF BUSINESS OR ANTICIPATED PROFITS OR ANY INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE; OR
- (iv) THE DELIVERY, OPERATION, SERVICING, MAINTENANCE, REPAIR, IMPROVEMENT OR REPLACEMENT OF THE AIRCRAFT, ANY ENGINE OR ANY PART;

16.2 WAIVER:

LESSEE HEREBY WAIVES, AS BETWEEN ITSELF AND LESSOR, ALL ITS RIGHTS IN RESPECT OF ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, ON THE PART OF LESSOR THAT IS DISCLAIMED HEREIN AND ALL CLAIMS AGAINST LESSOR HOWSOEVER AND WHENEVER ARISING AT ANY TIME IN RESPECT OF OR OUT OF ANY OF THE MATTERS WAIVED OR DISCLAIMED IN CLAUSE 16.1.

16.3 DISCLAIMER OF CONSEQUENTIAL DAMAGES:

LESSEE AGREES THAT IT SHALL NOT BE ENTITLED TO RECOVER, AND HEREBY DISCLAIMS AND WAIVES ANY RIGHT THAT IT MAY OTHERWISE HAVE TO RECOVER, LOST PROFITS OR REVENUES OR CONSEQUENTIAL DAMAGES (AS DEFINED IN SECTION 2A-520 OF THE UNIFORM COMMERCIAL CODE OR OTHERWISE) AS A RESULT OF ANY BREACH OR ALLEGED BREACH BY LESSOR OF ANY OF THE AGREEMENTS, REPRESENTATIONS OR WARRANTIES OF LESSOR CONTAINED HEREIN.

16.4 CONFIRMATION:

LESSEE CONFIRMS THAT IT IS FULLY AWARE OF THE PROVISIONS OF THIS CLAUSE 16 AND ACKNOWLEDGES THAT RENT AND OTHER AMOUNTS HAVE BEEN CALCULATED NOTWITHSTANDING ITS PROVISIONS.

SCHEDULE 1

PART 1

DESCRIPTION OF AIRCRAFT

AIRCRAFT

Manufacturer: The Boeing Company
Model: B737-800
Serial Number: 29670
Maximum Take Off Weight (MTOW): 174,200 lbs.
Maximum Landing Weight (MLW): 146,300 lbs.
Maximum Zero Fuel Weight (MZFW): 138,300 lbs.
Specification: Manufacturer's detailed specification number D6-38808-43-1 Revision A, dated October 31, 2003 for B737-800NG model designation B737-8V3, including all Boeing Options and related Seller Furnished Equipment, Buyer Furnished Equipment and Seller Furnished Equipment.

ENGINES

Manufacturer: Two (2) CFM International, Inc.
Model: CFM56-7B26, rated at 26,300 lbs static take off thrust
Serial Numbers: [TBA] and [TBA]

APU

Manufacturer: Honeywell
Model: [TBA]
Serial Number: [TBA]

Delivery Condition Requirements

1. The Aircraft shall conform to the Description set out herein, as modified in accordance with Manufacturer approved service bulletins issued with respect to the aircraft on or prior to the Sale Date.
2. With a Certificate of Airworthiness for Export issued by the FAA valid on the date of original new delivery from the Manufacturer in compliance with all FAA AD's and FAR's to FAR 121 Standard
3. With a LOPA (Lay Out Passenger Arrangement) in accordance with Boeing database LOPA-378-1244 with 155 (14 business and 141 economy) class seating

And in addition;

4. With MAS IFE Installed post Delivery
5. With blended winglets installed post Delivery

Note: The above post delivery modifications, items 5 & 6 above, will be the responsibility of Lessee and to Lessee's account. However, Lessor will reimburse Lessee the full amount of incorporating such modifications including installation at cost, up to \$950,000 (October 2003 dollars) upon presentation with an invoice for the same.

With customary Lessor assignment to Lessee of all airframe, engine and equipment warranties applicable to the Aircraft.

PART 2

AIRCRAFT DOCUMENTS

I. AIRCRAFT DOCUMENTS AT DELIVERY

At Delivery, the following manuals and technical records will be delivered to Lessee:

FLIGHT OPERATIONS

- 1 Airplane Flight Manual
- 2 Operations Manual
- 3 Quick Reference Handbook
- 4 Weight and Balance Manual
- 5 Dispatch Deviation Procedures Guide
- 6 Flight Crew Training Manual
- 7 Performance Engineer's Manual

- 8 Jet Transport Performance Methods
- 9 FMC Supplemental Data Document
- 10 Operational Performance Software
- 11 Fault Reporting Manual
- 12 ETOPS Guide Vol. III
- 13 Flight Planning and Performance Manual
- MAINTENANCE
- 14 Aircraft Maintenance Manual
- 15 Wiring Diagram Manual
- 16 Systems Schematics Manual
- 17 Structural Repair Manual
- 18 Overhaul/Component Practices Manual
- 19 Standard Overhaul Practices Manual
- 20 Standard Wiring Practices Manual
- 21 Non-Destructive Test Manual
- 22 Services Bulletins and Index
- 23 Corrosion Prevention Manual
- 24 Fault Isolation Manual
- 25 Fuel Measuring Stick Manual
- 26 Power Plan Buildup Manual
- 27 In Service Activity Report (online only and not listed on worksheet)
- 28 All Operator Letters
- 29 Service Letters
- 30 Structural Item Interim Advisory
- 31 Maintenance Tips
- 32 Combined Index

 MAINTENANCE PLANNING

33	Maintenance Planning Data Document
34	Maintenance Planning Data Tasks Masterfile (including in the digital version only to the Maintenance Task Cards)
35	Maintenance Task Cards and Index
36	Airline Maintenance Inspection Intervals Report
37	ETOPS Guide Vol. II
38	Configuration Maintenance and Procedures for Extended Range Operations
	SPARES
39	Illustrated Parts Catalog
40	Standards Books
	FACILITIES AND EQUIPMENT PLANNING
41	Facilities and Equipment Planning Document
42	Special Tool and Ground Handling Equipment Drawings (online only) and Index
43	Supplementary Tooling Documentation
44	Illustrated Tool and Equipment List/Manual
45	Aircraft Recovery Document
46	Airplane Characteristics for Airport Planning Document
47	Airplane Rescue and Fire Fighting Document
48	Engine Ground Handling Document
49	ETOPS Guide Vol. I
	SUPPLIER TECHNICAL DATA
50	Service Bulletins
51	Ground Support Equipment Data
52	Provisioning Information
53	Component Maintenance/Overhaul Manuals and Index
54	Publications Index
55	Product Support Supplier Directory

II. AIRCRAFT DOCUMENTS DURING TERM AND AT RETURN

Lessee shall maintain all documents, manuals, data, overhaul records, records evidencing life limited part traceability to "zero time since new," log books original new delivery documents, component records, applicable and required FAA forms, modifications records and inspection records relating to the Aircraft, each Engine and each Part in accordance with the requirements of Clause 8.10 of this Agreement and in compliance with FAR 91.417 and FAR 121.380 during the Term, and on the Final Expiry Date, Lessee shall return the Aircraft to Lessor together with all such records, documents and manuals. Without limiting the generality of the foregoing, the records required to be maintained by Lessee during the Term include all of the following, and all of the documents and manuals listed under Clause I of this Part 2 of this Schedule 1:

A. CERTIFICATES

- 1 Certificate of Airworthiness (current)
- 2 Current Aircraft Registration Certificate
- 3 Export Certificate of Airworthiness (Air Authority)
- 4 Copy of Radio Station License (current)
- 5 Noise certificate (current)
- 6 Export Certificate of Airworthiness (original new delivery for Aircraft and each Engine)
- 7 Registration cancellation notice (Air Authority)
- 8 Copy of Air Operator Certificate
- 9 Certificate of Most Recent Release to Service
- 10 All Supplemental Type Certificates (STC) applied to the Aircraft

B. AIRCRAFT STATUS SUMMARIES

Each status summary shall be in the English language and be certified by operator's Quality Control or Quality Assurance as being an accurate representation of aircraft status at transfer. All status summary documents to be signed and dated on first page by the Lessee's Manager of Aircraft Records or other appropriate individual.

- 1 Aircraft record of flight time and cycles (listing accumulated hours and cycles on specific dates).
- 2 Airworthiness Directive Applicability and Compliance Status Reports (Airframe, Engines and Appliances) Format/content as follows:

- (a) Airworthiness Directives listed in a chronological order; and
- (b) All Airworthiness Directives applicable to the Aircraft, Engine, APU or Aircraft Appliance type listed as follows:
 - AD number;
 - AD effective date;
 - title;
 - applicability status;
 - accomplishment status;
 - date or hours/cycles at last accomplishment action; and
 - date or hours/cycles of next action due (if applicable).

3 Manufacturer's Airworthiness Directive compliance status at time of manufacture as provided by Manufacturer at Aircraft Delivery.

4 Complete listing of all Engineering Orders accomplished against the Aircraft. For those Engineering Orders that are driven by a Service Bulletin, Airline will use best efforts to provide the applicable Service Bulletin number. The listing will otherwise include:

- title;
- date of accomplishment;

5 If applicable, Corrosion Prevention and Control Programme Task Status (showing last accomplishment and next due for each task) listing the Corrosion Prevention and Control Programme Tasks.

6 If applicable, Ageing Aircraft Inspection and Modification Programme) tasks status (showing task number, termination status as applicable, last accomplishment and next due for each item if open) if applicable.

7 List of Operator implemented Modifications Incorporated (Engineering Orders applied to Airframe, Engines and Appliances). Format/content as follows:

- (a) Operator Modifications listed in numerical order; and
- (b) Aviation Authority/FAA type certificate data approval for modification provided.

- 8 Structural Repair File with a detailed Scratch and Dent computer report as prepared by Lessee detailing the location of all external repairs and damages indicating their status in accordance with the Manufacturers structural repair manual showing general size and location of each external repair and basis for approval. Format/content as follows:
- (a) records of accomplishment or compliance of each Major Repair provided as follows:
 - Original signed/certified "dirty finger print" records;
 - Numbered and sorted by index number; and
 - (b) records for Major Repairs or repairs that do not conform to the Manufacturer's Structural Repair Manual accompanied by the appropriate Engineering Approval document issued by the State of Washington FAA Form 8110-3 Statement or FAA Form 8100-9 (or any successor of either), as applicable.
- 9 List of Major Alterations and Supplemental Type Certificate's Incorporated (STC's) (with reference to approved documentation used to accomplish).
- 10 List and Status of Airframe Life Limited Parts (if any) with full back to birth traceability support documents. Format/content as follows:
- (a) each Life Limited Part fitted to the Airframe listed by part number and unique serial number;
 - (b) detailed full back to birth traceability file supplied for each individual Life Limited Part detailing on/off transaction history for Engine LLPs, and FAA Form 8130-3's or equivalent showing status of LLP at installation for other LLPs;
 - (c) original Airworthiness document issued when the Life Limited Parts was new (such as the manufacturer's certificate of conformity or readiness log document as appropriate); and
 - (d) if available, supplied tags and any other appropriate certified document or job-card indicating hours/cycles or calendar time at each on/off demonstrating unbroken trace of the Hours/cycles or calendar time from birth up to current time.
- 11 List and Status of Landing Gear Life Limited Parts for each Landing Gear with full back to birth traceability support documents Format/content as follows:
- (a) each Life Limited Part fitted to Landing Gear listed by part number and unique serial number;

- (b) detailed full back to birth traceability file supplied for each individual Life Limited Part detailing on/off transaction history, if available, otherwise FAA form 8130-3 or equivalent; showing status of LLPs at installation.
- (c) original Airworthiness tag document issued when the Life Limited Parts was new (such as the manufacturer's tag, certificate of conformity or readiness log document as appropriate); and
- (d) if available, supplied tags and any other appropriate certified document or job-card indicating hours/cycles or calendar time at each on/off demonstrating unbroken trace of the Hours/cycles or calendar time from birth up to current time.

12 List and Status of Engine Life Limited Parts with full back to birth traceability support documents. Format/content as follows:

- (a) each Life Limited Part fitted to the engine identified by part number and unique serial number;
- (b) detailed full back to birth traceability file supplied for each individual Life Limited Part detailing on/off transaction history;
- (c) original Airworthiness tag document issued when the Life Limited Parts was new (such as the manufacturer's tag, certificate of conformity or readiness log document as appropriate) provided;
- (d) full back to birth traceability file for each Life Limited Part provided, to include the Airworthiness approval tag (JAA form 1 or FAA form 8130-3 or equivalent) pertaining to each subsequent (if any) on/off transaction up to and including installation on the subject airframe; and
- (e) supplied tags and any other appropriate certified document or job-card indicating hours/cycles or calendar time at each on/off demonstrating unbroken trace of the Hours/cycles or calendar time from birth up to current time.

13 List and Status of Auxiliary Power Unit (APU) Life Limited Parts (if any) with full back to birth traceability support documents Format/content as follows:

- (a) each Life Limited Part fitted to the APU identified by part number and unique serial number;
- (b) detailed full back to birth traceability file supplied for each individual Life Limited Part detailing on/off transaction history;

- (c) original Airworthiness tag document issued when the Life Limited Parts was new (such as the manufacturer's tag, certificate of conformity or readiness log document as appropriate) provided;
- (d) full back to birth traceability file for each Life Limited Part provided, to include the Airworthiness approval tag (JAA form 1 or FAA form 8130-3 or equivalent) pertaining to each subsequent (if any) on/off transaction up to and including installation on the subject airframe; and
- (e) supplied tags and any other appropriate certified document or job-card indicating hours/cycles or calendar time at each on/off demonstrating unbroken trace of the Hours/cycles or calendar time from birth up to current time.

14 Check/Inspection History and Current Status

15 List and Current Status of Time-Controlled Components Format/content as follows:

- (a) Time-Controlled Components fitted to the Aircraft listed by part number and unique serial number; and
- (b) Airworthiness approval tag (JAA form 1 or FAA form 8130-3 or equivalent) provided for Time-Controlled Components.

16 Inventory of Installed Serialized On-Condition/Condition Monitored Components . Format/content as follows:

- (a) Serialised Components fitted to the Aircraft listed by part number and unique serial number; and
- (b) Airworthiness approval tag (JAA form 1 or FAA form 8130-3 or equivalent) provided for Serialised Components.

17 List of Deferred Maintenance Items (if no Deferred Maintenance Items are "open" at transfer, a signed statement to that effect is required).

List and Status of any Out-of-Phase Checks, Special Inspection Requirements, Time Limited Repairs, etc. (If none exist or if requirements are incorporated into aircraft status reports, then a signed statement to that effect is required.)

18 If applicable, Supplemental Structural Inspection (SSID) Status (showing last accomplishment and next due for each task). Format/content as follows:

listing the Supplemental Structural Inspections in a numerical or chronological order as applicable.

C. AIRCRAFT MAINTENANCE RECORDS

Airframe inspection, maintenance, modification, and repair documents with maintenance and/or inspection signatures (as required) and description of work done.

- 1 Aircraft Flight and Maintenance Log Sheets for one year.
- 2 Most recent Airframe inspection, maintenance, modification and repair documents with maintenance and/or inspection signatures (as required) and description of work done.
- 3 Last "A", and all systems "C" and Structural Checks (or equivalents). (In the event that a check is performed in phases, all phases necessary to constitute a complete block check are required. In the event that check content varies by multiples of the check, all multiples necessary to constitute a complete cycle are required.)
- 4 Airworthiness Directive, Service Bulletin and Modification compliance documents including engineering orders, drawings, shop cards, etc., as necessary to establish method of compliance, quality control acceptance, and approval authority.
- 5 Corrosion Prevention and Control Programme compliance documents and inspection findings as applicable including records of accomplishment or compliance provided (the original signed/certified "dirty finger print" workcards).
- 6 Documentation for Operator Modifications such as engineering orders, drawings, FAA Form 8110-3 or FAA Form 8100-9 (as appropriate), Supplemental Type Certificates, Master Change Notice, FAA type certificate conformity approval from manufacturer or approved design organisation etc., as necessary to define work done, certification basis, and approval authority.
- 7 Without duplication, supporting documentation for Operator Modifications such as engineering orders, drawings, FAA Form 8110-3 or FAA Form 8100-9 (as appropriate), Supplemental Type Certificates, Master Change Notice, FAA type certificate conformity approval from manufacturer or approved design organisation etc., as necessary to define work done, certification basis, and approval authority.
- 8 Aircraft weight and balance records (including weight change ledger, most recent weighing report and individual flight control weight and balance data).
- 9 Test Flight Reports, to the extent available.
- 10 X-Ray Inspection findings (pictures/film) as applicable, to the extent available.

D. AIRCRAFT HISTORY RECORDS

- 1 Copies of maintenance logs for one year, and last available Lessee Reliability reports and equivalent, or those retained as required by the Federal Aviation Regulations (FARs).
- 2 Accident and Incident Reports (if none, then a signed "no Incident/Accident" statement from operator's Quality Control Manager).
- 3 Aircraft Log Book(s) or equivalent data and Aviation Authority Operation and Modification Log Book(s) (as applicable), for the last year or those retained as required by the FARs.

E. ENGINE RECORDS (FOR EACH ENGINE)

Each status summary shall be in the English language and be certified by operator's Quality Control or Quality Assurance as being an accurate representation of engine status at transfer.

- 1 Certified statement as to following:
 - Time and Cycles since new
 - Time and Cycles since performance restoration on each engine module
 - Flying hours and cycles in Lessee's operation
- 2 Airworthiness Directive Applicability and Compliance Report
- 3 Current Manufacturer Modification and Service Bulletin Status
- 4 List of Operator Modifications Incorporated, if any including supporting documentation with Manufacturer approval and JAA/FAA Type Certificate conformity, as applicable
- 5 List of all Major Repairs and Alterations, if any
- 6 List and Current Status of Life Limited Components
- 7 Check/Inspection Status
- 8 Accessory Status sheet with certified TSO for each rotatable item installed
- 9 Last shop visit JAA Form I/FAA form 8130-3 or equivalent serviceable tag (or copies) for each of the accessory rotatables and last JAA Form I/FAA form 8130-3 or equivalent overhaul tags (or copies) for each of the accessory rotatables with a hard-time overhaul requirement

- 10 Repair, overhaul and inspection documents including JAA Form I/FAA form 8130-3 for each shop visit (minimum acceptable is shop visit history through last performance restoration shop visit and if different, last overhaul of each module)
- 11 Documents demonstrating installation and full traceability back to birth (to new) for each Life Limited Part
- 12 Engine Condition Monitoring Report for last six months
- 13 Last three (3) months of pilot reports from the aircraft records system for the aircraft to which engine was fitted, as required by FAA's
- 14 Reason for last engine removal, engine change paperwork and date of engine removal
- 15 Most recent certified engine borescope (videotaped)
- 16 Most recent fuel, oil sampling, magnetic chip detector and vibration survey results
- 17 Most recent on-wing ground performance run specifying engine OATL (outside air temperature limit) at rated thrust
- 18 Last certified Test Cell Run specifying engine OATL
- 19 Manufacturer delivery documents i.e. Data Submittal
- 20 Engine Oil used
- 21 Any incidents during operation since last performance restoration shop visit with action taken i.e. IFSD/FOD/oil loss etc.

F. APU RECORDS

Each status summary shall be in the English language and be certified by operator's Quality Control or Quality Assurance as being an accurate representation of APU status at transfer.

- 1 Certified statement as to following:
 - Hours and Cycles since new
 - Hours and Cycles since shop visit
 - Lessee's Method for APU Time Accrual
- 2 Airworthiness Directive Applicability and Compliance Report
- 3 Current Manufacturer Service Bulletin Status

- 4 List of Operator Modifications Incorporated, if any including supporting documentation with Manufacturer approval and FAA Type Certificate conformity
- 5 List and Current Status of Life Limited Components
- 6 Accessory Status Sheet with certified time since overhaul for each rotatable item installed
- 7 Last overhaul tags (or copies) for each of the accessory rotables
- 8 Certified and Updated APU Log Book from new (with manufacturer delivery documents and including record of installation and removal and accumulated time and cycles)
- 9 Repair, overhaul and inspection documents including, as applicable, JAA Form I/FAA forms 8130-3 and 337
- 10 Documents demonstrating installation and full traceability back to birth (to new) for each Life Limited Part
- 11 List of Line Replaceable Units (LRU)/QEC Rotable items missing from APU (if any for any spare APU redelivery)
- 12 Last three (3) months of pilot reports from the aircraft records system for the aircraft to which APU was fitted
- 13 Reason for last APU removal, removal paperwork and date of APU removal
- 14 Last certified test cell run

G. COMPONENT RECORDS

- 1 Time Controlled Component Installation records and certified records of last overhaul, if applicable
- 2 Documents demonstrating installation and full traceability back to birth (to new) for each Type Certificate Life Limited Part
- 3 Serviceable tags for Serialised On-Condition/Condition Monitored Components, as required by FAA
- 4 Landing gear records to include Life Limited Parts status and back to birth traceability, modification status, inventory of all sub-assemblies with part numbers and serial numbers specified, Airworthiness Directive status including detailed workshop workscope provided by the Agreed Maintenance Performer, last overhaul documentation including JAA form I/FAA form 8130-3 serviceable tag

H. MISCELLANEOUS TECHNICAL DOCUMENTS

- 1 Maintenance Program Specifications including a cross-reference to Manufacturer's maintenance planning document to be made available
- 2 Reference material necessary for interpretation of status summaries, i.e. Operator part numbers Cross Reference to Manufacturer's part numbers
- 3 Interior configuration drawings (L.O.P.A. and Emergency Equipment Locations; Galley Drawings)
- 4 Aircraft Detail Specification
- 5 Loose Equipment Inventory such as galley trolleys / containers / oven trays / oven inserts
- 6 Seat, cushion and fabric cover Material Burn Test documents for applicable FAA if provided by Aircraft Manufacturer during Delivery (Lessee shall be responsible only for providing burn test documents for any replacement materials installed after Delivery)
- 7 Flight Data Recorder - Print / Copy of Last Read-Out as applicable under Lessee's Approved Maintenance Program

SCHEDULE 2

FORM OF ACCEPTANCE CERTIFICATE

FORM OF AIRCRAFT TECHNICAL ACCEPTANCE CERTIFICATE

This Aircraft Technical Acceptance Certificate is given, on and as of the date set forth below, by Wells Fargo Bank Northwest, N.A., not in its individual capacity, but solely as trustee ("TRUSTEE") for the benefit of RBS Aerospace Limited ("RBS") under the Trust Agreement dated as of December 23, 2004 between Trustee and RBS, to Delta Air Lines, Inc. ("SELLER") pursuant to the Aircraft Sale and Purchase Agreement dated as of October 1, 2003 between RBS and Seller (the "AGREEMENT", terms used herein being used as defined in the Agreement):

Trustee hereby indicates and confirms to Seller, its successors and assigns, that the Trustee has, at ____ o'clock __. m. on this ____ day of _____, 2005 at Boeing Field, Seattle, Washington, completed its technical inspection and flight test of the following Aircraft and inspection of its related Technical Documents in accordance with the provisions of the Agreement, and that Trustee is ready to accept Delivery of such Aircraft and Technical Documents from Seller under the Agreement (it being understood that Trustee may be entering into a delivery concessions letter with Boeing to resolve any technical issues at a later date):

- (a) one Boeing model 737-800 jet airframe, manufacturer's serial number _____
 Registration number _____
 Total Time: _____
 Total Cycles: _____
- (b) Two CFM International CFM56-7B _____ Engines

	Serial Numbers	Total Time	Total Cycles
1.			
2.			

 (each of the Engines having _____ pounds thrust rating or its equivalent)
- (c) [APU manufacturer and model #]

	Serial Number	Total Time	Total Cycles
- (d) Landing Gear

	Serial Number	Total Time	Total Cycles
Nose			
Main right			
Main left			
- (e) Fuel status: _____ kilos
- (f) Loose Equipment Check List: Signed by Seller and Trustee and attached hereto.

(g) Statement of Non-Conformance: Signed by Seller and Trustee and attached hereto.

IN WITNESS WHEREOF, Trustee has caused this Aircraft Technical Acceptance Certificate to be executed in its name, by its duly authorized officer(s) or representative(s), pursuant to due corporate authority, all as of the date written in paragraph 1 above.

WELLS FARGO BANK NORTHWEST, N.A., not in its individual capacity, but solely as trustee for the benefit of RBS Aerospace Limited under the Trust Agreement dated as of December 23, 2004 between itself and RBS Aerospace Limited

By: COMPANIA PANAMENA DE AVIACION, S.A.,
its agent

By: _____
Name: _____
Title: _____

FORM OF AIRCRAFT DELIVERY CERTIFICATE

This Aircraft Delivery Certificate is given, on and as of the date set forth below, by Wells Fargo Bank Northwest, N.A., not in its individual capacity, but solely as trustee ("TRUSTEE") for the benefit of RBS Aerospace Limited ("RBS") under the Trust Agreement dated as of December 23, 2004 between Trustee and RBS, to Delta Air Lines, Inc. ("SELLER") pursuant to the Aircraft Sale and Purchase Agreement dated as of October 1, 2003 between Buyer and Seller (the "AGREEMENT", terms used herein being used as defined in the Agreement):

1. DETAILS OF DELIVERY

Trustee hereby indicates and confirms to Seller, its successors and assigns, that the Trustee has, at ___ o'clock __. m. on this ___ day of _____, 2005 at Boeing Field, Seattle, Washington, received and accepted the following Aircraft in accordance with the provisions of the Agreement:

(a) one Boeing model 737-800 jet airframe, manufacturer's serial number _____
 Registration number _____
 Total Time: _____
 Total Cycles: _____

(b) Two CFM International CFM56-7B Engines

	Serial Numbers	Total Time	Total Cycles
1.			
2.			

(each of the Engines having _____ pounds thrust rating or its equivalent)

(c) [make and model] APU

Serial Number	Total Time	Total Cycles
---------------	------------	--------------

(d) Landing Gear

	Serial Number	Total Time	Total Cycles
Nose			
Main right			
Main left			

(e) Fuel status: _____ kilos

(f) Loose Equipment Check List: Signed by Seller and Trustee and attached hereto.

(g) Statement of Non-Conformance: Signed by Seller and Trustee and attached hereto.

2. CONFIRMATION OF UNDERTAKINGS

The Trustee confirms that as of the Delivery at the time specified above:

(i) The Aircraft was duly accepted by Trustee in accordance with and subject to the provisions of the Agreement and the execution and delivery of this Aircraft Delivery Certificate further confirms the acceptance of the Aircraft by Trustee for all purposes of the Agreement, subject only to the items noted on the Statement of Non-Conformance; and

(ii) the Aircraft is insured in accordance with the Agreement.

IN WITNESS WHEREOF, Trustee has caused this Aircraft Delivery Certificate to be executed in its name, by its duly authorized officer(s) or representative(s), pursuant to due corporate authority, all as of the date written in paragraph 1 above.

WELLS FARGO BANK NORTHWEST, N.A., not in its individual capacity,
but solely as trustee for the benefit of RBS Aerospace Limited
under the Trust Agreement dated as of December 23, 2004
between itself and RBS Aerospace Limited

By: COMPANIA PANAMENA DE AVIACION, S.A.,
its attorney-in-fact

By: _____
Name: _____
Title: _____

FORM OF RECEIPT FOR TECHNICAL DOCUMENTS

One Boeing 737-800 Aircraft
Manufacturer's Serial No. _____

The undersigned hereby acknowledges receipt of all of the Technical Documents listed on Exhibit D to the Aircraft Sale and Purchase Agreement dated as of October 1, 2003 (the Agreement) between Delta Air Lines, Inc. ("SELLER") and RBS Aerospace Limited.

By this acceptance, Trustee assumes any and all risks of the use and ownership of all the Technical Documents or any part thereof, and for itself and its respective officers, directors, agents, employees, representatives, successors and assigns, does hereby release any claim it may have against Seller arising out of the use or possession of such Documents.

WELLS FARGO BANK NORTHWEST,
N.A., not in its individual capacity,
but solely as trustee for the benefit of RBS
Aerospace Limited under the Trust Agreement
dated as of December 23, 2004 between itself
and RBS Aerospace Limited

By: COMPANIA PANAMENA DE AVIACION, S.A., for
and on behalf of the Trustee

By: _____
Name: _____
Title: _____

SCHEDULE 3

REDELIVERY CONDITIONS AND REDELIVERY MAINTENANCE ADJUSTMENT

PART 1 RETURN CONDITIONS:

Material Redacted

7 pages

[Intentionally left blank]

PART 3

MAINTENANCE REDELIVERY ADJUSTMENTS

Material Redacted

2 pages

SCHEDULE 4

INSURANCE REQUIREMENTS

1. Types of Insurance

The Insurances required to be maintained are as follows:

- (a) Hull insurance covering loss of or damage while flying and on the ground with respect to the Aircraft on an agreed value basis for the Agreed Value and with a deductible not exceeding the Maximum Deductible Amount, or such other greater amount as is consistent with market practice in the airline insurance industry from time to time and similar carriers operating similar aircraft in similar circumstances;
- (b) Hull War and Allied Perils insurance, being such risks excluded from the Hull All insurance to the extent reasonably commercially available from the leading international insurance markets (except for confiscation by the Country of Registration), for an amount no less than the Minimum War Risk Coverage;
- (c) Hull All Risks (including War and Allied Perils except when on the ground or in transit other than by air) property insurance on all Engines and Parts when not installed on the Aircraft on an "agreed value" basis for their full replacement value and including engine test and running risks;
- (d) Aircraft Third Party, Property Damage, Passenger, Baggage, Cargo and Mail and Airline General Third Party (including Products) Legal Liability for a combined single limit (bodily injury/property damage) of an amount not less than the Minimum Liability Coverage for the time being for any one occurrence (but in respect of products and personal injury liability, this limit may be an aggregate limit for any and all losses occurring during the currency of the policy). War and Allied Perils are also to be covered under the policy to the extent reasonably commercially available from the leading international airline insurance markets (which coverage shall include but not be limited to an extended war risk coverage endorsement equivalent to the terms of AVN52D).

2. Terms of Hull and Spares Insurance

All required hull and spares insurance, so far as it relates to the Aircraft, will:

- (a) ADDITIONAL INSURED: name Lessor, Beneficiary, Owner, if different from Lessor, and each Financing Party and their respective successors and permitted assigns as additional assureds for their respective rights and interests;
- (b) SETTLEMENT OF LOSSES: provide that any loss will be adjusted between Lessee and Insurers subject to prior approval before settlement with Lessor, and will be payable in Dollars to Lessor up to the Agreed Value, for the account of all interests, except where the loss does

not exceed the Damage Notification Threshold, and Lessor has not notified the insurers to the contrary, in which case the loss will be settled with and paid to Lessee;

- (c) 50/50 PROVISION: if separate "Hull" and "war risks and allied perils" insurances are arranged, include a 50/50 provision in accordance with market practice (AVS. 103 or its equivalent);

3. Terms of Liability Insurance

All required liability insurances will:

- (a) ADDITIONAL INSUREDS: include Lessor, Owner, if different from Lessor, Initial Purchaser (but only for claims arising against Initial Purchaser solely as a result of Initial Purchaser being a party in the chain of title and where no act or omission of Initial Purchaser, its successors, assigns, officers, or employees, allegedly contributed to the event leading to indemnification requirement), and each of the other Indemnitees, as additional insureds (each an "Additional Insured") for their respective rights and interests, warranted, each as to itself only, no operational interest; however, no party shall be included as an Additional Insured in respect of its liability, if any, as Manufacturer, repairer, supplier or servicing agent of the Aircraft or any part thereof;
- (b) SEVERABILITY: include a severability of interests clause which provides that the insurance, except for the limit of liability, will operate to give each insured the same protection as if there was a separate policy issued to each insured;
- (c) PRIMARY POLICY: contain a provision confirming that the policy is primary without right of contribution, and the liability of the insurers will not be affected by any other insurance of which any Additional Insured may have the benefit so as to reduce the amount payable to the additional insureds under such policies;

4. Terms of All Insurances

All Insurances will:

- (a) BEST INDUSTRY PRACTICE: be in accordance with normal industry practice of similar airlines operating similar aircraft in similar circumstances;
- (b) DOLLARS: provide cover denominated in dollars and any other currencies which Lessor may reasonably require in relation to liability insurance;
- (c) WORLDWIDE: operate on a worldwide basis subject to such limitations and exclusions as are standard at the date hereof in the London or New York aviation market or as Lessor may agree;
- (d) BREACH OF WARRANTY: provide that, in relation to the interests of each of the Additional Insureds, the Insurances will not be invalidated by any act or omission by Lessee, or any other insured other than the respective Additional Insureds seeking protection and shall

insure the interests of each of the additional assureds regardless of any breach or violation by Lessee, or any other Person other than the respective additional assured seeking protection of any warranty, declaration or condition, contained in such Insurances;

- (e) SUBROGATION: provide that the insurers will hold harmless and waive any rights of recourse against the Additional Insureds or to be subrogated to any rights of Lessor or Lessee;
- (f) PREMIUMS: provide that the Additional Insureds will have no obligation or responsibility for the payment of any premiums due (but reserve the right to pay the same should any of them elect to do so) and that the insurers will not exercise any right of set-off or counter-claim in respect of any premium due against the respective interests of the Additional Insureds other than outstanding premiums relating to the Aircraft, any Engine or Part the subject of the relevant claim;
- (g) CANCELLATION/CHANGE: provide that the Insurances will continue unaltered for the benefit of the Additional Insureds for at least 30 days (ten days in the event of cancellation due to non-payment of premium) after written notice by registered mail or fax of any cancellation, change, event of non-payment of premium or installment thereof has been sent to Lessee's broker of record, except in the case of war risks for which 7 days (or such lesser period as is or may be customarily available in respect of war risks or allied perils) will be given, or in the case of war between the five great powers or nuclear peril for which termination is automatic;
- (h) REINSURANCE: any reinsurance will:
 - (i) be on the same terms as the original insurances and will include the provisions of this Schedule,
 - (ii) provide that notwithstanding any bankruptcy, insolvency, liquidation, dissolution or similar proceedings of or affecting the reinsured that the reinsurers' liability will be to make such payments as would have fallen due under the relevant policy of reinsurance if the reinsured had (immediately before such bankruptcy, insolvency, liquidation, dissolution or similar proceedings) discharged its obligations in full under the original insurance policies in respect of which the then relevant policy of reinsurance has been effected; and
 - (iii) contain a "cut-through" clause in the following form (or otherwise satisfactory to Lessor):

"The Reinsurers and the Reinsured hereby mutually agree that, in the event of any claim arising under the reinsurances in respect of a total loss or other claim, as provided by the Aircraft Lease Agreement dated as of December 23, 2004 and made between Lessor and Lessee, such claim is to be paid to the Person named as sole loss payee under the primary insurances, the Reinsurers will in lieu of payment to the Reinsured, its successors in interest and assigns pay to the Person named as sole loss payee under the primary insurances effected by the Reinsured

that portion of any loss due for which the Reinsurers would otherwise be liable to pay the Reinsured (subject to proof of loss), it being understood and agreed that any such payment by the Reinsurers will (to the extent of such payment) fully discharge and release the Reinsurers from any and all further liability in connection therewith; subject to such provisions not contravening any Law of the State of Incorporation;" and

5. Deductibles

Lessee shall be responsible for any and all deductibles under the Insurances.

6. Application of Insurance Proceeds

The Insurances will be endorsed to provide for payment of proceeds as follows:

- (a) TOTAL LOSS: all insurance payments up to the Agreed Value (and all other amounts which are then payable by Lessee to Lessor) received as the result of a Total Loss occurring during the Lease Period will be paid to Lessor up to the Agreed Value;
- (b) EXCEEDING DAMAGE NOTIFICATION THRESHOLD: all insurance proceeds of any property, damage or loss to the Aircraft, any Engine or any Part occurring during the Lease Period not constituting a Total Loss and in excess of the Damage Notification Threshold for repairs or replacement property upon Lessor being satisfied that the repairs or replacements have been effected in accordance with this Agreement. Any balance remaining shall be paid to Lessee;
- (c) BELOW DAMAGE NOTIFICATION THRESHOLD: insurance proceeds in amounts below the Damage Notification Threshold may be paid by the insurer directly to Lessee;
- (d) DEFAULT: notwithstanding the foregoing paragraphs, if at the time of the payment of any such insurance proceeds a Default has occurred and is continuing, all such proceeds will be paid to or retained by Lessor to be applied toward payment of any amounts which may be or become payable by Lessee in such order as Lessor may elect, and any remainder after cure of such Default shall be paid to Lessee.

In the event of a conflict between the provisions hereof and the provisions of AVN 67B or its equivalent, the latter shall control and the provisions hereof shall be deemed modified accordingly; provided that the provisions of AVN 67B shall continue to reflect industry practice. To the extent that insurance proceeds are paid to Lessee, Lessee agrees to comply with the foregoing provisions and apply or pay over such proceeds as so required.

SCHEDULE 5

ACKNOWLEDGEMENTS IN CONNECTION WITH FINANCING

PART 1

NOTICE OF ASSIGNMENT

From: Wells Fargo Bank Northwest, N.A., not in its individual capacity, but solely as trustee under the Trust Agreement

To: Compania Panamena de Aviacion, S.A.

[Date]

Dear Sirs,

We hereby give you notice that by an Assignment dated [], 200_ (the "Assignment") between us and [] of [] ("Assignee") we have assigned as security to Assignee all our right, title and interest in and to the Aircraft Lease Agreement dated as of December 23, 2004 (the "Lease") between ourselves and yourselves relating to one Boeing B[] aircraft with manufacturer's serial number [] together with the two [] engines (the "Aircraft").

Henceforth all monies that may be payable by you under the Lease shall continue to be paid to the bank account specified in the Lease unless and until the Assignee otherwise directs, whereupon you are authorized and required to comply with the Assignee's directions.

This notice and the instructions herein contained are irrevocable. Please acknowledge receipt of this notice to the Assignee on the enclosed Acknowledgement. You are hereby authorized to assume the obligations expressed to be assumed by you thereunder to the effect that, so far as the same would otherwise be incompatible therewith, your obligations to us under the Lease will be modified accordingly.

Yours faithfully,

Wells Fargo Bank Northwest, N.A.,
not in its individual capacity,
but solely as trustee under
the Trust Agreement

By: _____
Name:
Title:

PART 2

ACKNOWLEDGEMENT

From: Compania Panamena de Aviacion, S.A.

To: []

[Date]

Dear Sirs,

We acknowledge receipt of a Notice of Assignment dated [] (the "Assignment Notice") relating to an assignment (the "Assignment") between Wells Fargo Bank Northwest, N.A., not in its individual capacity, but solely as trustee under the Trust Agreement (the "Assignor"), and you. [Subject to the fulfillment or satisfaction of the requirements of Clause 14.2 of the Lease and your agreement in our favor to be bound by the obligations of Lessor as set forth in and in accordance with the Lease and further subject to the receipt of a Quiet Enjoyment Letter in the form attached hereto and to your counter-signature and that of Assignor hereof,] we acknowledge that we will not challenge the effectiveness of the Assignment to confer on you all rights, title and interest of the Assignor under the Aircraft Lease Agreement dated as of December 23, 2004 between Assignor and ourselves (the "Lease") in respect of one Boeing B[] aircraft with manufacturer's serial number [] together with the two [] engines.

In consideration of the foregoing and of payment to us of \$1 and for other valuable consideration, receipt of which we hereby acknowledge, we hereby agree as follows:

If you issue to us a notice (a "Lessor Default Notice") that your rights as assignee under the Assignment have become exercisable we agree that we will thereafter (a) pay to you at such account as you may nominate all rentals and other amounts from time to time payable by us under the Lease; (b) perform, observe and comply with all our other undertakings and obligations under the Lease in your favor and for your benefit as if you were named as "Lessor" therein instead of the Assignor; and (c) if you so request, enter into a lease with you or your nominee, on the same terms (mutatis mutandis) as the Lease.

If the Assignor is in breach of any of its obligations, express or implied, under the Lease, or if any event occurs which would permit us to terminate, cancel or surrender the Lease we will (a) immediately upon becoming aware of it, give you notice of such breach or event, (b) accept as adequate remedy for any such breach performance by you of such obligations within 7 days of our written notice to you; and (c) if you so request, enter into a lease with you or your nominee on terms identical to the Lease, mutatis mutandis.

We agree that after issue by you of any Lessor Default Notice, we will not recognize the exercise by the Assignor of any of its rights and powers under the Lease unless and until requested to do so by you.

We agree that you will have the benefit of Clause 10 of the Lease (Indemnity), subject, however, to all of the limitations set forth in the Lease, and agree that we are bound by the terms of such clause, as though the same were set out herein in full, mutatis mutandis.

Yours faithfully,

For and on behalf of Compania Panamena de Aviacion, S.A.

By: _____
Name:
Title:

ACKNOWLEDGEMENT AND AGREEMENT OF
ASSIGNOR AND ASSIGNEE:

The agreements of Compania Panamena de Aviacion, S.A. ("COPA") set forth in the foregoing Acknowledgment are hereby acknowledged and agreed to by each of Assignor and _____ ("Assignee") in all respects, and so far as the obligations of COPA set forth above would otherwise be incompatible with the obligations of COPA to the Assignor under the Lease, the obligations of COPA under the Lease shall be modified accordingly.

ASSIGNOR:
Wells Fargo Bank Northwest, N.A.,
not in its individual capacity,
but solely as trustee under
the Trust Agreement

By: _____
Name:
Title:

ASSIGNEE:

PART 3

FORM OF LETTER OF QUIET ENJOYMENT FROM OWNER

[Date]

COMPANIA PANAMENA DE AVIACION, S.A.

_____, 200_

Dear Sirs,

Boeing B[] Aircraft with Manufacturer's Serial Number _____ (the "Aircraft")

We refer to the Lease Agreement dated as of _____, 200_ (the "Head Lease") between [Owner] (the "Owner"), as lessor, and Wells Fargo Bank Northwest, N.A., not in its individual capacity, but solely as trustee under the Trust Agreement (the "Lessor"), as lessee, and the Aircraft Lease Agreement dated as of December 23, 2004 between Lessor, as lessor and Compania Panamena de Aviacion, S.A. ("COPA"), as lessee, relating to the Aircraft (the "Lease Agreement").

For good and valuable consideration receipt of which is hereby acknowledged, Owner confirms to you that it will not disturb the quiet use, possession and enjoyment of the Aircraft by COPA throughout the term of the Lease Agreement in accordance with the terms of the Lease Agreement so long as no Event of Default then exists under the Lease Agreement.

Yours sincerely,

[Owner].

PART 4

[FORM OF LETTER OF QUIET ENJOYMENT FROM FINANCING PARTIES]

[NAME AND ADDRESS OF FINANCING PARTY]

[Date]

Compania Panamena de Aviacion, S.A.

Dear Sirs,

Boeing B[] Aircraft with Manufacturer's Serial Number _____ (the "Aircraft")

We refer to the Aircraft Lease Agreement dated as of _____, 2004 between Wells Fargo Bank Northwest, N.A., not in its individual capacity, but solely as trustee under the Trust Agreement ("Lessor") and Compania Panamena de Aviacion, S.A. ("COPA") relating to the Aircraft (the "Lease Agreement").

For good and valuable consideration receipt of which is hereby acknowledged, we confirm to you that we will not disturb the quiet use, possession and enjoyment of the Aircraft by COPA throughout the term of the Lease Agreement in accordance with the terms of the Lease Agreement, so long as no Event of Default then exists under the Lease Agreement.

Yours sincerely,

[Financing Parties]

PART 5

ADDITIONAL PARAGRAPHS FOR FORM OF LETTER OF QUIET ENJOYMENT

1. Until such time as COPA has received a notice (herein, a "Lessor Rights Notice") from Assignee stating that Assignee has succeeded to the rights of Lessor under the Lease Agreement to exercise and receive any of the claims, rights, powers, privileges, remedies and other benefits of Lessor as "Lessor" under the Lease Agreement (collectively referred to herein as "Lessor's Rights and Powers"), COPA shall be entitled to acknowledge and rely upon the exercise by Lessor of all of Lessor's Rights and Powers, and any consent, notice, approval, amendment, waiver or release or other exercise of Lessor's Rights and Powers by Lessor shall be binding upon Lessor and Assignee for all purposes.
2. Assignee's exercise or receipt of Lessor's Rights and Powers shall be subject to all of the terms and conditions of the Lease Agreement, to the same extent as if exercised by Lessor.
3. Any security deposit, letter of credit and/or insurance payments under any policy maintained by Lessee pursuant to the Lease Agreement received or held by Assignee at any time shall be held subject to the terms of the Lease Agreement and shall be applied only in the manner permitted under the terms of the Lease Agreement.

SCHEDULE 6

FORM OF MONTHLY STATUS REPORT

FORM OF MONTHLY REPORT

REPORT FOR MONTH _____

Aircraft Type: Boeing B737-800
Manufacturer's Serial Number: [][]
Engine Type: CFM56-7B26
AIRFRAME DURING PERIOD SINCE NEW
Airframe Flight Hours
Airframe Block Hours
Aircraft Cycles

Time remaining to Airframe 6C/24,000 Flight Hour Block Structural Check

ENGINES ENGINE POS #1 ENGINE POS #2

Serial Number of Engine

Present Location of Engine

Engine Flight Hours since new

Cycles since new

Engine Flight Hours performed during period

Engine Cycles flown during period

Date of last shop visit/type of shop visit

Engine Cycles flown since last shop visit

Serial number of engine installed on the Airframe

APU

Serial Number of Original

Present location of original APU

APU Hours (original APU)

Date of last shop visit/type of shop visit

APU Hours since last shop visit

APU Cycles since last shop visit

Serial number of APU installed on the Airframe

MAINTENANCE CHECKS COMPLETED
NUMBER DATE HOURS CYCLES

"A" check

"C" check

Structural inspection

NEXT CHECKS DUE

NUMBER DATE HOURS CYCLES

"C" Check

Structural inspection

HOURS/CYCLES FLOWN DURING MONTH X US\$ PER FLIGHT HOUR/CYCLE =

OVERHAUL RESERVES

Engine Performance Restoration
S/N _____ X / Flight Hour =

Engine Performance Restoration
S/N _____ X / Flight Hour =

Engine LLP
S/N _____ X / Cycle =

Engine LLP
S/N _____ X / Cycle =

APU Performance Restoration X / APU operating Cycle =

RELEVANT MAINTENANCE TASK US\$ PER MONTH

Airframe 6C/24,000 Flight
Hour Block Structural Check

Landing Gear overhaul

TOTAL AMOUNT OF MAINTENANCE RESERVES

SCHEDULE 7

ECONOMIC VARIABLES

AGREED VALUE	**Material Redacted**
AIRFRAME 6C/24,000 FLIGHT HOUR BLOCK STRUCTURAL CHECK SUPPLEMENTAL RENT RATE	US**Material Redacted** per Flight Hour
ANNUAL SUPPLEMENTAL RENT ADJUSTMENT	3%
APU SUPPLEMENTAL RENT RATE	US**Material Redacted** per Airframe Flight Hour
ASSUMED LIBOR RATE	1.25%
ASSUMED RATIO	Flight Hour to Cycle ratio: 2.3 to 1
ASSUMED ANNUAL UTILIZATION	3,000 Flight Hours
ASSUMED RENT	**Material Redacted**
CROSS-DEFAULT AMOUNT	US\$3,000,000
DAMAGE NOTIFICATION THRESHOLD	US\$500,000
DISCOUNT RATE	4.5%
ENGINE LLP SUPPLEMENTAL RENT RATE	US**Material Redacted** per Cycle per Engine
ENGINE SUPPLEMENTAL RENT RATE	US**Material Redacted** per Flight Hour per Engine
LANDING GEAR SUPPLEMENTAL RENT RATE	US**Material Redacted** per Month

MAXIMUM DEDUCTIBLE AMOUNT	US**Material Redacted**
MINIMUM LIABILITY COVERAGE	US**Material Redacted**
MINIMUM WAR RISK COVERAGE	US**Material Redacted**
SECURITY DEPOSIT AMOUNT	**Material Redacted**
TAX CONTEST THRESHOLD	US\$50,000
WARRANTY CLAIM NOTIFICATION THRESHOLD	US\$100,000

ASSUMED RATIO ADJUSTMENT TABLE*

Flight Hour / Cycle	Engine Supplemental Rent Adjusted Value
.75:1	**Material Redacted**
1:01	**Material Redacted**
1.25:1	**Material Redacted**
1.5:1	**Material Redacted**
1.75:1	**Material Redacted**
2:01	**Material Redacted**
2.25:1	**Material Redacted**
2.5:1	**Material Redacted**
2.75:1	**Material Redacted**
3:01	**Material Redacted**
4:01	**Material Redacted**
all higher	**Material Redacted**

ASSUMED ANNUAL UTILIZATION ADJUSTMENT TABLE

Annual Utilisation (Airframe Flight Hours)	Airframe Structural Check Reserve Amount \$ (2004)**
2,800	66.5
3,000	62
3,200	58.5
3,400	55
3,600	52
3,800	50
4,000	47
4,200	45

* Operation 3000 Hrs / 1300 cycles per year (Ratio 23:1).

** The above USD rates to be escalated by 3%, compounded annually, commencing January 1, 2005.

RENT ADJUSTMENT FACTOR

The rental shall be adjusted, upwards or downwards, by the following adjustment factors for every one hundredth of one per cent (0.01%) change, upwards or downwards, in the Assumed LIBOR Rate of 1.25% for the applicable 6-month period. (Values in US\$):

SIX MONTH PERIODS (COMMENCING ON DELIVERY DATE)	N FACTOR* ----- (US\$)
Period 1	**Material Redacted**
Period 2	**Material Redacted**
Period 3	**Material Redacted**
Period 4	**Material Redacted**
Period 5	**Material Redacted**
Period 6	**Material Redacted**
Period 7	**Material Redacted**
Period 8	**Material Redacted**
Period 9	**Material Redacted**
Period 10	**Material Redacted**
Period 11	**Material Redacted**
Period 12	**Material Redacted**
Period 13	**Material Redacted**
Period 14	**Material Redacted**
Period 15	**Material Redacted**

* Adjustment Factors to be adjusted in accordance with the Price Escalation Adjustment from July 2004 until the Delivery Date. The formula for the calculation of the Price Escalation Adjustment is set out in Schedule 7.

PRICE ESCALATION ADJUSTMENTS

The Escalation Adjustment for the Aircraft will be determined by the following formula:

$$P(a) = P \times ((L + M)/1.3665^* - 1)$$

where:

P(a) = Purchase Price Adjustment (includes the Engine price)

L = 0.65 x ECI/130.1

M = 0.35 x ICI/123.6

P = Aircraft Base Purchase Price in July, 2004 Dollars

ECI is a value determined using the U.S. Department of Labor, Bureau of Labor Statistics "Employment Cost Index for workers in aerospace manufacturing" (ECI code 3721), calculated by establishing a three-month arithmetic average value (expressed as a decimal and rounded to the nearest tenth) using the values for the fifth, sixth and seventh months prior to the month of the Scheduled Delivery Date of the applicable Aircraft. As the Employment Cost Index values are only released on a quarterly basis, the value released for the month of March will be used for the months of January and February; the value for June used for April and May; the value for September used for July and August; and the value for December used for October and November.

ICI is a value determined using the U.S. Department of Labor, Bureau of Labor Statistics "Producer Prices and Price Index - Industrial Commodities Index", calculated as a 3-month arithmetic average of the released monthly values (expressed as a decimal and rounded to the nearest tenth) using the values for the 5th, 6th and 7th months prior to the month of the Scheduled Delivery Date of the applicable Aircraft.

In determining the values of L and M, all calculations and resulting values will be expressed as a decimal rounded to the nearest ten-thousand, where rounding of the fourth digit will be increased to the next higher digit when the 5th digit is equal to 5 or more. The values released by the Bureau of Labor Statistics and available 30 days prior to the month of the Scheduled Delivery Date for each Aircraft will be used to determine the ECI and ICI values for the applicable months (including those noted as preliminary by the Bureau of Labor Statistics) to calculate the Escalation Adjustment at the time of Delivery. The values will be considered final and no further adjustments will be made after Aircraft Delivery for any subsequent changes, revisions or corrections to published Index values.

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*This is the July 2004 Adjustment Factor assuming escalation from a July 1995 base.

SCHEDULE 8

FORM OF LEASE SUPPLEMENT NO. 1

THIS LEASE AGREEMENT SUPPLEMENT NO. 1 (this "Lease Supplement No. 1") is entered into on the ____ day of _____, 2005 between Wells Fargo Bank Northwest, N.A., not in its individual capacity, but solely as trustee under the Trust Agreement ("Lessor"); and Compania Panamena de Aviacion, S.A., a corporation organized under the laws of The Republic of Panama, with its principal place of business at Avenida Justo Arosemena y Calle 39, Apartado 1572, Panama 1, Republic of Panama ("Lessee").

RECITALS:

A. Lessor and Lessee have previously entered into that certain Aircraft Lease Agreement dated as of December 23, 2004 (the "Agreement"). The Agreement provides for the execution and delivery from time to time of a Lease Supplement substantially in the form hereof for the purpose of leasing the aircraft described below under the Agreement as and when delivered by Lessor to Lessee in accordance with the terms thereof.

B. The Agreement and this Lease Supplement No. 1 relate to the Aircraft, Engines and Parts as more precisely described below. A counterpart of the Agreement is attached hereto and this Lease Supplement and the Agreement shall form one document.

In consideration of the premises and other good and valuable consideration, receipt of which is hereby acknowledged, Lessor and Lessee hereby agree as follows:

1. Lessor hereby delivers and leases to Lessee under the Agreement, and Lessee hereby accepts, acknowledges receipt of possession and leases from Lessor under the Agreement, that certain A[] aircraft bearing manufacturer's serial number [] and U.S. Registration No. [] and the two [] engines bearing manufacturer's serial numbers [] and [] (each of which engines has 750 or more rated takeoff horsepower or the equivalent of such horsepower) described below, together with the Aircraft Documents described in the Agreement (collectively, the "Delivered Aircraft").

2. The Delivery Date of the Delivered Aircraft is the date of this Lease Supplement No. 1 set forth in the opening paragraph hereof.

3. The Term of the Delivered Aircraft shall commence on the Delivery Date and shall end on but exclude each Annual Expiry Date, subject to automatic renewal at the end of the current Lease Term for consecutive periods of one (1) year's duration, each commencing on the Annual Expiry Date and ending on but excluding the next succeeding Annual Expiry Date, until the Final Expiry Date, which shall be [insert date], subject to the provisions of Clauses 11 and 13.2 of the Lease Agreement.

4. The amount of Rent for the Delivered Aircraft is set forth in Schedule 7 to the Agreement.

5. Lessee hereby confirms to Lessor that (i) the Delivered Aircraft and each delivered Engine have been duly marked in accordance with the terms of Clause 8.7(d) of the Agreement, (ii) the Aircraft is insured as required by the Agreement, (iii) the representations and warranties of Lessee referred to in Clause 2.1 of the Agreement are hereby repeated with effect as of the date first above written, (iv) having inspected the Delivered Aircraft, Lessee acknowledges that the Delivered Aircraft satisfies all conditions required for Lessee's acceptance of Delivery as set forth in the Agreement, and (v) the execution and delivery of this Lease Supplement No. 1 signifies absolute, unconditional and irrevocable acceptance by Lessee of the Delivered Aircraft for all purposes of the Agreement.

6. All of the terms and provisions of the Agreement are hereby incorporated by reference in this Lease Supplement No. 1 to the same extent as if fully set forth herein.

7. This Lease Supplement may be executed in any number of counterparts; each of such counterparts, shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Lease Supplement No. 1 to be duly executed as of the day and year first above written.

LESSOR:

Wells Fargo Bank Northwest, N.A.,
not in its individual capacity,
but solely as trustee under
the Trust Agreement

By: _____

Name: _____

Title: _____

LESSEE:

COMPANIA PANAMENA DE AVIACION,
S.A.

By: _____

Name: _____

Title: _____

SCHEDULE 9

FORM OF IRREVOCABLE POWER OF ATTORNEY

The undersigned acting on behalf of Compania Panamena de Aviacion, S.A. (the "Lessee") hereby grants a power in favor of Wells Fargo Bank Northwest, N.A., not in its individual capacity, but solely as trustee under the Trust Agreement (the "Lessor"), in order that through their attorneys and legal representatives they may, in relation to the Boeing model B[] aircraft MSN [] leased by Lessor to Lessee, carry out the following powers:

- (A) To carry out, after the occurrence and during the continuance of an Event of Default as defined in the Lease, such acts as Lessor may be obliged to carry out as a result of termination of the above-mentioned contract for any of the reasons set out therein in order for Lessor to recover possession, control and use of the aircraft in question, carrying out and continuing such procedures as may be necessary before the authorities and courts of the Republic of Panama in order to export such aircraft.
- (B) To carry out, after the occurrence and during the continuance of an Event of Default as defined in the Lease, such acts as may be necessary in relation to the use, operation and possession (including but without limitation the possession and Export) in relation to the return of one Boeing model B[] aircraft with manufacturer's serial number [], together with engines, equipment, records and other documents relating to such aircraft and to it leaving the jurisdiction and territory in which the aircraft is then situated, upon termination of the Aircraft Lease Agreement (herein the "Lease") of the Aircraft between Lessor and Lessee, whether (a) by reason of any breach which may be declared by Lessor in accordance with the terms of the contract in the manner required thereby or (b) termination of the Lease in accordance with the terms and conditions of the Lease.
- (C) To grant power to such Lessor and to such Persons in order to carry out such acts and take such measures as may be necessary or appropriate in order to properly exercise the powers conferred above including power to represent Lessee before the Autoridad Aeronautica Civil in The Republic of Panama or any entity or agency thereof or any department of the government of The Republic of Panama and in the extent to which it is necessary to obtain control of the Aircraft, after the occurrence and during the continuance of an Event of Default as defined in the Lease, in any department or government agency in The Republic of Panama or any other country which may have jurisdiction over the Aircraft.
- (E) After the occurrence and during the continuance of an Event of Default as defined in the Lease, to carry out such declarations and matters and grant such public or private documents as may be necessary in the proper exercise of the powers conferred in the above paragraphs.
- (F) To delegate or substitute in favor of one or several people in whole or in part the powers conferred in this power.

This power is granted to Lessor and its attorneys and legal representatives and shall not be revoked, modified or limited in any manner without its consent.

COMPANIA PANAMENA DE AVIACION, S.A.

By: _____
Name:
Title:

SCHEDULE 10

FORM OF COPA HOLDINGS, S.A. GUARANTEE

THIS GUARANTY is given as of the ___ day of December, 2004 by COPA HOLDINGS, S.A., a company formed under the laws of the Republic of Panama and having its principal place of business at Avenida Justo Arosemena y Calle 39, Apartado 1572, Panama 1, Republic of Panama (the "Guarantor") in favor of WELLS FARGO BANK NORTHWEST, N.A., not in its individual capacity, but solely as trustee under the Trust Agreement dated as of December ___, 2004, as Lessor (the "Lessor") for the benefit of Lessor and Beneficiary, (collectively, the "Guaranty Beneficiaries" and individually, a "Guaranty Beneficiary").

WHEREAS

(A) Compania Panamena de Aviacion, S.A. (the "Lessee") has leased from Lessor and Lessor has leased to Lessee a Boeing B737-800 aircraft bearing manufacturer's serial number 29670 (collectively together with all Parts, the "Aircraft") pursuant to that certain Aircraft Lease Agreement dated as of December ___, 2004 between the Lessee and Lessor (the "Lease").

(B) The Guaranty Beneficiaries desire support for the due and punctual payment, observance and performance of all of the obligations and liabilities of Lessee under or in respect of the Lease and the other Transaction Documents (together with the Lease, as amended, supplemented or modified from time to time, the "Operative Documents") to which Lessee is a party (the "Obligations"); and

(C) It is a condition precedent to the Lessor's obligation to lease the Aircraft to Lessee and the right of the Lessee to lease the Aircraft from the Lessor that Lessee cause the Guarantor to execute and deliver this Guaranty.

IT IS AGREED

1. INTERPRETATION

1.1 Definitions: Capitalized terms (including those within the recitals), not defined herein shall have the meaning ascribed to them in the Lease.

2. GUARANTY

For value received and to induce the Guaranty Beneficiaries to enter into the Operative Documents, Guarantor, as a primary obligor and not as a surety, does hereby absolutely, unconditionally and irrevocably guarantee to the Guaranty Beneficiaries the due and punctual payment, observance and performance by Lessee of all of the Obligations.

Accordingly, upon the occurrence and during the continuance of an Event of Default under the Lease, Guarantor shall forthwith without demand of any kind pay, and perform all of such Obligations, to and for the benefit of the Guaranty Beneficiaries, strictly in accordance with

the terms of the Operative Documents. Guarantor further agrees to pay any and all reasonable out-of-pocket costs and expenses (including reasonable fees and disbursements of legal counsel) that may be paid or incurred by any Guaranty Beneficiary in collecting any Obligations or in preserving or enforcing any rights under this Guaranty or under the Obligations.

3. ABSOLUTE AND CONTINUING GUARANTY

The obligations of Guarantor under this Guaranty shall be absolute, continuing, unconditional and irrevocable and this Guaranty shall remain in full force and effect until such time as all of the Obligations are finally paid and performed in full. The obligations of Guarantor set forth herein constitute the full recourse obligations of Guarantor enforceable against it to the full extent of all its assets and properties, notwithstanding any provision in the Lease or any other Operative Documents limiting the liability of any Guaranty Beneficiary or any other Person.

4. STRICT OBSERVANCE

To the maximum extent permitted by applicable law, the obligations of Guarantor under this Guaranty shall not in any manner be affected by: (a) any termination, amendment or modification of, or deletion from, or addition or supplement to, or other change in the Lease or any other any of the Operative Documents, or any other instrument or agreement applicable to any of the parties to such agreements, or to the Aircraft or any part thereof, or any assignment, mortgage or permitted transfer of any thereof, or of any interest therein, or any leasing of the Aircraft, or any furnishing or acceptance of any security, or any release of any security, for the Obligations, or the failure of any security or the failure of any Person to perfect any interest in any collateral security; (b) any failure, omission or delay on the part of Lessee or any other Person to conform or comply with any term of any Operative Document; (c) any exercise or nonexercise of any right, remedy, power or privilege under or in respect of any Operative Document; (d) any extension of time or payment of or settlement, compromise or subordination of, Rent or any other Obligation; (e) the exchange, surrender, substitution or modification of any collateral security or guarantee for any of the Obligations; (f) any failure, omission or delay on the part of any of the Guaranty Beneficiaries to enforce, assert or exercise any right, power or remedy conferred on it in this Guaranty, or any such failure, omission or delay on the part of any of the Guaranty Beneficiaries in connection with any Operative Document, or any other action on the part of the Guaranty Beneficiaries; (g) any voluntary or involuntary bankruptcy, insolvency, reorganization, arrangement, readjustment, assignment for the benefit of creditors, composition, receivership, conservatorship, custodianship, liquidation, marshalling of assets and liabilities or similar proceedings with respect to Lessee, Guarantor, any other Person, or any of their respective properties or creditors, or any action taken by any trustee or receiver or by any court in any such proceeding; (h) any invalidity, illegality or unenforceability, in whole or in part, of any of the Operative Documents; (i) any defect in the title, compliance with specifications, 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 the use of the Aircraft or any portion thereof by Lessee or any other Person for any reason whatsoever (including any governmental prohibition or restriction, condemnation, requisition, seizure or any other act on the part of any governmental or military authority, or any act of God or of the public enemy) regardless of the duration thereof (even though such duration would otherwise constitute a

frustration of contract or an Event of Loss), whether or not resulting from accident and whether or not without fault on the part of Lessee or any other Person; (j) any permitted or non-permitted assignment of the Lease by Lessee or any merger or consolidation of Lessee or Guarantor or any Affiliate into or with any other corporation, or any sale, lease or transfer of any of the assets of Lessee or Guarantor or any Affiliate to any other Person; (k) any change in the ownership of any shares of capital stock of Lessee or any Affiliate, or any change in the corporate relationship between Lessee or any Affiliate and Guarantor, or any termination of such relationship; (l) any release or discharge, by operation of law, of Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty, or any release, discharge or cancellation of the Obligations, other than payment or performance in full of the Obligations; (m) the imposition or operation of any currency exchange controls in any country; (n) the effect of any foreign or domestic laws, rules, regulations or actions of a court or governmental body or entity; or (o) any other condition, event or circumstance which might otherwise constitute a legal or equitable discharge, release or defense of a surety or guarantor or otherwise, or which might otherwise limit recourse against Guarantor, it being agreed that the obligations of Guarantor hereunder shall not be discharged except by payment and performance in of the Obligations. No failure to make demand or delay in making demand on Guarantor for satisfaction of the obligations of Guarantor hereunder shall prejudice the right of the Guaranty Beneficiaries to enforce the obligations of Guarantor hereunder.

5. WAIVERS OF NOTICE, ETC.

To the maximum extent permitted by applicable law, Guarantor hereby waives diligence, presentment, demand, protest or notice of any kind whatsoever with respect to this Guaranty or the Obligations, including: (a) notice of acceptance of this Guaranty, notice of nonpayment or nonperformance of any of the Obligations and (b) all notices required by statute, rule of law or otherwise now or hereafter in effect to preserve any rights against Guarantor; and (w) any right to the enforcement, assertion or exercise against Lessee or any other Person or the Aircraft or any other collateral security for the Obligations of any right, power, privilege or remedy conferred in any Agreement or otherwise, (x) any requirement to exhaust any remedies, (y) any requirement of promptness in commencing suit against any Person who may be or become liable thereon, and (z) any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge, release or defense of Guarantor or any surety or which might otherwise limit recourse against Guarantor other than payment and performance in full of the Obligations.

6. EXTENSIONS, ETC.

Guarantor consents and agrees that the Guaranty Beneficiaries, or any of them, may in their sole discretion, to the extent otherwise permitted by the Operative Documents and to the maximum extent permitted by applicable Law, at any time or from time to time, (i) extend or shorten the Term of the Lease and/or renew, extend, or increase or decrease or otherwise change or modify the amount, time, manner, place or terms of payment, performance or observance of any or all of the Obligations, (ii) apply payments by Lessee or Guarantor to any Obligations, (iii) exchange, release or surrender any security or property which may at any time be held by it, (iv) release any surety or guarantor for or of any of the Obligations, (v) settle or compromise any or all of the Obligations with Lessee or any other Person liable thereon or (vi) subordinate the payment, performance or observance of all or any part thereof to the payment, performance or

observance of any other debts or obligations which may be due or owing to them or any other Person, all in such manner and upon such terms as the Guaranty Beneficiaries, or any of them, may deem proper (but in any case, in conformity with the provisions of the Operative Documents), without further assent from Guarantor, who agrees to remain bound under this Guaranty notwithstanding any such extension, change, modification, amendment, release, surrender, settlement, compromise or subordination.

7. NO WAIVER

No failure on the part of any of the Guaranty Beneficiaries to exercise, and no delay in exercising, any right or power under this Guaranty shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power, or of any remedy, of any Guaranty Beneficiary under this Guaranty, the Operative Documents or applicable law.

8. GUARANTY OF PERFORMANCE

This Guaranty is a guaranty of payment and performance and not of collection and Guarantor waives any right to require that any action against Lessee or any Affiliate be taken or exhausted prior to action being taken against Guarantor. Guarantor shall pay to each Guaranty Beneficiary on demand all reasonable attorneys' fees and other reasonable expenses incurred by such Guaranty Beneficiary in exercising its rights and remedies provided hereunder, together with interest on such sums as the Interest Rate, from the date of demand by Lessor.

9. REPRESENTATIONS AND WARRANTIES

The Guarantor acknowledges that the Guaranty Beneficiaries have entered into the Lease and the other Operative Documents to which they are, respectively, parties on the basis of, and in reliance on, representations in the following terms and the Guarantor represents and warrants as follows:

- (a) STATUS: the Guarantor is duly incorporated with limited liability and validly existing under the laws of the Republic of Panama;
- (b) POWERS AND AUTHORIZATIONS: the documents which contain or establish the Guarantor's constitution and the laws of the Republic of Panama include provisions which give power, and all necessary corporate authority has been obtained and action taken, for the Guarantor to own its assets, carry on its business and operations as they are now being conducted, and sign and deliver, and perform the transactions contemplated in this Guaranty, and this Guaranty constitutes the valid and binding obligation of the Guarantor enforceable in accordance with its terms;
- (c) NON-VIOLATION: neither the signing and delivery of this Guaranty nor the performance of any of the transactions contemplated herein or therein does or will contravene or constitute a default under, or cause to be exceeded any limitation on it or the powers of its directors imposed by or contained in: (i) any law by which it or any of its assets is bound or affected; (ii) any document which contains or

establishes its constitution; or (iii) any agreement to which it is a party or by which any of its assets is bound;

- (d) CONSENTS: no authorization, approval, consent, license, exemption, registration, recording, filing or notarization and no payment of any duty or tax and no other action whatsoever which has not been duly and unconditionally obtained, made or taken is necessary or desirable to ensure the validity, enforceability or priority of the liabilities and obligations of the Guarantor or the rights of the Lessor under this Guaranty;
- (e) NO DEFAULT: no event has occurred which constitutes, or which with the giving of notice and/or the lapse of time and/or a relevant determination would constitute, a contravention of, or default under, any agreement or instrument by which the Guarantor or any of its assets is bound or affected being a contravention or default which might either have a material adverse effect on the business, assets or condition of the Guarantor or materially and adversely affect its ability to observe or perform its obligations under this Guaranty;
- (f) LITIGATION: no litigation, arbitration or administrative proceeding or claim which might by itself or together with any other such proceedings or claims either have a material adverse effect on its business, assets or condition or materially and adversely affect its ability to observe or perform its obligations under this Guaranty, is presently in progress or pending or, to the knowledge of the Guarantor, threatened against the Guarantor or any of its assets;
- (g) INFORMATION: the information furnished by the Guarantor in connection with this Guaranty does not contain any untrue statement or omit to state any fact the omission of which makes the statements therein, in the light of the circumstances under which they were made, misleading, and all expressions of expectation, intention, belief and opinion contained therein were made on reasonable grounds after due inquiry by the Guarantor;
- (h) RANKING: the obligations of the Guarantor under this Guaranty rank, or will upon execution thereof by the Guarantor rank, at least pari passu in point of priority and security with all other present and future unsecured and unsubordinated obligations (including contingent obligations) of the Guarantor other than such obligations which may be mandatorily preferred by law;
- (i) NO EVENT OF DEFAULT: to Guarantor's knowledge, no Event of Default has occurred and is continuing;
- (j) NO SECURITY: the Guarantor has not taken or accepted any Security Interest from the Lessee or, in relation to the Obligations, from any third party.
- (k) INVESTMENT COMPANY: Guarantors is not an "investment company" as defined in the investment Company Act of 1940, as amended.

- (1) SUBMISSION TO JURISDICTION: Guarantor has validly submitted to the jurisdiction of the Supreme Court of the State of New York in the County of New York, State of New York and the United States District Court for the Southern District of New York.

10. UNDERTAKINGS

The Guarantor undertakes with the Lessor, from the date of this Guaranty until the Obligations have been unconditionally and irrevocably paid and discharged in full, the satisfaction of which shall be confirmed in writing by the Lessor, as follows:

- (a) INFORMATION: it will deliver to the Lessor such additional financial information as the Lessor may from time to time (but, absent an Event of Default, not more frequently than once per calendar year) reasonably request;
- (b) CONSENTS: the Guarantor will obtain and promptly renew from time to time, and will promptly deliver to the Lessor certified copies of, any authorization, approval, consent, license, exemption, registration, recording, filing or notarization as may be necessary or desirable to ensure the validity, enforceability or priority of the liabilities and obligations of the Guarantor or the rights of the Lessor under this Guaranty and the Guarantor shall comply with the terms of the same;
- (c) NO SECURITY: the Guarantor shall not take or accept any security interest from the Lessee or from any third party with respect to the Obligations, without first obtaining the Lessor's written consent which consent shall not be unreasonably withheld;
- (d) NATURE OF OBLIGATION: Guarantor's obligation to make all payments due hereunder and to perform its other obligations hereunder shall be absolute and unconditional and shall in no event be subject to any right of setoff, recoupment, deduction or counterclaim or any other defense which Guarantor or any other Person may now or hereafter have against any Guaranty Beneficiary or any other Person, which Guarantor hereby waives to the full extent permitted by law, save for payment and performance in full of the Obligations.
- (e) LESSOR: Lessor (or any of its Affiliates) may set off any Obligation of Guarantor hereunder against any obligation owed by Lessor or any of its Affiliates to Lessee or Guarantor or any of their Affiliates, and, in the case of Lessor, to the extent permitted by Law, shall notify Guarantor promptly after any such set-off provided that the failure to give such notice shall not impair any rights or remedies of the Guaranty Beneficiaries hereunder.
- (f) SUBROGATION: Guarantor shall become entitled to subrogation rights by reason of performance of any of its obligations hereunder, provided, that such rights are and shall be subject and subordinate to the rights of the Guaranty Beneficiaries against Lessee under the Lease in the event of any insolvency, bankruptcy, liquidation, reorganization or other similar proceedings related to Lessee, or in the event of

any proceedings for voluntary liquidation, dissolution or other winding up of Lessee, whether or not involving insolvency or bankruptcy proceedings, such that the Obligations shall be finally paid and performed in full before any payment in respect of a subrogation claim by Guarantor shall be made by or on behalf of Lessee and (b) notwithstanding the foregoing provisions or any other provision of this Guaranty or the Lease, if an Event of Default is in existence, Guarantor hereby irrevocably waives and relinquishes any and all rights of subrogation, contribution, reimbursement or other payment from Lessee or Lessee's estate, whether arising by contract or operation of law (including any such right arising under the United States Bankruptcy Code) or otherwise arising out of, or on account of, any sums which have been claimed or are thereafter claimable against Guarantor under this Guaranty, which waiver shall be in effect unless and until all of the Obligations shall have been finally paid and performed in full. The waiver and relinquishment of rights provided for in the immediately preceding sentence shall be irrevocable and unconditional regardless of whether any such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

- (g) BANKRUPTCY, ETC.: Guarantor agrees that if at any time all or any part of any payment or performance theretofore applied by any Guaranty Beneficiary to any of the Obligations is or must be rescinded or returned by any Guaranty Beneficiary for any reason whatsoever (including the insolvency, bankruptcy or reorganization of Lessee), such Obligations shall, for the purposes of this Guaranty, to the extent that such payment or performance is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by the Guaranty Beneficiaries, and this Guaranty shall continue to be effective or be reinstated, as the case may be, as to such Obligations, all as though such application by a Guaranty Beneficiary had not been made. If an Event of Default shall at any time have occurred and be continuing, or the exercise of any remedy pursuant to the Lease, shall at such time be prevented by reason of the pendency against Lessee or any other Person of a case or proceeding under a bankruptcy, insolvency or similar law, or if the Lease or any other Operative Document shall be terminated as a result of a rejection or disaffirmance in a bankruptcy, insolvency or similar proceeding involving Lessee, Guarantor or any affiliate of Lessee or Guarantor, Guarantor agrees that, for purposes of this Guaranty and its obligations hereunder, the Lease or such other operative Documents shall be deemed to be in default with the same effect as if the Lease or such other Operative Documents had been enforceable in accordance with the terms thereof, and Guarantor shall forthwith pay all amounts, or any of them, to be paid thereunder, any interest thereon and any other amounts guaranteed hereunder or provided herein. In the circumstance described in the preceding sentence, any election of remedies and any determination of any such amount may be made solely for purposes of this Guaranty and any required notice or demand upon the Lessee is hereby waived by the Guarantor and may, at the option of a Guaranty Beneficiary, be given or made upon the Guarantor. Guarantor agrees that it shall be liable for the full amount of the Obligations guaranteed hereby, irrespective of and without regard to, any modification,

limitation or discharge of liability, rejection or disaffirmance that may result from or in connection with any bankruptcy, insolvency or similar proceeding involving Lessee or any other Person.

11. CERTIFICATES

A certificate of the Lessor issued at any time setting forth the amount of any Obligations not then paid by the Lessee shall be conclusive evidence of such amount against the Guarantor in the absence of any manifest error.

12. MISCELLANEOUS PROVISIONS

12.1 Any communication or document to be made by one person to another pursuant to this Guaranty shall be made in writing and shall be delivered personally, or by courier (where the courier company is a reputable international or local company) or by facsimile communication (unless that other person has, by fifteen (15) days' written notice to the Lessor, specified another office address and/or facsimile number) to that other person at the office address or facsimile number set out below, and shall be deemed to have been made or delivered:

- (a) in the case of any communication made by facsimile, when transmission of such facsimile communication has been completed and such transmission has been separately acknowledged by such other person in a manner provided for herein; or
- (b) in the case of any communication made by courier, on the date of delivery as evidenced by the records of the courier company,

Provided that (i) any communication or document to be made or delivered to the Lessor or any Guaranty Beneficiary shall be effective only when received by the Lessor, and then only if the same is expressly marked for the attention of the department or officer identified below (or such other department or officer as the Lessor shall from time to time specify for this purpose) and (ii) any notice received after close of business on any day shall not be deemed to have been received until commencement of business on the immediately succeeding Business Day.

To the Guarantor:

Address: COMPANIA PANAMENA DE AVIACION, S.A.
Avenida Justo Arosemena y Calle 39
Apartado 1572
Panama 1, Republic of Panama
Facsimile: 011.507.227.2522
Attention: Vice President - Finance

With a copy to:

Address: Greenberg Traurig, P.A.
1221 Brickell Ave
Miami, Florida 33131
Facsimile: (305) 579 0717
Attention: Jeffrey Tenen

To the Lessor or any Guaranty Beneficiary:

Address: WELLS FARGO BANK NORTHWEST, N.A.,
as trustee and Lessor
299 South Main Street
Salt Lake City, UT 84111
Facsimile: 801-246-5053
Attention: Corporate Trust Department

With a copy to:

Address: RBS AEROSPACE LIMITED
1 George's Quay Plaza
George's Quay
Dublin 2
Ireland
Facsimile: 353-1-448-3390
Attention: Head of Transaction Execution and Management

12.2 Any payment to the Lessor to be made hereunder shall be made:

- (a) to the Lessor for the account of the Lessor or to such other bank or account as the Lessor may notify the Guarantor at the time of making a demand under this Guaranty; and
- (b) in full without set off or counterclaim and free and clear of and without any deduction for, on or on account of any present or future taxes, levies, imposts, duties or other charges whatsoever unless the Guarantor is compelled by law to make any such deduction. If the Guarantor is compelled by law to make any such deduction from any payment to the Lessor, then the Guarantor will pay to the Lessor such additional amount as will result in the receipt by the Lessor of the full amount stated in any demand made by the Lessor under this Guaranty.

12.3 If the Guarantor fails to pay any amount to the Lessor upon receipt of written demand in accordance with this Guaranty, the Guarantor shall pay interest in U.S. dollars on that amount from the time of default up to the time of actual payment (as well after as before judgment) at the Interest Rate.

12.4 If, under any law, whether as a result of a judgment against the Guarantor or the liquidation of the Guarantor or for any other reason, any payment under or in connection with this Guaranty is made or is recovered in a currency (the "Other Currency") other than that in which it is required to be paid hereunder (the "Original Currency") then, to the extent that the payment to the Lessor (when converted at the rate of exchange on the date of payment or, in the case of a liquidation, the latest date for the determination of liabilities permitted by the applicable law) falls short of the amount unpaid under this Guaranty, the Guarantor shall, as a separate and independent obligation, fully indemnify the Lessor against the amount of the shortfall; and for the purposes of this sub-clause, "rate of exchange" means the rate at which the Lessor is able on the relevant date to purchase the original currency in New York with the other currency.

12.5 Any determination and demand in respect of any amount at any time due and owing by the Guarantor to the Lessor pursuant to this Guaranty shall be made on the same basis as is applicable to a demand or determination made by the Lessor under the Lease.

12.6 If, in respect of any particular amount due and owing to the Lessor under the Lease, a payment is made by the Guarantor under this Guaranty and that amount is also paid under the Lease, the Lessor agrees, subject to applicable law and provided that no Default or Event of Default has occurred and is continuing (and to the extent it determines it can do so without prejudice to the retention of the payment made under the Lease under applicable bankruptcy or any other laws affecting creditors rights in general), to reimburse the Guarantor for the amount paid hereunder which corresponds to that particular amount.

12.7 If any provision of this Guaranty becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

13. CHOICE OF LAW

This Guaranty is governed by, and shall be construed in accordance with, the laws of the State of New York including Title 14 Sections 5-1401 and 5-1402 of the General Obligations Law of the State of New York.

14. JURISDICTION AND WAIVER

14.1 (a) The parties agree that the Supreme Court of the State of New York sitting in New York County and the United States District Court for the Southern District of New York shall have non-exclusive jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Guaranty (including, without limitation, claims for set-off or counterclaim) or otherwise arising in connection with this Guaranty;

- (b) the Lessor or any Guaranty Beneficiary may in its absolute discretion take proceedings in the courts of any other country which may have jurisdiction, to whose jurisdiction the Guarantor irrevocably submits;
- (c) the Guarantor irrevocably waives any objections on the ground of venue or forum non conveniens or any similar grounds;

(d) the Guarantor irrevocably consents to service of process by mail or in any other manner permitted by the relevant law.

14.2 The Guarantor irrevocably waives and agrees not to claim any immunity from suits and proceedings (including actions in rem) and from all forms of execution or attachment (including attachment prior to judgment and attachment in aid of execution) to which it or its property is now or may hereafter become entitled under the laws of any jurisdiction and declares that such waiver shall be effective to the fullest extent permitted by such laws.

14.3 The Guarantor shall at all times maintain an agent for service of process in New York. Such agent shall be Corporation Service Company (CSC) with its offices at 1133 Avenue of the Americas, Suite 3100, New York, NY 10036, and any writ, judgment or other notice of legal process shall be sufficiently served on the Guarantor if delivered to such agent at its address for the time being. The Guarantor undertakes not to revoke the authority of the above agent and if, for any reason, any such agent no longer serves as agent of the Guarantor to receive service of process, the Guarantor shall promptly appoint another such agent and advise the Lessor thereof.

14.4 This Guaranty shall be binding upon the successors and assigns of Guarantor and shall inure to the benefit of the Guaranty Beneficiary, and its permitted successors and assigns.

[Continued on next page]

This Guaranty has been duly executed on the date first above written.

COPA HOLDINGS, S.A.

By: _____
Name: _____
Title: _____

AGREED AND ACCEPTED:

WELLS FARGO BANK NORTHWEST, N.A.,
not in its individual capacity but solely as trustee, Lessor

By: _____
Name: _____
Title: _____
Date: _____

RBS AEROSPACE LIMITED

By: _____
Name: _____
Title: _____
Date: _____

SCHEDULE 11

AIRWORTHINESS DIRECTIVE COST SHARING FORMULA

If the cost to the Lessee of effecting any Airworthiness Directive (not to include a Mandatory Order) issued by the FAA (whether or not also issued by the JAA) after the Delivery Date exceeds US\$200,000 (2003), Lessor shall, upon presentation to Lessor by Lessee of substantiating documentation and so long as no Default or Event of Default has occurred and is continuing, reimburse Lessee within 30 days for such Aircraft for a portion of such cost, such reimbursement to be calculated as follows:

$$R = \frac{(60 - M) \times (C - \text{US\$200,000 (2003)*})}{60}$$

where

"R" means the portion of the cost of compliance to be reimbursed to Lessee.

"M" means the number of months (including parts thereof) between (1) the earlier of (a) the date of completion of such modification and (b) the originally required date thereof and (2) the end of the Lease Term. Where the original required date thereof is after the end of the Lease Term for such Aircraft, M shall equal 0.

"C" means the cost of completing such modification at an Approved Maintenance Provider's normal commercial labour charge rates plus reasonable cost of materials, subtracting any subsidy, warranty payment or other benefit provided to Lessee and excluding any loss or expenses incurred because of inability to operate such Aircraft.

Should an Event of Default have occurred and be at any relevant time continuing, Lessor shall retain such amount until such Event of Default or Default shall have been cured whereupon it shall pay to Lessee any such amount less any portion thereof as was applied by Lessor to cure such Default or Event of Default.

- - - - -
* escalated at 3% commencing on January 1, 2005 and each annual anniversary date thereafter.

SCHEDULE 12

FORM OF WARRANTY ASSIGNMENT

_____, 200_

The Boeing Company
P.O. Box 3707
Seattle, Washington 98124-2207

Attention: Vice President - Contracts
Mail Code 21-34

Ladies and Gentlemen:

In connection with: (i) the sale by Delta Air Lines Inc. ("SELLER") to Wells Fargo Bank Northwest, N.A., not in its individual capacity but solely as trustee ("OWNER TRUSTEE") under the Trust Agreement dated as of December 23, 2004 between RBS Aerospace Limited ("RBS") and Wells Fargo Bank Northwest N.A., as trustee ("BUYER") of the aircraft identified below, and (ii) the lease by Buyer of such aircraft to Compania Panamena de Aviacion, S.A. ("LESSEE"); reference is made to:

A. Purchase Agreement No. 2022 (the "PURCHASE AGREEMENT") and the Aircraft General Terms Agreement AGTA-DAL (the "AGTA"), each dated as of October 21, 1997, between The Boeing Company ("BOEING") and Seller, excluding, as it relates to the Purchase Agreement, all Articles, Tables, Exhibit A and Supplemental Exhibits BFE/CDSPE/SPE/CSE, CS1, EE1, EWCBP1 and all Letter Agreements and, as it relates to the AGTA, Articles 2 through 10, 13, 16.7, Exhibits A through E and Appendices 8 and 9, but including Attachments 1, 2, 3 and 7 to Letter Agreement No. 6-1162-RLL-3692 to the Purchase Agreement (titled "Lombard Aviation Capital Matters") (the "AGREEMENT") under which Seller purchased certain Boeing Model 737 aircraft, including the aircraft bearing Manufacturer's Serial No. _____ (the "AIRCRAFT").

B. Aircraft Sale and Purchase Agreement dated as of October 1, 2003 between Seller and RBS (the "ASPA"); and

C. Aircraft Lease Agreement (the "Lease") dated as of _____, as supplemented, between Buyer and Lessee.

Capitalized terms used herein without definition will have the same meaning as in the Agreement.

Seller has sold the Aircraft to Buyer under the ASPA. To accomplish: (i) a transfer of certain rights from Seller to Buyer in respect of the Aircraft under the Agreement, all as authorized by the provisions thereof, the parties hereto agree as follows:

1. Seller hereby assigns to Buyer all of the rights of "Customer" in respect of the Aircraft under the provisions of the Agreement set forth in the attached Schedule I (collectively, the "SUBJECT RIGHTS").

2. Buyer acknowledges that it has reviewed and, in connection with any exercise of the Subject Rights, agrees to be bound by and comply with, all of the provisions of the Agreement set forth in Schedule I as well as the provisions of the Agreement set forth in Schedule II, including, without limitation, the DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES in Article 12 of Part 2 of Exhibit C to the AGTA and the insurance provisions in Article 11 of the AGTA (collectively, the "DISCLOSED PROVISIONS").

3. Pursuant to the provisions of the Lease Buyer authorizes Lessee to exercise, to the exclusion of Buyer, all rights and powers of Buyer with respect to the Subject Rights in respect of the Aircraft. This authorization will continue until Boeing receives written notice from Buyer to the contrary, addressed to Vice President - Contracts, Mail Code 21-34, Boeing Commercial Airplanes, P. O. Box 3707, Seattle, Washington, 98124-2207. Until Boeing receives such notice, Boeing is entitled to deal exclusively with Lessee as "Customer" with respect to the Aircraft under the Agreement. With respect to the rights, powers, duties and obligations of "Customer" under the Agreement, all actions taken by Lessee or agreements entered into by Lessee during the period prior to Boeing's receipt of such notice is final and binding on Buyer. Further, any payments made by Boeing as a result of claims made by Lessee prior to receipt of such notice are to be made to the credit of Lessee.

4. Lessee accepts the authorization set forth in paragraph 3 above, acknowledges that it has reviewed, and agrees to be bound by and to comply with, all of the Disclosed Provisions, including those relating to any exclusion or limitation of liabilities or warranties.

5. RBS and Seller will remain responsible for any payments due Boeing as a result of obligations relating to the Aircraft incurred by Seller or Buyer, as the case may be, to Boeing prior to the effective date hereof.

6. Each of Seller, Buyer and Lessee further agrees, upon the written request of Boeing, promptly to execute and deliver such further assurances and documents and take such further action as Boeing reasonably requests in order to obtain the full benefits of such party's agreements herein.

7. It is expressly agreed and understood that all representations, warranties and undertakings of Buyer hereunder shall be binding upon Buyer only in its capacity as trustee under the Trust Agreement, and neither the institution acting as Buyer nor RBS shall be liable in its individual capacity for any breach thereof except in the case of the institution acting as Buyer for breach of its own covenants, representations and warranties contained herein, to the extent covenanted or made in its individual capacity.

We request that Boeing acknowledge receipt hereof and confirm the transfer of rights set forth above by signing the acknowledgment and forwarding one copy hereof containing its acknowledgment to each of the undersigned.

Very truly yours,

DELTA AIR LINES, INC. (Seller)

RBS AEROSPACE LIMITED (Buyer)

By _____

By _____

Its _____

Its _____

Dated _____

Dated _____

WELLS FARGO BANK NORTHWEST,
N.A., not in its individual capacity,
but solely as trustee (Trustee) for the
benefit of RBS Aerospace Limited under
the Trust Agreement dated as of December
23, 2004 between itself and RBS
Aerospace Limited

COMPANIA PANAMENA DE AVIACION,
S.A. (LESSEE)

By _____

By _____

Its _____

Its _____

Dated _____

Dated _____

Receipt of the above letter is acknowledged and transfer of rights under the Purchase Agreement with respect to the Aircraft is confirmed, effective as of this date.

THE BOEING COMPANY

By _____

Its _____

Dated _____

Aircraft Manufacturer's Serial Number _____

CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR
CONFIDENTIAL TREATMENT

Exhibit 10.18

EMBRAER 190LR

PURCHASE AGREEMENT DCT-006/2003

BETWEEN

EMBRAER - EMPRESA BRASILEIRA
DE AERONAUTICA S.A.

AND

REGIONAL AIRCRAFT HOLDINGS LTD.

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ATTACHMENTS

- "A" - AIRCRAFT SPECIFIC CONFIGURATION, FINISHING AND REGISTRATION MARKS
- "B" - FERRY EQUIPMENT AND PRODUCT SUPPORT PACKAGE
- "C" - WARRANTY CERTIFICATE - MATERIAL AND WORKMANSHIP
- "D" - PRICE ESCALATION FORMULA
- "E" - **Material Redacted**
- "F" - **Material Redacted**
- "G" - **Material Redacted**
- "H" - PERFORMANCE GUARANTEE

THIS AGREEMENT IS ENTERED INTO THIS ____ DAY OF MAY, 2003, BY AND BETWEEN EMBRAER - EMPRESA BRASILEIRA DE AERONAUTICA S.A. AND REGIONAL AIRCRAFT HOLDINGS LTD., FOR THE PURCHASE AND SALE OF EMBRAER AIRCRAFT.

THE SALE COVERED BY THIS AGREEMENT SHALL BE GOVERNED SOLELY BY THE TERMS AND CONDITIONS HEREIN SET FORTH, AS WELL AS BY THE PROVISIONS SET FORTH IN THE ATTACHMENTS HERETO.

THIS AGREEMENT SHALL NOT BE EFFECTIVE UNLESS AND UNTIL IT IS SIGNED BY AN AUTHORIZED OFFICER OF REGIONAL AIRCRAFT HOLDINGS LTD. AND EXECUTED BY TWO AUTHORIZED OFFICERS OF EMBRAER - EMPRESA BRASILEIRA DE AERONAUTICA S.A.

1. DEFINITIONS

For the purpose of this Agreement, the following definitions are hereby adopted by the Parties and, unless otherwise expressly provided, the singular includes the plural, the masculine includes the feminine and neutral genders:

- 1.1 "Actual Delivery Date" shall mean, with respect to each Aircraft, the date on which Buyer obtains title to that Aircraft in accordance with Article 7.
- 1.2 "AD's" shall mean Airworthiness Directives issued by either the CTA or the Air Authority, in connection with and with respect to the Aircraft.
- 1.3 "Agreement" or "Purchase Agreement" shall mean this Purchase Agreement DCT-006/2003 together with all attachments, supplements and exhibits hereto, all as modified and amended from time to time.
- 1.4 "Air Authority" shall mean the Autoridad de Aviacion Civil ("AAC") of Panama, or a successor to the AAC from time to time charged with the administration of civil aviation in Panama.
- 1.5 "Aircraft Basic Price" shall mean the Aircraft price, as defined in Article 3.1.
- 1.6 "Aircraft Purchase Price" shall mean, in respect of an Aircraft, the Aircraft Basic Price, escalated up to the Contractual Delivery Date of such Aircraft in accordance with and by application of the Escalation Formula.
- 1.7 "Aircraft" shall mean the EMBRAER 190LR aircraft (certification designation ERJ 190-100 LR) (the "EMBRAER 190 Aircraft"), manufactured by Embraer according to the Preliminary Technical Description PTD-190-Rev.3 dated November 2002, (which, although not attached hereto, are incorporated herein by reference) and the Aircraft Specific Configurations, Finishing and Registration Marks described in the Attachment "A", for sale to Buyer pursuant to this Agreement, equipped

with two engines GE CF-34-10E5A1, manufactured by General Electric Company, all cases in the condition and configuration required hereunder, and shall include Firm Aircraft and Option Aircraft unless the context requires otherwise.

- 1.8 "Buyer" shall mean Regional Aircraft Holdings Ltd., a company with its address c/o Galindo, Arias y Lopez, Avenida Federico Boyd Numero 51 Piso 11, Panama, Rep of Panama.
- 1.9 "Business Day(s)" shall mean a day other than a Saturday or Sunday on which banks are open for business in Sao Jose dos Campos, Sao Paulo, Rio de Janeiro, New York and Panama.
- 1.10 "Contractual Delivery Date" shall mean the delivery date referred to in Article 5.
- 1.11 "CTA" shall mean the Aerospace Technical Center of the Brazilian Ministry of Aeronautics.
- 1.12 "Day(s)" shall mean natural calendar day(s).
- 1.13 "Embraer" shall mean Embraer - Empresa Brasileira de Aeronautica S.A., a Brazilian corporation with its principal place of business at Av. Brigadeiro Faria Lima, 2170 - Putim, Sao Jose dos Campos, Sao Paulo, Brazil.
- 1.14 "Escalation Formula" shall mean the escalation formula contained in Attachment "D".
- 1.15 "Firm Aircraft" shall mean the firm order Aircraft referred to in Article 2.1
- 1.16 "Initial Deposit" shall mean the initial non-refundable deposit referred to in Article 4.1.1.
- 1.17 "Major Changes" shall mean the changes to the design or approved specification of the Aircraft, as defined in Article 11.2.2.
- 1.18 "Mandatory Service Bulletins" shall mean the service bulletins applicable to the Aircraft, which are issued by Embraer to implement the AD's referred to under Article 11.4.
- 1.19 "Minor Changes" shall mean the changes to the design of the Aircraft defined as per the terms and conditions of Article 11.2.1.
- 1.20 "Option Aircraft Basic Price" shall mean the unit price of the Option Aircraft, as per the terms and conditions of Article 21.2.
- 1.20 "Option Aircraft Initial Deposit" shall mean the initial deposit referred to under Article 21.1.
- 1.21 "Option Aircraft Purchase Price" shall mean the Option Aircraft Basic Price escalated in accordance with and by application of the Escalation Formulas **Material Redacted** as per the terms and conditions of Article 21.3.

- 1.22 "Option Aircraft" shall be the additional Aircraft that Buyer shall have the option to purchase as per the terms of Article 21.
- 1.23 "Parties" shall mean Embraer and Buyer.
- 1.24 "Product Support Package" shall mean the products and Services to be provided by Embraer as per Article 13.
- 1.25 "Scheduled Inspection Date" shall mean the date on which a certain Aircraft hereunder is available for inspection and acceptance by and subsequent delivery to Buyer, as per the terms and conditions of Article 7.1.
- 1.26 "Services" shall mean the familiarization and on-site support for the Aircraft, part of the Product Support Package, as specified in Attachment "B".
- 1.27 "Technical Publications" shall mean the technical documentation pertaining and related to the Aircraft as listed in Exhibit 1 to Attachment "B".
- 1.28 "USD" or "US\$" shall mean the legal currency of the United States of America.
- 1.29 "Working Day(s)" shall mean a day, other than Saturday, Sunday, or holiday, on which Embraer in Sao Jose dos Campos, SP, Brazil is open for business.

References to Articles or Attachments in the main body of this Purchase Agreement shall be deemed to be references to Articles of or Attachments to this Agreement, respectively, except as the context requires otherwise.

2. SUBJECT

Subject to the terms and conditions of this Agreement:

- 2.1 Embraer shall sell and deliver and Buyer shall purchase and take delivery of ten (10) Firm Aircraft;
- 2.2 Embraer shall provide to Buyer the Services and the Technical Publications; and
- 2.3 Buyer shall have the option to purchase up to twenty (20) Option Aircraft, in accordance with Article 21.

3. PRICE

- 3.1 Buyer agrees to pay Embraer, in United States dollars, the Aircraft Basic Price of USD**Material Redacted** for each EMBRAER 190 Aircraft **Material Redacted**.
- 3.2 The Services and Technical Publications are to be provided **Material Redacted** to Buyer. Additional technical publications as well as other services shall be billed to Buyer in accordance with Embraer's rates prevailing at the time Buyer places a purchase order for such additional technical publications or other services.
- 3.3 The Aircraft Basic Price shall be escalated according to the Escalation Formula.

Such price as escalated shall be the Aircraft Purchase Price and it will be provided to Buyer ****Material Redacted**** months prior to each Aircraft Contractual Delivery Date.

4. PAYMENT

4.1 The prices specified in the previous Article shall be paid by Buyer by wire transfer in immediately available United States dollars funds, to a bank account to be timely informed by Embraer to Buyer, as follows:

4.1.1 The Initial Deposit of ****Material Redacted**** per Aircraft is due and payable ****Material Redacted****.

4.1.2 A ****Material Redacted**** percent (****Material Redacted****%) ****Material Redacted**** progress payment in respect of each Aircraft ****Material Redacted**** is due and payable ****Material Redacted**** prior to the relevant Aircraft Contractual Delivery Date, or upon the execution of this Agreement, whichever occurs later.

4.1.3 A ****Material Redacted**** (****Material Redacted****%) ****Material Redacted**** progress payment in respect of each Aircraft ****Material Redacted**** is due and payable ****Material Redacted**** prior to such relevant Aircraft Contractual Delivery Date, or upon the execution of this Agreement, whichever occurs later.

4.1.4 A ****Material Redacted**** (****Material Redacted****%) ****Material Redacted**** progress payment in respect of each Aircraft ****Material Redacted**** is due and payable ****Material Redacted**** prior to each relevant Aircraft Contractual Delivery Date, or upon the execution of this Agreement, whichever occurs later.

4.1.5 The balance of the Aircraft Purchase Price in respect of an Aircraft, shall become due and payable upon acceptance of such Aircraft by Buyer.

4.2 Late Payments:

In respect of any amounts which are or may become due and payable pursuant to Articles 4.1.1 through and including 4.1.4 which amounts are not paid within ****Material Redacted**** and payable as set forth in Article 4.1, interest shall accrue on the relevant amount at the rate of ****Material Redacted**** per annum (the "Default Rate") following the Due Date and ending on the date the relevant amount is received by EMBRAER In respect of accounts which may become due and payable pursuant to Article 4.1.5, interest shall accrue thereon at the rate set forth herein above. Without prejudice to Embraer's rights set forth in Article 4.3 below, interest accrued will be invoiced by Embraer on a monthly basis, beginning one month after ****Material Redacted****, and payment thereof shall be made by Buyer in accordance with the instructions contained therein.

4.3 Termination for failure to make payments:

Without prejudice to the payment of interest on late payments set forth above, should Buyer fail to make any payment on or before the due date, Embraer shall have the right, at its sole discretion, to either (i) postpone, the relevant Aircraft Contractual Delivery Date; or (ii) terminate this Agreement in relation to the affected Aircraft in accordance with Article 20.3, if such failure shall not have been cured within ****Material Redacted**** Days after the date on which Embraer has issued a

written notice to Buyer of such failure.

4.4 Net payments:

4.4.1 All payments to be made by Buyer under this Agreement shall be made without set-off or withholding whatsoever (except for Embraer Taxes, as defined in Article 17). If Buyer is obliged by law to make any deduction or withholding from any such payment (other than for Embraer Taxes), the amount due from Buyer in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, Embraer receives a net amount equal to the amount Embraer would have received had no such deduction or withholding been required to be made.

4.5 Payment Date

Unless otherwise agreed by the Parties in writing, payment of the amounts referred in Articles 4.1.2, 4.1.3, and 4.1.4 shall be made by Buyer on ****Material Redacted**** Day of the month on which each of such payments is due.

5. DELIVERY

5.1 Aircraft: Subject to payment in accordance with Article 4 and the provisions of Articles 7 and 9, the Aircraft shall be tendered by Embraer to Buyer in the condition required hereunder, by means of a written notice, for inspection, acceptance and subsequent delivery in Fly Away Factory condition (i.e., Ex works (Incoterms 2000), with the Aircraft to be flown away by Buyer), at Sao Jose dos Campos, State of Sao Paulo, Brazil, according to the following schedule:

Aircraft Number	Contractual Delivery Date
1	**Material Redacted**/2006
2	**Material Redacted**
3	**Material Redacted**
4	**Material Redacted**
5	**Material Redacted**
6	**Material Redacted**
7	**Material Redacted**
8	**Material Redacted**
9	**Material Redacted**
10	**Material Redacted**/2008

5.2 ****Material Redacted****

6. CERTIFICATION

6.1 By ****Material Redacted****, the Embraer 190LR model aircraft shall be type certified by the Brazilian Airworthiness Authority (CTA) and type validated by (a) USA FAA in accordance with 14 CFR FAR 25 Amendment 25-84 effective 10 July 1995 and (b) by the Airworthiness Authority of Panama ("AAC"), provided that ****Material Redacted****.

- 6.2 The Aircraft shall be delivered to Buyer in conformity with **Material Redacted** and with the requirements set forth herein. Embraer will provide Buyer with an export certificate of airworthiness issued by CTA, which will certify that, as of the date of its issuance, the Aircraft has been inspected and found to conform in all respects to the CTA / AAC approved Type Design and in a condition **Material Redacted**. The condition of the Aircraft on delivery and the documentation delivered with the Aircraft, including the above mentioned export certificate of airworthiness, shall **Material Redacted**. Subject to the above, it shall be Buyer's responsibility to obtain such certificate of airworthiness for and the registration of the Aircraft, at Buyer's sole expense. **Material Redacted**
7. ACCEPTANCE AND TRANSFER OF OWNERSHIP
- 7.1 Unless Buyer is notified of any delay in delivery in accordance with and in conformity with the terms and conditions of this Agreement, the Aircraft shall be delivered in accordance with all of the provisions and schedules specified in Article 5 and otherwise in such condition as required under this Agreement. Embraer shall give Buyer **Material Redacted** Days advance facsimile notice of the date on which Embraer considers that each Aircraft will be ready for inspection, acceptance and subsequent delivery. Upon successful completion of ground and flight tests performed by Embraer, Buyer will receive a written confirmation of the Scheduled Inspection Date, on which date Buyer shall promptly start inspecting such Aircraft.
- 7.2 Buyer shall have up to **Material Redacted** Days, as necessary, to inspect and conduct an acceptance flight of each Aircraft prior to its delivery. Embraer will provide the fuel and insurance for the Aircraft's acceptance flight in accordance with Embraer insurance policy.
- 7.3 If Buyer finds an Aircraft acceptable, Buyer shall promptly pay any and all amounts then due and payable pursuant to this Agreement, including but not limited to all amounts referred to under Articles 4.1, 4.2, 7.8 and 8 as applicable and accept delivery of such Aircraft, whereupon the necessary title and risk transfer documents shall be executed and exchanged in order to effect title transfer, subject to all express warranties set forth in this Agreement that by their terms survive delivery.
- 7.4 Buyer may decline to accept an Aircraft, which does not materially comply with the requirements of Article 6, the specification set forth in Attachment "A" or is not in an airworthy condition. For the purposes of **Material Redacted**, an Aircraft shall be deemed not to be materially compliant when one or more of the Aircraft characteristics identified in Article 11.2.1 **Material Redacted** are adversely affected by such non-compliance vis-a-vis the specification set forth in Attachment A.
- 7.5 If Buyer declines to accept an Aircraft, Buyer shall immediately give Embraer written notice including its reasons for such refusal and Embraer shall have **Material Redacted** Days, commencing on the first Working Day after receipt of such notice, to take all necessary actions in order to resubmit the Aircraft to Buyer for re-inspection.

- 7.6 Buyer shall be allowed **Material Redacted** Days to re-inspect the Aircraft, starting immediately upon receipt of notice from Embraer that all necessary actions were taken. The period required for inspection as well as the one mentioned in Article 7.5 shall not be considered as part of the **Material Redacted** Day grace period provided for in Article 9.2.1. In the event Buyer declines to accept an Aircraft after **Material Redacted**, the Parties shall convene promptly after final refusal to accept the Aircraft in order to negotiate possible solutions. If within **Material Redacted** Days counted from the date in which Embraer receives notice of such final refusal to accept the Aircraft, Embraer and Buyer fail to reach an agreement, then **Material Redacted**.
- 7.7 Should Buyer fail to perform the acceptance and accept transfer of title to an Aircraft **Material Redacted** provided for and in accordance with this Article 7, Embraer shall be entitled, at its reasonable discretion, to either re-negotiate the terms of this Agreement with Buyer or terminate this Agreement with regard to the affected Aircraft pursuant to Article 20.3. **Material Redacted**
- 7.8 Notwithstanding the provisions of Article 7.7 and in addition to Embraer's rights pursuant to Article 20.3 and **Material Redacted** should Buyer fail to perform the acceptance and transfer of title to the Aircraft within the time period specified in Articles 7.2, 7.5 and 7.6, as applicable **Material Redacted**, interest will accrue at the rate of **Material Redacted** over the unpaid balance of the relevant Aircraft Purchase Price, prorated from the date **Material Redacted** Days after **Material Redacted**. Without prejudice to Embraer's rights set forth in Article 7.7, interest accrued will be invoiced by Embraer on a monthly basis, beginning one month after the date on which the Aircraft acceptance or transfer of title should have been performed, and payment thereof shall be made by Buyer in accordance with the instructions contained therein.
8. STORAGE CHARGE
- 8.1 A storage charge equal to USD**Material Redacted** per Day shall be charged by Embraer to Buyer commencing on:
- 8.1.1 Buyer's failure to perform inspection or re-inspection of an Aircraft, per the date or time period properly specified in writing by Embraer, according to Articles 5 and/or 7, as applicable.
- 8.1.2 Buyer's acceptance of an Aircraft when Buyer defaults in the fulfillment of any payment due and in taking title to such Aircraft promptly thereafter.
- 8.1.3 Buyer's failure to remove an Aircraft from Embraer's facilities after title transfer has occurred.
- 8.2 If however, Buyer notifies Embraer in writing **Material Redacted** Days in advance of its expected delay in the performance of its obligations set forth in Articles 8.1.1, 8.1.2 and 8.1.3, the storage charge shall commence on the **Material Redacted** Day after the occurrence of the events set forth in Articles 8.1.1, 8.1.2 or 8.1.3, as applicable.
- 8.3 In the event that an Aircraft Contractual Delivery Date must be extended by Embraer from that which is designated in Article 5, due to Buyer's failure to

perform any action or provide any information contemplated by this Agreement other than the ones specified in Article 8.1, the storage charge shall commence on the ****Material Redacted**** Day after the Contractual Delivery Date relative to such Aircraft.

8.4 Buyer shall pay the storage charge as set forth in Articles 8.1. or 8.3, as applicable, in United States dollars, per each month of delay or prorated for part thereof, within ****Material Redacted**** Days after the presentation of each invoice by Embraer.

9. DELAYS IN DELIVERY

9.1 Excusable Delays:

9.1.1 Embraer shall not be held liable or be found in default for any delays in the delivery of an Aircraft or in the performance of any act to be performed by Embraer under this Agreement, resulting from, but not restricted to, the following events or occurrences (hereinafter referred to as "Excusable Delays"):

(a) force majeure (including, but not limited to acts of God, war or state of war, civil war, insurrection, fire, accident, explosion, flood, act of government, requisition, strike, labor disputes causing cessation or interruption of work, including but not limited to walkouts, sick-outs, protests or slowdowns), (b) inability despite due and all commercially reasonable efforts to procure any materials, equipment, accessories, parts or means of transport, or (c) any delay resulting from any failure by Buyer to perform any action or provide any information contemplated by this Agreement or, (d) delays resulting from any other cause to the extent it is beyond Embraer's control or does not result from Embraer's fault or negligence.

9.1.2 Within ****Material Redacted**** Days after the occurrence of any Excusable Delay, Embraer undertakes to send a written notice to Buyer including a description of the details involved and an estimate of the effects expected upon the timing of the performance of its contractual obligations.

9.1.3 Any such delays shall extend the time for delivery of an Aircraft ****Material Redacted**** by the same number of Days required for the cause of delay to be remedied, subject in all cases to the provisions of Article 9.1.4. Embraer undertakes to use all commercially reasonable efforts to avoid or remove any cause of Excusable Delay and to minimize its effect on the Contractual Delivery Date of an Aircraft ****Material Redacted****.

9.1.4 If the cause of such Excusable Delay is such as to last longer than ****Material Redacted**** Days or to render the performance of this Agreement impossible, then Buyer shall have the right to terminate this Agreement without liability to either Party, except as provided for in Article 20.2.

9.1.5 ****Material Redacted****

9.2 Non-Excusable Delays:

9.2.1 If the delivery of an Aircraft is delayed for any reason that does not constitute an Excusable Delay (hereinafter a "Non-excusable Delay") by more than ****Material Redacted**** Days after the Contractual Delivery Date for such Aircraft, Buyer will

be entitled to claim from Embraer and Embraer shall pay to Buyer liquidated damages equal to **Material Redacted** up to the date that the Aircraft is available for inspection and acceptance by, and delivery to Buyer in conformity herewith, it being understood that such liquidated damages will not, in any event, exceed **Material Redacted** and that it will only be due and payable by Embraer to Buyer within **Material Redacted** Days after Buyer pays to Embraer the total Aircraft Purchase Price, **Material Redacted**.

9.2.2 Upon the occurrence of any event, which constitutes a Non-excusable Delay in delivery of an Aircraft, Embraer undertakes to send a written notice to Buyer, within **Material Redacted**, including a description of the delay and an estimate of the effects expected upon the delivery of the Aircraft.

9.2.3 It is agreed between the Parties that if, with respect to a delayed Aircraft, Embraer does not receive a claim for liquidated damages pursuant to Article 9.2.1, from Buyer, within **Material Redacted** Days after the Actual Delivery Date of such Aircraft, Buyer shall be deemed to have fully waived its right to such liquidated damages.

9.2.4 **Material Redacted**

9.3 Delay Due to Loss or Structural Damage of the Aircraft:

Should any Aircraft be destroyed or damaged before acceptance to the extent that it becomes commercially useless, Buyer may, **Material Redacted**, either take a replacement Aircraft at a later delivery date to be agreed by the Parties, or terminate this Agreement with respect to such Aircraft by notice to Embraer given in accordance with Article 23, without any liability to either Party. If this Agreement is terminated **Material Redacted**, such termination shall discharge the Parties from all obligations and liabilities of the Parties hereunder with respect to such Aircraft and Services **Material Redacted**.

10. INSPECTION AND QUALITY CONTROL

10.1 In order to effect inspection and acceptance of the Aircraft as set forth in Article 7, Buyer shall send one or more authorized representatives to Embraer's facilities in order to verify that the Aircraft was manufactured in accordance with the procedures, specifications and other requirements specified in this Agreement and according to all applicable quality control standards.

10.2 Buyer shall communicate to Embraer the names of its authorized representatives, by means of written notice, at least thirty (30) Days prior to the earliest delivery date specified in Article 5.

10.3 Such representatives, or other representatives indicated by Buyer, shall be authorized and duly empowered to sign the acceptance and documents and accept delivery of the Aircraft pursuant to Article 7.

10.4 For the purposes subject of this Article 10, Embraer shall provide communication facilities (telephone and facsimile) for Buyer's authorized representatives, as well as the necessary tools, measuring devices, test equipment and technical assistance as may be necessary to perform acceptance tests.

- 10.5 Buyer's authorized representatives shall observe Embraer's administrative rules and instructions while at Embraer's facilities.
- 10.6 Buyer's authorized representative shall be allowed exclusively in those areas related to the subject matter of this Article 10 and Buyer furthermore agrees to hold harmless Embraer from and against all and any kind of liabilities in respect to such representatives, for whom Buyer is solely and fully responsible under all circumstances and in any instance.
11. CHANGES
- 11.1 In addition to the requirements of Article 6, each Aircraft will comply with the standards defined in Attachment "A" and shall incorporate all modifications which are classified as AD's mandatory by CTA or the Air Authority as provided in Article 11.4, or those agreed upon by Buyer and Embraer in accordance with this Article.
- 11.2 The Parties hereby agree that changes can be made by Embraer in the design of the Aircraft, the definition of which and its respective classification shall be in compliance to the Aircraft type specification, as follows:
- 11.2.1 Minor Changes: defined as those modifications which shall not adversely affect the Aircraft in any of the following characteristics:
- **Material Redacted**
- 11.2.2 Major Changes: defined as those modifications which affect at least one of the topics mentioned in Article 11.2.1.
- 11.3 Embraer shall have the right, but not the obligation (except to the extent required by the CTA or applicable Aviation Authorities), to incorporate Minor Changes in the Aircraft still in the production line at its own cost, without the prior consent of Buyer.
- 11.4 Embraer shall convey those Major Changes that are classified as AD's by means of service bulletins approved by the Air Authority and/or CTA, as appropriate. Service bulletins that implement such ADs shall be referred to as Mandatory Service Bulletins. Embraer shall incorporate Mandatory Service Bulletins as follows:
- 11.4.1 Compliance required before Actual Delivery Date: Embraer shall incorporate Mandatory Service Bulletins at Embraer's expense in a reasonable period of time if the compliance time for such Mandatory Service Bulletins is before the Actual Delivery Date. Embraer shall not be liable for **Material Redacted** resulting from incorporation of Mandatory Service Bulletins when the Aircraft has already passed the specific production stage affected by the incorporation of said change.
- 11.4.2 Compliance required after Actual Delivery Date: During the applicable Aircraft warranty coverage periods as specified in Attachment "C", Embraer shall provide parts kits for Mandatory Service Bulletins that are issued either (i) before the relevant Aircraft's Actual Delivery Date but with a compliance time after such date or (ii) after the relevant Aircraft's Actual Delivery Date. Such kits shall be

provided **Material Redacted**, excluding **Material Redacted** labor charges for installation of such Mandatory Service Bulletins **Material Redacted**. Embraer shall not be liable for any downtime of delivered Aircraft that may be necessary for the incorporation of any changes. When flight safety is affected, such changes shall be immediately incorporated. If warranty coverage is not available or applicable pursuant to Attachment "C", the provisions of Article 11.5 shall apply.

For the avoidance of doubt, the **Material Redacted** shall **Material Redacted** pursuant to **Material Redacted**.

- 11.5 Major changes, (other than those which are AD's mandatory per Article 11.4), any change developed by Embraer as product improvement and any change required by Buyer, including those changes required by Panamanian authorities as a consequence of alterations, amendments and/or innovations of its present applicable regulations, shall be considered as optional and, pursuant to Buyer's request, the corresponding cost proposals shall be submitted by Embraer to Buyer for consideration and approval. Should Buyer not approve any such change, it shall not be incorporated in the Aircraft.
- 11.6 Any Major Change to the Aircraft, made in accordance with the foregoing paragraphs, which affect the provisions of Attachment "A", shall be incorporated in said Attachment by means of an amendment.
- 11.7 Except as concerns AD's and Minor Changes, the Aircraft shall, on the Scheduled Inspection Date, comply with the terms and conditions of Attachment "A" as from time to time amended pursuant to Article 11.6. Determination of such compliance shall be made by Buyer pursuant to Article 7.

12. WARRANTY

The materials, design and workmanship relative to the Aircraft subject to this Agreement, will be warranted in accordance with the terms and conditions specified in Attachment "C". If Buyer intends to place the Aircraft on lease to another Party or to assign, transfer or novate the rights and obligations except as specified in Article 14, it is Buyer's responsibility to obtain the prior written consent of Embraer, which consent shall not be unreasonably withheld or delayed, as well as to provide Embraer written notice of any changes as to Buyer's designated lessee or assignee complying with item 5 of Attachment "C".

13. PRODUCT SUPPORT PACKAGE

Embraer shall supply to Buyer the Product Support Package described in Article 2 of Attachment "B", which includes Embraer's spare parts policy, the Technical Publications and the Services.

14. ASSIGNMENT

Buyer's rights and obligations hereunder may not be assigned, transferred or novated without the prior written consent of Embraer, which shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Buyer may immediately before delivery assign the rights to take delivery of an Aircraft and

Buyer's rights pursuant to ****Material Redacted**** to any related person or entities or to any trust created by it or such persons or to any financing party whether by way of security in connection with the financing or the sale/leaseback of any Aircraft to be operated by Compania Panamena de Aviacion, S.A.

Embraer's rights and obligations hereunder may not be assigned or delegated without the prior written consent of Buyer, which shall not be unreasonably withheld or delayed.

15. RESTRICTIONS AND PATENT INDEMNITY

This sale does not include the transfer of designs, copyrights, patents, and other similar rights to Buyer. Embraer warrants that the Aircraft and all systems, accessories, equipment, items and parts manufactured by or at the direction or utilizing designs of Embraer do not infringe any patent, copyright or other proprietary right of any person. Subject to Buyer's duty to promptly advise Embraer of any alleged infringement (it being understood that any failure to so notify Embraer shall only relieve Embraer of its obligations pursuant hereto to the extent of actual prejudice suffered by Embraer as a direct result of such failure), Embraer shall indemnify, defend, protect and hold Buyer harmless with respect to any claims, suits, actions, judgments, liabilities, damages and costs, including reasonable attorney fees and expenses arising out of or in connection with any actual or alleged infringement by any Aircraft or any system, accessory, equipment, item or part installed on any Aircraft at the time of delivery of such Aircraft or thereafter, at Embraer's direction. In the event of any such infringement, and in addition to the foregoing obligations of Embraer, Embraer shall promptly, at its sole option and expense, either: (i) procure for Buyer the right to use the system, accessory or equipment or part; (ii) replace such system accessory, equipment or part with a non-infringing item or part; or (iii) modify such system, accessory, equipment or part to make it non-infringing.

This indemnity shall not apply to Buyer-furnished equipment, nor to aircraft engines or APUs, nor to any system, accessory, equipment or part that was not manufactured to Embraer's detailed design, nor to any system, accessory, equipment or part manufactured to Embraer's detailed design without Embraer's consent.

16. MARKETING PROMOTIONAL RIGHTS

Embraer shall have the right to show for marketing purposes, free of any charge, the image of Buyer's Aircraft, painted with Buyer's colors and emblems, affixed in photographs, drawings, films, slides, audiovisual works, models or any other medium of expression (pictorial, graphic, and sculptural works), through all mass communications media such as billboards, magazines, newspaper, television, movie, theaters, as well as in posters, catalogues, models and all other kinds of promotional material. ****Material Redacted**** Embraer ****Material Redacted****. In the event such Aircraft is sold to or operated by or for another company or person, Embraer shall be entitled to disclose such fact, as well as to continue to

show the image of the Aircraft, free of any charge, for marketing purposes, either with the original. If accepted, said prohibition, however, shall in no way apply to the promotional materials or pictorial, graphic or sculptural works already existing or to any contract for the display of such materials or works already binding Embraer at the time of receipt of the notification. **Material Redacted**.

17. TAXES

Embraer shall pay all taxes **Material Redacted** as may be imposed under Brazilian laws. All other taxes, **Material Redacted** as may be imposed on the transactions subject of this Agreement, shall be borne by Buyer.

18. APPLICABLE LAW

This Agreement shall be construed in accordance with and its performance shall be governed by the laws of the State of New York, USA without regard to any conflict of law rules other than General Obligations Law 5-1401 and 5-1402.

19. JURISDICTION

All disputes arising in connection with this Agreement shall be finally settled in the courts of the United States District Court for the Southern District of New York located in the county of New York, provided that if such court lacks jurisdiction, disputes shall be resolved in the state courts for the state of New York sitting in the Borough of Manhattan, City of New York. The Parties hereby waive any other court of Jurisdiction that may be competent for settlement of disputes arising from this Agreement.

Material Redacted

20. TERMINATION

20.1 Should either Party fail to perform its obligations hereunder, the other Party shall be entitled to give notice of such failure and to require that such failure be remedied within the period specified in that notice, which period shall not be less than **Material Redacted** Days. Should such failure not be remedied within the period so specified, then the Party who gave notice of such failure shall be entitled to terminate this Agreement **Material Redacted**. The foregoing provision shall not apply in any circumstance where a specific right of termination is made available hereunder or will be made available hereunder upon the expiration of a specific period of time. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY IN ANY CIRCUMSTANCE UNDER THIS AGREEMENT FOR ANY CONSEQUENTIAL OR PUNITIVE DAMAGES WHICH MAY ARISE OUT OF, OR BE CONNECTED TO, ANY BREACH OR DEFAULT UNDER OF ANY TERM, CONDITION, COVENANT, WARRANTY, OR PROVISION OF THIS AGREEMENT, AND WHICH EITHER PARTY WOULD OTHERWISE BE ENTITLED TO UNDER ANY APPLICABLE LAW, INCLUDING BUT NOT LIMITED TO ANY CLAIMS SOUNDING IN CONTRACT, TORT, EQUITY OR STATUTE.

20.2 Buyer and Embraer shall have the right to terminate this Agreement in respect to

the relevant Aircraft, upon the occurrence of any Excusable Delay of ****Material Redacted**** Days or longer, unless otherwise agreed in writing by the Parties, and Buyer shall have the right to terminate this Agreement in respect to the relevant Aircraft upon the occurrence of any Non-excusable Delay of ****Material Redacted**** Days or longer after the relevant Aircraft Contractual Delivery Date, such rights to be exercisable by written notice from one Party to the other to such effect no earlier than such ****Material Redacted**** Day, as applicable. Upon receipt of such notice of termination by Buyer or Embraer, as the case may be, ****Material Redacted****. It is hereby agreed by the Parties that, in either case, no other indemnity shall be due by Embraer to Buyer.

****Material Redacted****

20.3 If Buyer terminates this Agreement before the Actual Delivery Date of an Aircraft (except as provided in Article 20.1 and 20.2) or if Embraer terminates this Agreement in relation to an Aircraft, pursuant to Articles 4.3 or 7.7, Buyer shall pay to Embraer (i) damages in an amount equal to ****Material Redacted****. For these purposes Embraer may ****Material Redacted****. It is hereby agreed by the Parties that upon the receipt by Embraer of the amounts set forth above, no other indemnity shall be due by Buyer to Embraer.

****Material Redacted****

20.4 If Buyer terminates this Agreement in respect to an Aircraft pursuant to Article 7.6, Embraer, shall ****Material Redacted****, with no other penalty or indemnity being due by Embraer to Buyer in this case.

****Material Redacted****

20.5 ****Material Redacted****

21. OPTION FOR THE PURCHASE OF ADDITIONAL AIRCRAFT

Buyer shall have the option to purchase twenty (20) additional Option Aircraft, to be delivered in accordance with the following Option Aircraft contractual delivery date:

Option Aircraft	Delivery month	**Material Redacted**	Option Aircraft	Delivery month	Exercise Date
1	**Material Redacted**	**Material Redacted**	12	**Material Redacted**	**Material Redacted**
2	**Material Redacted**	**Material Redacted**	13	**Material Redacted**	**Material Redacted**
3	**Material Redacted**	**Material Redacted**	14	**Material Redacted**	**Material Redacted**
4	**Material Redacted**	**Material Redacted**	15	**Material Redacted**	**Material Redacted**
5	**Material Redacted**	**Material Redacted**	16	**Material Redacted**	**Material Redacted**

Option Aircraft	Delivery month	**Material Redacted**	Option Aircraft	Delivery month	Exercise Date
6	**Material Redacted**		17	**Material Redacted**	
7	**Material Redacted**		18	**Material Redacted**	**Material Redacted**
8	**Material Redacted**		19	**Material Redacted**	
9	**Material Redacted**	**Material Redacted**	20	**Material Redacted**	
10	**Material Redacted**				
11	**Material Redacted**				

The Option Aircraft will be supplied in accordance with the following terms and conditions:

- 21.1 **Material Redacted** is due and payable by Buyer to Embraer in accordance with **Material Redacted**.
- 21.2 The unit basic price of the Option Aircraft shall be equal to the unit Aircraft Basic Price, provided that such Option Aircraft be delivered within the delivery period above mentioned and in the same configuration, specification and installations specified in Attachment "A", as it is written on the date of signature of this Agreement, determining the Option Aircraft Basic Price.
- 21.3 The unit basic price of each relevant Option Aircraft above mentioned shall be escalated according to the escalation formula subject of Attachment "D", determining the Option Aircraft Purchase Price.
- 21.4 The payment of the Option Aircraft Purchase Price shall be made according to the following:
 - 21.4.1 **Material Redacted** shall apply **Material Redacted**.
 - 21.4.2 A progress payment of **Material Redacted** percent (**Material Redacted**) of the unit Option Aircraft Basic Price less the relevant Option Aircraft Initial Deposit is due and payable **Material Redacted** prior to each relevant Option Aircraft contractual delivery date.
 - 21.4.3 A progress payment of **Material Redacted** percent (**Material Redacted**) of the unit Option Aircraft Basic Price is due and payable **Material Redacted** prior to each relevant Option Aircraft contractual delivery date.
 - 21.4.4 A progress payment of **Material Redacted** percent (**Material Redacted**) of the unit Option Aircraft Basic Price is due and payable **Material Redacted** prior to each relevant Option Aircraft contractual delivery date.
 - 21.4.5 The balance of each relevant Option Aircraft Purchase Price is due and payable upon acceptance of each relevant Option Aircraft by Buyer.

21.4.6 The provisions of Article 4.3 through 4.5 shall apply mutatis-mutandis, to the payments to be made by Buyer towards the Option Aircraft.

21.5 Buyer has the option to purchase the Option Aircraft in **Material Redacted**. Exercise of each **Material Redacted** shall be accomplished by means of a written notice from Buyer delivered to Embraer by mail, return receipt requested, express delivery or facsimile, no later than the "Exercise Date" **Material Redacted**, otherwise **Material Redacted**.

On the **Material Redacted** Exercise Date, Buyer shall inform Embraer **Material Redacted** will be exercised or not. In the event on the Exercise Date Buyer elects to not exercise **Material Redacted**, Buyer's options **Material Redacted**.

If, however, in the Exercise Date Buyer elects to exercise its option in **Material Redacted**, Buyer will **Material Redacted**, provided however **Material Redacted** in Embraer's **Material Redacted**.

21.6 If the options are confirmed by Buyer as specified above, (a) an amendment to this Agreement shall be executed by and between the Parties within thirty (30) Days following the Option Aircraft option exercise date, setting forth the terms and conditions applicable to, if any, exclusively to the Option Aircraft and (b) the **Material Redacted** shall **Material Redacted**.

21.7 For the avoidance of any doubt, the terms and conditions contained in this Agreement shall also apply to any exercised Option Aircraft, with the exception that the product support package to be applied to the exercised Option Aircraft shall be as described in Article 2 of Attachment "B".

22. INDEMNITY

Buyer agrees to indemnify and hold harmless Embraer and Embraer's officers, agents, employees and assignees from and against all liabilities, damages, losses, judgments, claims and suits, including costs and expenses incident thereto, which may be suffered by, accrued against, be charged to or recoverable from Embraer and/or Embraer's officers, agents, employees and assignees by reason of loss or damage to property or by reason of injury or death of any person resulting from or in any way connected with the performance of services by employees, representatives or agents of Embraer for or on behalf of Buyer related to Aircraft delivered by Embraer to Buyer, including, but not limited to, technical operations, maintenance, and training services and assistance performed while on the premises of Embraer or Buyer, while in flight on Buyer-owned Aircraft or while performing any other service, at any place, in conjunction with the Aircraft operations of Buyer, except to the extent caused by Embraer's willful misconduct or gross negligence.

23. NOTICES

All notices permitted or required hereunder shall be in writing in the English language and sent, by recognized international courier service or facsimile, to the attention of the Director of Contracts as to Embraer and of the CEO as to Buyer, to the addresses indicated below or to such other address as either Party may, by

written notice, designate to the other. All notices shall be deemed to have been duly made, given and received, only when properly addressed (as set forth below): (i) on the date received by personal delivery; or (ii) on the date received when deposited with a internationally recognized courier service; or (iii) five business days after sending, when sent via Certified Mail, Return Receipt Request; or (iv) upon receipt when sent via facsimile (with a second copy sent via Mail) to the facsimile number set forth below and a confirmation of receipt is received by the sending Party:

23.1 EMBRAER:

EMBRAER - Empresa Brasileira de Aeronautica S.A.
Av. Brigadeiro Faria Lima, 2170
12.227-901 Sao Jose dos Campos - SP - Brasil
Telephone: (+55 12) 3927-1410
Facsimile: (+55 12) 3927-1257

23.2 BUYER:

REGIONAL AIRCRAFT HOLDINGS LTD.
c/o Galindo, Arias y Lopez
Avenida Federico Boyd Numero 51 Piso 11
Panama, Rep of Panama
Fax: 507-263-5335

24. CONFIDENTIALITY

Neither Buyer nor Embraer shall disclose the terms of this Agreement except as needed to its officers, employees, auditors, insurers (brokers) and legal advisors and except (a) as required by law or legal process, (b) to a prospective financing party in connection with the financing of Aircraft (limited to assignable provisions), or (c) with the prior written consent of the other party. In addition, Buyer and Embraer may disclose the terms of this Agreement ****Material Redacted****, provided that ****Material Redacted****, or in the case of ****Material Redacted****. Without limiting the foregoing, in the event either Party is legally required to disclose the terms of this Agreement, each Party agrees to exert its best efforts to request confidential treatment of the articles and conditions of this Agreement relevantly designated by the other as confidential.

25. SEVERABILITY

If any provision or part of a provision of this Agreement or any of the Attachments shall be, or be found by any authority or court of competent jurisdiction to be, illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect the other provisions or parts of such provisions of this Agreement, all of which shall remain in full force and effect.

26. NON-WAIVER

Except as otherwise specifically provided to the contrary in this Agreement, any Party's refrain from exercising any claim or remedy provided for herein shall not be deemed a waiver of such claim or remedy, and shall not relieve the other Party from the performance of such obligation at any subsequent time or from the performance of any of its other obligations hereunder.

27. INTEGRATED AGREEMENT

All attachments and exhibits referred to or delivered in connection with this Agreement and/or attached hereto are, by such reference or attachment, incorporated in this Agreement to the same extent as if fully set forth herein.

28. NEGOTIATED AGREEMENT

Buyer and Embraer agree that this Agreement, including all of its Attachments, has been the subject of discussion and negotiation and is fully understood by the Parties, and that the rights, obligations and other mutual agreements of the Parties contained in this Agreement are the result of such complete discussion and negotiation between the Parties.

29. WAIVER OF JURY TRIAL

EACH OF EMBRAER AND BUYER HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING TO WHICH THEY ARE BOTH PARTIES INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT.

30. WAIVER OF IMMUNITY

To the extent that either party may in any jurisdiction in which proceedings may at any time be taken for the determination of any question arising under or for the enforcement of this Agreement be entitled to claim or otherwise be accorded for itself or its respective property, assets or revenues immunity from suit or attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction, there may be attributed to either party, or its respective property, assets or revenues such immunity (whether or not claimed), both Parties hereby irrevocably agree not to claim and waive such immunity to the fullest extent permitted by the law of such jurisdiction.

31. PAYMENTS IN US DOLLARS

All amounts to be paid hereunder shall be paid in United States dollars ("Dollars"), in immediately available funds. The specifications of Dollars in this transaction is of the essence. The obligations of either party in respect of payments to be made hereunder shall not be discharged by an amount paid in another currency, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on prompt conversion to Dollars under normal banking procedures does not yield the amount of Dollars owing to the party receiving the same. If a party receives an amount in respect of the other party's liability under this Agreement or if such liability is converted into a claim, proof, judgment or

order in a currency other than Dollars, the party liable for payment will indemnify the party to whom payment is to be made an independent obligation against any loss arising out of or as a result of such receipt or conversion. If the amount received by such party, when converted into Dollars (at the market rate at which the receiving party is able on the relevant date to purchase Dollars in New York with that other currency) is less than the amount owed in Dollars the party liable for such payment hereunder will, forthwith on demand, pay to the party entitled to receive such payment an amount in Dollars equal to the deficit.

32. COUNTERPARTS

This Agreement may be signed by the Parties in any number of separate counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument and all of which when taken together shall constitute one and the same instrument.

33. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement of the Parties with respect to the matters contained herein and supersedes all previous and connected negotiations, representations and agreements between the Parties, whether in writing or other form. This Agreement may not be altered, amended or supplemented except by a written instrument executed by the Parties.

ATTACHMENT "A" - AIRCRAFT SPECIFIC CONFIGURATION, FINISHING AND
REGISTRATION MARKS

1. STANDARD AIRCRAFT

The EMBRAER 190 Aircraft shall be manufactured according to the standard configuration specified in Embraer's Preliminary Technical Description PTD-190/195 Rev.3 dated as of November 2002 **Material Redacted**.

2. OPTIONAL EQUIPMENT

2.1 OPTIONS TO STANDARD AVIONICS CONFIGURATION

Material Redacted

2.2 OPTIONAL SYSTEM/OTHER EQUIPMENT

a) GE CF34-10E5A1 Engines

b) LR Version

Material Redacted

2.3 INTERIOR OPTIONAL ITEMS

Material Redacted

Material Redacted

3. FINISHING

The Aircraft will be delivered to Buyers as follows:

3.1 EXTERIOR FINISHING:

The fuselage of the Aircraft shall be painted according to Buyer's color and paint scheme which shall be supplied to Embraer by Buyer on or before **Material Redacted** months prior to the relevant Aircraft Contractual Delivery Date.

The wings and the horizontal stabilizer shall be supplied in the standard colors, i.e., gray BAC707.

3.2 INTERIOR FINISHING:

Buyer shall inform Embraer on or before **Material Redacted** months prior to the relevant Aircraft Contractual Delivery Date of its choice of materials and colors of all and any item of interior finishing such as seat covers, carpet, floor lining on galley areas, side walls and overhead lining, galley lining and curtain. The above-mentioned schedule for definition of interior finishing shall only be applicable if Buyer selects its materials from the choices offered by and available at Embraer. In case Buyer opts to use different materials and or patterns, such schedule shall be **Material Redacted** by the time Buyer informs Embraer its intention to use such different materials and patterns.

3.3 BUYER FURNISHED AND BUYER INSTALLED EQUIPMENT (BFE AND BIE):

Buyer may choose to have carpets, tapestries, seat covers and curtain fabrics supplied to Embraer for installation in the Aircraft as BFE. Materials shall conform

to the required standards and comply with all applicable regulations and airworthiness requirements. Delays in the delivery of BFE equipment or quality restrictions that prevent the installation thereof in the time frame required by the Aircraft manufacturing process shall entitle Embraer to either delay the delivery of the Aircraft or present the Aircraft to Buyer without such BFE, in which case Buyer **Material Redacted** of the Aircraft **Material Redacted**. All BFE equipment shall be delivered to Embraer in DDP - Embraer facilities in Sao Jose dos Campos, SP, Brazil (Incoterms 2000) conditions.

The Aircraft galleys have provisions for the following BIE items that, unless timely agreed by the Parties, are not supplied or installed by Embraer: Trolleys, ovens, coffee makers, hot jugs and standard units.

4. REGISTRATION MARKS AND TRANSPONDER CODE

The Aircraft shall be delivered to Buyer with the registration marks painted on them. The registration marks and the transponder code shall be supplied to Embraer by Buyer no later than ninety (90) Days before each relevant Aircraft Contractual Delivery Date.

IT IS HEREBY AGREED AND UNDERSTOOD BY THE PARTIES THAT IF THERE IS ANY CONFLICT BETWEEN THE TERMS OF THIS ATTACHMENT "A" AND THE TERMS OF THE PRELIMINARY TECHNICAL DESCRIPTION ABOVE REFERRED, THE TERMS OF THIS ATTACHMENT "A" SHALL PREVAIL.

ATTACHMENT B
FERRY EQUIPMENT AND PRODUCT SUPPORT PACKAGE

1. FERRY EQUIPMENT AND ASSISTANCE

1.1 If it is necessary for any ferry equipment to be installed by Embraer for the ferry flight of any Aircraft between Brazil and Panama, Embraer will make available a standard ferry equipment to Buyer (hereinafter the "Kit"), at **Material Redacted**, except as set forth below. In this case, Buyer shall immediately upon its arrival in Panama, remove the Kit from the Aircraft and return it to Embraer in Brazil at **Material Redacted**, including the necessary insurance.

If Embraer provides the Kit to Buyer and if the Kit is either utilized, whether totally or not, or if the Kit is not returned by Buyer, complete and in the same condition **Material Redacted** as it was delivered to Buyer, Buyer shall pay Embraer the **Material Redacted**.

In such case, the original Kit shall become the property of Buyer, and Buyer shall make the above mentioned payment to Embraer upon presentation of a sight draft by Embraer.

1.2 Embraer shall make a representative available on board each Aircraft during the ferry flight of such Aircraft in order to support Buyer's personnel in assisting the flight crew with Air Traffic Control (ATC) communications while over flying Brazilian airspace, and communication with Brazilian custom clearances and Aircraft refueling individuals. Such representative shall remain on board of the Aircraft until the last stop in Brazilian territory. Any other arrangement shall be requested by Buyer no less than thirty (30) Business Days prior to the relevant Aircraft Contractual Delivery Date and shall be contingent upon the concurrence of Embraer at its sole criteria, such concurrence not to be unreasonably withheld.

2. PRODUCT SUPPORT PACKAGE

2.1 MATERIAL SUPPORT

2.1.1. SPARES POLICY

Embraer guarantees the supply of spare parts, ground support equipment and tooling, except engines and its accessories, hereinafter referred to as "Spare(s)", for the Aircraft for a period of **Material Redacted** years after **Material Redacted** delivery of the last aircraft of the same type **Material Redacted**. Except as may otherwise be expressly set forth herein, such Spares shall be supplied according to the prevailing availability, sale conditions, delivery schedule and effective price on the date of acceptance by Embraer of the purchase order. The Spares may be supplied either by Embraer in Brazil or through its subsidiaries or distribution centers located abroad.

2.1.2. RSPL

As soon as reasonably practicable, but no later than **Material Redacted** months prior to the first Aircraft delivery date, Embraer shall present to Buyer a recommended Spare provisioning list (the "RSPL"). The objective of the RSPL is to provide Buyer with a detailed list of Spares that will be

reasonably necessary to support the initial operation and maintenance of the Aircraft by Buyer. Such recommendation will be made in consultation with Buyer and be based on the experience of Embraer and on the operational parameters established by Buyer.

Embraer will provide a qualified team to attend pre-provisioning conferences as necessary to discuss Buyer requirements and the RSPL as well as any available spare parts support programs offered by Embraer. Such meeting shall be held at a mutually agreed upon place and time.

Buyer may elect to acquire all the items contained in the RSPL or to combine a partial acquisition of the RSPL items with a participation in the special spare parts support programs, available from Embraer.

Buyer may acquire the items contained in the RSPL directly from Embraer or directly from Embraer's vendors. For the items contained in the RSPL that Buyer elects to purchase directly from Embraer (the "IP Spares"), Buyer must place a purchase order with Embraer on or before **Material Redacted** Days prior to the first Aircraft Contractual Delivery Date in order to have the IP Spares available in stock by the **Material Redacted** . For purchase orders placed by Buyer out of the schedule set forth above, the IP Spares shall be provided to Buyer in accordance with the quoted lead times. Embraer will deliver the IP Spares in **Material Redacted** condition, at the port of clearance indicated by Embraer.

As requested by Buyer, but in no case **Material Redacted** , Embraer will update the data of the RSPL incorporating engineering and price changes. Embraer will maintain a master copy of the RSPL updated until **Material Redacted** .

2.1.3. CREDIT FOR SURPLUS IP SPARES

Embraer offers to Buyer a program for certain surplus IP Spares manufactured by Embraer and which were recommended in writing by Embraer limited to the quantities, part numbers and serial numbers (if applicable) identified in the relevant invoices. Such program will provide terms no less favorable than the following:

- a. Credit Program: During the period commencing **Material Redacted** years after delivery of the first Aircraft under the Purchase Agreement of which this is an Attachment and ending **Material Redacted** years after such delivery, Embraer will, upon receipt of a written request and subject to the exceptions and conditions in paragraphs a.1; a.2; a.3 and a.4 of this section, offer a credit for new and unused IP Spares manufactured by Embraer (i) which have been supplied by Embraer as IP Spares for the Aircraft subject of this Agreement and (ii) which are surplus to Buyer's needs. Such credit may be used toward the purchase of Spares manufactured by Embraer, Technical Publications or Services (excluding training) offered by Embraer.
- b. EXCEPTIONS: Embraer will not issue credits for IP Spares which

were purchased by Buyer in excess of or differently from the Spares recommended in writing by Embraer to Buyer by the IPL as initial provisioning for the Aircraft (as amended from time to time by agreement of the Parties) and for IP Spares which have become obsolete or have been superseded by another part as a result of (i) Buyer's modification of an Aircraft for which the IP Spares were purchased; (ii) Embraer design improvements (except for IP Spares which have become obsolete because of a defect in design); (iii) IP Spares which are shelf-life limited; (iv) damaged IP Spares; or (v) IP Spares that were not stored in accordance with OEM guidelines.

- c. CREDIT VALUES: The credit for each IP Spare to be issued by Embraer will be: ****Material Redacted**** an amount equal to ****Material Redacted****.
- d. DELIVERY OF SURPLUS IP SPARES: IP Spares for which a credit has been requested shall be delivered by Buyer, freight and insurance prepaid, to Embraer's plant in Sao Jose dos Campos, SP, Brazil, or any other destination as Embraer may reasonably designate. All returned IP Spares are subject to Embraer's quality control inspection and acceptance. All IP Spares which are rejected by Embraer's quality control and/or are included in the exceptions set forth in paragraph a.1 hereinabove, will be returned to Buyer at Buyer's expense, no credit being due in this case.
- e. CREDIT ISSUE: After Embraer's acceptance of those IP Spares suitable for the credit program, under the terms of this Agreement, Embraer will notify the available credit amount to Buyer and provide all relevant information as to credit utilization.

2.1.4. OTHER SPARES SERVICES

AOG services: Embraer will maintain a call center for the AOG (Aircraft On Ground) services, twenty four (24) hours a day, seven (7) days a week. All the contacts with the call center can be made through TOLL FREE numbers (phone and fax) and e-mail. Embraer will also maintain the regular direct lines (phone and fax), in case of failures. The information concerning TOLL FREE, regular lines and e-mail address can be obtained through the Customer Account Manager designated to Buyer by Embraer or through Embraer's Customer Service offices. Embraer will deliver parts under AOG from the nearest location to Buyer's facilities, provided that the part is available at this location at the moment of the request ****Material Redacted****

Other than AOG orders, Buyer may expedite spare parts orders as spare parts critical orders (imminent AOG or work stoppage situation) or as spare parts routine expedite orders (urgent stock replenishment - "USR"). Embraer will deliver expedite spare parts ordered, within the following lead times:

****Material Redacted****

Routine and/or Critical Spares: Embraer will deliver routine and/or critical Spares (other than AOG Spares) ****Material Redacted****, depending on where the purchase order was placed with or otherwise agreed between Embraer and Buyer. Routine and/or critical Spares shall be delivered according to their lead times, depending upon the purchase order priority and with the respective authorized release certificate or any similar document issued by a duly authorized person.

Upon receipt of an order from Buyer, according to the above referred terms, Embraer shall send to Buyer the shipping information (airwaybill number and flight date and number) after receipt of such information from the freight forwarder indicated by Buyer in the shipping instructions provided to Embraer by Buyer in the relevant order.

AIRCRAFT TECHNICAL PUBLICATIONS:

2.2.1. AIRCRAFT PUBLICATIONS

Embraer shall supply, at ****Material Redacted****, copies of operational and maintenance publications applicable thereto, in the English language and in the quantities as specified in Exhibit "1" to this Attachment "B". Such publications are issued under the applicable specification ****Material Redacted****. The revision service for these publications is provided, ****Material Redacted****, including mailing services (except for air cargo shipping) and the software license fee for the CD ROM, ****Material Redacted****.

2.2.2. VENDOR ITEMS PUBLICATIONS

With respect to vendor items installed in the Aircraft which have their own publications, Buyer will receive them in the quantity specified in Exhibit "1" to this Attachment "B", in their original content and printed form, directly from the suppliers, which are also responsible to keep them continuously updated through a direct communication system with Buyer.

2.2.3 Within ****Material Redacted**** months prior to the Contractual Delivery Date of the first Aircraft, Embraer shall ****Material Redacted****, and Buyer shall ****Material Redacted**** no later than ****Material Redacted**** before the first Aircraft Contractual Delivery Date, ****Material Redacted****.

2.2.4 The Parties further understand and agree that in the event Buyer elects not to take all or any one of the publications above mentioned, or revisions thereof, no refund or other financial adjustment of the Aircraft Basic Price will be made since such publications are offered at no charge to Buyer.

SERVICES

Embraer shall provide familiarization programs and on-site support for the Aircraft (the "Services") in accordance with the terms and conditions described below:

2.3.1 Familiarization Programs:

- a. Familiarization program specified below is being offered at **Material Redacted**, except for **Material Redacted**. The familiarization programs shall be conducted in accordance with the customer's training program and with all applicable regulations and requirements of the FAA.
- b. Notwithstanding the eventual use of the term "training" in this paragraph 2.3.1, the intent of this program is solely to familiarize Buyer's pilots, mechanics, employees or representatives, duly qualified per the governing body in the country of Buyer's operation, with the operation and maintenance of the Aircraft. It is not the intent of Embraer to provide basic training ("ab-initio") to any representatives of Buyer.
- c. The familiarization program, as applicable, shall occur prior to **Material Redacted** Aircraft Actual Delivery Date as it shall be previously agreed upon by Buyer and Embraer. Buyer must give written notification to Embraer **Material Redacted** Days in advance of Buyer's expected training schedule, including the full name and identification of each attendee. Substitutions will not be accepted for training within this period. Should Buyer not take all or any portion of the familiarization program for an Aircraft on or before **Material Redacted** months following the Actual Delivery Date of such Aircraft, Buyer shall be deemed to have fully waived its rights to such service, no refund or indemnity being due by Embraer to Buyer in this case.
- d. All familiarization programs **Material Redacted** shall be provided by Embraer or its qualified designated representative in **Material Redacted**, or at such other location as Embraer shall reasonably designate.
- e. The part of the pilot familiarization program relative to the ground school shall be provided, **Material Redacted** as may be agreed by Embraer and Buyer. **Material Redacted** The familiarization program referred to above covers:
 - e.1 One (1) Pilot Familiarization Program for up to **Material Redacted** pilots per Aircraft including (i) ground familiarization as regards Aircraft systems, weight and balance, performance and normal/emergency procedures and, (ii) flight simulator training in a **Material Redacted** simulator in accordance with the local airworthiness authority's approved Flight Operations Training Program.
 - e.2 One (1) Maintenance Familiarization Course for up to **Material Redacted** qualified mechanics **Material Redacted**. This course shall consist of classroom familiarization with Aircraft systems and structures and shall be in accordance with ATA specification 104, level III.

- e.3 One (1) Flight Attendant Familiarization Course for up to ****Material Redacted****. This course shall consist of classroom familiarization, including a general description of Aircraft and systems to be used by flight attendants.
****Material Redacted****
- e.4 ****Material Redacted****
- e.5 ****Material Redacted****
- f. If requested, Embraer through its field support representative referred to in Article 2.3.2 below, may demonstrate the procedures described in the classroom, subject to Buyer's Aircraft availability.
- g. Buyer shall be solely responsible for submitting its training programs to the Air Authority for approval. Embraer shall give Buyer reasonable assistance in such process.
- h. The presence of Buyer's authorized trainees shall be allowed exclusively in those areas related to the subject matter hereof and Buyer agrees to hold harmless Embraer from and against all and any kind of liabilities in respect of such trainees to the extent permitted by law.
- i. ****Material Redacted****

Any other service will be subject to a specific agreement to be negotiated by the Parties and will be charged by Embraer accordingly.

2.3.2 ****Material Redacted****support:

- a. Embraer shall indicate at its sole discretion, and provide ****Material Redacted**** to Buyer, the services of a field support representative ("FSR") ****Material Redacted****
- b. FSR shall assist and advise Buyer on the Aircraft maintenance during its initial operation and act as liaison between Buyer and Embraer.
- c. At no charge to Embraer, Buyer shall provide such FSR with communication services (telephone, facsimile) as well as office space and facilities at Buyer's main maintenance base, and Buyer shall also (a) arrange all necessary work permits and airport security clearances required for Embraer employees, to permit the accomplishment of the services mentioned in this item 2.3.2, in due time; and (b) obtain all necessary custom clearances both to enter and depart from Buyer's country for Embraer's employees and their personal belongings and professional tools.
- d. During the ****Material Redacted****, Buyer shall permit, as required, reasonable access to the maintenance and operation facilities as well as to the data and files of Buyer's Aircraft fleet during normal business hours. It is hereby agreed and understood that Buyer shall make available at the office designated for permanence of the FSR, one (1) set of updated Technical Publications as referred to in Article 2.2 above, it being Buyer's responsibility to perform the revision services

in order to maintain such publications updated within the period **Material Redacted**

- e. Buyer shall bear all **Material Redacted**. These expenses shall be borne by Embraer **Material Redacted**.
- f. Without a previous written authorization from Embraer, FSR shall not participate in test flights or flight demonstrations. In case Buyer obtains such previous authorization, Buyer shall include the FSR in Buyer's insurance policy. Embraer reserves the right to halt the services mentioned in this item 2.3.2, should any of the following situations occur at Buyer's base (for the duration of such situation): a) there is a labor dispute or work stoppage in progress; b) war or war like operations, riots or insurrections; c) any conditions which is dangerous to the safety or health of Embraer's employee; or d) the government of Buyer's country refuses permission to Embraer's employee to enter the country.
- g. The Parties further understand and agree that in the event Buyer elects not to take all or any portion of the **Material Redacted** support provided for herein, **Material Redacted**. Any other additional **Material Redacted** support shall depend on mutual agreement between the Parties and shall be charged by Embraer accordingly.
- h. The presence of FSR shall be allowed exclusively in those areas related to the subject matter hereof and Embraer agrees to hold harmless Buyer from and against all and any kind of liabilities in respect of such FSR to the extent permitted by law, **Material Redacted**.

2.4 PRODUCT SUPPORT PACKAGE FOR THE OPTION AIRCRAFT

The product support package for the exercised Option Aircraft shall be limited to **Material Redacted**.

EXHIBIT "1" TO ATTACHMENT B - TECHNICAL PUBLICATIONS LIST

The quantity of technical publications covering Aircraft operation and maintenance shall be delivered to Buyer in accordance with the following list:

OPERATIONAL SET

Title	
	Material Redacted
1. Airplane Flight Manual (AFM)(*)	**Material Redacted**
2. Weight & Balance Manual (WB)(*)	**Material Redacted**
3. Airplane Operations Manual (AOM)(*)	**Material Redacted**
4. Quick Reference Handbook (QRH)(*)	**Material Redacted**
5. Dispatch Deviation Procedures Manual (DDPM)(*)	**Material Redacted**
6. Supplementary Performance Manual (SPM)(*)	**Material Redacted**
7. Operational Bulletins Set (OB)	**Material Redacted**
8. Standard Operating Procedures Manual (SOPM)	**Material Redacted**
9. Flight Attendant Manual (FAM)	**Material Redacted**

MAINTENANCE SET

Title	
	Material Redacted
10. Aircraft Maintenance Manual (AMM) (***)	**Material Redacted**
11. Aircraft Illustrated Parts Catalog (AIPC) (***)	**Material Redacted**
12. Fault Isolation Manual (FIM) (***)	**Material Redacted**
13. Non Destructive Testing Manual (NDI) (***)	**Material Redacted**
14. Maintenance Planning Document (MPD) (****)	**Material Redacted**
15. Wiring Manual (WM) (***)	**Material Redacted**
16. Structural Repair Manual (SRM) (***)	**Material Redacted**
17. Service & Information Bulletins Set (SB/IB)	**Material Redacted**
18. Service Newsletters (SNL)	**Material Redacted**
19. Parts Information Letter (PIL)	**Material Redacted**
20. System Schematic Manual (SSM) (***)	**Material Redacted**
21. Instructions for Ground Fire Extinguishing and Rescue (IGFER) (****)	**Material Redacted**
22. Airport Planning Manual (APM) (****)	**Material Redacted**
23. Illustrated Tool & Equipment Manual (ITEM) (****)	**Material Redacted**
24. Task Card System CDROM (TCS) (***)	**Material Redacted**
25. Ramp Maintenance Manual (RMM) (***)	**Material Redacted**
26. Power plant Build-up Manual (PPBM) (**)	**Material Redacted**
27. Corrosion Prevention Manual (CPM) (***)	**Material Redacted**
28. Component Maintenance Manual (CMM) (**)	**Material Redacted**
29. Airplane Recovery Manual (ARM) (****)	**Material Redacted**
30. Maintenance Facility and Equipment Planning (MFEP) (****)	**Material Redacted**
31. Standard Wiring Practices Manual (SWPM) (****)	**Material Redacted**
32. Standard Manual (SM)	**Material Redacted**
33. Consumable Products Catalog (CPC)	**Material Redacted**
34. Maintenance Review Board Report (MRB)	**Material Redacted**

- (*) One extra copy on board each Aircraft
- (**) To be delivered by the suppliers directly to Buyer.
- (***) **Material Redacted**
- (****) **Material Redacted**

ATTACHMENT "C"
WARRANTY CERTIFICATE - MATERIAL AND WORKMANSHIP

1. Embraer, subject to the conditions and limitations hereby expressed, warrants the Aircraft subject of the Purchase Agreement to which this will be an Attachment, as follows:
 - a. For a period of ****Material Redacted**** months from the date of delivery to Buyer, such Aircraft will be free from:
 - Defects in materials, workmanship and manufacturing processes in relation to parts manufactured by Embraer or by its subcontractors holding an Embraer part number;
 - Defects inherent to the design of the aircraft and its parts designed or manufactured by Embraer or by its subcontractors holding an Embraer part number.
 - b. For a period of ****Material Redacted**** months from the date of delivery to Buyer, such Aircraft will be free from:
 - Defects in operation of vendor (Embraer's supplier) manufactured parts, not including the Engines, Auxiliary Power Unit (APU) and their accessories ("Vendor Parts"), as well as failures of mentioned parts due to incorrect installation or installation not complying with the instructions issued or approved by their respective manufacturers.
 - Defects due to non-conformity of Vendor Parts to the technical specification referred to in the Purchase Agreement of the aircraft.

Once the above-mentioned periods have expired, Embraer will transfer to Buyer the original Warranty issued by the vendors, to the extent the same remains in effect and shall provide Buyer with reasonable assistance in enforcing its rights in respect thereof.
2. Embraer, subject to the conditions and limitations hereby expressed, warrants that:
 - a. All spare parts or ground support equipment, not including Engines, APU and their Accessories, which have been manufactured by Embraer or by its subcontractors holding an Embraer part number, which will permit their particular identification and which have been sold by Embraer or its representatives will, for a period of ****Material Redacted**** months from the date of the invoice, be free from defects of design, material, workmanship, manufacturing processes and defects inherent to the design of the above mentioned parts or ground support equipment.
 - b. All spare parts or ground support equipment, which have been designed and manufactured by vendors, not including Engines, APU and their related accessories, and stamped with a serial number which will permit their particular identification and which have been sold by Embraer or its representatives will, for a period of ****Material Redacted**** months from the date of the invoice, be free from malfunction, defect of material and manufacture.
3. The obligations of Embraer as expressed in this Warranty are limited to replace or repair ****Material Redacted**** depending solely upon its own judgment, the parts that are returned to Embraer or its representatives within a period of ****Material**

Redacted** Days after the occurrence of the defect, at Buyer's expense (including but not limited to, freight, insurance, taxes and customs duties), adequately packed, provided that such components are actually defective and that the defect has occurred within the periods stipulated in this certificate. Should the defective part not be returned to Embraer within such **Material Redacted** Days period, Embraer shall have the right, at its sole discretion, to deny the warranty claim.

NOTE: Notification of any defect claimed under this item 3 must be given to Embraer within **Material Redacted** Days after such defect is found.

All parts **Material Redacted**. All parts **Material Redacted**.

Parts supplied to Buyer as replacement for defective parts are warranted for the balance of the warranty period still available from the original warranty of the exchanged parts.

4. Embraer will accept no warranty claims under any of the circumstances listed below:

- a. When the Aircraft has been subjected to experimental flights (not including **Material Redacted** undertaken at the request of Embraer), or in any other way not in conformity with the flight manual or the airworthiness certificate, or subjected to any manner of use in contravention of applicable navigation or other regulations and rules of either the government authorities of whatever country in which the aircraft is operated or I.C.A.O.;
- b. When the Aircraft or any of its parts have been altered or modified by Buyer, without prior approval from Embraer or from the manufacturer of the parts through a service bulletin **Material Redacted**;
- c. Whenever the Aircraft or any of its parts have been involved in an accident (other than an accident unrelated to the claim for which coverage is sought), or when parts either defective or not complying to manufacturer's design or specification have been used **Material Redacted**;
- d. Whenever parts have had their identification marks, designation, seal or serial number altered or removed;
- e. In the event of negligence, misuse or maintenance services done on the aircraft, or any of its parts not in accordance with the respective maintenance manual;
- f. In cases of deterioration, wear, breakage, damage or any other defect resulting from the use of inadequate packing methods when returning items to Embraer or its representatives.

5. This Warranty does not apply to defects presented by expendable items, whose service life or maintenance cycle is lower than the warranty period, and to materials or parts subjected to deterioration.

6. The Warranty hereby expressed is established between Embraer and Buyer, and it cannot be transferred or assigned to others, unless by written consent of Embraer or according to Article 14 of the Purchase Agreement of which this is an Attachment.

7. THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF EMBRAER AND REMEDIES OF BUYER SET FORTH IN THIS WARRANTY CERTIFICATE ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND BUYER HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF EMBRAER AND ANY ASSIGNEE OF EMBRAER AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES OF BUYER AGAINST EMBRAER OR ANY ASSIGNEE OF EMBRAER, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ANY NON-CONFORMANCE OR DEFECT OR FAILURE OR ANY OTHER REASON IN ANY AIRCRAFT OR OTHER ITEM DELIVERED UNDER THE PURCHASE AGREEMENT OF WHICH THIS IS AN ATTACHMENT, INCLUDING DATA, DOCUMENT, INFORMATION OR SERVICE, INCLUDING BUT NOT LIMITED TO:

- a. ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
- b. ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- c. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT, WHETHER OR NOT ARISING FROM THE NEGLIGENCE OR OTHER RELATED CAUSES OF EMBRAER OR ANY ASSIGNEE OF EMBRAER, WHETHER ACTIVE, PASSIVE OR IMPUTED; AND
- d. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO ANY AIRCRAFT, FOR LOSS OF USE, REVENUE OR PROFIT WITH RESPECT TO ANY AIRCRAFT OR FOR ANY OTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

For the **Material Redacted**.

8. No representative or employee of Embraer is authorized to establish any other warranty than the one hereby expressed, nor to assume any additional obligation, relative to the matter, in the name of Embraer and therefore any such statements eventually made by, or in the name of Embraer, shall be void and without effect.

ATTACHMENT "D"
PRICE ESCALATION FORMULA

Material Redacted

3 pages

Page 1

ATTACHMENT "E"
MATERIAL REDACTED

Material Redacted

2 pages

Page 1 of 1

ATTACHMENT "F"
MATERIAL REDACTED

Material Redacted

8 pages

Page 1 of 1

ATTACHMENT "G"
MATERIAL REDACTED

Material Redacted

8 pages

Page 1 of 1

1. GUARANTEES

Embraer, subject to the conditions and limitations hereby expressed, and considering the Aircraft EMBRAER 190 LR version, equipped with Embraer furnished General Electric CF34-10E5A1 engines, guarantees that each Aircraft on the relevant Actual Delivery Date shall comply with the following performance:

1.1 CRUISE SPECIFIC AIR RANGE

The cruise specific air range at a gross weight of **Material Redacted** lb (**Material Redacted** kg) in a standard day (ISA), at an altitude of **Material Redacted** ft, at **Material Redacted** KTAS using not more than maximum cruise thrust, shall not be less than the guarantee value:

Nominal: **Material Redacted** NAM/lb

Guarantee: **Material Redacted** NAM/lb

1.2 WEIGHT GUARANTEE

1.2.1 Maximum Take-Off Weight (MTOW) of the Aircraft shall not be less than **Material Redacted** lb.

1.2.2 Maximum Landing Weight (MLW) of the Aircraft shall not be less than **Material Redacted** lb.

1.2.3 Maximum Zero Fuel Weight (MZFW) of the Aircraft shall not be less than **Material Redacted** lb.

1.2.4 Maximum Equipped Empty Weight (EEW) for the Aircraft in Buyer configuration as defined in the table below is guaranteed not to exceed **Material Redacted** lb (**Material Redacted** kg).

Material Redacted

1.3 **Material Redacted**

2. AIRCRAFT CONFIGURATION

2.1 The guarantees stated above are based on the Aircraft configuration as defined in the Technical Description PTD-190 Rev.3, dated November/2002, plus specific Buyer configuration options as defined at Attachment "A" to the Purchase Agreement, (hereinafter referred to as the "Detail Specification"). If necessary, appropriate adjustment to this Aircraft Performance Guarantees shall be made for changes in such Detail Specification (including but not limited to Buyer requests for changes, Proposal of Major Changes or any other changes mutually agreed upon between the Buyer and Embraer) approved in writing by the Buyer and Embraer. Embraer shall account for such adjustments in its evidence of compliance with the guarantees. Any **Material Redacted**, this **Material Redacted**.

In the event that after the date of this Agreement any unforeseen change is made to any law, governmental regulation or mandatory requirement, or in the

application of any such law, governmental regulation or requirement that affects the certification basis for the Aircraft, and as a result thereof, a change is made to the configuration and/or the performance of the Aircraft in order to obtain certification, the guarantees set forth in this Aircraft Performance Guarantee shall be appropriately modified to reflect any such change.

- 2.2 The performance guarantees of ****Material Redacted**** shall be adjusted by Embraer for the following in its evidence of compliance with such guarantees:
 - a. Changes to the Detail Specification including change requested by Buyer, Major Changes (as defined in the Purchase Agreement) or any other changes mutually agreed upon between the Buyer and Embraer.
 - b. The difference between the component weight allowances given in the appropriate section of the Detail Specification and the actual weights.

3. GUARANTEE CONDITIONS

- 3.1 All guaranteed performance data are based on the ICAO International Standard Atmosphere (ISA) unless otherwise specified. Altitudes are pressure altitudes.
- 3.2 Unless otherwise specified, the CTA Certification Basis regulations are specified in the Aircraft Type Certificate Data Sheet.
- 3.3 The ****Material Redacted**** include ****Material Redacted****
- 3.4 The ****Material Redacted**** are based on ****Material Redacted****.
- 3.5 Performance, where applicable, is based on a fuel Lower Heating Value (LHV) of 18.580 BTU per pound and a fuel density of 6.7 lb per Gallon.

4. PARTIES' OBLIGATIONS ACCORDING TO THIS GUARANTEE

- 4.1 During the Aircraft acceptance to be performed by Buyer in accordance with Article 7 of the Purchase Agreement, Buyer shall check the Aircraft performance specified in Section 1 of this Attachment H ****Material Redacted****.
- 4.2 Embraer's obligations in respect to the guarantees stated in Section 1 of this Attachment H, are limited to Buyer's right to ****Material Redacted****, should it be reasonably verified that such Aircraft during the acceptance procedure specified in Article 7 of the Purchase Agreement, cannot comply with the performances guaranteed hereunder after Embraer has had an opportunity to cure such deficiencies in accordance with Article 7 of the Purchase Agreement.
- 4.3 In case during the above mentioned acceptance procedure, it is proven that the Aircraft performance does not comply with the performances specified in Section 1 of this Attachment H, ****Material Redacted****.
- 4.4 Upon acceptance of the Aircraft by Buyer, all obligations of Embraer regarding the Aircraft performance guarantees shall cease.

5. GUARANTEE COMPLIANCE

- 5.1 Compliance with the guarantees of ****Material Redacted**** shall be based on the conditions specified in that sections, the Aircraft configuration contained in Attachment "A" to the Purchase Agreement and the guarantee conditions of Section 3 above.

- 5.2 Compliance with the takeoff and landing performance guarantees shall be based on the CTA approved Airplane Flight Manual for the Aircraft.
- 5.3 Compliance with the ****Material Redacted**** shall be established by calculations based on the comparison mentioned in Section 4.1 above.
- 5.4 The data derived from tests shall be adjusted as required by conventional methods of correction, interpolation or extrapolation in accordance with established engineering practices to show compliance with the performance guarantee.
- 5.5 Compliance with the Manufacturer's Empty Weight guarantee shall be based on information in the appropriate approved weight and balance manual, or associated document or report.

6. EXCLUSIVE GUARANTEES

- 6.1 The only performance guarantees applicable to the Aircraft are those set forth in this document. The performance guarantees set forth herein are established between Buyer and Embraer and may not be transferred or assigned to others, unless by previous written consent of Embraer.
- 6.2 THE GUARANTEES, OBLIGATIONS AND LIABILITIES OF Embraer, AND REMEDIES OF Buyer SET FORTH IN THIS PERFORMANCE GUARANTEE ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND Buyer HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER RIGHTS, CLAIMS, DAMAGES AND REMEDIES OF Buyer AGAINST Embraer OR ANY ASSIGNED OF Embraer, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO AIRCRAFT PERFORMANCE.
- 6.3 The terms and conditions of this performance guarantee do not alter, modify or impair, in any way, the terms and conditions of Attachment "C" (Aircraft Warranty Certificate) to the Purchase Agreement or other express warranties in the Purchase Agreement.

EXHIBIT 1 TO THE ATTACHMENT "H"

EXHIBIT 1

Material Redacted

7 pages

Page 1 of 1

LETTER AGREEMENT DCT-007/2003

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EXHIBITS:

- "1" - SPECIAL INSURANCE CLAUSES
- "2" - **Material Redacted**
- "3A" - **Material Redacted**
- "3B" - **Material Redacted**

This Letter Agreement DCT-007/2003 ("Agreement" or "Letter Agreement") dated May __, 2003 is an agreement between Regional Aircraft Holdings Ltd. ("Buyer") with its address c/o Galindo, Arias y Lopez, Avenida Federico Boyd Numero 51 Piso 11, Panama, Rep of Panama, and EMBRAER - Empresa Brasileira de Aeronautica S.A. ("Embraer" or "Embraer-Brazil"), with its principal place of business at Sao Jose dos Campos, SP, Brazil (collectively the "Parties"), relating to Purchase Agreement DCT-006/2003 (the "Purchase Agreement") dated as of May __, 2003.

This Letter Agreement constitutes an amendment, supplement and modification of the Purchase Agreement as it sets forth additional agreements of the Parties with respect to the matters set forth therein. All terms defined in the Purchase Agreement shall have the same meaning when used herein, and in case of any conflict between this Letter Agreement and the Purchase Agreement, this Letter Agreement shall prevail.

WHEREAS:

- a) The Parties have entered into the Purchase Agreement, pursuant to, and subject to the terms and conditions of, which Buyer shall buy and Embraer shall sell ten (10) Firm Aircraft and up to twenty (20) Option Aircraft.
- b) The Parties wish to set forth the additional agreements of the Parties with respect to certain matters related to the purchase of the above referenced aircraft.

NOW, THEREFORE, for good and valuable consideration, the Parties agree as follows:

1 -- START-UP TEAM:

Embraer shall provide a start-up team to take place at the initial line operation of the first Aircraft, composed of the following individuals:

- **Material Redacted** for 30 **Material Redacted** days
Material Redacted.
- **Material Redacted** for **Material Redacted** days.

The sole purpose of these specialists is to advise and assist with Buyer's start-up operations of the Aircraft, making **Material Redacted** familiar with the operation and maintenance of the Aircraft. Embraer shall at its sole criteria indicate the individuals that will compose the start-up team, and Embraer shall be able to replace at any time any of such individuals **Material Redacted**. The start-up team is in addition to the pilot and mechanic training, and to the Field Support Representative specified in Article 2.3.2 of Attachment B to the Purchase Agreement.

Embraer **Material Redacted** shall not be authorized to perform any direct flight or maintenance services on Buyer's Aircraft.

Without a previous written authorization from Embraer, an Embraer's **Material Redacted** shall not **Material Redacted**. In case Buyer obtains such Embraer's previous authorization, Buyer shall include Embraer as additional insured in the Comprehensive Airline Liability insurance policies carried by Buyer, without recourse against Embraer for any failure, act or omission of Embraer's pilots or mechanics while rendering the services set forth in this Paragraph, in such a manner as to

cover any and all risks arising from or in any way connected with such services. Buyer shall also supply Embraer with a copy of the endorsements to the insurance policies above mentioned, in accordance with the clauses contained in Exhibit "1" to this Agreement, within ****Material Redacted**** prior to the date on ****Material Redacted**** as indicated above. For the avoidance of doubt, the indemnity provided in Article 22 of the Purchase Agreement shall apply to the services set forth in this Section 1.

Embraer reserves the right to halt the services mentioned in this Section 1, should any of the following situations occur at Buyer's base: a) there is a labor dispute or work stoppage in progress; b) war or war like operations, riots or insurrections; c) any conditions which is dangerous to the safety or health of Embraer's employee; or d) the government of Buyer's country refuses permission to Embraer's employee to enter the country.

At no charge to Embraer, Buyer shall provide the start-up team members with communication facilities (telephone, facsimile) as well as office space and facilities at Buyer's main base, and Buyer shall also (a) arrange all necessary work permits and airport security clearances required for Embraer's team members, to permit the accomplishment of the services mentioned in this Article 1, in due time; and (b) obtain all necessary custom clearances both to enter and depart from Buyer's country for Embraer's team members and their personal belongings and professional tools.

The start-up team members shall be allowed exclusively in those areas related to the subject matter hereof and Embraer agrees to hold harmless Buyer from and against all and any kind of liabilities in respect of such team members to the extent permitted by law, ****Material Redacted****.

Buyer shall bear all ****Material Redacted****.

At no charge to Embraer, Buyer shall provide ****Material Redacted****.

2 -- AEROCHAIN

Aerochain (www.aerochain.com) is an electronic marketplace that provides value-added after-sales services and extended supply chain collaboration, focused on the aerospace community. Aerochain site is composed of following sections:

- Community: A set of tools to promote interactivity among users, through services as Alerts and Newsletters.
- Trading: Buy & Sell solution for suppliers and customers to realize reduction in maintenance, material and operation cost. Embraer operators can access the Material Support Back Office System, and get information regarding sales of spare parts.
- Supply Chain: Collaborative planning function to provide means to quickly and interactively develop inventory plans based on information shared by trading partners.
- Maintenance & Operations: Tools for maintenance management and fleet configuration tracking to simplify the administration of either a large or small fleet.
- Technical Services: Here is available the Embraer customer service support

previously found at CIS (Customer Integration System). Embraer Operators will find useful information on airworthiness and flight safety, technical support, operations, reliability, maintenance cost, maintenance planning and training. A Technical Publications Library is also available to search, view and download, conditioned to Buyer having a Technical Publications Revision Service contracted with Embraer. The use of publications obtained from this site is subject to prior approval of the relevant airworthiness authorities.

Access to these features is conditioned to the execution of a User Agreement. If the User Agreement is not signed by Buyer and Aerochain by the date **Material Redacted** prior to the first Firm Aircraft Contractual Delivery Date **Material Redacted**, Embraer will cause Aerochain to provide Buyer **Material Redacted** access to the Technical Service module (previously named CIS) for the **Material Redacted** following **Material Redacted**, provided that **Material Redacted**.

3 -- **MATERIAL REDACTED**

4 -- **MATERIAL REDACTED**

5 -- SPARE PARTS CREDIT

Embraer will provide Buyer a spare parts credit of USD**Material Redacted** per each of the Firm Aircraft **Material Redacted** effectively delivered to Buyer. The Spare parts credit shall be used by Buyer for the purchase of Embraer-made spare parts and ground support equipment from the Embraer - Brazil spare parts facility (except for engines, engine related parts and APU), on a mutually agreed delivery schedule. **Material Redacted**

To be eligible to utilize such credit, Buyer shall not be in default in respect of any payment that has become due and payable by Buyer to Embraer or an affiliate of Embraer (as per the terms of the relevant agreement or invoice).

Spare parts credits made available to Buyer will expire, if not used, **Material Redacted** year from **Material Redacted**.

6 -- **MATERIAL REDACTED**

7 -- **MATERIAL REDACTED**

8 -- **MATERIAL REDACTED**

9 -- **MATERIAL REDACTED**

10 -- **MATERIAL REDACTED**

11 -- **MATERIAL REDACTED**

12 -- APPLICABLE LAW

This Agreement shall be construed in accordance with and its performance shall be governed by the laws of the State of New York, USA without regard to any conflict of law rules other than General Obligations Law 5-1401 and 5-1402.

13 -- JURISDICTION

All disputes arising in connection with this Agreement shall be finally settled in the courts of the United States District Court for the Southern District of New York

located in the county of New York, provided that if such court lacks jurisdiction, disputes shall be resolved in the state courts for the state of New York. The Parties hereby waive any other court of Jurisdiction that may be competent for settlement of disputes arising from this Agreement.

****Material Redacted****

14 -- CONFIDENTIALITY

Notwithstanding anything to the contrary in the Purchase Agreement, neither Buyer nor Embraer shall disclose the terms of this Agreement except as needed to its officers, employees, auditors, insurers (brokers) and legal advisors and except (a) as required by law or legal process or (b) to a prospective financing party in connection with the financing of Aircraft (limited to assignable provisions), or (c) with the prior written consent of the other party. In addition, Buyer and Embraer may disclose the terms of this Agreement ****Material Redacted****, provided that ****Material Redacted****, or in the case of ****Material Redacted****. Without limiting the foregoing, in the event either Party is legally required to disclose the terms of this Agreement, each Party agrees to exert its best efforts to request confidential treatment of the Articles and conditions of this Agreement relevantly designated by the other as confidential.

15 -- SEVERABILITY

If any provision or part of a provision of this Letter Agreement or any of the Attachments shall be, or be found by any authority or court of competent jurisdiction to be, illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect the other provisions or parts of such provisions of this Letter Agreement, all of which shall remain in full force and effect.

16 -- NON-WAIVER

Except as otherwise specifically provided to the contrary in this Agreement, any Party's refrain from exercising any claim or remedy provided for herein shall not be deemed a waiver of such claim or remedy, and shall not relieve the other Party from the performance of such obligation at any subsequent time or from the performance of any of its other obligations hereunder.

17 -- NEGOTIATED AGREEMENT

Buyer and Embraer agree that this Agreement has been the subject of discussion and negotiation and is fully understood by the Parties, and that the rights, obligations and other mutual agreements of the Parties contained in this Agreement are the result of such complete discussion and negotiation between the Parties.

18 -- COUNTERPARTS

This Agreement may be signed by the Parties in any number of separate counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument and all of which when taken together shall constitute one and the same instrument.

EXHIBIT "1" TO LETTER AGREEMENT DCT-0072003
SPECIAL INSURANCE CLAUSES

Buyer shall include the following endorsements in its Hull and Comprehensive Airline Liability insurance policies:

1. Hull All Risks Policy, including War, Hi-jacking and Other Perils.

"It is hereby understood and agreed that Insurers agree to waive rights of subrogation against Embraer with regard to the insured Aircraft.

This endorsement shall not operate to prejudice Insurer's rights of recourse against Embraer - Empresa Brasileira de Aeronautica S.A. as manufacturer, repairer, supplier or servicing agent where such right of recourse would have existed had this endorsement not been effected under this Policy."

2. Comprehensive Airline Liability Policy, based on the AVN53 - Additional Insured Endorsement

"It is hereby understood and agreed that Embraer - Empresa Brasileira de Aeronautica S.A. including any business entity owned by or subsidiaries to Embraer, and all partners, executive officers, employees and stock holders, are added as Additional Insureds only with respect to the operation of the Aircraft by the Named Insured.

This endorsement does not provide coverage for any Additional Insured with respect to claims arising out of its legal liability as manufacturer, repairer, supplier or servicing agent where such right of recourse would have existed had this endorsement not been effected under this Policy."

3. Notwithstanding anything to the contrary as specified in the Policy or any endorsement thereof, the coverages stated in paragraphs 1 and 2 above, shall not be cancelled or modified by the Insurer, without 48 hours advance written notice to Embraer to such effect.

This Endorsement attaches to and forms part of Policy No. _____, and is effective from the ____ day of _____, 200_."

EXHIBIT "2" - EMBRAER 170, EMBRAER 175, AND EMBRAER 195 SPECIFIC
CONFIGURATION, FINISHING AND REGISTRATION MARKS

Material Redacted

LETTER AGREEMENT DCT-008/2003

This Letter Agreement DCT-008/2003 ("Agreement" or "Letter Agreement") dated May __, 2003 is an agreement between Regional Aircraft Holdings Ltd. ("Buyer") with its address c/o Galindo, Arias y Lopez, Avenida Federico Boyd Numero 51 Piso 11, Panama, Rep of Panama, and EMBRAER - Empresa Brasileira de Aeronautica S.A. ("Embraer" or "Embraer-Brazil"), with its principal place of business at Sao Jose dos Campos, SP, Brazil (collectively the "Parties"), relating to Purchase Agreement DCT-006/03 (the "Purchase Agreement") dated as of May __, 2003.

This Letter Agreement constitutes an amendment, supplement and modification of the Purchase Agreement as it sets forth additional agreements of the Parties with respect to the matters set forth therein. All terms defined in the Purchase Agreement shall have the same meaning when used herein, and in case of any conflict between this Agreement and the Purchase Agreement, this Letter Agreement shall prevail.

WHEREAS:

- a) The Parties have entered into the Purchase Agreement, pursuant to, and subject to the terms and conditions of, which Buyer shall buy and Embraer shall sell ten (10) Firm Aircraft and up to twenty (20) Option Aircraft.
- b) The Parties wish to set forth the additional agreements of the Parties with respect to certain matters related to the purchase of the above referenced Aircraft.

NOW, THEREFORE, for good and valuable consideration, the Parties agree as follows:

1 - **MATERIAL REDACTED**

2 - APPLICABLE LAW

This Agreement shall be construed in accordance with and its performance shall be governed by the laws of the State of New York, USA without regard to any conflict of law rules other than General Obligations Law 5-1401 and 5-1402.

3 - JURISDICTION

All disputes arising in connection with this Agreement shall be finally settled in the courts of the United States District Court for the Southern District of New York located in the county of New York, provided that if such court lacks jurisdiction, disputes shall be resolved in the state courts for the state of New York. The Parties hereby waive any other court of Jurisdiction that may be competent for settlement of disputes arising from this Agreement.

Material Redacted

4 - CONFIDENTIALITY

Notwithstanding anything to the contrary in the Purchase Agreement, neither Buyer

nor Embraer shall disclose the terms of this Agreement except as needed to its officers, employees, auditors, insurers (brokers) and legal advisors and except (a) as required by law or legal process or (b) with the prior written consent of the other party. In addition, Buyer and Embraer may disclose the terms of this Agreement ****Material Redacted****, provided that ****Material Redacted****, or in the case of ****Material Redacted****. Without limiting the foregoing, in the event either party is legally required to disclose the terms of this Agreement, each party hereto agrees to exert its best efforts to request confidential treatment of the Articles and conditions of this Agreement relevantly designated by the other as confidential.

5 - SEVERABILITY

If any provision or part of a provision of this Letter Agreement or any of the Attachments shall be, or be found by any authority or court of competent jurisdiction to be, illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect the other provisions or parts of such provisions of this Letter Agreement, all of which shall remain in full force and effect.

6 - NEGOTIATED AGREEMENT

Buyer and Embraer agree that this Agreement has been the subject of discussion and negotiation and is fully understood by the Parties, and that the rights, obligations and other mutual agreements of the Parties contained in this Agreement are the result of such complete discussion and negotiation between the Parties.

7 - COUNTERPARTS

This Agreement may be signed by the Parties hereto in any number of separate counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument and all of which when taken together shall constitute one and the same instrument.

CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND FILED
SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT
TO A REQUEST FOR CONFIDENTIAL TREATMENT

Exhibit 10.22

PURCHASE AGREEMENT NUMBER 2191

BETWEEN

THE BOEING COMPANY

AND

COPA HOLDINGS, S.A.

RELATING TO BOEING MODEL 737-7V3 & 737-8V3 AIRCRAFT

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RESTRICTED LETTER AGREEMENTS

t6-1162-DAN-0123
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Performance Guarantees
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SUPPLEMENTAL AGREEMENTS

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Supplemental Agreement No. 4
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Supplemental Agreement No. 8

DATED AS OF:
June 29, 2001
December 21, 2001
June 14, 2002
December 20, 1002
October 31, 2003
September 9, 2004
December 9, 2004
April 15, 2005

Purchase Agreement No. 2191

between

The Boeing Company

and

COPA HOLDINGS, S.A.

This Purchase Agreement No. 2191 dated as of Nov. 25, 98 between The Boeing Company (BOEING) and COPA HOLDINGS, S.A. (CUSTOMER) relating to the purchase and sale of Model 737-7V3 & 737-8V3 aircraft incorporates the terms and conditions of the Aircraft General Terms Agreement dated as of Nov. 25, 98 between the parties, identified as AGTA-COP (AGTA).

Article 1. Quantity, Model and Description.

The aircraft to be delivered to Customer will be designated as Model 737-7V3 & 737-8V3 aircraft (the AIRCRAFT). Boeing will manufacture and sell to Customer Aircraft conforming to the configuration described in Exhibit A, which is part of this Purchase Agreement, in the quantities listed in Table I to the Purchase Agreement.

Article 2. Delivery Schedule.

The scheduled months of delivery of the Aircraft are listed in the attached Table 1, which is part of this Purchase Agreement. Exhibit B, which is part of this Purchase Agreement, describes certain responsibilities for both Customer and Boeing in order to accomplish the delivery of the Aircraft.

Article 3. Price.

3.1 Aircraft Basic Price. The Aircraft Basic Price is listed in Table 1 in subject to escalation dollars.

3.2 Advance Payment Base Prices. The Advance Payment Base Prices listed in Table 1 were calculated utilizing the latest escalation factors available to Boeing on the date of this Purchase Agreement projected to the month of scheduled delivery.

3.3 Boeing has not yet established the Aircraft Basic Price for Aircraft scheduled to be delivered after December 31, 2003. The prices listed in Table 1 for such Aircraft are only to provide Customer with an estimate of the applicable Advance Payment Base Prices. Accordingly, the Aircraft Basic Price for such Aircraft will be the sum of the Airframe Price, Optional Features Prices and the Engine Price first published by Boeing for the same model of aircraft and engines to be delivered after December 31, 2003.

Article 4. Payment.

4.1 Boeing acknowledges receipt of a deposit in the amount shown in Table I for each Aircraft (DEPOSIT).

4.2 The standard advance payment schedule for the Model 737-7V3 & 737-8V3 aircraft requires Customer to make certain advance payments, expressed in a percentage of the Advance Payment Base Price of each Aircraft beginning with a payment of 1%, less the Deposit, on the effective date of the Purchase Agreement for the Aircraft. Additional advance payments for each aircraft are due on the first business day of the months listed in the attached Table 1.

4.3 For any Aircraft whose scheduled month of delivery is less than 24 months from the date of this Purchase Agreement, the total amount of advance payments due for payment upon signing of this Purchase Agreement will include all advance payments which are past due in accordance with the standard advance payment schedule set forth in paragraph 4.2 above.

4.4 Customer will pay the balance of the Aircraft Price of each Aircraft at delivery.

Article 5. Miscellaneous.

5.1 Aircraft Information Table. Table 1 consolidates information contained in Articles 1, 2, 3 and 4 with respect to (i) quantity of Aircraft, (ii) applicable Detail Specification, (iii) month and year of scheduled deliveries, (iv) Aircraft Basic Price, (v) applicable escalation factors and (vi) Advance Payment Base Prices and advance payments and their schedules.

5.2 Buyer Furnished Equipment Variables. Supplemental Exhibit BFE1 contains vendor selection dates, on dock dates and other variables applicable to the Aircraft.

5.3 Customer Support Variables. Supplemental Exhibit CS1 contains the variable information applicable to information, training services and other things furnished by Boeing in support of the Aircraft.

5.4 Engine Escalation Variables. Supplemental Exhibit EE1 contains the applicable engine escalation formula, the engine warranty and the engine patent indemnity for the Aircraft.

5.5 Service Life Policy Component Variables. Supplemental Exhibit SLP1 lists the airframe and landing gear components covered by the Service Life Policy for the Aircraft.

5.6 Negotiated Agreement; Entire Agreement. This Purchase Agreement, including the provisions of Article 8.2 of the AGTA relating to insurance, and Article 11 of Part 2 of Exhibit C of the AGTA relating to DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES, has been the subject of discussion and negotiation and is understood by the parties; the Aircraft Price and other agreements of the

parties stated in this Purchase Agreement were arrived at in consideration of such provisions. This Purchase Agreement, including the AGTA, contains the entire agreement between the parties and supersedes all previous proposals, understandings, commitments or representations whatsoever, oral or written, and may be changed only in writing signed by authorized representatives of the parties.

TABLE 1 TO
PURCHASE AGREEMENT NO. 2191
AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

AIRFRAME MODEL/MTGW:	737-700	154,500	DETAIL SPECIFICATION:	D6-38868-42-1 (11/25/1998)
ENGINE MODEL:	CFM56-7B20		PRICE BASE YEAR:	Jul-97
AIRFRAME PRICE:		\$ 36,374,000		
OPTIONAL FEATURES:		\$ 3,279,619	AIRFRAME AND ENGINE ESCALATION DATA:	

SUB-TOTAL OF AIRFRAME AND FEATURES:		\$ 39,653,619	BASE YEAR INDEX (ECI):	137.30
ENGINE PRICE (PER AIRCRAFT):		\$ 0	BASE YEAR INDEX (ICI):	129.50
AIRCRAFT BASIC PRICE (EXCLUDING BFE/SPE):		\$ 39,653,619		
		=====		
BUYER FURNISHED EQUIPMENT (BFE) ESTIMATE:		\$ 2,750,000		
SELLER PURCHASED EQUIPMENT (SPE) ESTIMATE:		\$ 400,000		
REFUNDABLE DEPOSIT PER AIRCRAFT AT PROPOSAL ACCEPTANCE:		\$ 75,000		

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	ESCALATION CREDIT MEMORANDUM	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):				TOTAL 30%
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6 MOS. 5%		
Jan-2000	1	1.0514	-\$ 468,000	\$ 41,674,000	\$ 351,740	\$ 1,666,960	\$ 2,083,700	\$ 12,502,200	
Feb-2000	1	1.0541	-\$ 472,000	\$ 41,777,000	\$ 352,770	\$ 1,671,080	\$ 2,088,850	\$ 12,533,100	
May-2000	2	1.0696	-\$ 476,000	\$ 42,388,000	\$ 348,880	\$ 1,695,520	\$ 2,199,400	\$ 12,716,400	
* June-2002	1	1.1299	-\$ 504,000	\$ 44,801,000	\$ 373,010	\$ 1,792,040	\$ 2,240,050	\$ 13,440,300	
** Jul-2002	1	1.1327	-\$ 508,000	\$ 44,908,000	\$ 374,080	\$ 1,796,320	\$ 2,245,400	\$ 13,472,400	
Nov-2002	1	1.14	-\$ 508,000	\$ 45,197,000	\$ 376,970	\$ 1,807,880	\$ 2,259,850	\$ 13,559,100	
Dec-2002	1	1.1425	-\$ 512,000	\$ 45,292,000	\$ 377,920	\$ 1,811,680	\$ 2,264,600	\$ 13,587,600	

* Delivery date of May-2002 (previous month) to be used at time of delivery for escalation purposes.

** Delivery date of June-2002 (previous month) to be used at time of delivery for escalation purposes.

TABLE 1-1 TO
 BOEING PURCHASE AGREEMENT NO. 2191
 AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS
 MODEL 737-700 AIRCRAFT, BLOCK A

AIRFRAME MODEL/MTGW:	737-700	154,500	DETAIL SPECIFICATION:	D6-38808-42-1 REV A (12/6/1999)
ENGINE MODEL:	CFM56-7B22		AIRFRAME PRICE BASE YEAR:	Jul-00
AIRFRAME PRICE:		\$ 41,058,000		
OPTIONAL FEATURES:		\$ 2,915,000	AIRFRAME ESCALATION DATA:	

SUB-TOTAL OF AIRFRAME AND FEATURES:		\$ 43,973,000	BASE YEAR INDEX (ECI):	145.50
ENGINE PRICE (PER AIRCRAFT):		\$ 0	BASE YEAR INDEX (ICI):	130.30
AIRCRAFT BASIC PRICE (EXCLUDING BFE/SPE):		\$ 43,973,000		
		=====		
BUYER FURNISHED EQUIPMENT (BFE) ESTIMATE:		\$ 1,000,000		
SELLER PURCHASED EQUIPMENT (SPE) ESTIMATE:		\$ 450,000		
REFUNDABLE DEPOSIT PER AIRCRAFT AT PROPOSAL ACCEPTANCE:		\$ 75,000		

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	MSN	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):			
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6 MOS. 5%	TOTAL 30%
Sep-2003	1	1.1247	33707	\$ 49,956,000	\$ 424,560	\$ 1,998,240	\$ 2,497,800	\$ 14,986,800
Oct-2003	1	1.1293	33708	\$ 50,159,000	\$ 426,590	\$ 2,006,360	\$ 2,507,950	\$ 15,047,700
May-2004	1	1.1519	33705	\$ 51,202,000	\$ 437,020	\$ 2,048,080	\$ 2,560,100	\$ 15,360,600
Jun-2004	1	1.1547	33706	\$ 51,326,000	\$ 438,260	\$ 2,053,040	\$ 2,566,300	\$ 15,397,800

TABLE 1-2 FOR MODEL 737-8V3 AIRCRAFT
 AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

AIRFRAME MODEL/MTGW:	737-8V3	174,200	DETAIL SPECIFICATION:	D6-38808-43 REV D (10/2/2001)
ENGINE MODEL:	CFM56-7B26		PRICE BASE YEAR:	Jul-00
AIRFRAME BASE PRICE:		\$ 50,584,000		
OPTIONAL FEATURES:		\$ 3,289,700	AIRFRAME AND ENGINE ESCALATION DATA:	

SUB-TOTAL OF AIRFRAME AND FEATURES:		\$ 53,873,700	BASE YEAR INDEX (ECI):	145.40
ENGINE PRICE (PER AIRCRAFT):		\$ 0	BASE YEAR INDEX (ICI):	130.30
AIRCRAFT BASIC PRICE (EXCLUDING BFE/SPE):		\$ 53,873,700		
		=====		
SELLER PURCHASED EQUIPMENT (SPE) ESTIMATE:		\$ 500,000		
BUYER FURNISHED EQUIPMENT (BFE) ESTIMATE:		\$ 1,000,000		
REFUNDABLE DEPOSIT PER AIRCRAFT AT PROPOSAL ACCEPTANCE:		\$ 75,000		

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	MANUFACTURER SERIAL NUMBER	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):			
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6 MOS. 5%	TOTAL 30%
Oct-2003	1	1.1293	33709	\$ 60,611,000	\$ 531,110	\$ 2,424,440	\$ 3,030,550	\$ 18,183,300
Nov-2003	1	1.1355	33710	\$ 60,836,000	\$ 533,360	\$ 2,433,440	\$ 3,041,800	\$ 18,250,800
Oct-2003	1	1.1707	34006	\$ 63,570,000	\$ 560,700	\$ 2,542,800	\$ 3,178,500	\$ 19,071,000

TABLE 1-3
 AIRCRAFT INFORMATION TABLE FOR MODEL 737-7V3 AIRCRAFT
 AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

AIRFRAME MODEL/MTGW:	737-700	154,500	DETAIL SPECIFICATION:	D6-38808-42-1-D (10/5/2002)
ENGINE MODEL:	CFM56-7B22		AIRFRAME PRICE BASE YEAR:	Jul-00
AIRFRAME PRICE:		\$ 41,058,000		
OPTIONAL FEATURES:		\$ 3,011,200	AIRFRAME ESCALATION DATA:	

SUB-TOTAL OF AIRFRAME AND FEATURES:		\$ 44,069,200	BASE YEAR INDEX (ECI):	145.40
ENGINE PRICE (PER AIRCRAFT):		\$ 0	BASE YEAR INDEX (ICI):	130.30
AIRCRAFT BASIC PRICE (EXCLUDING BFE/SPE):		\$ 44,069,200		
		=====		
BUYER FURNISHED EQUIPMENT (BFE) ESTIMATE:		\$ 1,000,000		
SELLER PURCHASED EQUIPMENT (SPE) ESTIMATE:		\$ 1,700,000		
REFUNDABLE DEPOSIT PER AIRCRAFT AT PROPOSAL ACCEPTANCE:		\$ 75,000		

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	MANUFACTURER SERIAL NUMBER	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):			
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6 MOS. 5%	TOTAL 30%
May-2006	1	1.2271	34535	\$ 55,777,000	\$ 482,770	\$ 2,231,080	\$ 2,788,850	\$ 16,733,100
Jun-2006	1	1.2299	34536	\$ 55,901,000	\$ 484,010	\$ 2,236,040	\$ 2,795,050	\$ 16,770,300

TABLE 1-4
AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

AIRFRAME MODEL/MTGW:	737-700	154,500	DETAIL SPECIFICATION:	D6-38808-42-1 (4/30/2004)
ENGINE MODEL:	CFM56-7B22		PRICE BASE YEAR/ESCALATION FORMULA:	Jul-04 ECI-MPG/CPI
AIRFRAME PRICE:		\$ 47,784,000	ENGINE PRICE BASE YEAR/ESCALATION FORMULA:	N/A N/A
OPTIONAL FEATURES:		\$ 3,517,000	AIRFRAME AND ESCALATION DATA:	

SUB-TOTAL OF AIRFRAME AND FEATURES:		\$ 51,301,000	BASE YEAR INDEX (ECI):	166.1
ENGINE PRICE (PER AIRCRAFT):		\$ 0	BASE YEAR INDEX (ICI):	184.1
AIRCRAFT BASIC PRICE (EXCLUDING BFE/SPE):		\$ 51,301,000		
		=====		
BUYER FURNISHED EQUIPMENT (BFE) ESTIMATE:		\$ 0		
SELLER PURCHASED EQUIPMENT (SPE) ESTIMATE:		\$ 1,800,000		
REFUNDABLE DEPOSIT PER AIRCRAFT AT PROPOSAL ACCEPT:		\$ 90,000		

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	MANUFACTURER SERIAL NUMBER	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):				TOTAL 30%
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6 MOS. 5%		
Aug-2007	1	1.1101	35068	\$ 58,947,000	\$ 499,470	\$ 2,357,880	\$ 2,947,350	\$ 17,684,100	
Nov-2007	1	1.1176	35067	\$ 59,346,000	\$ 503,460	\$ 2,373,840	\$ 2,976,300	\$ 17,803,800	
May-2008	1	1.1346	35125	\$ 60,248,000	\$ 512,480	\$ 2,409,920	\$ 3,012,400	\$ 18,074,400	
Nov-2008	1	1.1511	35126	\$ 61,125,000	\$ 521,250	\$ 2,455,000	\$ 3,056,250	\$ 18,337,500	
May-2009	1	1.1682	35127	\$ 63,033,000	\$ 530,330	\$ 2,481,320	\$ 3,101,650	\$ 18,609,900	
Total:	5								

AIRCRAFT CONFIGURATION

between

THE BOEING COMPANY

and

COPA HOLDINGS, S.A.

Exhibit A to Purchase Agreement Number 2191

A

AIRCRAFT CONFIGURATION

Dated Nov 25, 1998

relating to

BOEING MODEL 737-7V3 AIRCRAFT

The Detail Specification is Boeing Detail Specification D6-38808-42-1 dated as of even date herewith. Such Detail Specification will be comprised of Boeing Detail Specification D6-38808-42 dated January 14, 1998 as amended to incorporate the Options listed below, including the effects on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OEW). As soon as practicable, Boeing will furnish to Buyer copies of the Detail Specification, which copies will reflect such Options. The Aircraft Basic Price reflects and includes all effects of such Options, except such Aircraft Basic Price does not include the price effects of any Buyer Furnished Equipment or Seller Purchased Equipment.

A-1

(97 STE)
Change Price
per A/C

Change Number	Change Title	
0360A343A51	737-700 DEVELOPMENTAL CHANGES	**Material Redacted**
0315A343A33	RO - CERTIFIED OPERATIONAL WEIGHTS - COPA - 737-700	**Material Redacted**
0110A343A30	RO - EXTERIOR DECORATIVE MARKINGS - COP - 737-700	**Material Redacted**
2158MP3014	COOLING DUCT - INSTALLATION - E8 RACK	**Material Redacted**
2312MP3674	VHF TRANSCEIVERS - REVISION - ROCKWELL COLLINS P/N 822-1047-003 IN LIEU OF 822-1047-002 - BFE	**Material Redacted**
2322MP3566	ACARS - ADDITIONAL PROVISIONS FOR DATA DISCRETES	**Material Redacted**
2322MP3608	ACARS - SOFTWARE REVISION - AOC AND CORE	**Material Redacted**
2331MP3264	PRE-RECORDED ANNOUNCEMENT AND COMBINATION MUSIC/TAPE CONTROL PANEL - DELETION OF MATSUSHITA BASELINE	**Material Redacted**
2523MP3176	PASSENGER COMPARTMENT SIGNS AND PLACARDS - REVISION -ENGLISH/SPANISH	**Material Redacted**
2530MP3852	GALLEY INSERTS - BFE ALTERNATE PART NUMBERS	**Material Redacted**
2562MP3225	LIFE RAFTS - REPLACEMENT - BFE AIR CRUISERS - P/N 63800-103 IN LIEU OF D23940-117	**Material Redacted**
2564MP3127	ATTENDANT FLASHLIGHT - REPLACEMENT - DME P2-07-0001-215 IN LIEU OF DME P2-07-0001-101 - BFE	**Material Redacted**

Change Number	Change Title	(97 STE) Change Price per A/C
2564MP3136	SMOKE HOODS-ATTACHMENT- REVISION	**Material Redacted**
3131MP3993	QUICK ACCESS RECORDER - REVISION - PENNY & GILES BFE P/N D52000-62200 IN LIEU OF D52000-62000	**Material Redacted**
3131MP3999	DFDAU - REVISION - ACMS SOFTWARE UPDATE A	**Material Redacted**
3162MP3186	WEATHER RADAR RANGE INDICATORS - RANGE MARKS IN LIEU OF RANGE ARCS	**Material Redacted**
3430MP3088	MULTI-MODE RECEIVER (MMR) - REPLACEMENT - BFE ROCKWELL P/N 540 822-1152-002 IN LIEU OF 822-1152-001	**Material Redacted**
3443MP3264	WEATHER RADAR - REVISION - ROCKWELL P/N 622-5132-631 IN LIEU OF P/N 622-5132-630 - BFE	**Material Redacted**
3445MP3332	ATC/TCAS CONTROL PANEL - BFE GABLES P/N G6992-40 IN LIEU OF BFE GABLES P/N G6992-02	**Material Redacted**
3446MP3196	ENHANCED GROUND PROXIMITY WARNING SYSTEM (EGPWS) - PARTIAL PROVISIONS - PHASE II (BOEING INTEGRATED DESIGN)	**Material Redacted**
TOTAL =		**Material Redacted**

Note: The abbreviation "NC" denotes a "no charge" change.

CHANGE NO.	TITLE	PRICE (00\$)
CAL SPEC	FOLLOW ON CAL FEATURES	\$ 2,629,000
0110A343A30	RO-EXTERIOR DECORATIVE MARKINGS	NC
0315A343A33	CERTIFIED OPERATIONAL WEIGHTS 737-700	\$ 1,064,400
0360A343A51	737-700 DEVELOPMENTAL CHANGES	NC
2158MP3014	COOLING DUCT INSTALLATION - E8 RACK	\$ 2,600
2312MP3674	VHF TRANSCEIVERS-REVISION	NC
2322MP3566	ACARS-ADDIT. PROVISIONS FOR DATA DISCRETES	\$ 3,000
2322MP3608	ACARS-SOFTWARE REVISION-AOC & CORE	NC
2331MP3264	PRE-REC. ANNOUNC. & COMB. MUSIC/TAPE CTRL PNL-DEL	NC
2523MP3176	PASSENGER COMPARTMENT SIGNS/PLACARD	NC
2530MP3852	GALLEY INSERTS - BFE ALTERNATE PART	NC
2562MP3225	LIFE RAFTS-REPLACEMENT	NC
2564MP3127	ATTENDANT FLASHLIGHT-REPLACEMENT	NC
2564MP3136	SMOKE HOODS ATTACHMENT REV	NC
3131MP3993	QUICK ACCESS RECORDER-REVISION	NC
3131MP3999	DFDAU-REVISION-ACMS SOFTWARE UPDATE	NC
3162MP3186	WEATHER RADAR RANGE INDICATORS-RANGE MARKS	NC
3430MP3088	MULTI-MODE RECEIVER (MMR)-REPLACEMENT	NC
3443MP3264	WEATHER RADAR REVISION	NC
3445MP3332	ATC/TCAS CONTROL PANEL	NC
3446MP3196	EGPWS-PARTIAL PROVISIONS-PHASE II	IB
	EXHIBIT A TOTAL	\$ 3,699,000

ADDIT. CHANGES	TITLE	
0220A343A37	CERT. FOR 15 KNOT TAIL WIND T/O & LANDINGS	NC
0252A343A60	A/P FLIGHT & OPERATION MANUALS - CELSIUS	NC
2311A343A68	HF COMM DUAL ROCKWELL HP VOICE DATA TRNSCVRS	NC
2527B162A04	FLOOR COVERING-REV-PART SUB-CARPET	NC
3131A343A64	DFDAU WITH ACMS CAPABILITY	NC
3162A343A49	CDS DISPLAY-PFD/ND FORMAT-OVER & UNDER PRES.	NC
3245A343A36	TIRES-NOSE LNDNG GEAR RADIAL TIRES	NC
3445A303B92	INSTL TCAS CHANGE 7 COMPLIANT	NC
3453A303B68	ATC SYS-ROCKWELL COLLINS ATC TRANSPONDER	NC
7200A367B12	MP-CFM56-7 ENGINES 7B22 IN LIEU OF 7B24	-\$ 784,000
	ADDITIONAL CHANGES TOTAL	-\$ 784,000
	EXHIBIT A TOTAL	\$ 2,915,000

CHANGE NO.	DESCRIPTION	PRICE (00\$)
0110CG3022	MODEL 737-800 AIRPLANE	IB
0221CG3017	CATEGORY IIIA (50 FOOT DECISION HEI	\$ 136,300
0225CH3026	EXTENDED TWIN-ENGINE OPERATIONS (ET	\$ 5,300
0252CG3630	CARGO COMPARTMENT PLACARDS - POUNDS	NC
0252CG3037	ENGLISH UNITS FOR FLIGHT MANUAL, OP	NC
0253CH3097	CHANGE BFE TO SPE -PASSENGER SEATS	NC
2130CG3039	600 FPM CABIN PRESSURE ASCENT RATE	NC
2130CG3040	350 FPM CABIN PRESSURE DESCENT RATE	NC
2160CG3017	CABIN TEMPERATURE INDICATOR - DEGRE	NC
2210CG3197	DIGITAL FLIGHT CONTROL SYSTEM (DFCS	NC
2210CG3209	DIGITAL FLIGHT CONTROL SYSTEM (DFCS	NC
2210CG3235	DIGITAL FLIGHT CONTROL SYSTEM (DFCS	NC
2210CG3237	DFCS ACTIV-F D TAKEOFF MODE, WINGS	NC
2310CH3027	RADIO TUNING PANELS (RTP) - INSTALL	NC
2311CH3444	HF COMMUNICATIONS - PARTIAL PROVISI	\$ 18,300
2311CH3446	HF COMMUNICATIONS - DUAL ROCKWELL A	\$ 63,100
2312CH3400	TRIPLE VHF COMMUNICATIONS (822-1047	\$ 23,500
2321CG3527	SELCAL DECODER - INSTALLATION - BFE	NC
2321CG3529	SELCAL CONTROL PANEL - INSTALLATION	NC
2322CH3411	COMMUNICATIONS MANAGEMENT UNIT (CMU	\$ 108,700
2331CH3179	PA HANDSET INSTALLATION IN FLIGHT D	\$ 5,300
2350CH3153	FLIGHT COMPARTMENT AUDIO MUTING REV	NC
2350CG3158	CONTROL WHEEL INTERPHONE SWITCH	NC
2350CH3163	DIGITAL AUDIO REMOTE ELECTRONICS UN	NC
2350CG3184	AUDIO SELECTOR PANEL - INSTALLATION	NC
2350CH3206	AUDIO SELECTOR PANEL RELOCATION FRO	NC
2350CH3207	INTERPHONE - BFE MICROPHONES, BOOM	NC
2370CH3180	SOLID STATE VOICE RECORDER - INSTAL	NC
2433CH3150	STANDBY POWER - CAPACITY INCREASE A	\$ 37,800
2520CH3816	BFE BULKHEAD DECORATIVE MURALS -TA	\$ 11,000
2520CH3825	ALTERNATE INTERIOR ARRANGEMENT - 8	\$ 177,500
2520CH3949	INTERIOR ARRANGEMENT - 14 FIRST CLA	\$ 125,500
2524CH3512	UNDERBIN SPE CLOSET - FORWARD LEFT	\$ 4,900
2528CH3212	LOCKABLE OVERHEAD STOWAGE COMPARTME	\$ 200
2530CH3635	FORWARD GALLEY G1 INSTALLATION - AF	\$ 36,000
2530CH3636	FORWARD GALLEY G2 INSTALLATION - AF	\$ 36,000
2530CH3639	FORWARD GALLEY G7 INSTALLATION - AF	\$ 36,000
2541CH3043	LIQUID SOAP DISPENSER - LAVATORY	NC
2550CG3210	CARGO COMPARTMENT NETS WITH NYLON T	NC
2550CG3220	FWD AND AFT CARGO COMPARTMENT FLOOR	NC
2550CG3226	FWD AND AFT CARGO COMPARTMENT LININ	NC
2564CH3095	RETRACTABLE EMERGENCY EQUIPMENT PAN	NC
2611CG3020	ENGINE AND APU FIRE/OVERHEAT DETEC	NC
2626CG3024	FIRE EXT. INSTL	NC
2841CG3095	FUEL QUANTITY INDICATORS ON RIGHT W	NC
2844CG3040	MEASURING STICK CONVERSION TABLES -	NC
2910CG3093	ENG DRV HYD PMP W/VESPEL SPLINE-ABX	NC
2910CG3097	AC MOTOR-DRIVEN HYDRAULIC PUMPS - I	NC
3131CH3734	OPTICAL QUICK ACCESS RECORDER INST.	\$ 8,800
3131CG3765	ACCELEROMETER - INSTALLATION - BFE	NC
3131CH3797	PARTIAL PROV FOR ARINC 591 Q.A.R.	NC
3131CG3808	SOLID STATE DIGITAL FLIGHT DATA REC	NC

3135CH3068	MILTOPE ARINC 744 MULTIPOINT PRINTER	\$	8,100
3162CG3013	EFIS/MAP DISPLAY FORMAT		NC
3162CG3015	FLIGHT DIRECTOR COMMAND DISPLAY - S		NC
3162CG3019	RADIO ALTITUDE DISPLAY - ROUND DIAL		NC
3162CG3021	RADIO ALTITUDE - BELOW ADI		NC
3162CG3022	RISING RUNWAY DISPLAY		NC
3162CG3026	ATTITUDE COMPARATOR - STEADY		NC
3162CG3028	SINGLE CHANNEL AUTOPILOT ANNUNCIATI		NC
3162CG3029	LOCALIZER BACKCOURSE POLARITY - REV		NC
3162CG3032	MAP MODE ORIENTATION - TRACK UP		NC
3162CG3036	AUTOTUNED NAVAIDS - DISPLAYED		NC
3162CG3038	MANUALLY TUNED VOR SELECTED COURSE		NC
3162CG3040	ADF POINTER(S) IN MAP MODE - FULL T		NC
3162CG3042	POSITION DIFFERENCE - AUTOMATIC DIS		NC
3162CG3044	WEATHER RADAR RANGE INDICATORS - RA		NC
3162CG3052	TCAS RESOLUTION ADVISORY ON ADI		NC
3162CG3056	ANALOG FAILURE FLAGS - NOT DISPLAYE		NC
3162CG3104	ENGINE INSTRUMENTS DISPLAY		NC
3162CH3135	ADDITIONAL TAKEOFF BUG - NOT DISPLA		NC
3240CG3228	NOSE AND MAIN LANDING GEAR WHEELS A		NC
3244CG3007	PARKING BRAKE WARNING LIGHT INSTALL	\$	800
3245CG3040	BIAS NOSE LANDING GEAR TIRES - 27X7		NC
3310CH3020	KEEP OUT OF FLIGHT COMPARTMENT WARN	\$	3,100
3342CG3024	NOSE GEAR TAXI LIGHT - INSTALLATION		NC
3343CH3043	EXTERNAL POSITION LIGHT SWITCH INST		NC
3351CH3030	FLOOR PROXIMITY EMERGENCY ESCAPE PA	(\$	1,200)
3412CG3078	AIR DATA COMPUTING - DUAL TAT PROBE		NC
3430CG3054	MMR PARTIAL PROV FOR GLOBAL POSIT		IB
3430CG3060	MMR-INSTAL OF ILS/GPS BFE ROCKWELL		IB
3433CG3056	LOW RANGE RADIO ALTIMETER (LRRRA) -		NC
3443CH3154	ARINC 708 WEATHER RADAR SYSTEM - IN		NC
3443CH3189	WEATHER RADAR SYSTEM - PARTIAL PROV		IB
3445CG3167	TCAS II - INSTALLATION - BFE ALLIED		NC
3446CH3127	GPWS RADIO ALTITUDE VOICE CALLOUTS		NC
3446CH3128	GPWS FLAPS WARNING INHIBIT ONLY IN		NC
3446CH3129	GPWS VOICE CALLOUT REVISION - HALF		NC
3451CG3006	VOR/MARKER BEACON - INSTALLATION -		NC
3455CG3119	DISTANCE MEASURING EQUIPMENT (DME)		NC
3457CH3152	NAVIGATION SYSTEM - ADF REMOVAL		NC
3461CG3403	BUYER FURNISHED NAVIGATION DATA BAS		NC
3461CG3424	FMC FLIGHT NUMBER ENTRY		NC
3461CG3425	FMC TEMPERATURE SELECTION - DEGREES		NC
3461CG3429	FMC POSITION UPDATE AND RUNWAY OFFS		NC
3461CG3432	THRUST REDUCTION ALTITUDE - TAKEOFF		NC
3461CG3433	FMS BUILT-IN TEST EQUIPMENT PRINTER		NC
3461CG3465	MULTIPURPOSE CDU WITH FMC, ACARS, A	\$	53,400
3461CG3496	INSTALL FMC-SECOND 4MCU, UPDATE	\$	184,000
3461CG3498	FMC - ACTIVATION - 1 MEG NAVIGATION		IB
3461CG3521	PORTABLE DATA LOADER CONNECTOR - IN		NC
3461CH3562	FMC - ACTIVATION - RETENTION OF WAY	\$	11,700
3461CH3565	FMC - ACTIVATION - ACARS ARINC 7246	\$	117,500
3500CG3018	OXYGEN SYSTEM - ALL TUBING AND FITT		NC
3510CG3098	CREW OXYGEN CYLINDER - 114 CUBIC FE		NC

3510CG3102	CREW OXYGEN SYSTEM - CAPTAIN, FIRST	NC
3920CH3111	AUXILIARY E/E EQUIPMENT (E8) RACK I	\$ 20,400
5200CG3021	HOLD OPEN LOCK INSTALLATION - ENTRY	NC
5320CG3027	FIVE POUND ALUMINUM FLOOR PANELS	NC
72000G3246	AIRPLANE PERFORMANCE: CFM56-7 ENGI	\$ 910,000
7200CG3281	SINGLE ANNULAR COMBUSTOR - CFM56-7	NC
7731CG3038	ENGINE VIBRATION MONITORING (EVM) S	NC
79000G3028	LUBRICATING OIL - MOBIL JET II	NC
0220MP3407	HIGH ALTITUDE A/P OPERATION	\$ 14,600
0220A343A37	CERT. FOR 15 KNOT TAIL WIND T/O &	NC
0252MP3062	CARGO CMCPTMT PLACARDS	NC
0253MP3112	CHANGE SPE TO BFE/ GALLEY INSERTS	NC
0315A343B26	INCREASE CERTIFIED OPERATIONAL MTOW	\$ 920,600
1120A303C46	ALL EXT MARKINGS (INCLUDING TIRE PR	NC
2158MP3014	COOLING DUCT ISNTL E8 RACK	\$ 2,400
2310A687A04	COMMUNICATIONS CONTROL PANELS	NC
2311MP3553	HF COMMUNICATIONS-REPLACEMENT	NC
2312MP3674	VHF TRANSCEIVERS-REVISION	NC
2321MP3566	SELCAL CONTROL PANEL-INSTAL GABLES	NC
2322MP3489	MODIFY DUAL ARAINC 758 CMP PRVS	NC
2322MP3490	ACARS ARINC 724B	\$ 8,800
2322MP3566	ADDTNL PROV ACARS FOR DATA DISCRETE	\$ 3,100
2322MP3608	ACARS-SOFTWARE REVISION-AOC & CORE	NC
2331 MP3159	PASSENGER ADDRESS SYSTEM - COLLINS	NC
2331 MP3264	PRE-RECORDED ANNOUNCE/COMBO MUSIC	NC
2332MP3742	VIDEO ENTERTAIN. SYSTEM-PART PROV.	\$ 5,600
2334A857A17	AUDIO ENTMT SYS-INSTALL IN SEAT	NC
2370MP3215	SOLID STATE VOICE RCDR INSTL	NC
2371A687A07	INSTALLATION OF SOLID STATE VOICE	NC
2450MP3181	GALLEY POWER REVISION	NC
2520CH3825	ALTERNATE INTERIOR ARRANGEMENT - 8	(\$ 177,500)
2520A092K42	RO-INTERIOR REV-ADD OF 1ST CLASS	\$ 245,900
2520A688D87	INCREASE AFT SEAT ROW RECLINE	NC
2520B066A17	ADD OPTIONAL P/N FOR LIFE RAFT	NC
2521MP3109	INTERIOR ARGMT REV - PITCH IN FC	NC_
2521MP3122	INTERIOR COLORS/MATERIAL REV	NC
2523MP3176	PASSENGER COMPARTMENT SIGNS/PLACARD	NC
2524MP3605	CLASS DIVIDER SEAT TRACK MT PARTIT	(\$ 29,100)
2524A343B43	COMPOSITES UNLIMITED CLASS DIVIDER	(\$ 2,700)
2525A688C74	PASS COMPART SEATS-REV SEAT INSTAL	NC
2527MP3157	CARPET/ENTRY MAT TRANSITION REV	NC
2528A343A01	M/C FLOOR MOUNTED STOWAGE COMPART-	(\$ 7,000)
2530MP3778	REV-FORWARD GALLEY G7 INSTALLATION	\$ 24,100
2530MP3788	GALLEY REVISION/ ALT. CONFIG.	NC
2530MP3789	GALLEY REV/ ALT. CONFIG.	NC
2530MP3790	GALLEY REVISION/ ALT. CONFIG.	NC
2530MP3814	GALLEY REV BFE AEROSPACE	NC
2530MP3852	GALLEY INSERTS - BFE ALTERNATE PART	NC
2530A688D79	REVISE. GALLY INSTALLATION-DELETE	\$ 1,200
2540A303C07	LAV REV DELETE DEODORANT DK BRACKET	NC
2540A688D74	LAV ASH TRAY RELOCATION	NC
2541MP3064	LAVATORY SINK DECK-COMPOSIT MAT.	NC
2560MP3384	FIRST AID KIT-INSTALLATION OF ONE	\$ 400

Exhibit A-2 to
Purchase Agreement No. 2191 Boeing Model 737-8V3 Aircraft
Block B

2561MP3005	DELETE LIFE VEST FLIGHT CREW BFE	NC
2562MP3226	LIFE RAFTS-REPLACEMENTS-BFE AIR CRU	NC
2564MP3127	ATTENDANT FLASHLIGHT-REPLACEMENT	NC
2564MP3136	SMOKE HOODS ATTACHMENT REV	(\$ 200)
2564MP3137	OXYGEN BOTTLE-MOUNTING PANEL	NC
2622MP3013	APU FIRE BOTTLE REVISION - INTERCHA	NC
2911A303B96	HYDRAULIC SHUT-OFF VALUE-PK BRK ONL	\$ 2,400
3131CG3778	DIGITAL FLIGHT DATA ACQUISITION UNI	NC
3131MP3847	SS DIGITAL FL. DATA REC.-INSTAL BFE	NC
3131MP3993	QUICK ACCESS RECORDER-REVISION	NC
3131MP3999	DFDAU-REVISION-ACMS SOFTWARE UPDATE	NC
3131A343A64	DFDAU WITH ACMS CAPABILITY	NC
3131A687A25	DFDAU-REVISE BFE/SPE SUBSTITUTION	NC
3133A343B41	MULTI INPUT PRINTER-ARINC 744	NC
3135CH3068	MILTOPE ARINC 744 MULTIPORT PRINTER	(\$ 8,100)
3135MP3118	MILTOPE ARINC 744 MULTIPORT PRINTER	\$ 8,100
3162MP3186	WEA RADAR RANGE INDICATORS	NC
3245A343A36	TIRES-NOSE LNDNG GEAR RADIAL TIRES	NC
3324MP3018	NO SMOKING SIGNS-PERMANENT ILLUM.	NC
3351MP3050	FLOOR PROX EMGY ESCAP PATH MKG SYS	NC
3430MP3088	MULTI-MODE RECEIVER (MMR)-REPLACE	NC
3433MP3081	LOW RANGE RADIO ALTIMETER (LRRRA) -	NC
3443MP3235	ARINC 708A WEATHER RADAR SYSTEM - I	NC
3443MP3258	REPLCMNT ARINC BFE WETHR RADAR CNTR	NC
3443MP3264	WEATHER RADAR REVISION	NC
3445MP3289	TCAS II/ INSTALLATION	NC
3445MP3332	ATC/TCAS CONTROL PANEL	NC
3445A303B92	INSTL TRAF ALERT & COLLISION AVOID	NC
3446MP3196	ENHANCED GROUND PROXIMITY WARNING S	IB
3453A303B68	ATC SYS-ROCKWELL COLLINS ATC TRANS-	NC
3461MP3649	FMC TEMP SEL-REV-DEGREES DEFAULT	NC
3511A636B72	INSTALL FULL FACE OXYGEN MASKS WITH	\$ 6,100
5320MP3040	FIVE POUND ALUMINUM UNDERSEAT FLOOR	NC
5352CH3009	RADOME REV INSTAL BFE M&N AEROSPA	NC
7900MP3035	LUBRICATING OIL-JET 254 ILO JETII	NC
	TOTAL CAL 737-800 FOLLOW ON FEATURES	\$ 3,160,700
	MID CABIN LAV (PROVS ILO INSTL - EST)	(\$ 73,600)
	WINGLETS (If installed in Boeing production)	\$ 779,300
	TOTAL ESTIMATED FEATURES	\$ 3,866,400

AIRCRAFT DELIVERY REQUIREMENTS AND RESPONSIBILITIES

between

THE BOEING COMPANY

and

COPA HOLDINGS, S.A.

Exhibit B to Purchase Agreement Number 2191

B

AIRCRAFT DELIVERY REQUIREMENTS AND RESPONSIBILITIES

relating to

BOEING MODEL 737-7V3 & 737-8V3 AIRCRAFT

Both Boeing and Customer have certain documentation and approval responsibilities at various times during the construction cycle of Customer's Aircraft that are critical to making the delivery of each Aircraft a positive experience for both parties. This Exhibit B documents those responsibilities and indicates recommended completion deadlines for the actions to be accomplished.

B-1

1. GOVERNMENT DOCUMENTATION REQUIREMENTS.

Certain actions are required to be taken by Customer in advance of the scheduled delivery month of each Aircraft with respect to obtaining certain government issued documentation.

1.1 Airworthiness and Registration Documents.

Not later than 6 MONTHS PRIOR TO DELIVERY of each Aircraft, Customer will notify Boeing of the registration number to be painted on the side of the Aircraft. In addition, and not later than 3 MONTHS PRIOR TO DELIVERY of each Aircraft, Customer will, by letter to the regulatory authority having jurisdiction, authorize the temporary use of such registration numbers by Boeing during the pre-delivery testing of the Aircraft.

Customer is responsible for furnishing any Temporary or Permanent Registration Certificates required by any governmental authority having jurisdiction to be displayed aboard the Aircraft after delivery.

1.2 Certificate of Sanitary Construction.

1.2.1 U.S. Registered Aircraft. Boeing will obtain from the United States Public Health Service, a United States Certificate of Sanitary Construction to be displayed aboard each Aircraft after delivery to Customer.

1.2.2 Non-U.S. Registered Aircraft. If Customer requires a United States Certificate of Sanitary Construction at the time of delivery of the Aircraft, Customer will give written notice thereof to Boeing at least 3 MONTHS PRIOR TO DELIVERY. Boeing will then use its reasonable best efforts to obtain the Certificate from the United States Public Health Service and present it to Customer at the time of Aircraft delivery.

1.3 Customs Documentation.

1.3.1 Import Documentation. If the Aircraft is intended to be exported from the United States, Customer must notify Boeing not later than 3 MONTHS PRIOR TO DELIVERY of each Aircraft of any documentation required by the customs authorities or by any other agency of the country of import.

1.3.2 General Declaration - U.S. If the Aircraft is intended to be exported from the United States, Boeing will prepare Customs Form 7507, General Declaration, for execution by U.S. Customs immediately prior to the ferry flight of the Aircraft. For this purpose, Customer will furnish to Boeing not later than 20 DAYS PRIOR TO DELIVERY a complete crew and passenger list and a complete ferry flight itinerary, including point of exit from the United States for the Aircraft.

If Customer intends, during the ferry flight of an Aircraft, to land at a U.S. airport after clearing Customs at delivery, Customer must notify Boeing not later than 20 DAYS PRIOR TO DELIVERY of such intention. If Boeing receives such notification, Boeing will provide to Customer the

documents constituting a Customs permit to proceed, allowing such Aircraft to depart after any such landing. Sufficient copies of completed Form 7507, along with passenger manifest, will be furnished Customer to cover U.S. stops scheduled for the ferry flight.

1.3.3 Export Declaration - U.S. If the Aircraft is intended to be exported from the United States, Boeing will prepare Form 7525V and, IMMEDIATELY PRIOR TO THE FERRY FLIGHT, will submit such Form to U.S. Customs in Seattle in order to obtain clearance for the departure of the Aircraft, including any cargo, from the United States. U.S. Customs will deliver the Export Declaration to the U.S. Department of Commerce after export.

2. INSURANCE CERTIFICATES.

Unless provided earlier, Customer will provide to Boeing not later than 30 DAYS PRIOR TO DELIVERY of the first Aircraft, a copy of the requisite annual insurance certificate in accordance with the requirements of Article 8 of the AGTA.

3 NOTICE OF FLYAWAY CONFIGURATION.

Not later than 20 DAYS PRIOR TO DELIVERY of the Aircraft, Customer will provide to Boeing a configuration letter stating the requested "flyaway configuration" of the Aircraft for its ferry flight. This configuration letter should include:

(i) the name of the company which is to furnish fuel for the ferry flight and any scheduled post-delivery flight training, the method of payment for such fuel, and fuel load for the ferry flight;

(ii) the cargo to be loaded and where it is to be stowed on board the Aircraft and address where cargo is to be shipped after flyaway;

(iii) any BFE equipment to be removed prior to flyaway and returned to Boeing BFE stores for installation on Customer's subsequent Aircraft;

(iv) a complete list of names and citizenship of each crew member and non-revenue passenger who will be aboard the ferry flight; and

(v) a complete ferry flight itinerary.

4. DELIVERY ACTIONS BY BOEING.

4.1 Schedule of Inspections. All FAA, Boeing, Customer and, if required, U.S. Customs Bureau inspections will be scheduled by Boeing for completion prior to delivery or departure of the Aircraft. Customer will be informed of such schedules.

4.2 Schedule of Demonstration Flights. All FAA and Customer demonstration flights will be scheduled by Boeing for completion prior to delivery of the Aircraft.

4.3 Schedule for Customer's Flight Crew. Boeing will inform Customer of the date that a flight crew is required for acceptance routines associated with delivery of the Aircraft.

4.4 Fuel Provided by Boeing. Boeing will provide to Customer, without charge, the amount of fuel shown in U.S. gallons in the table below for the model of Aircraft being delivered and full capacity of engine oil at the time of delivery or prior to the ferry flight of the Aircraft.

AIRCRAFT MODEL	FUEL PROVIDED
737	1,000
747	4,000
757	1,600
767	2,000
777	3,000

4.5 Flight Crew and Passenger Consumables. Boeing will provide reasonable quantities of food, coat hangers, towels, toilet tissue, drinking cups and soap for the first segment of the ferry flight for the Aircraft.

4.6 Delivery Papers, Documents and Data. Boeing will have available at the time of delivery of the Aircraft certain delivery papers, documents and data for execution and delivery. If title for the Aircraft will be transferred to Customer through a Boeing sales subsidiary and if the Aircraft will be registered with the FAA, Boeing will pre-position in Oklahoma City, Oklahoma, for filing with the FAA at the time of delivery of the Aircraft an executed original Form 8050-2, Aircraft Bill of Sale, indicating transfer of title to the Aircraft from Boeing's sales subsidiary to Customer.

4.7 Delegation of Authority. If specifically requested in advance by Customer, Boeing will present a certified copy of a Resolution of Boeing's Board of Directors, designating and authorizing certain persons to act on its behalf in connection with delivery of the Aircraft.

5. DELIVERY ACTIONS BY CUSTOMER.

5.1 Aircraft Radio Station License. At delivery Customer will provide its Aircraft Radio Station License to be placed on board the Aircraft following delivery.

5.2. Aircraft Flight Log. At delivery Customer will provide the Aircraft Flight Log for the Aircraft.

5.3 Delegation of Authority. Customer will present to Boeing at delivery of the Aircraft an original or certified copy of Customer's Delegation of Authority designating and authorizing certain persons to act on its behalf in connection with delivery of the specified Aircraft.

BUYER FURNISHED EQUIPMENT VARIABLES

between

THE BOEING COMPANY

and

COPA HOLDINGS, S.A.

Supplemental Exhibit BFE1 to Purchase Agreement No. 2191

BFE1

BUYER FURNISHED EQUIPMENT VARIABLES

relating to

BOEING MODEL 737-7V3 & 737-8V3 AIRCRAFT

This Supplemental Exhibit BFE1 contains vendor selection dates, on-dock dates and other variables applicable to the Aircraft.

1. Supplier Selection.

Customer will:

1.1 Select and notify Boeing of the suppliers and part numbers of the following BFE items by the following dates:

Galley System	_____
Galley Inserts	_____
Seats (passenger)	_____
Overhead & Audio System	_____
In-Seat Video System	_____
Miscellaneous Emergency Equipment	_____
Cargo Handling Systems* (Single Aisle Programs only)	_____

* For a new certification, supplier requires notification 10 months prior to Cargo Handling System on-dock date.

2. On-dock Dates

On or before _____, Boeing will provide to Customer a BFE Requirements On-Dock/Inventory Document (BFE Document) or an electronically transmitted BFE Report which may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions relating to the in-sequence installation of BFE. For planning purposes, a preliminary BFE on-dock schedule is set forth below:

Item	Preliminary On-Dock Dates	
	[MONTH OF DELIVERY:]	
Seats	Aircraft	Aircraft
Galleys/Furnishings		
Miscellaneous Emergency Equipment		
Electronics		
Textiles/Raw Material		
Cargo Systems (Single Aisle Programs)		
Provision Kits (Single Aisle Programs)		
Radomes (Single Aisle Programs)		

BFE1-2

CUSTOMER SUPPORT VARIABLES

between

THE BOEING COMPANY

and

COPA HOLDINGS, S.A.

Supplemental Exhibit CS1 to Purchase Agreement Number 2191

CS1

CUSTOMER SUPPORT VARIABLES

relating to

BOEING MODEL 737-7V3 AIRCRAFT

Customer and Boeing will conduct planning conferences approximately 12 months before delivery of the first Aircraft, or as otherwise agreed, to develop and schedule a customized Customer Support Program to be furnished by Boeing in support of the Aircraft.

The customized Customer Services Program will be based upon and equivalent to the entitlements summarized below unless Customer obtains similar entitlements from newly delivered, leased, Model 737 aircraft delivered before the Aircraft. If customer is scheduled to receive similar entitlements from the lease of a new model 737 aircraft, the entitlements provided herein will be void.

1. Maintenance Training.

- 1.1. Airplane General Familiarization Course; 1 class of 24 students;
- 1.2. Mechanical/Power Plant Systems Course; 2 classes of 15 students;
- 1.3. Electrical Systems Course; 2 classes of 15 students;
- 1.4. Avionics Systems Course; 2 classes of 15 students;
- 1.5. Corrosion Prevention & Control Course; 1 class of 10 students;
- 1.6. Aircraft Rigging Course; 1 class of 6 students;
- 1.7. Composite Repair for Technicians - Basic; 1 class of 8 students;
- 1.8. Training materials will be provided to each student. In addition, one set of training materials used in Boeing's training program, including visual aids, Computer Based Training Courseware, instrument panel wall charts, text/graphics, video programs, etc. will be provided for use in Customer's own training program.

2. Flight Training.

- 2.1. Transition training for 8 flight crews (16 pilots) in 2 classes; The training will consist of ground school (utilizing computer based training), fixed base simulator, full flight simulator and actual aircraft training on Customer's Aircraft.
- 2.2. Flight Dispatcher training; 2 classes of 6 students;
- 2.3. Flight Attendant training; 2 classes of 12 students;

- 2.4. Performance Engineer training in Boeing's regularly scheduled courses; schedules are published twice yearly.
- 2.5. Training materials will be provided to each student. In addition, one set of training materials as used in Boeing's training program, including visual aids, Computer Based Training Courseware, instrument panel wall charts, text/graphics, video programs, etc. will be provided for use in Customer's own training program.
- 2.6. Additional Flight Operations Services:
 - a. Boeing flight crew personnel to assist in ferrying the first aircraft to Customer's main base;
 - b. Instructor pilots for 90 calendar days for revenue service training assistance;
 - c. An instructor pilot to visit Customer 6 months after revenue service training to review Customer's flight crew operations for a 2 week period.

3. Planning Assistance.

3.1. Maintenance and Ground Operations.

Upon request, Boeing will visit Customer's main base to evaluate aircraft maintenance facilities, develop recommendations and assist in maintenance planning.

3.2. Spares.

- a) Recommended Spares Parts List (RSPL) customized RSPL, data and documents will be provided to identify spare parts required for Customer's support program.
- b) Illustrated Parts Catalog (IPC) A customized IPC in accordance with ATA 100 will be provided.
- c) Provisioning Training Provisioning training will be provided for Customer's personnel at Boeing's facilities, where documentation and technical expertise are available. Training is focused on the initial provisioning process and calculations reflected in the Boeing RSPL.
- d) Spares Provisioning Conference A provisioning conference will be conducted, normally at Boeing's facilities where technical data and personnel are available.

4. Technical Data and Documents

4.1. Flight Operations.

Airplane Flight Manual
Operations Manual
Quick Reference Handbook
Weight and Balance Manual
Dispatch Deviation Procedures Guide
Flight Crew Training Manual
Baggage/Cargo Loading Manual
Performance Engineer's Manual
Jet Transport Performance Methods
FMC Supplemental Data Document
Operational Performance Software
Fault Reporting Manual
Baggage/Cargo Loading Manual (747 and 767 Aircraft)
ETOPS Guide Vol. III
Flight Planning and Performance Manual

4.2. Maintenance.

Aircraft Maintenance Manual
Wiring Diagram Manual
Systems Schematics Manual
Connector Part Number Options Document
Structural Repair Manual
Overhaul/Component Maintenance Manual
Standard Overhaul Practices Manual
Standard Wiring Practices Manual
Non-Destructive Test Manual
Service Bulletins and Index
Corrosion Prevention Manual
Fault Isolation Manual
Fuel Measuring Stick Calibration Document
Power Plant Buildup Manual
Built-In Test Equipment (BITE) Manual
Central Maintenance Computer System Reporting Table
In Service Activity Report
All Operator Letters
Service Letters
Structural Item Interim Advisory
Maintenance Tips
Combined Index
Ramp Maintenance Manual (747,757,767)

4.3. Maintenance Planning.

Maintenance Planning Data Document

Maintenance Planning Data Tasks Masterfile
Maintenance Task Cards and Index
Maintenance Inspection Intervals Report
ETOPS Guide Vol. II
Configuration Maintenance and Procedures for Extended Range
Operations

4.4. Spares.

Illustrated Parts Catalog
Standards Books

4.5. Facilities and Equipment Planning.

Facilities and Equipment Planning Document
Special Tool and Ground Handling Equipment Drawings and Index
Supplementary Tooling Documentation
Illustrated Tool and Equipment List/Manual
Aircraft Recovery Document
Airplane Characteristics for Airport Planning Document
Airplane Rescue and Fire Fighting Document
Engine Handling Document
ETOPS Guide Vol. I

4.6. Computer Software Index.

4.7. Supplier Technical Data.

Service Bulletins
Ground Support Equipment Data
Provisioning Information
Component Maintenance/Overhaul Manuals and Index
Publications Index
Product Support Supplier Directory

CUSTOMER SUPPORT VARIABLES

between

THE BOEING COMPANY

and

COPA HOLDINGS, S.A.

Supplemental Exhibit CS 1 to Purchase Agreement Number 2191

CS1

CUSTOMER SUPPORT VARIABLES

relating to

BOEING MODEL 737-7V3 & 737-8V3 AIRCRAFT

Customer currently operates an aircraft of the same model as the Aircraft. In addition to any customer support provided by Boeing pursuant to Purchase Agreement Number 2191 as in effect immediately prior to the date hereof, and upon Customer's request, Boeing will develop and schedule a customized Customer Support Program to be furnished in support of the Aircraft. The customized program will be based upon and equivalent to the entitlements summarized below.

1. Maintenance Training.

- 1.1 Maintenance Training Minor Model Differences Course, if required, covering operational, structural or systems differences between Customer's newly-purchased Aircraft and an aircraft of the same model currently operated by Customer; 1 class of 15 students;
- 1.2 Training materials, if applicable, will be provided to each student. In addition, one set of training materials as used in Boeing's training program, including visual aids, text and graphics will be provided for use in Customer's own training program.

2. Flight Training.

Boeing will provide, if required, one classroom course to acquaint up to 15 students with operational, systems and performance differences between Customer's newly-purchased Aircraft and an aircraft of the same model currently operated by Customer.

Any training materials used in Flight Training, if required, will be provided for use in Customer's own training program.

3. Planning Assistance.

3.1 Maintenance and Ground Operations.

Upon request, Boeing will provide planning assistance regarding Minor Model Differences requirements for facilities, tools and equipment.

3.2 Spares.

Boeing will revise, as applicable, the customized Recommended Spares Parts List (RSPL) and Illustrated Parts Catalog (IPC).

4. Technical Data and Documents.

Boeing will revise, as applicable, technical data and documents provided with previously delivered aircraft.

CS1-2

ENGINE ESCALATION,
ENGINE WARRANTY AND PATENT INDEMNITY

between

THE BOEING COMPANY

and

COPA HOLDINGS, S.A.

Supplemental Exhibit EE1 to Purchase Agreement Number 2191

EE1

ENGINE ESCALATION,
ENGINE WARRANTY AND PATENT INDEMNITY

relating to

BOEING MODEL 737-7V3 AIRCRAFT

1. ENGINE ESCALATION. No separate engine escalation methodology is defined for the 737-600, -700 or -800 Aircraft. Pursuant to the AGTA, the engine prices for these Aircraft are included in and will be escalated in the same manner as the Airframe.

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

2.1. Title. CFM warrants that at the date of delivery, CFM has legal title to and good and lawful right to sell its CFM56-7 type Engine and Products and furthermore warrants that such title is free and clear of all claims, liens and encumbrances of any nature whatsoever.

2.2. Patents.

2.2.1 CFM shall handle all claims and defend any suit or proceeding brought against Customer insofar as based on a claim that any product or part furnished under this Agreement constitutes an infringement of any patent of the United States, and shall pay all damages and costs awarded therein against Customer. This paragraph shall not apply to any product or any part manufactured to Customer's design or to the aircraft manufacturer's design. As to such product or part, CFM assumes no liability for patent infringement.

EE1-1

2.2.2 CFM's liability hereunder is conditioned upon Customer promptly notifying CFM in writing and giving CFM authority, information and assistance (at CFM's expense) for the defense of any suit. In case said equipment or part is held in such suit to constitute infringement and the use of said equipment or part is enjoined, CFM shall expeditiously, at its own expense and at its option, either (i) procure for Customer the rights to continue using said product or part; (ii) replace the same with a satisfactory and noninfringing product or part; or (iii) modify the same so it becomes satisfactory and noninfringing. The foregoing shall constitute the sole remedy of Customer and the sole liability of CFM for patent infringement.

2.2.3 The above provisions also apply to products which are the same as those covered by this Agreement and are delivered to Customer as part of the installed equipment on CFM56-7 powered Aircraft.

2.3. Initial Warranty. CFM warrants that CFM56-7 Engine products will conform to CFM's applicable specifications and will be free from defects in material and workmanship prior to Customer's initial use of such products.

2.4. Warranty Pass-On.

2.4.1 If requested by Customer and agreed to by CFM in writing, CFM will extend warranty support for Engines sold by Customer to commercial airline operators, or to other aircraft operators. Such warranty support will be limited to the New Engine Warranty, New Parts Warranty, Ultimate Life Warranty and Campaign Change Warranty and will require such operator(s) to agree in writing to be bound by and comply with all the terms and conditions, including the limitations, applicable to such warranties.

2.4.2 Any warranties set forth herein shall not be transferable to a third party, merging company or an acquiring entity of Customer.

2.4.3 In the event Customer is merged with, or acquired by, another aircraft operator which has a general terms agreement with CFM, the Warranties as set forth herein shall apply to the Engines, Modules, and Parts.

2.5. New Engine Warranty.

2.5.1. CFM warrants each new Engine and Module against Failure for the initial 3000 Flight Hours as follows:

(i) Parts Credit Allowance will be granted for any Failed Parts.

(ii) Labor Allowance for disassembly, reassembly, test and Parts repair of any new Engine Part will be granted for replacement of Failed Parts.

(iii) Such Parts Credit Allowance, test and Labor Allowance will be: 100% from new to 2500 Flight Hours and decreasing pro rata from 100% at 2500 Flight Hours to zero percent at 3000 Flight Hours.

2.5.2 As an alternative to the above allowances, CFM shall, upon request of Customer:

(i) Arrange to have the failed Engines and Modules repaired, as appropriate, at a facility designated by CFM at no charge to Customer for the first 2500 Flight Hours and at a charge to Customer increasing pro rata from zero percent of CFM's repair cost at 2500 Flight Hours to 100% of such CFM repair costs at 3000 Flight Hours.

(ii) Transportation to and from the designated facility shall be at Customer's expense.

2.6. New Parts Warranty. In addition to the warranty granted for new Engines and new Modules, CFM warrants Engine and Module Parts as follows:

2.6.1. During the first 1000 Flight Hours for such Parts and Expendable Parts, CFM will grant 100% Parts Credit Allowance or Labor Allowance for repair labor for failed Parts.

2.6.2. CFM will grant a pro rata Parts Credit Allowance for Scrapped Parts decreasing from 100% at 1000 Flight Hours Part Time to zero percent at the applicable hours designated in Table 1.

2.7. Ultimate Life Warranty.

2.7.1. CFM warrants Ultimate Life limits on the following Parts:

- (i) Fan and Compressor Disks/Drums
- (ii) Fan and Compressor Shafts
- (iii) Compressor Discharge Pressure Seal (CDP)
- (iv) Turbine Disks
- (v) HPT Forward and Stub Shaft
- (vi) LPT Driving Cone
- (vii) LPT Shaft and Stub Shaft

2.7.2. CFM will grant a pro rata Parts Credit Allowance decreasing from 100% when new to zero percent at 25,000 Flight Hours or 15,000 Flight Cycles, whichever comes earlier. Credit will be granted only when such Parts are permanently removed from service by a CFM or a U.S. and/or French Government imposed Ultimate Life limitation of less than 25,000 Flight Hours or 15,000 Flight Cycles.

2.8. Campaign Change Warranty.

2.8.1. A campaign change will be declared by CFM when a new Part design introduction, Part modification, Part Inspection, or premature replacement of an Engine or Module is required by a mandatory time compliance CFM Service Bulletin or FAA Airworthiness Directive. Campaign change may also be declared for CFM Service Bulletins requesting new Part introduction no later than the next Engine or Module shop visit. CFM will grant following Parts Credit Allowances:

Engines and Modules

(i) 100% for Parts in inventory or removed from service when new or with 2500 Flight Hours or less total Part Time.

(ii) 50% for Parts in inventory or removed from service with over 2500 Flight Hours since new, regardless of warranty status.

2.8.2. Labor Allowance - CFM will grant 100% Labor Allowance for disassembly, reassembly, modification, testing, or Inspection of CFM supplied Engines, Modules, or Parts therefor when such action is required to comply with a mandatory time compliance CFM Service Bulletin or FAA Airworthiness Directive. A Labor Allowance will be granted by CFM for other CFM issued Service Bulletins if so specified in such Service Bulletins.

2.8.3. Life Controlled Rotating Parts retired by Ultimate Life limits including FAA and/or DGAC Airworthiness Directive, are excluded from Campaign Change Warranty.

2.9. Limitations. THE PROVISIONS SET FORTH HEREIN ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER WARRANTIES WHETHER WRITTEN, ORAL OR IMPLIED. THERE ARE NO IMPLIED WARRANTIES OF FITNESS OR MERCHANTABILITY. SAID PROVISIONS SET FORTH THE MAXIMUM LIABILITY OF CFM WITH RESPECT TO CLAIMS OF ANY KIND, INCLUDING NEGLIGENCE, ARISING OUT OF MANUFACTURE, SALE, POSSESSION, USE OR HANDLING OF THE PRODUCTS OR PARTS THEREOF OR THEREFOR, AND IN NO EVENT SHALL CFM'S LIABILITY TO CUSTOMER EXCEED THE PURCHASE PRICE OF THE PRODUCT GIVING RISE TO CUSTOMER'S CLAIM OR INCLUDE INCIDENTAL OR CONSEQUENTIAL DAMAGES.

2.10. Indemnity and Contribution.

2.10.1. IN THE EVENT CUSTOMER ASSERTS A CLAIM AGAINST A THIRD PARTY FOR DAMAGES OF THE TYPE LIMITED OR EXCLUDED IN LIMITATIONS, PARAGRAPH 2.9. ABOVE, CUSTOMER SHALL INDEMNIFY AND HOLD CFM HARMLESS FROM AND AGAINST ANY CLAIM BY OR LIABILITY TO SUCH THIRD PARTY FOR CONTRIBUTION OR INDEMNITY, INCLUDING COSTS AND EXPENSES (INCLUDING

ATTORNEYS' FEES) INCIDENT THERETO OR INCIDENT TO ESTABLISHING SUCCESSFULLY THE RIGHT TO INDEMNIFICATION UNDER THIS PROVISION. THIS INDEMNITY SHALL APPLY WHETHER OR NOT SUCH DAMAGES WERE OCCASIONED IN WHOLE OR IN PART BY THE FAULT OR NEGLIGENCE OF CFM, WHETHER ACTIVE, PASSIVE OR IMPUTED.

2.10.2. CUSTOMER SHALL INDEMNIFY AND HOLD CFM HARMLESS FROM ANY DAMAGE, LOSS, CLAIM, AND LIABILITY OF ANY KIND (INCLUDING EXPENSES OF LITIGATION AND ATTORNEYS' FEES) FOR PHYSICAL INJURY TO OR DEATH OF ANY PERSON, OR FOR PROPERTY DAMAGE OF ANY TYPE, ARISING OUT OF THE ALLEGED DEFECTIVE NATURE OF ANY PRODUCT OR SERVICE FURNISHED UNDER THIS AGREEMENT, TO THE EXTENT THAT THE PAYMENTS MADE OR REQUIRED TO BE MADE BY CFM EXCEED ITS ALLOCATED SHARE OF THE TOTAL FAULT OR LEGAL RESPONSIBILITY OF ALL PERSONS ALLEGED TO HAVE CAUSED SUCH DAMAGE, LOSS, CLAIM, OR LIABILITY BECAUSE OF A LIMITATION OF LIABILITY ASSERTED BY CUSTOMER OR BECAUSE CUSTOMER DID NOT APPEAR IN AN ACTION BROUGHT AGAINST CFM. CUSTOMER'S OBLIGATION TO INDEMNIFY CFM HEREUNDER SHALL BE APPLICABLE AT SUCH TIME AS CFM IS REQUIRED TO MAKE PAYMENT PURSUANT TO A FINAL JUDGEMENT IN AN ACTION OR PROCEEDING IN WHICH CFM WAS A PARTY, PERSONALLY APPEARED, AND HAD THE OPPORTUNITY TO DEFEND ITSELF. THIS INDEMNITY SHALL APPLY WHETHER OR NOT CUSTOMER'S LIABILITY IS OTHERWISE LIMITED.

TABLE 1
737X
CFM56 WARRANTY PARTS LIST
FLIGHT HOURS

	Flight Hours					
	2000	3000	4000	6000	8000	12000
Fan Rotor/Booster						
Blades		X				
Disk, Drum						X
Spinner		X				
Fan Frame						
Casing					X	
Hub & Struts			X			
Fairings			X			
Splitter (Mid Ring)			X			
Vanes		X				
Engine Mount			X			
No. 1 & No. 2 Bearing Support						
Bearings			X			
Shaft						X
Support (Case)			X			
Inlet Gearbox & No. 3 Bearing						
Bearings			X			
Gear			X			
Case			X			
Compressor Rotor						
Blades		X				
Disk & Drums						X
Shaft						X
Compressor Stator						
Casing					X	
Shrouds		X				
Vanes		X				
Variable Stator Actuating Rings		X				
Combustor Diffuser Nozzle (CDN)						
Casings		X				
Combustor Liners		X				
Fuel Atomizer		X				

TABLE 1
737X
CFM56 WARRANTY PARTS LIST
(continued)

	Flight Hours					
	2000	3000	4000	6000	8000	12000
HPT Nozzle		X				
HPT Nozzle Support			X			
HPT Shroud		X				
HPT Rotor						
Blades			X			
Disks						X
Shafts						X
Retaining Ring		X				
LP Turbine						
Casing				X		
Vane Assemblies		X				
Interstage Seals		X				
Shrouds		X				
Disks					X	
Shaft						X
Bearings			X			
Blades		X				
Turbine Frame						
Casing & Struts				X		
Hub			X			
Sump			X			
Accessory & Transfer Gearboxes						
Case			X			
Shafts			X			
Gears			X			
Bearings			X			
Air-Oil Seals		X				
Controls & Accessories						
Engine	X					
Condition Monitoring Equipment	X					

SERVICE LIFE POLICY COMPONENTS

between

THE BOEING COMPANY

and

COPA HOLDINGS, S.A.

Supplemental Exhibit SLP1 to Purchase Agreement Number 2191

SLP1

SERVICE LIFE POLICY COMPONENTS

relating to

BOEING MODEL 737 AIRCRAFT

This is the listing of SLP Components for the Aircraft which relate to Part 3, Boeing Service Life Policy of Exhibit C, Product Assurance Document to the AGTA and is a part of Purchase Agreement No. 2191.

1. Wing.

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

2. Body.

- (a) External surface skins and doublers, longitudinal stiffeners, longerons and circumferential rings and frames between the forward pressure bulkhead and the vertical stabilizer rear spar bulkhead and structural support and enclosure for the APU but excluding all system components and related installation and connecting devices, insulation, lining, and decorative panels and related installation and connecting devices.
- (b) Window and windshield structure but excluding the windows and windshields.

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

3. Vertical Stabilizer.

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

4. Horizontal Stabilizer.

- (a) External skins between front and rear spars.
- (b) Front and rear spar chords, webs and stiffeners.
- (c) Inspar ribs.

- (d) Stabilizer center section including hinge and screw support structure.
 - (e) Support structure in the horizontal stabilizer for the elevator hinges, reaction links and actuators.
 - (f) Elevator internal, fixed attachment and actuator support structure.
5. Engine Strut.
- (a) Strut external surface skin and doublers and stiffeners.
 - (b) Internal strut chords, frames and bulkheads.
 - (c) Strut to wing fittings and diagonal brace.
 - (d) Engine mount support fittings attached directly to strut structure and including the engine-mounted support fittings.
6. Main Landing Gear.
- (a) Outer cylinder.
 - (b) Inner cylinder, including axles.
 - (c) Upper and lower side struts, including spindles, universals and reaction links.
 - (d) Drag strut.
 - (e) Bell crank.
 - (f) Orifice support tube.
 - (g) Trunnion link.
 - (h) Downlock links including spindles and universals.
 - (i) Torsion links.
 - (j) Actuator beam, support link and beam arm.
7. Nose Landing Gear.
- (a) Outer cylinder.
 - (b) Inner cylinder, including axles.
 - (c) Orifice support tube.
 - (d) Upper and lower drag strut, including lock links.

(e) Steering plates and steering collars.

(f) Torsion links.

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

SLP1-4

BOEING COMMERCIAL AIRPLANE GROUP
P.O. Box 3707
Seattle, WA 98124-2207

2191-01

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1
Panama

Subject: Demonstration Flight Waiver

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between
The Boeing Company (Boeing) and COPA HOLDINGS, S.A.
(Customer) relating to Model 737-7V3 aircraft (the Aircraft)

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

Definition of Terms:

CORRECTION COSTS: Customer's direct labor costs and the cost of any material required to correct a Flight Discrepancy where direct labor costs are equal to the warranty labor rate in effect between the parties at the time such labor is expended.

FLIGHT DISCREPANCY: A failure or malfunction of an Aircraft, or the accessories, equipment or parts installed on the Aircraft which results from a defect in the Aircraft, Boeing Product, engine or Supplier Product or a nonconformance to the Detail Specification for the Aircraft.

The AGTA provides that each aircraft will be test flown prior to delivery for the purpose of demonstrating the functioning of such Aircraft and its equipment to Customer; however, Customer may elect to waive this test flight. For each test flight waived, Boeing agrees to provide Customer an amount of jet fuel at delivery that, including the standard fuel entitlement, totals the following amount of fuel:

AIRCRAFT MODEL	TOTAL FUEL ENTITLEMENT (U.S. GALLONS)
-----	-----
737	Full tanks (approx. 5,300 to 6,800, depending on model)

Further, Boeing agrees to reimburse Customer for any Correction Costs incurred as a result of the discovery of a Flight Discrepancy during the first flight of the aircraft by Customer following delivery to the extent such Correction Costs are not covered under a warranty provided by Boeing, the engine manufacturer or any of Boeing's suppliers.

Should a Flight Discrepancy be detected by Customer which requires the return of the Aircraft to Boeing's facilities at Seattle, Washington, so that Boeing may correct such Flight Discrepancy,

Boeing and Customer agree that title to and risk of loss of such Aircraft will remain with Customer. In addition, it is agreed that Boeing will have responsibility for the Aircraft while it is on the ground at Boeing's facilities in Seattle, Washington, as is chargeable by law to a bailee for mutual benefit, but Boeing shall not be chargeable for loss of use.

To be reimbursed for Correction Costs, Customer shall submit a written itemized statement describing any flight discrepancies and indicating the Correction Cost incurred by Customer for each discrepancy. This request must be submitted to Boeing's Contracts Regional Director at Renton, Washington, within ninety (90) days after the first flight by Customer.

Very truly yours,

THE BOEING COMPANY

ACCEPTED AND AGREED TO this

Date: Nov 25, 1998

COPA HOLDINGS, S.A.

BOEING COMMERCIAL AIRPLANE GROUP
P.O. Box 3707
Seattle, WA 98124-2207

2191-02

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1
Panama

Material Redacted

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between
The Boeing Company (Boeing) and COPA HOLDINGS, S.A.
(Customer) relating to Model 737-7V3 aircraft (the Aircraft)

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

1. Commitment.

Material Redacted

All escalation calculations under this Letter Agreement will be made in
accordance with Exhibit D to the AGTA between Boeing and Customer, using actual
escalation indices published for the applicable period.

2. **Material Redacted**

3. **Material Redacted**

4. **Material Redacted**

Very truly yours,

THE BOEING COMPANY

ACCEPTED AND AGREED TO this

Date: Nov 25, 1998

COPA HOLDINGS, S.A.

BOEING COMMERCIAL AIRPLANE GROUP
P.O. Box 3707
Seattle, WA 98124-2207

2191-03

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1
Panama

Subject: Seller Purchased Equipment

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between
The Boeing Company (Boeing) and COPA HOLDINGS, S.A.
(Customer) relating to Model 737-7V3 aircraft (the Aircraft)

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

Definition of Terms:

SELLER PURCHASED EQUIPMENT (SPE): Buyer Furnished Equipment (BFE) that Boeing purchases for Customer.

DEVELOPMENTAL BUYER FURNISHED EQUIPMENT (DBFE): BFE not previously certified for installation on the same model aircraft.

DEVELOPMENTAL SELLER PURCHASED EQUIPMENT (DSPE): DBFE which is converted to SPE. This Letter Agreement does not include developmental avionics. Developmental avionics are avionics that have not been previously certified for installation on the same model aircraft.

1. Price.

Advance Payments. An estimated SPE price is included in the Advance Payment Base Prices shown in Table 1 for the purpose of establishing the advance payments for the Aircraft.

Aircraft Price. The Aircraft Price will be adjusted to reflect (i) the actual costs charged Boeing by the SPE suppliers, (ii) a handling fee of 10% of such costs and (iii) transportation charges. If all DBFE, except for developmental avionics, is converted to SPE, Boeing will waive the handling fee for all SPE.

2. Responsibilities.

2.1 Customer is responsible for:

- (i) selecting and notifying Boeing of the supplier for all items identified in paragraph 1.1 of Supplemental Exhibit BFE1 of the Purchase Agreement,

- (ii) selecting a FAA certifiable part; and
- (iii) providing to Boeing the SPE part specification/Customer requirements.

2.2. Boeing is responsible for:

- (i) placing and managing the purchase order with the supplier;
- (ii) coordinating with the suppliers on technical issues;
- (iii) ensuring that the delivered SPE complies with the part specification;
- (iv) obtaining certification of the Aircraft with the SPE installed; and
- (v) obtaining for Customer the supplier's standard warranty for the SPE. SPE is deemed to be BFE for purposes of Part 2 of Exhibit C, the Product Assurance Document.

3. Supplier Selection For SPE Galleys and Seats.

Customer's selection of SPE Seat and Galley suppliers is complete.

4. Changes.

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

5. Proprietary Rights.

Boeing's obligation to purchase SPE will not impose upon Boeing any obligation to compensate Customer or any supplier for any proprietary rights Customer may have in the design of the SPE.

6. Remedies.

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

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

7. Customer's Indemnification of Boeing.

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

Very truly yours,

THE BOEING COMPANY

ACCEPTED AND AGREED TO this

Date: Nov 25, 1998

COPA HOLDINGS, S.A.

BOEING COMMERCIAL AIRPLANE GROUP
P.O. Box 3707
Seattle, WA 98124-2207

6-1162-DAN-0123

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1
Panama

Subject: Aircraft Performance Guarantees

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between
The Boeing Company (Boeing) and COPA HOLDINGS, S.A.
(Customer) relating to Model 737-7V3 aircraft (the Aircraft)

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

Boeing agrees to provide Customer with the performance guarantees in the Attachment. These guarantees are exclusive and expire upon delivery of the Aircraft to Customer.

Customer agrees not to disclose this Letter Agreement, attachments, or any other information related to this Letter Agreement without prior written consent by Boeing.

Very truly yours,

THE BOEING COMPANY

ACCEPTED AND AGREED TO this

Date: Nov 25, 1998

COPA HOLDINGS, S.A.

MODEL 737-7V3 PERFORMANCE GUARANTEES

FOR COPA HOLDINGS, S.A.

SECTION	CONTENTS
1	AIRCRAFT MODEL APPLICABILITY
2	FLIGHT PERFORMANCE
3	MANUFACTURER'S EMPTY WEIGHT
4	AIRCRAFT CONFIGURATION
5	GUARANTEE CONDITIONS
6	GUARANTEE COMPLIANCE
7	EXCLUSIVE GUARANTEES

1 AIRCRAFT MODEL APPLICABILITY

The guarantees contained in this Attachment (the "Performance Guarantees") are applicable to the 737-7V3 Aircraft with a maximum takeoff weight of at least 154,500 pounds, a maximum landing weight of 129,200 pounds, and a maximum zero fuel weight of 120,500 pounds, and equipped with Boeing furnished CFM56-7B24 engines.

2 FLIGHT PERFORMANCE

2.1 CRUISE RANGE

The still air range at an initial cruise altitude of 35,000 feet on a standard day at 0.78 Mach Number, starting at a gross weight of 150,000 pounds and consuming 35,000 pounds of fuel, and using not more than maximum cruise thrust (except maximum climb thrust may be used during a step climb) and using the conditions and operating rules defined below, shall not be less than the following guarantee value:

NOMINAL: 3,185 Nautical Miles
TOLERANCE: -65 Nautical Miles
GUARANTEE: 3,120 Nautical Miles

Conditions and operating rules:

A step climb of 4,000 feet altitude may be used when beneficial to minimize fuel burn.

3 MANUFACTURER'S EMPTY WEIGHT

The Manufacturer's Empty Weight (MEW) is guaranteed not to exceed the value in Section 03-60-00 of Detail Specification D6-38808-42-1 plus one percent.

4 AIRCRAFT CONFIGURATION

4.1 The guarantees contained in this Attachment are based on the Aircraft configuration as defined in the original release of Detail Specification D6-38808-42-1 (hereinafter referred to as the Detail Specification). Appropriate adjustment shall be made for changes in such Detail Specification approved by the Customer and Boeing or otherwise allowed by the Purchase Agreement which cause changes to the flight performance and/or weight and balance of the Aircraft. Such adjustment shall be accounted for by Boeing in its evidence of compliance with the guarantees.

4.2 The Manufacturer's Empty Weight guarantee of Section 3 will be adjusted by Boeing for the following in its evidence of compliance with the guarantees:

(1) Changes to the Detail Specification including Change Requests, Change Orders, Optional Features or any other changes mutually agreed upon between the Customer and Boeing or otherwise allowed by the Purchase Agreement.

(2) The difference between the component weight allowances given in Appendix IV of the Detail Specification and the actual weights.

5 GUARANTEE CONDITIONS

- 5.1 All guaranteed performance data are based on the ICAO International Standard Atmosphere (ISA) and specified variations therefrom; altitudes are pressure altitudes.
- 5.2 The FAA Regulations (FAR) referred to in this Attachment are, unless otherwise specified, the 737-700 Certification Basis regulations specified in the Type Certificate Data Sheet A16WE, Revision 23, dated November 7, 1997.
- 5.3 In the event a change is made to any law, governmental regulation or requirement, or in the interpretation of any such law, governmental regulation or requirement that affects the certification basis for the Aircraft as described in Paragraph 5.2, and as a result thereof, a change is made to the configuration and/or the performance of the Aircraft in order to obtain certification, the guarantees set forth in this Attachment shall be appropriately modified to reflect any such change.
- 5.4 The cruise range guarantee includes allowances for normal power extraction and engine bleed for normal operation of the air conditioning system. Normal electrical power extraction shall be defined as not less than a 50 kilowatts total electrical load. Normal operation of the air conditioning system shall be defined as pack switches in the "Auto" position, the temperature control switches in the "Auto" position that results in a nominal cabin temperature of 75 degreesF, and all air conditioning systems operating normally. This operation allows a maximum cabin pressure differential of 8.35 pounds per square inch at higher altitudes, with a nominal Aircraft cabin ventilation rate of 2,200 cubic feet per minute including passenger cabin recirculation (nominal recirculation is 33 percent). The APU is turned off unless otherwise specified.
- 5.5 The cruise range guarantee is based on an Aircraft center of gravity location of 22.2 percent of the mean aerodynamic chord.
- 5.6 Performance, where applicable, is based on a fuel Lower Heating Value (LHV) of 18,580 BTU per pound.

6 GUARANTEE COMPLIANCE

- 6.1 Compliance with the guarantees of Sections 2 and 3 shall be based on the conditions specified in those sections, the Aircraft configuration of Section 4 and the guarantee conditions of Section 5.
- 6.2 Compliance with the cruise range guarantee shall be established by calculations based on flight test data obtained from an aircraft in a configuration similar to that defined by the Detail Specification.
- 6.3 Compliance with the Manufacturer's Empty Weight guarantee shall be based on information in the "Weight and Balance Control and Loading Manual - Aircraft Report."

6.4 The data derived from tests shall be adjusted as required by conventional methods of correction, interpolation or extrapolation in accordance with established engineering practices to show compliance with these guarantees.

6.5 Compliance shall be based on the performance of the airframe and engines in combination, and shall not be contingent on the engine meeting its manufacturer's performance specification.

7 EXCLUSIVE GUARANTEES

The only performance guarantees applicable to the Aircraft are those set forth in this Attachment.

BOEING COMMERCIAL AIRPLANE GROUP
P.O. Box 3707
Seattle, WA 98124-2207

6-1162-DAN-0124

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1
Panama

Material Redacted

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between
The Boeing Company (Boeing) and COPA HOLDINGS, S.A.
(Customer) relating to Model 737-7V3 aircraft (Aircraft)

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

1. **Material Redacted**

2. **Material Redacted**

2.1. **Material Redacted**

2.2 **Material Redacted**

2.3 COPA agrees to notify Boeing Aircraft Contracts of a lease or sale of an Aircraft, and to make the payment as described in paragraph 2.2 within three (3) business days of re-delivery of the Aircraft. If such payment is not received within three (3) business days of re-delivery of the Aircraft, COPA will pay interest on such payment at a rate Citibank New York prime interest as reported in the New York edition of the Wall Street Journal, plus 1%. Interest will accrue until the aforementioned payment is made.

3. **Material Redacted**

4. Assignment. The Credit Memoranda described in this Letter Agreement are provided as a financial accommodation to Customer in consideration of Customer becoming the operator of the Aircraft, and cannot be assigned, in whole or in part, without the prior written consent of The Boeing Company.

5. Confidential Treatment. Customer understands that certain commercial and financial information contained in this Letter Agreement are considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity.

Page 2

Very truly yours,

THE BOEING COMPANY

ACCEPTED AND AGREED TO this

Date: Nov 25, 1998

COPA HOLDINGS, S.A.

BOEING COMMERCIAL AIRPLANE GROUP
P.O. Box 3707
Seattle, WA 98124-2207

6-1162-DAN-0155

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1
Panama

Material Redacted

Very truly yours,

THE BOEING COMPANY

ACCEPTED AND AGREED TO this

Date: Nov 25, 1998

COPA HOLDINGS, S.A.

EXHIBIT D
TO
AIRCRAFT GENERAL TERMS AGREEMENT
AGTA-COP
BETWEEN
THE BOEING COMPANY
AND
COPA HOLDINGS, S.A.

Material Redacted

EXHIBIT D

ESCALATION ADJUSTMENT

Material Redacted

3 pages

BOEING COMMERCIAL AIRPLANE GROUP
P.O. Box 3707
Seattle, WA 98124-2207

6-1162-DAN-0156

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1
Panama

Subject: Year 2000 Ready Software, Hardware and Firmware

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between
The Boeing Company (Boeing) and COPA HOLDINGS, S.A.
(Customer) relating to Model 737-7V3 aircraft (the Aircraft)

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

1. Year 2000 Ready Software, Hardware, and Firmware.

The following is a further clarification of the Boeing warranty provided in Part 2 of Exhibit C to the Aircraft General Terms Agreement (AGTA-COP) which is incorporated into the Purchase Agreement by reference:

Boeing provides, as part of its basic warranty terms found in Part 2 of Exhibit C to AGTA-COP, warranty for "Conformance to the Detail Specification" for a period of four years after Aircraft delivery. In connection with these terms, Boeing warrants to Customer that all Boeing-designed or created software, hardware and firmware (collectively "Computerized Parts") Boeing supplies to Customer pursuant to applicable Purchase Agreement, will be "Year 2000 Ready," i.e., they will function properly with respect to use of dates in the change from year 1999 to year 2000 and beyond. In the event such Computerized Parts are not Year 2000 Ready, as delivered to Customer, Boeing, at its option, will modify such Computerized Parts to be Year 2000 Ready, replace such non-Year 2000 Ready Computerized Parts with Computerized Parts that are Year 2000 Ready or provide a reasonable work around to allow continued use of such Computerized Parts until final correction to the Computerized Parts can be accomplished. Remedies under this paragraph are limited to no-charge modification, replacement or work around of the non-Year 2000 Ready Computerized Parts and will be accomplished either prior to aircraft delivery or, following aircraft delivery, as soon as practicable after discovery of non-Year 2000 Readiness.

2. Supplier Warranties for Year 2000 Readiness

Boeing will use its best reasonable efforts to obtain warranties for supplier designed computerized parts which are similar to those provided in paragraph one (1) herein for Computerized Parts.

3. Confidential Treatment.

Customer understands that certain commercial and financial information contained in this Letter Agreement are considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity.

Very truly yours,

THE BOEING COMPANY

ACCEPTED AND AGREED TO this

Date: Nov 25, 1998

COPA HOLDINGS, S.A.

BOEING COMMERCIAL AIRPLANE GROUP
P.O. Box 3707
Seattle, WA 98124-2207

6-1162-DAN-0157

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1
Panama

Subject: Miscellaneous Matters

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between
The Boeing Company (Boeing) and COPA HOLDINGS, S.A.
(Customer) relating to Model 737-7V3 aircraft (the Aircraft)

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

1. Taxes

Notwithstanding paragraph 2.2.1 of the AGTA, Boeing will be responsible and pay any Taxes arising solely from an assignment of the Purchase Agreement for Boeing's benefit.

2. Special Airframe Test Requirements

Notwithstanding paragraph 5.5 of the AGTA, Boeing will obtain Customer's consent before testing to evaluate potential improvements that may be offered for production or retrofit incorporation is conducted on Customer's Aircraft.

3. Assignment for Boeing's Benefit

If Boeing makes an assignment under paragraph 9.1.2 or 9.1.3 of the AGTA, Boeing will remain liable for its obligations under the Purchase Agreement and Customer will continue to interface with Boeing for the provision of these obligations.

4. Interchange of BFE

Boeing agrees not to revise the committed delivery schedule for an Aircraft solely as the result of an "Interchange of BFE" as described in Paragraph 8 of Exhibit A to the AGTA.

5. Location of Boeing Field Service Representative

The Boeing Field Service Representative described in Paragraph 1 of Part 2 of Exhibit A to AGTA-COP, as related to this Purchase Agreement, will be stationed in Panama.

6. Mission Payload Guarantees

Customer has identified a requirement for one (1) mission payload guarantee in addition to the existing performance guarantees included Letter Agreement 6-1162-DAN-123. Boeing agrees to provide such mission payload guarantee (which will expire at delivery of the first Aircraft) on or before January 30, 1999. This mission payload guarantee will be incorporated into the Purchase Agreement via a revision to letter agreement 6-1162-DAN-DAN-0123.

7. Assignment

Notwithstanding Article 9 of AGTA-COP, Customer may assign its rights and obligations under the Purchase Agreement to its wholly-owned subsidiary COPA (Compania Panamena de Aviacion, S.A.) on the condition COPA shall be subject to all the terms and conditions of the Purchase Agreement. Notwithstanding any such assignment, Customer shall remain fully and solely responsible in accordance with the terms and conditions of the Purchase Agreement

8. Confidential Treatment.

Customer understands that certain commercial and financial information contained in this Letter Agreement are considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity.

Very truly yours,

THE BOEING COMPANY

ACCEPTED AND AGREED TO this

Date: Nov 25, 1998

COPA HOLDINGS, S.A.

BOEING COMMERCIAL AIRPLANE GROUP
P.O. Box 3707
Seattle, WA 98124-2207

January 26, 1999
6-1162-DAN-0177

Milbank, Tweed, Hadley & McCloy
1 Chase Manhattan Plaza,
New York, NY 10005-1413

Attention: Mr. Helfried Schwartz

Dear Mr. Schwartz,

Jeffrey Tenen (representing COPA Holdings, S.A.) has asked The Boeing Company to send you a copy of our Purchase Agreement with COPA Holdings, S.A for the production of Model 737-7V3 Aircraft, hereinafter referred to as Purchase Agreement 2191. We understand such disclosure is required to assist you in your capacity as counsel to the Canadian Imperial Bank of Commerce (CIBC) in negotiating an assignment agreement related to advance payment financing for such agreement.

Certain terms and conditions of Purchase Agreement 2191 are considered highly confidential by The Boeing Company. As such, these terms and conditions will be redacted from the aforementioned copy before it is provided. Further, any redacted documents that may be provided will still contain certain commercial and financial information that is considered by Boeing as confidential. In order to provide such redacted copy of Purchase Agreement 2191, The Boeing Company requires that you and your client agree that the information contained therein will only be used for the purposes set forth above and will not, without the prior written consent of The Boeing Company, be disclosed to any other person or entity. Please indicate your agreement to this by signing below and returning one signed original to my office.

We are also requesting (via copy of this letter) that COPA Holdings, S. A. confirm in writing that The Boeing Company may provide a redacted copy of purchase Agreement 2191 to your office.

Page 2

I will provide the redacted copy of Purchase Agreement 2191 once we have obtained your agreement of non-disclosure and COPA Holding S. A. written permission to release it to your office. If you have any questions or concerns please contact me at the address noted on the letter head (please add "Mail Code 21-43"); phone (206) 766-2267; fax (425) 237-1706; or e-mail "david.a.nixon@boeing.com.

Very truly yours,

THE BOEING COMPANY

ACCEPTED AND AGREED TO this

Date: January 27, 1999

MILBANK, TWEED, HADLEY & MCCLOY

THE CANADIAN IMPERIAL BANK OF COMMERCE

cc: Jeffrey Tenen & Kenneth C. Hoffman at Greenberg Traurig Fred Obiente & Pedro Heilbron at COPA

BOEING COMMERCIAL AIRPLANE GROUP
P.O. Box 3707
Seattle, WA 98124-2207

6-1162-LAJ-874R2

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1,
Panama

Material Redacted

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between The Boeing Company (Boeing) and COPA HOLDINGS, S.A. (Customer) relating to Model 737 aircraft (the Aircraft)

This Letter Agreement amends and supplements the Purchase Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-LAJ-874R1. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement. In consideration of the Aircraft orders, Boeing provides the following to Customer.

1. **Material Redacted**
2. **Material Redacted**
3. **Material Redacted**
4. **Material Redacted**
5. **Material Redacted**
6. **Material Redacted**
7. **Material Redacted**
8. Confidentiality. Customer understands that certain commercial and financial information contained in this Letter Agreement are considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity.

Very truly yours,

THE BOEING COMPANY

ACCEPTED AND AGREED TO this

Date: December 9th, 2004

COPA HOLDINGS, S.A.

ATTACHMENT C1 (MODEL 737-700)
TO 6-1162-LAJ-874R1

Material Redacted

2 pages

Page 1

ATTACHMENT C2 (MODEL 737-800)
TO 6-1162-LAJ-874R1

****Material Redacted****

****2 pages****

Page 1

BOEING COMMERCIAL AIRPLANES
P.O. Box 3707
Seattle, WA 98124-2207

6-1162-LAJ-980
April 6, 2005

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1, Panama

Material Redacted

Very truly yours,

THE BOEING COMPANY

COPA HOLDINGS, S.A.

THE BOEING COMPANY
P.O. Box 3707
Seattle, WA 98124-2207

6-1162-LAJ-982R1
April 6, 2005

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1, Panama

Material Redacted

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between The Boeing Company (Boeing) and COPA HOLDINGS, S.A. (Customer) relating to Model 737 aircraft (the Aircraft)

This Letter Agreement amends and supplements the Purchase Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MJB-0017. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement. In consideration of the Aircraft orders, Boeing provides the following to Customer.

1. **Material Redacted**
2. **Material Redacted**
3. **Material Redacted**
4. **Material Redacted**
5. **Material Redacted**
6. **Material Redacted**
7. **Material Redacted**
8. **Material Redacted**
9. **Material Redacted**
10. **Material Redacted**
11. **Material Redacted**
12. **Material Redacted**

13. **Material Redacted**

14. **Material Redacted**

15. Confidentiality. Customer understands that certain commercial and financial information contained in this Letter Agreement are considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity.

ACCEPTED AND AGREED TO this

Date: _____, 2005

THE BOEING COMPANY

COPA HOLDINGS, S.A.

****Material Redacted****

Supplemental Agreement No. 1

to

Purchase Agreement No. 2191

between

The Boeing Company

and

Copa Holdings, S.A., Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of _____, 2001,
by and between THE BOEING COMPANY, a Delaware corporation with its principal
office in Seattle, Washington, (Boeing) and COPA HOLDINGS, S.A. , INC.;

WHEREAS, the parties hereto entered into Purchase Agreement No. 2191
dated November 25, 1998 (the Agreement), as amended and supplemented, relating
to Boeing Model 737-700 aircraft (the Aircraft); and

****Material Redacted****

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

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

1. Table of Contents, Tables and Exhibits:

1.1 Remove and replace, in its entirety, the "Table of Contents",
with the Table of Contents attached hereto, to reflect the changes made by this
Supplemental Agreement No. 1.

1.3 Remove and replace, in its entirety, Table 1 entitled, "Aircraft
Deliveries and Descriptions, Model 737-700 Aircraft", with revised Table 1
attached hereto, to reflect the delivery deceleration of one (1) 737-700
Aircraft from April 2002 to June 2002.

2. Letter Agreements:

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

TABLE OF CONTENTS

SA
NUMBER

ARTICLES

- 1. Quantity, Model and Description
- 2. Delivery Schedule
- 3. Price
- 4. Payment
- 5. Miscellaneous

TABLE

- 1. Aircraft Information Table SA 1

EXHIBIT

- A. Aircraft Configuration
- B. Aircraft Delivery Requirements and Responsibilities

SUPPLEMENTAL EXHIBITS

- BFE1. BFE Variables
- CS1. Customer Support Variables
- EE1. Engine Escalation/Engine Warranty and Patent Indemnity
- SLP1. Service Life Policy Components

LETTER AGREEMENTS

- 2191-01 Demonstration Flight Waiver
- 2191-02 **Material Redacted**
- 2191-03 Seller Purchased Equipment
- 6-1162-DAN-0123 Performance Guarantees
- 6-1162-DAN-0124 Special Matters

6-1162-DAN-0155 **Material Redacted**
6-1162-DAN-0156 Year 2000 Ready Software, Hardware and Firmware
6-1162-DAN-0157 Miscellaneous Matters

SUPPLEMENTAL AGREEMENTS	DATES AS OF:
-----	-----
Supplemental Agreements No. 1	June, 2001

TABLE 1 TO
PURCHASE AGREEMENT NO. 2191
AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

Airframe Model/MTGW:	737-800	154,500	Detail Specification:	D6-38868-42-1 (11/25/1998)
Engine Model:	CFM56-7B26		Price Base Year:	Jul-97
Airframe Price		\$ 36,374,000		
Optional Features:		\$ 3,279,619	Airframe and Engine	
		-----	Escalation Data:	
Sub-Total of Airframe and Features:		\$ 39,653,619	Base Year Index (ECI):	137.30
Engine Price (Per Aircraft):		\$ 0	Base Year Index (ICI):	129.50
Aircraft Basic Price (Excluding BFE/SPE):		\$ 39,653,619		
		=====		
Buyer Furnished Equipment (BFE) Estimate:		\$ 2,750,000		
Seller Purchased Equipment (SPE) Estimate:		\$ 400,000		
Refundable Deposit per Aircraft at Proposal Acceptance:		\$ 75,000		

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	ESCALATION CREDIT MEMORANDUM	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):			
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6/ MOS 5%	TOTAL 30%
Jan-2000	1	1.0514	-\$468,000	\$ 41,674,000	\$ 341,740	\$1,666,960	\$ 2,083,700	\$ 12,502,200
Feb-2000	1	1.0541	-\$472,000	\$ 41,777,000	\$ 342,770	\$1,671,080	\$ 2,088,850	\$ 12,533,100
May-2000	2	1.0696	-\$476,000	\$ 42,388,000	\$ 348,880	\$1,695,520	\$ 2,119,400	\$ 12,716,400
May-2002	1	1.1299	-\$504,000	\$ 44,801,000	\$ 373,010	\$1,792,040	\$ 2,240,050	\$ 13,440,300
Jun-2002	1	1.1327	-\$508,000	\$ 44,908,000	\$ 374,080	\$1,796,320	\$ 2,245,400	\$ 13,472,400
Sep-2002	1	1.14	-\$508,000	\$ 45,197,000	\$ 376,970	\$1,807,880	\$ 2,259,850	\$ 13,559,100
Oct-2002	1	1.1425	-\$512,000	\$ 45,292,000	\$ 377,920	\$1,811,680	\$ 2,264,600	\$ 13,587,600

Supplemental Agreement No. 2

to

Purchase Agreement No. 2191

between:

The Boeing Company

and

Copa Holdings, S.A. Inc

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of December 21, 2001,
by and between THE BOEING COMPANY, a Delaware corporation with its principal
office in Seattle, Washington, (Boeing) and COPA HOLDINGS, S.A., INC.;

WHEREAS, the parties hereto entered into Purchase Agreement No.
2191, dated November 25, 1998 (the Agreement), as amended and supplemented,
relating to Boeing Model 737-700 aircraft (the Aircraft); and

****Material Redacted****

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

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

1. Table of Contents Tables and Exhibits:

1.1 Remove and replace, in its entirety, the "Table of Contents"
with the Table of Contents attached hereto, to reflect the changes made by this
Supplemental Agreement No. 2.

1.3 ****Material Redacted****

2. Letter Agreement:

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

TABLE OF CONTENTS

SA
NUMBER

ARTICLES

- 1. Quantity, Model and Description
- 2. Delivery Schedule
- 3. Price
- 4. Payment
- 5. Miscellaneous

TABLE

- 1. Aircraft Information Table SA 1

EXHIBIT

- A. Aircraft Configuration
- B. Aircraft Delivery Requirements and Responsibilities

SUPPLEMENTAL EXHIBITS

- BFE1. BFE Variables
- CS1. Customer Support Variables
- EE1. Engine Escalation/Engine Warranty and Patent Indemnity
- SLP1. Service Life Policy Components

LETTER AGREEMENTS

- 2191-01 Demonstration Flight Waiver
- 2191-02 **Material Redacted**
- 2191-03 Seller Purchased Equipment
- 6-1162-DAN-0123 Performance Guarantees
- 6-1162-DAN-0124 Special Matters

6-1162-DAN-0155 **Material Redacted**
6-1162-DAN-0156 Year 2000 Ready Software, Hardware and Firmware
6-1162-DAN-0157 Miscellaneous Matters

SUPPLEMENTAL AGREEMENTS

DATED AS OF:

Supplemental Agreement No. 1
Supplemental Agreement No. 2

June 29, 2001
December 21, 2001

TABLE 1 TO
PURCHASE AGREEMENT NO. 2191
AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

Airframe Model/MTGW:	737-800	154,500	Detail Specifications: D6-38868-42-1 (11/25/1998)
Engine Model:	CFM56-7B26		Price Base Year: Jul-97 ECI-MFG/CPI
Airframe Price		\$ 36,374,000	
Optional Features:		\$ 3,279,619	Airframe and Engine

			Escalation Data:
Sub-Total of Airframe and Features:		\$ 39,653,619	Base Year Index (ECI): 137.30
Engine Price (Per Aircraft):		\$ 0	Base Year Index (CPI): 129.50
Aircraft Basic Price (Excluding BFE/SPE):		\$ 39,653,619	
		=====	
Buyer Furnished Equipment (BFE) Estimate:		\$ 2,750,000	
Seller Purchased Equipment (SPE) Estimate:		\$ 400,000	
Refundable Deposit/Aircraft at Proposal Acceptance:		\$ 75,000	

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	ESCALATION CREDIT MEMORANDUM	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):				TOTAL 30%
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6/ MOS 5%		
Jan-2000	1	1.0514	-\$ 468,000	\$ 41,674,000	\$ 341,740	\$1,666,960	\$ 2,083,700	\$ 12,502,200	
Feb-2000	1	1.0541	-\$ 472,000	\$ 41,777,000	\$ 342,770	\$1,671,080	\$ 2,088,850	\$ 12,533,100	
May-2000	2	1.0696	-\$ 476,000	\$ 42,388,000	\$ 348,880	\$1,695,520	\$ 2,119,400	\$ 12,716,400	
* Jun-2002	1	1.1299	-\$ 504,000	\$ 44,801,000	\$ 373,010	\$1,792,040	\$ 2,240,050	\$ 13,440,300	
** Jul-2002	1	1.1327	-\$ 508,000	\$ 44,908,000	\$ 374,080	\$1,796,320	\$ 2,245,400	\$ 13,472,400	
Nov-2002	1	1.14	-\$ 508,000	\$ 45,197,000	\$ 376,970	\$1,807,880	\$ 2,259,850	\$ 13,559,100	
Dec-2002	1	1.1425	-\$ 512,000	\$ 45,292,000	\$ 377,920	\$1,811,680	\$ 2,264,600	\$ 13,587,600	

* **Material Redacted**

** **Material Redacted**

TABLE 1 TO PURCHASE AGREEMENT - 1951
AIRCRAFT DELIVERIES AND DESCRIPTIONS
MODEL 737-800 AIRCRAFT

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRCRAFT)	ESCALATION CREDIT MEMORANDUM	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A.P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY)			
					AT SIGNING (1) 1%	24 MOS. 4%	21/18/12/9/6 MOS. 5	TOTAL 30%
Sep-2004	1	1.2987	-\$882,000	\$ 56,397,000	\$ 563,970	\$2,255,880	\$2,819,850	\$ 16,919,100
Nov-2004	1	1.3044	-\$887,000	\$ 56,644,000	\$ 566,440	\$2,265,760	\$2,832,200	\$ 16,993,200
Dec-2004	1	1.3073	-\$887,000	\$ 56,772,000	\$ 567,720	\$2,270,880	\$2,838,600	\$ 17,031,600
Mar-2005	1	1.3163	-\$895,000	\$ 57,161,000	\$ 571,610	\$2,286,440	\$2,858,050	\$ 17,148,300
Apr-2005	1	1.319	-\$895,000	\$ 57,280,000	\$ 572,800	\$2,291,200	\$2,854,800	\$ 17,184,000
Jan-2005	1	1.3256	-\$900,000	\$ 57,566,000	\$ 575,660	\$2,302,600	\$2,878,300	\$ 17,269,800
Aug-2005	1	1.334	-\$909,000	\$ 57,927,000	\$ 579,270	\$2,317,000	\$2,896,350	\$ 17,378,100
Oct-2005	1	1.3429	-\$913,000	\$ 58,316,000	\$ 583,160	\$2,332,640	\$2,915,800	\$ 17,494,800
Dec-2005	1	1.3525	-\$917,000	\$ 58,735,000	\$ 587,350	\$2,349,400	\$2,936,750	\$ 17,620,500
Jan-2007	1	1.4187	-\$966,000	\$ 61,606,000	\$ 616,060	\$2,464,240	\$3,080,300	\$ 18,481,800
Jul-2007	1	1.4224	-\$966,000	\$ 61,769,000	\$ 617,690	\$2,470,760	\$3,088,450	\$ 18,539,700
Aug-2007	1	1.4264	-\$970,000	\$ 61,942,000	\$ 619,420	\$2,477,680	\$3,097,100	\$ 18,582,600
Sep-2007	1	1.4305	-\$975,000	\$ 62,117,000	\$ 621,170	\$2,484,680	\$3,105,850	\$ 18,635,100
Oct-2007	1	1.4342	-\$975,000	\$ 62,281,000	\$ 622,810	\$2,491,240	\$3,114,050	\$ 18,684,380
Nov 2007	1	1.4381	-\$979,000	\$ 62,449,000	\$ 624,490	\$2,497,960	\$3,122,450	\$ 18,734,700
Dec-2007	1	1.4422	-\$979,000	\$ 62,629,000	\$ 626,290	\$2,505,160	\$3,131,450	\$ 18,788,700
Jan-2008	1	1.4461	-\$984,000	\$ 62,796,000	\$ 627,960	\$2,511,840	\$3,139,800	\$ 18,838,800
Feb-2008	1	1.4502	-\$984,000	\$ 62,977,000	\$ 629,770	\$2,519,000	\$3,148,850	\$ 18,893,100
Mar 2008	1	1.4541	-\$988,000	\$ 63,145,000	\$ 631,450	\$2,525,800	\$3,157,250	\$ 18,963,500
Apr-2008	1	1.4578	-\$992,000	\$ 63,384,000	\$ 633,040	\$2,532,160	\$3,165,200	\$ 18,991,200

Supplemental Agreement No. 3

to

Purchase Agreement No. 2191

between

The Boeing Company

and

Copa Holdings, S.A., Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of June 14, 2002, by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and COPA HOLDINGS, S.A., INC.;

WHEREAS, the parties hereto entered into Purchase Agreement No. 2191 dated November 25, 1998 (the Agreement), as amended and supplemented, relating to Boeing, Model 737-700 aircraft (the Aircraft); and

WHEREAS, Boeing and Buyer have mutually agreed to modify delivery positions resulting in the addition of four (4) 737-700 Aircraft, scheduled for delivery in August, November, 2004, and two (2) each December, 2005, and the addition of two (2) 737-800 Aircraft, scheduled for delivery in October and November, 2003; and

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

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

1. Table of Contents, Tables and Exhibits:

1.1 Remove and replace, in its entirety, the "Purchase Agreement Number 2191" cover page with the cover page attached hereto, entitled "Purchase Agreement Number 2191" to reflect the change from: "Relating to Boeing Model 737-7V3 Aircraft" to: "Relating to Boeing Model 737-7V3 & 737-8V3 Aircraft".

1.2 Remove and replace, in its entirety, the "Table of Contents", with the "Table of Contents" attached hereto, to reflect the changes made by this Supplemental Agreement No. 3.

1.3 Remove and replace, in its entirety, "Purchase Agreement No. 2191", page 1 with page 1 attached hereto, entitled "Purchase Agreement No. 2191" to reflect the change from: "Article 1. Quantity, Model and Description. The aircraft to be delivered to Customer will be designated as Model 737-7V3 aircraft (the Aircraft)." to: "Article 1. Quantity, Model and Description. The aircraft to be delivered to Customer will be designated as Model 737-7V3 & 737-8V3 aircraft (the Aircraft)."

1.4 Remove and replace, in its entirety, "Purchase Agreement No. 2191", page 2 with page 2 attached hereto, entitled "Purchase Agreement No. 2191" to reflect the change from: "Article 4.2 The standard advance payment for the Model 737-7V3 aircraft" to: "Article 4.2 The standard advance payment for the Model 737-7V3 & 737-8V3 aircraft"

1.5 Add to the end of Table 1 entitled "Table 1 to Purchase Agreement No. 2191 Aircraft Delivery, Description, Price and Advance Payments Model 737-700 Aircraft", the Table 1-1 and Table 1-2 attached hereto entitled "Table 1-1 to Purchase Agreement No. 2191 Aircraft Delivery, Description, Price and Advance Payments Model 737-700 Aircraft, Block A" and "Table 1-2 to Purchase Agreement No. 2191 Aircraft Delivery, Description, Price and Advance Payments Model 737-800 Aircraft, Block B" to reflect the addition of four (4) 737-700 Aircraft, scheduled for delivery in August, November, 2004, two (2) each December, 2005, and the addition of two (2) 737-800 Aircraft, scheduled for delivery in October and November, 2003.

1.6 Add to the end of Exhibit A entitled "Aircraft Configuration" the Exhibit A-1 and A-2 attached hereto, entitled "Exhibit A-1, Boeing Model 737-7V3 Aircraft Block A" and "Exhibit A-2, Boeing Model 737-8V3 Aircraft Block B" to reflect the configuration of "Table 1-1 to Purchase Agreement No. 2191 Aircraft Delivery, Description, Price and Advance Payments Model 737-700 Aircraft, Block A" and "Table 1-2 to Purchase Agreement No. 2191 Aircraft Delivery, Description, Price and Advance Payments Model 737-800 Aircraft, Block B."

1.7 Remove and replace, in its entirety, "Aircraft Delivery Requirements and Responsibilities" page B-1 with page B-1 attached hereto, entitled to "Aircraft Delivery Requirements and Responsibilities reflect the change from: "Boeing Model 737-7V3 Aircraft" to "Boeing Model 737-7V3 & 737-8V3 Aircraft."

1.8 Remove and replace, in its entirety, Supplemental Exhibit BFE1 entitled "Buyer Furnished Equipment Variables relating to Boeing Model 737-7V3 Aircraft" with Supplemental Exhibit BFE1 attached hereto, entitled "Buyer Furnished Equipment Variables relating to Boeing Model 737-7V3 & 737-8V3 Aircraft."

1.9 Remove and replace, in its entirety, Supplemental Exhibit CS1 entitled "Customer Support Variables relating to Boeing Model 737-7V3 Aircraft" with Supplemental Exhibit CS1 attached hereto, entitled "Customer Support Variables relating to Boeing Model 737-7V3 & 737-8V3 Aircraft."

2. Letter Agreements:

Letter Agreement No. 6-1162-MJB-0017 entitled "***Material Redacted***" attached hereto is incorporated into the Purchase Agreement by this reference.

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

SA 3-3

PURCHASE AGREEMENT NUMBER 2191

between

THE BOEING COMPANY

and

COPA HOLDINGS, S.A.

Relating to Boeing Model 737-7V3 & 737-8V3 Aircraft

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		SA NUMBER -----
ARTICLES		
1.	Quantity, Model and Description	SA 3
2.	Delivery Schedule	
3.	Price	
4.	Payment	SA 3
5.	Miscellaneous	
TABLE		
1.	Aircraft Information Table	SA 2 SA 3
EXHIBIT		
A.	Aircraft Configuration	SA 3
B.	Aircraft Delivery Requirements and Responsibilities	SA 3
SUPPLEMENTAL EXHIBITS		
BFEI.	BFE Variables	SA 3
CS1.	Customer Support Variables	SA 3
EE1.	Engine Escalation/Engine Warranty and Patent Indemnity	
SLP1.	Service Life Policy Components	

LETTER AGREEMENTS

2191-01	Demonstration Flight Waiver
2191-02	Escalation Sharing
2191-03	Seller Purchased Equipment
6-1162-DAN-0123	Performance Guarantees
6-1162-DAN-0124	**Material Redacted**
6-1162-DAN-0155	**Material Redacted**
6-1162-DAN-0156	Year 2000 Ready Software, Hardware and Firmware
6-1162-DAN-0157	Miscellaneous Matters
6-1162-MJB-0017	**Material Redacted**

SUPPLEMENTAL AGREEMENTS

DATED AS OF:

Supplemental Agreement No. 1	June 29, 2001
Supplemental Agreement No. 2	December 21, 2001
Supplemental Agreement No. 3	June 14, 2002

Purchase Agreement No. 2191

between

The Boeing Company

and

COPA HOLDINGS, S.A.

This Purchase Agreement No. 2191 dated as of November 25, 1998 between The Boeing Company (BOEING) and COPA HOLDINGS, S.A. (CUSTOMER) relating to the purchase and sale of Model 737-7V3 & 737-8V3 aircraft incorporates the terms and conditions of the Aircraft General Terms Agreement dated as of November 25, 1998 between the parties, identified as AGTA-COP (AGTA).

Article 1. Quantity, Model and Description.

The aircraft to be delivered to Customer will be designated as Model 737-7V3 & 737-8V3 aircraft (the AIRCRAFT). Boeing will manufacture and sell to Customer Aircraft conforming to the configuration described in Exhibit A, which is part of this Purchase Agreement, in the quantities listed in Table I to the Purchase Agreement.

Article 2. Delivery Schedule.

The scheduled months of delivery of the Aircraft are listed in the attached Table 1, which is part of this Purchase Agreement. Exhibit B, which is part of this Purchase Agreement, describes certain responsibilities for both Customer and Boeing in order to accomplish the delivery of the Aircraft.

Article 3. Price.

3.1 Aircraft Basic Price. The Aircraft Basic Price is listed in Table 1 in subject to escalation dollars.

3.2 Advance Payment Base Prices. The Advance Payment Base Prices listed in Table 1 were calculated utilizing the latest escalation factors available to Boeing on the date of this Purchase Agreement projected to the month of scheduled delivery.

3.3 Boeing has not yet established the Aircraft Basic Price for Aircraft scheduled to be delivered after December 31, 2003. The prices listed in Table 1 for such Aircraft are only to provide Customer with an estimate of the applicable Advance Payment Base Prices. Accordingly, the Aircraft Basic Price for such Aircraft will be the sum of the Airframe Price, Optional Features Prices and the Engine Price first published by Boeing for the same model of aircraft and engines to be delivered after December 31, 2003.

Article 4. Payment.

4.1 Boeing acknowledges receipt of a deposit in the amount shown in Table I for each Aircraft (DEPOSIT).

4.2 The standard advance payment schedule for the Model 737-7V3 & 737-8V3 aircraft requires Customer to make certain advance payments, expressed in a percentage of the Advance Payment Base Price of each Aircraft beginning with a payment of 1%, less the Deposit, on the effective date of the Purchase Agreement for the Aircraft. Additional advance payments for each aircraft are due on the first business day of the months listed in the attached Table 1.

4.3 For any Aircraft whose scheduled month of delivery is less than 24 months from the date of this Purchase Agreement, the total amount of advance payments due for payment upon signing of this' Purchase Agreement will include all advance payments which are past due in accordance with the standard advance payment schedule set forth in paragraph 4.2 above.

4.4 Customer will pay the balance of the Aircraft Price of each Aircraft at delivery.

Article 5. Miscellaneous.

5.1 Aircraft Information Table. Table 1 consolidates information contained in Articles 1, 2, 3 and 4 with respect to (i) quantity of Aircraft, (ii) applicable Detail Specification, (iii) month and year of scheduled deliveries, (iv) Aircraft Basic Price, (v) applicable escalation factors and (vi) Advance Payment Base Prices and advance payments and their schedules.

5.2 Buyer Furnished Equipment Variables. Supplemental Exhibit BFE1 contains vendor selection dates, on dock dates and other variables applicable to the Aircraft.

5.3 Customer Support Variables. Supplemental Exhibit CS1 contains the variable information applicable to information, training services and other things furnished by Boeing in support of the Aircraft.

5.4 Engine Escalation Variables. Supplemental Exhibit EE1 contains the applicable engine escalation formula, the engine warranty and the engine patent indemnity for the Aircraft.

TABLE 1-1 TO
PURCHASE AGREEMENT NO. 2191
AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS
MODEL 737-700 AIRCRAFT, BLOCK A

Airframe Model/MTGW:	737-700	154,500	Detail Specifications:	D6-38808-42-1 REV A (12/6/1999)
Engine Model:	CFM56-7B22		Airframe Price Base Year:	Jul-00
Airframe Price		\$ 41,058,000	Engine Price Base Year:	Jul-00
Optional Features:		\$ 2,915,000	Airframe and Engine	
		-----	Escalation Data:	
Sub-Total of Airframe and Features:		\$ 43,973,000	Base Year Index (ECI):	145.40
Engine Price (Per Aircraft):		\$ 0	Base Year Index (IPI):	130.30
Aircraft Basic Price (Excluding BFE/SPE):		\$ 43,973,000		
		=====		
Buyer Furnished Equipment (BFE) Estimate:		\$ 1,000,000		
Seller Purchased Equipment (SPE) Estimate:		\$ 450,000		
Refundable Deposit per Aircraft at Proposal Acceptance:		\$ 75,000		

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):				TOTAL 30%
				AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6/ MOS 5%		
Aug-2004	1	1.1607	\$ 51,589,000	\$ 440,890	\$2,063,560	\$ 2,579,450	\$ 15,476,700	
Nov-2004	1	1.1718	\$ 52,078,000	\$ 445,780	\$2,083,120	\$ 2,603,900	\$ 15,623,400	
Dec-2005	2	1.2152	\$ 53,986,000	\$ 464,860	\$2,159,440	\$ 2,699,300	\$ 16,195,800	

TABLE 1-2 TO PURCHASE AGREEMENT NO. 2191 AIRCRAFT DELIVERY, DESCRIPTION, PRICE
AND ADVANCE PAYMENTS
MODEL 737-700 AIRCRAFT, BLOCK B

Airframe Model/MTGW:	737-800	174,200	Detail Specification:	D6-38808-43 REV D (10/2/2001)
Engine Model:	CFM56-7B26		Airframe Price Base Year:	Jul-00
Airframe Price		\$ 50,584,000		
Optional Features:		\$ 3,087,100	Airframe Escalation Data:	

Sub-Total of Airframe and Features:		\$ 53,671,100	Base Year Index (ECI):	145.40
Engine Price (Per Aircraft):		\$ 0	Base Year Index (CPI):	130.30
Aircraft Basic Price (Excluding BFE/SPE):		\$ 53,671,100		
		=====		
Buyer Furnished Equipment (BFE) Estimate:		\$ 1,850,000		
Seller Purchased Equipment (SPE) Estimate:		\$ 0		
Refundable Deposit per Aircraft at Proposal Acceptance:		\$ 75,000		

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):				TOTAL 30%
				AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6/ MOS 5%		
Oct-2003	1	1.1293	\$ 60,611,000	\$ 531,110	\$ 2,424,440	\$ 3,030,550	\$ 18,183,300	
Nov-2003	1	1.1335	\$ 60,836,000	\$ 533,360	\$ 2,433,440	\$ 3,041,800	\$ 18,250,800	

CHANGE NO.	TITLE	PRICE (00\$)
CAL SPEC	FOLLOW ON CAL FEATURES	\$ 2,629,000
0110A343A30	RO-EXTERIOR DECORATIVE MARKINGS	NC
0315A343A33	CERTIFIED OPERATIONAL WEIGHTS 737-700	\$ 1,064,400
0360A343A51	737-700 DEVELOPMENTAL CHANGES	NC
2158MP3014	COOLING DUCT INSTALLATION - E8 RACK	\$ 2,600
2312MP3674	VHF TRANSCEIVERS-REVISION	NC
2322MP3566	ACARS-ADDIT. PROVSIONS FOR DATA DISCRETES	\$ 3,000
2322MP3608	ACARS-SOFTWARE REVISION-AOC & CORE	NC
2331MP3264	PRE-REC. ANNOUNC. & COMB. MUSIC/TAPE CTRL PNL-DEL	NC
2523MP3176	PASSENGER COMPARTMENT SIGNS/PLACARD	NC
2530MP3852	GALLEY INSERTS - BFE ALTERNATE PART	NC
2562MP3225	LIFE RAFTS-REPLACEMENT	NC
2564MP3127	ATTENDANT FLASHLIGHT-REPLACEMENT	NC
2564MP3136	SMOKE HOODS ATTACHMENT REV	NC
3131 MP3993	QUICK ACCESS RECORDER-REVISION	NC
3131 MP3999	DFDAU-REVISION-ACMS SOFTWARE UPDATE	NC
3162MP3186	WEATHER RADAR RANGE INDICATORS-RANGE MARKS	NC
3430MP3088	MULTI-MODE RECEIVER (MMR)-REPLACEMENT	NC
3443MP3264	WEATHER RADAR REVISION	NC
3445MP3332	ATC/TCAS CONTROL PANEL	NC
3446MP3196	EGPWS-PARTIAL PROVISIONS-PHASE II	IB
	EXHIBIT A TOTAL	\$ 3,699,000
ADDIT. CHANGES	TITLE	
0220A343A37	CERT. FOR 15 KNOT TAIL WIND T/O & LANDINGS	NC
0252A343A60	A/P FLIGHT & OPERATION MANUALS - CELSIUS	NC
2311A343A68	HF COMM DUAL ROCKWELL HP VOICE DATA TRNSCVRS	NC
2527B162A04	FLOOR COVERING-REV-PART SUB-CARPET	NC
3131A343A64	DFDAU WITH ACMS CAPABILITY	NC
3162A343A49	CDS DISPLAY-PFD/ND FORMAT-OVER & UNDER PRES.	NC
3245A343A36	TIRES-NOSE LNDNG GEAR RADIAL TIRES	NC
3445A303B92	INSTL TCAS CHANGE 7 COMPLIANT	NC
3453A303B68	ATC SYS-ROCKWELL COLLINS ATC TRANSPONDER	NC
7200A367B12	MP-CFM56-7 ENGINES 7B22 IN LIEU OF 7B24	-\$784,000
	ADDITIONAL CHANGES TOTAL	-\$784,000
	EXHIBIT A TOTAL	\$ 2,915,000

CHANGE #	DESCRIPTION	PRICE (00\$)
0110CG3022	MODEL 737-800 AIRPLANE	IB
0221CG3017	CATEGORY IIIA (50 FOOT DECISION HEI	\$ 136,300
0225CH3026	EXTENDED TWIN-ENGINE OPERATIONS (ET	\$ 5,300
0252CG3030	CARGO COMPARTMENT PLACARDS - POUNDS	NC
0252CG3037	ENGLISH UNITS FOR FLIGHT MANUAL, OP	NC
0253CH3097	CHANGE BFE TO SPE -PASSENGER SEATS	NC
2130CG3039	600 FPM CABIN PRESSURE ASCENT RATE	NC
2130CG3040	350 FPM CABIN PRESSURE DESCENT RATE	NC
2160CG3017	CABIN TEMPERATURE INDICATOR - DEGRE	NC
2210CG3197	DIGITAL FLIGHT CONTROL SYSTEM (DFCS	NC
221 OCG3209	DIGITAL FLIGHT CONTROL SYSTEM (DFCS	NC
2210CG3235	DIGITAL FLIGHT CONTROL SYSTEM (DFCS	NC
2210CG3237	DFCS ACTIV-F D TAKEOFF MODE,WINGS	NC
2310CH3027	RADIO TUNING PANELS (RTP) - INSTALL	NC
2311CH3444	HF COMMUNICATIONS - PARTIAL PROVISI	\$ 18,300
2311CH3446	HF COMMUNICATIONS - DUAL ROCKWELL A	\$ 63,100
2312CH3400	TRIPLE VHF COMMUNICATIONS (822-1047	\$ 23,500
2321CG3527	SELCAL DECODER - INSTALLATION - BFE	NC
2321CG3529	SELCAL CONTROL PANEL - INSTALLATION	NC
2322CH3411	COMMUNICATIONS MANAGEMENT UNIT (CMU	\$ 108,700
2331 CH3179	PA HANDSET INSTALLATION IN FLIGHT D	\$ 5,300
2350CH3153	FLIGHT COMPARTMENT AUDIO MUTING REV	NC
2350CG3158	CONTROL WHEEL INTERPHONE SWITCH	NC
2350CH3163	DIGITAL AUDIO REMOTE ELECTRONICS UN	NC
2350CG3184	AUDIO SELECTOR PANEL - INSTALLATION	NC
2350CH3206	AUDIO SELECTOR PANEL RELOCATION FRO	NC
2350CH3207	INTERPHONE - BFE MICROPHONES, BOOM	NC
2370CH3180	SOLID STATE VOICE RECORDER - INSTAL	NC
2433CH3150	STANDBY POWER - CAPACITY INCREASE A	\$ 37,800
2520CH3816	BFE BULKHEAD DECORATIVE MURALS -TA	\$ 11,000
2520CH3825	ALTERNATE INTERIOR ARRANGEMENT - 8	\$ 177,500
2520CH3949	INTERIOR ARRANGEMENT - 14 FIRST CLA	\$ 125,500
2524CH3512	UNDERBIN SPE CLOSET - FORWARD LEFT	\$ 4,900
2528CH3212	LOCKABLE OVERHEAD STOWAGE COMPARTME	\$ 200
2530CH3635	FORWARD GALLEY G1 INSTALLATION - AF	\$ 36,000
2530CH3636	FORWARD GALLEY G2 INSTALLATION - AF	\$ 36,000
2530CH3639	FORWARD GALLEY G7 INSTALLATION - AF	\$ 36,000
2541CH3043	LIQUID SOAP DISPENSER - LAVATORY	NC
2550CG3210	CARGO COMPARTMENT NETS WITH NYLON T	NC
2550CG3220	FWD AND AFT CARGO COMPARTMENT FLOOR	NC
2550CG3226	FWD AND AFT CARGO COMPARTMENT LININ	NC
2564CH3095	RETRACTABLE EMERGENCY EQUIPMENT PAN	NC
2611CG3020	ENGINE AND APU FIRE/OVERHEAT DETEC	NC
2626CG3024	FIRE EXT. INSTL	NC
2841CG3095	FUEL QUANTITY INDICATORS ON RIGHT W	NC
2844CG3040	MEASURING STICK CONVERSION TABLES -	NC
2910CG3093	ENG DRV HYD PMP WNESPEL SPLINE-ABX	NC
2910CG3097	AC MOTOR-DRIVEN HYDRAULIC PUMPS - I	NC
3131CH3734	OPTICAL QUICK ACCESS RECORDER INST.	\$ 8,800
3131 CG3765	ACCELEROMETER - INSTALLATION - BFE	NC
3131CH3797	PARTIAL PROV FOR ARINC 591 Q.A.R.	NC
3131 CG3808	SOLID STATE DIGITAL FLIGHT DATA REC	NC
3135CH3068	MILTOPE ARINC 744 MULTIPORT PRINTER	\$ 8,100

3162CG3013	EFIS/MAP DISPLAY FORMAT	NC
3162CG3015	FLIGHT DIRECTOR COMMAND DISPLAY - S	NC
3162CG3019	RADIO ALTITUDE DISPLAY - ROUND DIAL	NC
3162CG3021	RADIO ALTITUDE - BELOW ADI	NC
3162CG3022	RISING RUNWAY DISPLAY	NC
3162CG3026	ATTITUDE COMPARATOR - STEADY	NC
3162CG3028	SINGLE CHANNEL AUTOPILOT ANNUNCIATI	NC
3162CG3029	LOCALIZER BACKCOURSE POLARITY - REV	NC
3162CG3032	MAP MODE ORIENTATION - TRACK UP	NC
3162CG3036	AUTOTUNED NAVAIDS - DISPLAYED	NC
3162CG3038	MANUALLY TUNED VOR SELECTED COURSE	NC
3162CG3040	ADF POINTER(S) IN MAP MODE - FULL T	NC
3162CG3042	POSITION DIFFERENCE - AUTOMATIC DIS	NC
3162CG3044	WEATHER RADAR RANGE INDICATORS - RA	NC
3162CG3052	TCAS RESOLUTION ADVISORY ON ADI	NC
3162CG3056	ANALOG FAILURE FLAGS - NOT DISPLAYE	NC
3162CG3104	ENGINE INSTRUMENTS DISPLAY	NC
3162CH3135	ADDITIONAL TAKEOFF BUG - NOT DISPLA	NC
3240CG3228	NOSE AND MAIN LANDING GEAR WHEELS A	NC
3244CG3007	PARKING BRAKE WARNING LIGHT INSTALL	\$ 800
3245CG3040	BIAS NOSE LANDING GEAR TIRES - 27X7	NC
3310CH3020	KEEP OUT OF FLIGHT COMPARTMENT WARN	\$ 3,100
3342CG3024	NOSE GEAR TAXI LIGHT - INSTALLATION	NC
3343CH3043	EXTERNAL POSITION LIGHT SWITCH INST	NC
3351CH3030	FLOOR PROXIMITY EMERGENCY ESCAPE PA	(\$1,200)
3412CG3078	AIR DATA COMPUTING - DUAL TAT PROBE	NC
3430CG3054	MMR PARTIAL PROV FOR GLOBAL POSIT	IB
3430CG3060	MMR-INSTAL OF ILS/GPS BFE ROCKWELL	IB
3433CG3056	LOW RANGE RADIO ALTIMETER (LRRRA) -	NC
3443CH3154	ARINC 708 WEATHER RADAR SYSTEM - IN	NC
3443CH3189	WEATHER RADAR SYSTEM - PARTIAL PROV	IB
3445CG3167	TCAS II - INSTALLATION - BFE ALLIED	NC
3446CH3127	GPWS RADIO ALTITUDE VOICE CALLOUTS	NC
3446CH3128	GPWS FLAPS WARNING INHIBIT ONLY IN	NC
3446CH3129	GPWS VOICE CALLOUT REVISION-"HALF	NC
3451 CG3006	VOR/MARKER BEACON - INSTALLATION -	NC
3455CG3119	DISTANCE MEASURING EQUIPMENT D(ME)	NC
3457CH3152	NAVIGATION SYSTEM - ADF REMOVAL	NC
3461 CG3403	BUYER FURNISHED NAVIGATION DATA BAS	NC
3461CG3424	FMC FLIGHT NUMBER ENTRY	NC
3461 CG3425	FMC TEMPERATURE SELECTION - DEGREES	NC
3461CG3429	FMC POSITION UPDATE AND RUNWAY OFFS	NC
3461CG3432	THRUST REDUCTION ALTITUDE - TAKEOFF	NC
3461CG3433	FMS BUILT-IN TEST EQUIPMENT PRINTER	NC
3461 CG3465	MULTIPURPOSE CDU WITH FMC, ACARS, A	\$ 53,400
3461CG3496	INSTALL FMC-SECOND 4MCU, UPDATE	\$ 184,000
3461 CG3498	FMC - ACTIVATION - 1 MEG NAVIGATION	IB
3461CG3521	PORTABLE DATA LOADER CONNECTOR - IN	NC
3461CH3562	FMC - ACTIVATION - RETENTION OF WAY	\$ 11,700
3461 CH3565	FMC - ACTIVATION - ACARS ARINC 724B	\$ 117,500
3500CG3018	OXYGEN SYSTEM - ALL TUBING AND FITT	NC
3510CG3098	CREW OXYGEN CYLINDER - 114 CUBIC FE	NC
3510CG3102	CREW OXYGEN SYSTEM - CAPTAIN, FIRST	NC
3920CH3111	AUXILIARY E/E EQUIPMENT (E8) RACK I	\$ 20,400

5200CG3021	HOLD OPEN LOCK INSTALLATION - ENTRY	NC
5320CG3027	FIVE POUND ALUMINUM FLOOR PANELS	NC
72000G3246	AIRPLANE PERFORMANCE: CFM56-7 ENGI	\$ 910,000
7200CG3281	SINGLE ANNULAR COMBUSTOR - CFM56-7	NC
7731CG3038	ENGINE VIBRATION MONITORING (EVM) S	NC
7900CG3028	LUBRICATING OIL - MOBIL JET II	NC
0220MP3407	HIGH ALTITUDE A/P OPERATION	\$ 14,600
0220A343A37	CERT. FOR 15 KNOT TAIL WIND T/O &	NC
0252MP3062	CARGO CMCPTMT PLACARDS	NC
0253MP3112	CHANGE SPE TO BFE/ GALLEY INSERTS	NC
0315A343B26	INCREASE CERTIFIED OPERATIONAL MTOW	\$ 920,600
1120A303C46	ALL EXT MARKINGS (INCLUDING TIRE PR	NC
2158MP3014	COOLING DUCT ISNTL E8 RACK	\$ 2,400
2310A687A04	COMMUNICATIONS CONTROL PANELS	NC
2311MP3553	HF COMMUNICATIONS-REPLACEMENT	NC
2312MP3674	VHF TRANSCEIVERS-REVISION	NC
2321 MP3566	SELCAL CONTROL PANEL-INSTAL GABLES	NC
2322MP3489	MODIFY DUAL ARAINC 758 CMP PRVS	NC
2322MP3490	ACARS ARINC 724B	\$ 8,800
2322MP3566	ADDTNL PROV ACARS FOR DATA DISCRETE	\$ 3,100
2322MP3608	ACARS-SOFTWARE REVISION-AOC & CORE	NC
2331MP3159	PASSENGER ADDRESS SYSTEM - COLLINS	NC
2331MP3264	PRE-RECORDED ANNOUNCE/COMBO MUSIC	NC
2332MP3742	VIDEO ENTERTAIN. SYSTEM-PART PROV.	\$ 5,600
2334A857A17	AUDIO ENTMT SYS-INSTALL IN SEAT	NC
2370MP3215	SOLID STATE VOICE RCDR INSTL	NC
2371A687A07	INSTALLATION OF SOLID STATE VOICE	NC
2450MP3181	GALLEY POWER REVISION	NC
2520CH3825	ALTERNATE INTERIOR ARRANGEMENT - 8	(\$177,500)
2520A092K42	RO-INTERIOR REV-ADD OF 1ST CLASS	\$ 245,900
2520A688D87	INCREASE AFT SEAT ROW RECLINE	NC
2520B066A17	ADD OPTIONAL P/N FOR LIFE RAFT	NC
2521MP3109	INTERIOR ARGMT REV - PITCH IN FC	NC
2521MP3122	INTERIOR COLORS/MATERIAL REV	NC
2523MP3176	PASSENGER COMPARTMENT SIGNS/PLACARD	NC
2524MP3605	CLASS DIVIDER SEAT TRACK MT PARTIT	(\$29,100)
2524A343B43	COMPOSITES UNLIMITED CLASS DIVIDER	(\$2,700)
2525A688C74	PASS COMPART SEATS-REV SEAT INSTALL	NC
2527MP3157	CARPET/ENTRY MAT TRANSITION REV	NC
2528A343A01	M/C FLOOR MOUNTED STOWAGE COMPART-	(\$7,000)
2530MP3778	REV-FORWARD GALLEY G7 INSTALLATION	\$24,100
2530MP3788	GALLEY REVISION/ ALT. CONFIG.	NC
2530MP3789	GALLEY REV/ ALT. CONFIG.	NC
2530MP3790	GALLEY REVISION/ ALT. CONFIG.	NC
2530MP3814	GALLEY REV BFE AEROSPACE	NC
2530MP3852	GALLEY INSERTS - BFE ALTERNATE PART	NC
2530A688D79	REVISE GALLY INSTALLATION-DELETE	\$ 1,200
2540A303C07	LAV REV DELETE DEODORANT DK BRACKET	NC
2540A688D74	LAV ASH TRAY RELOCATION	NC
2541MP3064	LAVATORY SINK DECK-COMPOSIT MAT.	NC
2560MP3384	FIRST AID KIT-INSTALLATION OF ONE	\$ 400
2561MP3005	DELETE LIFE VEST FLIGHT CREW BFE	NC
2562MP3226	LIFE RAFTS-RPELACEMENTS-BFE AIR CRU	NC
2564MP3127	ATTENDANT FLASHLIGHT-REPLACEMENT	NC

Exhibit A-2 to
Purchase Agreement No. 2191

Exhibit A-2
Boeing Model 737-8V3 Aircraft
Block B

2564MP3136	SMOKE HOODS ATTACHMENT REV	\$(200)
2564MP3137	OXYGEN BOTTLE-MOUNTING PANEL	NC
2622MP3013	APU FIRE BOTTLE REVISION - INTERCHA	NC

2911A303B96	HYDRAULIC SHUT-OFF VALUE-PK BRK ONL	\$	2,400
3131 CG3778	DIGITAL FLIGHT DATA ACQUISITION UNI		NC
3131MP3847	SS DIGITAL FL. DATA REC.-INSTAL BFE		NC
3131MP3993	QUICK ACCESS RECORDER-REVISION		NC
3131MP3999	DFDAU-REVISION-ACMS SOFTWARE UPDATE		NC
3131A343A64	DFDAU WITH ACMS CAPABILITY		NC
3131A687A25	DFDAU-REVISE BFE/SPE SUBSTITUTION		NC
3133A343B41	MULTI INPUT PRINTER-ARINC 744		NC
3135CH3068	MILTOPE ARINC 744 MULTIPOINT PRINTER	(\$	8,100)
3135MP3118	MILTOPE ARINC 744 MULTIPORT PRINTER	\$	8,100
3162MP3186	WEA RADAR RANGE INDICATORS		NC
3245A343A36	TIRES-NOSE LNDNG GEAR RADIAL TIRES		NC
3324MP3018	NO SMOKING SIGNS-PERMANENT ILLUM.		NC
3351MP3050	FLOOR PROX EMGY ESCAP PATH MKG SYS		NC
3430MP3088	MULTI-MODE RECEIVER (MMR)-REPLACE		NC
3433MP3081	LOW RANGE RADIO ALTIMETER (LRRA) -		NC
3443MP3235	ARINC 708A WEATHER RADAR SYSTEM - I		NC
3443MP3258	REPLCMNT ARINC BFE WETHR RADAR CNTR		NC
3443MP3264	WEATHER RADAR REVISION		NC
3445MP3289	TCAS II/ INSTALLATION		NC
3445MP3332	ATC/TCAS CONTROL PANEL		NC
3445A303B92	INSTL TRAF ALERT & COLLISION AVOID		NC
3446MP3196	ENHANCED GROUND PROXIMITY WARNING S		IB
3453A303B68	ATC SYS-ROCKWELL COLLINS ATC TRANS-		NC
3461MP3649	FMC TEMP SEL-REV-DEGREES DEFAULT		NC
3511A636B72	INSTALL FULL FACE OXYGEN MASKS WITH	\$	6,100
5320MP3040	FIVE POUND ALUMINUM UNDERSEAT FLOOR		NC
5352CH3009	RADOME REV INSTAL BFE M&N AEROSPA		NC
7900MP3035	LUBRICATING OIL-JET 254 ILO JETII		NC
	TOTAL CAL 737-800 FOLLOW ON FEATURES	\$	3,160,700

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MID CABIN LAV (PROVS ILO INSTL - EST)	(\$	73,600)
WINGLETS (If installed In Boeing production)	\$	779,300
TOTAL ESTIMATED FEATURES	\$	3,866,400

AIRCRAFT DELIVERY REQUIREMENTS AND RESPONSIBILITIES

relating to

BOEING MODEL 737-7V3 & 737-8V3 AIRCRAFT

Both Boeing and Customer have certain documentation and approval responsibilities at various times during the construction cycle of Customer's Aircraft that are critical to making the delivery of each Aircraft a positive experience for both parties. This Exhibit B documents those responsibilities and indicates recommended completion deadlines for the actions to be accomplished.

B-1

BUYER FURNISHED EQUIPMENT VARIABLES

between

THE BOEING COMPANY

and

COPA HOLDINGS, S.A.

Supplemental Exhibit BFE1 to Purchase Agreement No. 2191

BFE1

BUYER FURNISHED EQUIPMENT VARIABLES

relating to

BOEING MODEL 737-7V3 & 737-8V3 AIRCRAFT

This Supplemental Exhibit BFE1 contains vendor selection dates, on-dock dates and other variables applicable to the Aircraft.

1. Supplier Selection.

Customer will:

1.1 Select and notify Boeing of the suppliers and part numbers of the following BFE items by the following dates:

Galley System	_____
Galley Inserts	_____
Seats (passenger)	_____
Overhead & Audio System	_____
In-Seat Video System	_____
Miscellaneous Emergency Equipment	_____
Cargo Handling Systems* (Single Aisle Programs only)	_____

*For a new certification, supplier requires notification 10 months prior to Cargo Handling System on-dock date.

2. On-dock Dates

On or before _____, Boeing will provide to Customer a BFE Requirements On-Dock/Inventory Document (BFE Document) or an electronically transmitted BFE Report which may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions relating to the in-sequence installation of BFE. For planning purposes, a preliminary BFE on-dock schedule is set forth below:

Item	Preliminary On-Dock Dates [Month of Delivery:]	
	Aircraft	Aircraft
Seats		
Galleys/Furnishings		
Miscellaneous Emergency Equipment		
Electronics		
Textiles/Raw Material		
Cargo Systems (Single Aisle Programs))		
Provision Kits (Single Aisle Programs)		
Radomes (Single Aisle Programs)		

CUSTOMER SUPPORT VARIABLES

between

THE BOEING COMPANY

and

COPA HOLDINGS, S.A.

Supplemental Exhibit CS 1 to Purchase Agreement Number 2191

CS1

CUSTOMER SUPPORT VARIABLES

relating to

BOEING MODEL 737-7V3 & 737-8V3 AIRCRAFT

Customer currently operates an aircraft of the same model as the Aircraft. In addition to any customer support provided by Boeing pursuant to Purchase Agreement Number 2191 as in effect immediately prior to the date hereof, and upon Customer's request, Boeing will develop and schedule a customized Customer Support Program to be furnished in support of the Aircraft. The customized program will be based upon and equivalent to the entitlements summarized below.

1. Maintenance Training.

- 1.1 Maintenance Training Minor Model Differences Course, if required, covering operational, structural or systems differences between Customer's newly purchased Aircraft and an aircraft of the same model currently-operated by Customer; 1 class of 15 students;
- 1.2 Training materials, if applicable, will be provided to each student. In addition, one set of training materials as used in Boeing's training program, including visual aids, text and graphics will be provided for use in Customer's own training program.

2. Flight Training.

Boeing will provide, if required, one classroom course to acquaint up to 15 students with operational, systems and performance differences between Customer's newly-purchased Aircraft and an aircraft of the same model currently operated by Customer.

Any training materials used in Flight Training, if required, will be provided for use in Customer's own training program.

3. Planning Assistance.

3.1 Maintenance and Ground Operations.

Upon request, Boeing will provide planning assistance regarding Minor Model Differences requirements for facilities, tools and equipment.

3.2 Spares.

Boeing will revise, as applicable, the customized Recommended Spares Parts List (RSPL) and Illustrated Parts Catalog (IPC).

4. Technical Data and Documents.

Boeing will revise, as applicable, technical data and documents provided with previously delivered aircraft.

CS1-2

THE BOEING COMPANY
P.O. Box 3707
Seattle, WA 98124-2207

June 14, 2002
6-1162-MJB-0017

COPA (Compania Panamena de Aviacion S. A.)
Attention: Pedro Heilbron, Executive President
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1, Panama

****Material Redacted****

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between The Boeing Company (Boeing) and COPA Holdings, S.A. (Customer) as supplemented and modified including all Exhibits, Attachments, Side Letters and Supplements thereto, relating to Model 737-7V3 and 737-8V3 aircraft (Aircraft).

Dear Mr. Heilbron,

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

1. ****Material Redacted****
2. ****Material Redacted****
3. ****Material Redacted****
4. ****Material Redacted****
5. ****Material Redacted****
6. Customer Requested Delivery Date

Customer has requested a June, 2004 delivery for a 737-700 Aircraft, however at the time of this signing, Boeing could only commit to an August, 2004 delivery listed in Table 1, Block A. Boeing will use reasonable effort to secure a June, 2004 Aircraft as requested, subject to available positions.

7. 737-800 Aircraft Winglets

Customer has the option to accept production installation of the 737-800 Aircraft winglets at \$779,300 (2000 dollars, STE) by giving written notice to Boeing on or before the date 15 months prior to the Aircraft delivery for new configuration, 12 months for follow-on configuration. Attachment C, "Post Delivery Support for Blended Winglet Systems" attached hereto is incorporated by this reference.

8. 737-800 Aircraft Performance Guarantees

Boeing agrees to provide Customer with the 737-800 performance guarantees in the Attachment entitled "Model 737-800 Performance Guarantees For COPA." These guarantees are exclusive and expire upon delivery of the aircraft to Customer.

9. Advance Deposit Payment

The Aircraft Advance Deposit Payments due at signing will be due July 01, 2002, with no interest penalty imposed by Boeing.

10. Confidentiality.

Boeing considers the matters discussed herein extremely sensitive and accordingly we ask that you treat this letter as confidential and not disclose its contents to any third party without Boeing's written permission.

Sincerely,

THE BOEING COMPANY

ATTACHMENT A TO
6-1162-MJB-0017

Material Redacted

****Material Redacted****

****2 pages****

EXHIBIT C

POST DELIVERY SUPPORT FOR BLENDED WINGLET SYSTEMS

COPA Holdings S.A.
Avenida Justo Arosemena y Calle 39
Apdo. 1572
PANAMA 1
PANAMA

Attention: Sr. Pedro Heilbron, President

Subject: Post Delivery Support for Blended Winglet Systems

Gentlemen:

Subject to the timely performance of the respective obligations of COPA Holdings S.A. (COPA) and APB Winglets Company LLC, d.b.a. Aviation Partners Boeing (APB) under that certain Blended Winglet System Sales Agreement No. 26, dated June 14, 2002 (the "APB Sales Agreement"), between Aviation Partners Boeing (APB) and COPA for installation of blended winglets in certain of the Boeing Model 737-700 aircraft and Model 737-800 aircraft acquired by COPA from The Boeing Company (Boeing) pursuant to Aircraft General Terms Agreement No. AGTA-COP (the AGTA), Boeing agrees to provide product assurance and customer support to the extent set forth below.

The product assurance and customer support obligations of Boeing are limited to those set forth in the Product Assurance Document (Exhibit C to the AGTA, not including Part 6 Article 1, Indemnity Against Patent Infringement) and the Customer Support Document (Exhibit B to the AGTA). Such obligations shall apply to the blended winglets (including spares therefore) and technical data and documents, and field and engineering support services provided by Boeing. For purposes of the Product Assurance Documents, the blended winglets shall be deemed to be "SLP Components" for purposes of the Service Life Policy (Exhibit C, Part 3), and "Boeing Product" for all other purposes under Exhibit C. The technical data and documents shall each be deemed "Materials". It is expressly agreed and understood that applicable provisions include, without limitation, the provisions of the AGTA, Article 8 "Insurance," Exhibit B, Part 5 "Protection of Proprietary Information and Proprietary Materials, and Exhibit C, Article 10 "Insurance," and Article 11 "Disclaimer and Release; Exclusion of Liabilities." For the avoidance of doubt, Boeing does not warrant workmanship relating to installation of the winglets.

The provisions set forth in these documents will be administered by Boeing's Warranty organization using the same procedures currently in effect between COPA and Boeing's Warranty organization.

Subject to the terms of each customer's Product Assurance and Customer Support documents, Boeing's Customer Support organization will support all aircraft with the blended winglets installed in the same manner to the same extent it supports aircraft delivered by Boeing with winglets installed in production, including any training programs in relation thereto and the provisions of technical data and documents pertaining thereto. The same procedures in effect between COPA and Boeing Customer Support organization will apply and the same Boeing personnel will administer the Customer Support services, including spares support.

Except as set forth above, Boeing has not agreed to provide and shall not be responsible for any obligations of APB under the APB Sales Agreement.

If you agree with the matters set forth above, please indicate your concurrence by signing below.

Very truly yours,

The Boeing Company

COPA HOLDINGS S.A.

AVIATION PARTNERS BOEING

MODEL 737-800 WITH WINGLETS PERFORMANCE GUARANTEES

FOR COPA (COMPANIA PANAMENA DE AVIACION S.A.)

SECTION	CONTENTS
1	AIRCRAFT MODEL APPLICABILITY
2	FLIGHT PERFORMANCE
3	MANUFACTURER'S EMPTY WEIGHT
4	AIRCRAFT CONFIGURATION
5	GUARANTEE CONDITIONS
6	GUARANTEE COMPLIANCE
7	EXCLUSIVE GUARANTEES

1 AIRCRAFT MODEL APPLICABILITY

The guarantees contained in this Attachment (the "Performance Guarantees") are applicable to the 737-800 Aircraft with a maximum takeoff weight of 174,200 pounds, a maximum landing weight of 146,300 pounds, and a maximum zero fuel weight of 138,300 pounds, and equipped with winglets and with Boeing furnished CFM56-7B26 engines.

2 FLIGHT PERFORMANCE

CRUISE RANGE

The still air range at an initial cruise altitude of 35,000 feet on a standard day at 0.78 Mach number, starting at a gross weight of 169,000 pounds and consuming 35,000 pounds of fuel, and using not more than maximum cruise thrust (except maximum climb thrust may be used during a step climb) and using the conditions and operating rules defined below, shall not be less than the following guarantee value:

NOMINAL: 2,925 Nautical Miles
TOLERANCE: -55 Nautical Miles
GUARANTEE: 2,870 Nautical Miles

Conditions and operating rules:

A step climb or multiple step climbs of 4,000 feet altitude may be used when beneficial to minimize fuel burn.

3 MANUFACTURER'S EMPTY WEIGHT

The Manufacturer's Empty Weight (MEW) is guaranteed not to exceed the value in Section 03-60-00 of Detail Specification D6-38808-43, Revision D plus two percent.

4 AIRCRAFT CONFIGURATION

4.1 The guarantees contained in this Attachment are based on the Aircraft configuration as defined in Revision D of Detail Specification D6-38808-43 (hereinafter referred to as the Detail Specification). Appropriate adjustment shall be made for changes in such Detail Specification approved by the Customer and Boeing or otherwise allowed by the Purchase Agreement which cause changes to the flight performance and/or weight and balance of the Aircraft. Such adjustment shall be accounted for by Boeing in its evidence of compliance with the guarantees.

4.2 The Manufacturer's Empty Weight guarantee of Section 3 will be adjusted by Boeing for the following in its evidence of compliance with the guarantees:

(1) Changes to the Detail Specification or any other changes mutually agreed upon between the Customer and Boeing or otherwise allowed by the Purchase Agreement.

(2) The difference between the component weight allowances given in Appendix IV of the Detail Specification and the actual weights.

5 GUARANTEE CONDITIONS

5.1 All guaranteed performance data are based on the International Standard Atmosphere (ISA) and specified variations therefrom; altitudes are pressure altitudes.

5.2 The FAA Regulations (FAR) referred to in this Attachment are, unless otherwise specified, the 737-800 Certification Basis regulations specified in the Type Certificate Data Sheet A16WE, Revision 24, dated March 23, 1998.

5.3 In the event a change is made to any law, governmental regulation or requirement, or in the interpretation of any such law, governmental regulation or requirement that affects the certification basis for the Aircraft as described in Paragraph 5.2, and as a result thereof, a change is made to the configuration and/or the performance of the Aircraft in order to obtain certification, the guarantees set forth in this Attachment shall be appropriately and reasonably modified to reflect the effect of any such change.

5.4 The cruise range guarantee includes allowances for normal power extraction and engine bleed for normal operation of the air conditioning system. Normal electrical power extraction shall be defined as not less than a 50 kilowatts total electrical load. Normal operation of the air conditioning system shall be defined as pack switches in the "Auto" position, the temperature control switches in the "Auto" position that results in a nominal cabin temperature of 75(degree)F, and all air conditioning systems operating normally. This operation allows a maximum cabin pressure differential of 8.35 pounds per square inch at higher altitudes, with a nominal Aircraft cabin ventilation rate of 3,300 cubic feet per minute including passenger cabin recirculation (nominal recirculation is 47 percent). The APU is turned off unless otherwise specified.

5.5 The cruise range guarantee is based on an Aircraft center of gravity location of 26.2 percent of the mean aerodynamic chord.

5.6 Performance, where applicable, is based on a fuel Lower Heating Value (LHV) of 18,580 BTU per pound.

6 GUARANTEE COMPLIANCE

- 6.1 Compliance with the guarantees of Sections 2 and 3 shall be based on the conditions specified in those sections, the Aircraft configuration of Section 4 and the guarantee conditions of Section 5.
- 6.2 Compliance with the cruise range guarantee shall be established by calculations based on flight test data obtained from an aircraft in a configuration similar to that defined by the Detail Specification.
- 6.3 Compliance with the Manufacturer's Empty Weight guarantee shall be based on information in the "Weight and Balance Control and Loading Manual - Aircraft Report."
- 6.4 The data derived from tests shall be adjusted as required by conventional methods of correction, interpolation or extrapolation in accordance with established engineering practices consistently applied to show compliance with these guarantees.
- 6.5 Compliance shall be based on the performance of the airframe and engines in combination, and shall not be contingent on the engine meeting its manufacturer's performance specification.

7 EXCLUSIVE GUARANTEES

The only performance guarantees applicable to the 737-800 Aircraft are those set forth in this Attachment.

MODEL 737-800 PERFORMANCE GUARANTEES
FOR COPA (COMPANIA PANAMENA DE AVIACION S.A.)

SECTION	CONTENTS
1	AIRCRAFT MODEL APPLICABILITY
2	FLIGHT PERFORMANCE
3	MANUFACTURER'S EMPTY WEIGHT
4	AIRCRAFT CONFIGURATION
5	GUARANTEE CONDITIONS
6	GUARANTEE COMPLIANCE
7	EXCLUSIVE GUARANTEES

1 AIRCRAFT MODEL APPLICABILITY

The guarantees contained in this Attachment (the "Performance Guarantees") are applicable to the 737-800 Aircraft equipped with Boeing furnished CFM56-7B26 engines.

2 FLIGHT PERFORMANCE

CRUISE RANGE

The still air range at an initial cruise altitude of 35,000 feet on a standard day at 0.78 Mach number, starting at a gross weight of 165,000 pounds and consuming 40,000 pounds of fuel, and using not more than maximum cruise thrust (except maximum climb thrust may be used during a step climb) and using the conditions and operating rules defined below, shall not be less than the following guarantee value:

NOMINAL: 3,340 Nautical Miles
TOLERANCE: -65 Nautical Miles
GUARANTEE: 3,275 Nautical Miles

Conditions and operating rules:

A step climb or multiple step climbs of 4,000 feet altitude may be used when beneficial to minimize fuel burn.

3 MANUFACTURER'S EMPTY WEIGHT

The Manufacturer's Empty Weight (MEW) is guaranteed not to exceed the value in Section 03-60-00 of Detail Specification D6-38808-43, Revision D plus two percent.

4 AIRCRAFT CONFIGURATION

4.1 The guarantees contained in this Attachment are based on the Aircraft configuration as defined in the original release of Detail Specification D6-38808-43, Revision D (hereinafter referred to as the Detail Specification). Appropriate adjustment shall be made for changes in such Detail Specification approved by the Customer and Boeing or otherwise allowed by the Purchase Agreement which cause changes to the flight performance and/or weight and balance of the Aircraft. Such adjustment shall be accounted for by Boeing in its evidence of compliance with the guarantees.

4.2 The Manufacturer's Empty Weight guarantee of Section 3 will be adjusted by Boeing for the following in its evidence of compliance with the guarantees:

(1) Changes to the Detail Specification or any other changes mutually agreed upon between the Customer and Boeing or otherwise allowed by the Purchase Agreement.

(2) The difference between the component weight allowances given in Appendix IV of the Detail Specification and the actual weights.

5 GUARANTEE CONDITIONS

- 5.1 All guaranteed performance data are based on the International Standard Atmosphere (ISA) and specified variations therefrom; altitudes are pressure altitudes.
- 5.2 The FAA Regulations (FAR) referred to in this Attachment are, unless otherwise specified, the 737-800 Certification Basis regulations specified in the Type Certificate Data Sheet A16WE, Revision 24, dated March 23, 1998.
- 5.3 In the event a change is made to any law, governmental regulation or requirement, or in the interpretation of any such law, governmental regulation or requirement that affects the certification basis for the Aircraft as described in Paragraph 5.2, and as a result thereof, a change is made to the configuration and/or the performance of the Aircraft in order to obtain certification, the guarantees set forth in this Attachment shall be appropriately modified to reflect any such change.
- 5.4 The cruise range guarantee includes allowances for normal power extraction and engine bleed for normal operation of the air conditioning system. Normal electrical power extraction shall be defined as not less than a 50 kilowatts total electrical load. Normal operation of the air conditioning system shall be defined as pack switches in the "Auto" position, the temperature control switches in the "Auto" position that results in a nominal cabin temperature of 75(degree)F, and all air conditioning systems operating normally. This operation allows a maximum cabin pressure differential of 8.35 pounds per square inch at higher altitudes, with a nominal Aircraft cabin ventilation rate of 3,300 cubic feet per minute including passenger cabin recirculation (nominal recirculation is 47 percent). The APU is turned off unless otherwise specified.
- 5.5 The cruise range guarantee is based on an Aircraft center of gravity location of 26.2 percent of the mean aerodynamic chord.
- 5.6 Performance, where applicable, is based on a fuel Lower Heating Value (LHV) of 18,580 BTU per pound.

6 GUARANTEE COMPLIANCE

- 6.1 Compliance with the guarantees of Sections 2 and 3 shall be based on the conditions specified in those sections, the Aircraft configuration of Section 4 and the guarantee conditions of Section 5.

- 6.2 Compliance with the cruise range guarantee shall be established by calculations based on flight test data obtained from an aircraft in a configuration similar to that defined by the Detail Specification.
- 6.3 Compliance with the Manufacturer's Empty Weight guarantee shall be based on information in the "Weight and Balance Control and Loading Manual - Aircraft Report."
- 6.4 The data derived from tests shall be adjusted as required by conventional methods of correction, interpolation or extrapolation in accordance with established engineering practices to show compliance with these guarantees.
- 6.5 Compliance shall be based on the performance of the airframe and engines in combination, and shall not be contingent on the engine meeting its manufacturer's performance specification.

7 EXCLUSIVE GUARANTEES

The only performance guarantees applicable to the Aircraft are those set forth in this Attachment.

Supplemental Agreement No. 4

to

Purchase Agreement No. 2191

between

The Boeing Company

and

Copa Holdings, S.A., Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT entered into as of December 20, 2002, by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and COPA HOLDINGS, S.A., INC.;

WHEREAS, the parties hereto entered into Purchase Agreement No. 2191 dated November 25, 1998 (the Agreement), as amended and supplemented, relating to Boeing Model 737-700 aircraft (the Aircraft) ; and

WHEREAS, Boeing and Buyer have mutually agreed to modify delivery positions resulting in the acceleration of two (2) 737-700 Aircraft, from December, 2005 to one (1) in September 2003, and one (1) in October, 2003; and two (2) 737-700 Aircraft, from August and November, 2004 to May and June, 2004.

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

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

1. Table of Contents, Tables and Exhibits:

1.1 Remove and replace, in its entirety, the "Table of Contents", with the "Table of Contents" attached hereto, to reflect the changes made by this Supplemental Agreement No. 4.

1.2 Remove and replace, in its entirety, Table 1-1 entitled "Aircraft Delivery, Description, Price and Advance Payments, Model 737-700 Aircraft Block A", with revised Table

1-1 attached hereto, to reflect the delivery acceleration of two (2) 737-700 Aircraft, from December, 2005 to one (1) in September 2003, and one (1) in October, 2003, and two (2) 737-700 Aircraft, from August and November, 2004 to May and June, 2004.

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

TABLE OF CONTENTS

ARTICLES	SA NUMBER

1. Quantity, Model and Description	SA 3
2. Delivery Schedule	
3. Price	
4. Payment	SA 3
5. Miscellaneous	
TABLE	
1. Aircraft Information Table	SA 2, SA 4
EXHIBIT	
A. Aircraft Configuration	SA 3
B. Aircraft Delivery Requirements and Responsibilities	SA 3
SUPPLEMENTAL EXHIBITS	
BFE1. BFE Variables	SA 3
CS 1. Customer Support Variables	SA 3
EE 1. Engine Escalation/Engine Warranty and Patent Indemnity	
SLP1. Service Life Policy Components	
LETTER AGREEMENTS	
2191-01 Demonstration Flight Waiver	
2191-02 Escalation Sharing	
2191-03 Seller Purchased Equipment	
6-1162-DAN-0123 Performance Guarantees	
6-1162-DAN-0124 **Material Redacted**	
6-1162-DAN-0155 **Material Redacted**	
6-1162-DAN-0156 Year 2000 Ready Software, Hardware and Firmware	
6-1162-DAN-0157 Miscellaneous Matters	
6-1162-MJR-0017 **Material Redacted**	
6-1162-MJB-0030 **Material Redacted**	

SUPPLEMENTAL AGREEMENTS	DATED AS OF:

Supplemental Agreement No. 1	June 29, 2001
Supplemental Agreement No. 2	December 21, 2001
Supplemental Agreement No. 3	June 14, 2002
Supplemental Agreement No. 4	December 20, 2002

TABLE 1 TO
PURCHASE AGREEMENT NO. 2191
AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

TABLE 1-1 TO
BOEING PURCHASE AGREEMENT NO. 2191
AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS
MODEL 737-700 AIRCRAFT, BLOCK A

AIRFRAME MODEL/MTGW:	737-700	154,500	DETAIL SPECIFICATION:	D6-38808-42-1 REV A (12/6/1999)
ENGINE MODEL:	CFM56-7B22		AIRFRAME PRICE BASE YEAR:	Jul-00
AIRFRAME PRICE:		\$41,058,000		
OPTIONAL FEATURES:		\$ 2,915,000	AIRFRAME ESCALATION DATA:	

SUB-TOTAL OF AIRFRAME AND FEATURES:		\$43,973,000	BASE YEAR INDEX (ECI):	145.40
ENGINE PRICE (PER AIRCRAFT):		\$ 0	BASE YEAR INDEX (ICI):	130.30
AIRCRAFT BASIC PRICE (EXCLUDING BFE/SPE):		\$43,973,000		
		=====		
BUYER FURNISHED EQUIPMENT (BFE) ESTIMATE:		\$ 1,000,000		
SELLER PURCHASED EQUIPMENT (SPE) ESTIMATE:		\$ 450,000		
REFUNDABLE DEPOSIT PER AIRCRAFT AT PROPOSAL ACCEPTANCE:		\$ 75,000		

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	MSN	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):			
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6 MOS. 5%	TOTAL 30%
Sep-2003	1	1.1247	33707	\$ 49,956,000	\$ 424,560	\$ 1,998,240	\$ 2,497,800	\$ 14,986,800
Oct-2003	1	1.1293	33708	\$ 50,159,000	\$ 426,590	\$ 2,006,360	\$ 2,507,950	\$ 15,047,700
May-2004	1	1.1519	33705	\$ 51,202,000	\$ 437,020	\$ 2,048,080	\$ 2,560,100	\$ 15,360,600
Jun-2004	1	1.1547	33706	\$ 51,326,000	\$ 438,260	\$ 2,053,040	\$ 2,566,300	\$ 15,397,800

December 20, 2002
6-1162-MJB-0030

COPA (Campania Panamena de Aviacion S. A.)
Attention: Pedro Heilbron, Executive President
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1, Panama

****Material Redacted****

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between The Boeing Company (Boeing) and COPA Holdings, S.A. (Customer) relating to Model 737-7V3 and 737-8V3 aircraft (Aircraft).

Dear Mr. Heilbron,

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

1. ****Material Redacted****

2. ****Material Redacted****

3. ****Material Redacted****

4. Confidentiality. Boeing considers the matters discussed herein extremely sensitive and accordingly we ask that you treat this letter as confidential and not disclose its contents to any third party without Boeing's written permission.

Sincerely,

THE BOEING COMPANY

Supplemental Agreement No. 5

to

Purchase Agreement No. 2191

between

The Boeing Company

and

COPA Holdings, S.A., Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT entered into as of OCTOBER 31, 2003, by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and COPA HOLDINGS, S.A., INC. (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2191 dated November 25, 1998 (the Agreement), as amended and supplemented, relating to Boeing Model 737-700 and 737-800 aircraft (the Aircraft); and

WHEREAS, Boeing and Customer have mutually agreed to the exercise of a 737-800 Purchase Right Aircraft with a scheduled delivery month of October 2004; and

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

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

1. Table of Contents, Tables and Exhibits:

- 1.1. Remove and replace, in its entirety the "Table of Contents", with the "Table of Contents" attached hereto and hereby made a part of the Agreement, to reflect the changes made by this Supplemental Agreement.
- 1.2. Remove and replace, in its entirety the Table 1-2 entitled, "Aircraft Delivery, Description, Price and Advance Payments, Model 737-800 Aircraft Block B Aircraft" with the a revised Table 1-2 entitled "Model 737-8V3 Aircraft" attached hereto and hereby made a part of the Agreement, to reflect the addition of a 737-8V3 Aircraft with a scheduled delivery month of October 2004.

2. Letter Agreements: Remove and replace Letter Agreement No. 6-1162-MJB-0030 entitled "***Material Redacted**" with Letter Agreement No. 6-1162-LAJ-874 attached hereto and hereby made a part of the Agreement.

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

TABLE OF CONTENTS

ARTICLES	SA NUMBER

1. Quantity, Model and Description	SA 3
2. Delivery Schedule	
3. Price	
4. Payment	SA 3
5. Miscellaneous	
TABLE	
1-1 Aircraft Information Table for Model 737-7V3 Aircraft	SA 4
1-2 Aircraft Information Table for Model 737-8V3 Aircraft	SA 5
EXHIBIT	
A-1 Aircraft Configuration for Model 737-7V3 Aircraft	SA 3
A-2 Aircraft Configuration for Model 737-8V3 Aircraft	SA 3
B. Aircraft Delivery Requirements and Responsibilities	SA 3
SUPPLEMENTAL EXHIBITS	
BFE1. BFE Variables	SA 3
CS 1. Customer Support Variables	SA 3
EE 1. Engine Escalation/Engine Warranty and Patent Indemnity	
SLP1. Service Life Policy Components	
LETTER AGREEMENTS	
2191-01 Demonstration Flight Waiver	
2191-02 **Material Redacted**	
2191-03 Seller Purchased Equipment	
RESTRICTED LETTER AGREEMENTS	
6-1162-DAN-0123	Performance Guarantees
6-1162-DAN-0124	**Material Redacted**
6-1162-DAN-0155	Airframe Escalation Revision
6-1162-DAN-0156	Year 2000 Ready Software, Hardware and Firmware
6-1162-DAN-0157	Miscellaneous Matters
6-1162-MJB-0017	**Material Redacted**
6-1162-MJB-0030	**Material Redacted**
6-1162-LAJ-874	**Material Redacted**

SUPPLEMENTAL AGREEMENTS	DATED AS OF:
Supplemental Agreement No. 1	June 29, 2001
Supplemental Agreement No. 2	December 21, 2001
Supplemental Agreement No. 3	June 14, 2002
Supplemental Agreement No. 4	December 20, 1002
Supplemental Agreement No. 5	October 31, 2003

TABLE 1-2 FOR MODEL 737-8V3 AIRCRAFT
 AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

AIRFRAME MODEL/MTGW:	737-8V3	174,200	DETAIL SPECIFICATION:	D6-38808-43 REV D (10/2/2001)
ENGINE MODEL:	CFM56-7B26		PRICE BASE YEAR:	Jul-00
AIRFRAME PRICE:		\$50,584,000		
OPTIONAL FEATURES:		\$ 3,289,700	AIRFRAME AND ENGINE ESCALATION DATA:	

SUB-TOTAL OF AIRFRAME AND FEATURES:		\$53,873,700	BASE YEAR INDEX (ECI):	145.40
ENGINE PRICE (PER AIRCRAFT):		\$ 0	BASE YEAR INDEX (ICI):	130.30
AIRCRAFT BASIC PRICE (EXCLUDING BFE/SPE):		\$53,873,700		
		=====		
BUYER FURNISHED EQUIPMENT (BFE) ESTIMATE:		\$ 500,000		
SELLER PURCHASED EQUIPMENT (SPE) ESTIMATE:		\$ 1,000,000		
REFUNDABLE DEPOSIT PER AIRCRAFT DUE AT ACCEPTANCE:		\$ 75,000		

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	MANUFACTURER SERIAL NUMBER	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):			
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6 MOS. 5%	TOTAL 30%
Oct-2003	1	1.1293	33709	\$ 60,611,000	\$ 531,110	\$ 2,424,440	\$ 3,030,550	\$ 18,183,300
Nov-2003	1	1.1355	33710	\$ 60,836,000	\$ 533,360	\$ 2,433,440	\$ 3,041,800	\$ 18,250,800
Oct-2003	1	1.1707	34006	\$ 63,570,000	\$ 560,700	\$ 2,542,800	\$ 3,178,500	\$ 19,071,000

6-1162-LAJ-874

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1, Panama

Material Redacted

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between The Boeing Company (Boeing) and COPA HOLDINGS, S.A. (Customer) relating to Model 737 aircraft (the Aircraft)

This Letter Agreement amends and supplements the Purchase Agreement. This Letter Agreement supercedes and replaces in its entirety Letter Agreement 6-1162-MJB-0030. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement. In consideration of the Aircraft orders, Boeing provides the following to Customer.

1. **Material Redacted**
2. **Material Redacted**
3. **Material Redacted**
4. **Material Redacted**
5. Confidentiality. Customer understands that certain commercial and financial information contained in this Letter Agreement are considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity.

ACCEPTED AND AGREED TO this

Date: October 31, , 2003

THE BOEING COMPANY

COPA HOLDINGS, S.A.

ATTACHMENT C1 (MODEL 737-700)
TO 6-1162-LAJ-874

****Material Redacted****

****3 pages****

1

Attachment C2 (Model 737-800)
to 6-1162-LAJ-874

****Material Redacted****

****3 pages****

1

Supplemental Agreement No. 6

to

Purchase Agreement No. 2191

between

The Boeing Company

and

COPA Holdings, S.A., Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT entered into as of September 9, 2004, by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and COPA HOLDINGS, S.A., INC. (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2191 dated November 25, 1998 (the Agreement), as amended and supplemented, relating to Boeing Model 737-700 and 737-800 aircraft (the Aircraft); and

WHEREAS, Boeing and Customer have mutually agreed to the exercise of two (2) 737-800 Purchase Right Aircraft both of which have a scheduled delivery month of June 2006; and

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

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

1. Table of Contents, Tables and Exhibits:

- 1.1. Remove and replace, in its entirety the "Table of Contents", with the "Table of Contents" attached hereto and hereby made a part of the Agreement, to reflect the changes made by this Supplemental Agreement.
- 1.2. Attached hereto and hereby made a part of the Agreement is Table 1-3 entitled "Aircraft Information Table for Model 737-7V3 Aircraft" which reflects the addition of two (2) 737-7V3 Aircraft both of which have a scheduled delivery month of June 2006.

2. Letter Agreements: Remove and replace Letter Agreement No. 6-1162-LAJ-874 entitled "***Material Redacted**" with Letter Agreement No. 6-1162-LAJ-874R1 entitled "***Material Redacted**" attached hereto and hereby made a part of the Agreement.

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

TABLE OF CONTENTS

ARTICLES	SA NUMBER

1. Quantity, Model and Description	SA 3
2. Delivery Schedule	
3. Price	
4. Payment	SA 3
5. Miscellaneous	
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1-1 Aircraft Information Table for Model 737-7V3 Aircraft	SA 4
1-2 Aircraft Information Table for Model 737-8V3 Aircraft	SA 5
1-3 Aircraft Information Table for Model 737-8V3 Aircraft	SA 6
EXHIBIT	
A-1 Aircraft Configuration for Model 737-7V3 Aircraft	SA 3
A-2 Aircraft Configuration for Model 737-8V3 Aircraft	SA 3
B. Aircraft Delivery Requirements and Responsibilities	SA 3
SUPPLEMENTAL EXHIBITS	
BFE1. BFE Variables	SA 3
CS1. Customer Support Variables	SA 3
EE1. Engine Escalation/Engine Warranty and Patent Indemnity	
SLP1. Service Life Policy Components	
LETTER AGREEMENTS	
2191-01 Demonstration Flight Waiver	
2191-02 **Material Redacted**	
2191-03 Seller Purchased Equipment	
RESTRICTED LETTER AGREEMENTS	
6-1162-DAN-0123	Performance Guarantees
6-1162-DAN-0124	**Material Redacted**
6-1162-DAN-0155	**Material Redacted**
6-1162-DAN-0156	Year 2000 Ready Software, Hardware and Firmware
6-1162-DAN-0157	Miscellaneous Matters
6-1162-MJB-0017	**Material Redacted**
6-1162-MJB-0030	**Material Redacted**

6-1162-LAJ-874
6-1162-LAJ-8741

Material Redacted
Material Redacted

SUPPLEMENTAL AGREEMENTS

DATED AS OF:

Supplemental Agreement No. 1 June 29, 2001
Supplemental Agreement No. 2 December 21, 2001
Supplemental Agreement No. 3 June 14, 2002
Supplemental Agreement No. 4 December 20, 2002
Supplemental Agreement No. 5 October 31, 2003
Supplemental Agreement No. 6 September 9, 2004

TABLE 1-3
 AIRCRAFT INFORMATION TABLE FOR MODEL 737-7V3 AIRCRAFT
 AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

AIRFRAME MODEL/MTGW:	737-700	154,500	DETAIL SPECIFICATION:	D6-38808-42-1-D (10/5/2002)
ENGINE MODEL:	CFM56-7B22		AIRFRAME PRICE BASE YEAR:	Jul-00
AIRFRAME PRICE:		\$41,058,000		
OPTIONAL FEATURES:		\$ 3,011,200	AIRFRAME ESCALATION DATA:	
SUB-TOTAL OF AIRFRAME AND FEATURES:		\$44,069,200	BASE YEAR INDEX (ECI):	145.40
ENGINE PRICE (PER AIRCRAFT):		\$ 0	BASE YEAR INDEX (ICI):	130.30
AIRCRAFT BASIC PRICE (EXCLUDING BFE/SPE):		\$44,069,200		
BUYER FURNISHED EQUIPMENT (BFE) ESTIMATE:		\$ 1,000,000		
SELLER PURCHASED EQUIPMENT (SPE) ESTIMATE AT DELIVERY:		\$ 1,700,000		
REFUNDABLE DEPOSIT PER AIRCRAFT AT PROPOSAL ACCEPTANCE:		\$ 75,000		

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	MANUFACTURER SERIAL NUMBER	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):			
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6 MOS. 5%	TOTAL 30%
Jun-2006	1	1.2299	34535	\$ 55,901,000	\$484,010	\$2,236,040	\$2,795,050	\$16,770,300
Jun-2006	1	1.2299	34536	\$ 55,901,000	\$484,010	\$2,236,040	\$2,795,050	\$16,770,300

ATTACHMENT C2 (MODEL 737-800)
TO 6-1162-LAJ-874R1

6-1162-LAJ-874R1

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1, Panama

Material Redacted

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between The Boeing Company (Boeing) and COPA HOLDINGS, S.A. (Customer) relating to Model 737 aircraft (the Aircraft)

This Letter Agreement amends and supplements the Purchase Agreement. This Letter Agreement supercedes and replaces in its entirety Letter Agreement 6-1162-LAJ-874. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement. In consideration of the Aircraft orders, Boeing provides the following to Customer.

1. **Material Redacted**

2. **Material Redacted**

3. **Material Redacted**

4. **Material Redacted**

5. **Material Redacted**

6. **Material Redacted**

7. **Material Redacted**

8. Confidentiality. Customer understands that certain commercial and financial information contained in this Letter Agreement are considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity.

ACCEPTED AND AGREED TO this

Date: September 9, , 2003

THE BOEING COMPANY

COPA HOLDINGS, S.A.

ATTACHMENT C1 (MODEL 737-700)
TO 6-1162-LAJ-874R1

2 pages

ATTACHMENT C2 (MODEL 737-800)
TO 6-1162-LAJ-874R1

Material Redacted

2 pages

Supplemental Agreement No. 7

to

Purchase Agreement No. 2191

between

The Boeing Company

and

COPA Holdings, S.A., Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT entered into as of December 9th, 2004, by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and COPA HOLDINGS, S.A., INC. (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2191 dated November 25, 1998 (the Agreement), as amended and supplemented, relating to Boeing Model 737-700 and 737-800 aircraft (the Aircraft); and

WHEREAS, Customer has requested and Boeing has agreed to accelerate one 737-700 Aircraft with a scheduled delivery month of June 2006 to May 2006; and

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

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

1. Table of Contents, Tables and Exhibits:

- 1.1. Remove and replace, in its entirety the "Table of Contents", with the "Table of Contents" attached hereto and hereby made a part of the Agreement, to reflect the changes made by this Supplemental Agreement.
- 1.2. Table 1-3 entitled "Aircraft Information Table for Model 737-7V3 Aircraft" is replaced in its entirety with revised Table 1-3 entitled "Aircraft Information Table for Model 737-7V3 Aircraft" to reflect a revised schedule delivery month of May 2006 for the 737-7V3 Aircraft with manufacture serial number 34535.

2. Letter Agreements: Remove and replace Letter Agreement No. 6-1162-LAJ-874R1 entitled "***Material Redacted**" with Letter Agreement No. 6-1162-LAJ-874R2 entitled "***Material Redacted**" attached hereto and hereby made a part of the Agreement.

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

TABLE OF CONTENTS

ARTICLES		SA NUMBER

1.	Quantity, Model and Description	SA 3
2.	Delivery Schedule	
3.	Price	
4.	Payment	SA 3
5.	Miscellaneous	
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1-1	Aircraft Information Table for Model 737-7V3 Aircraft	SA 4
1-2	Aircraft Information Table for Model 737-8V3 Aircraft	SA 5
1-3	Aircraft Information Table for Model 737-8V3 Aircraft	SA 6
EXHIBIT		
A-1	Aircraft Configuration for Model 737-7V3 Aircraft	SA 3
A-2	Aircraft Configuration for Model 737-8V3 Aircraft	SA 3
B.	Aircraft Delivery Requirements and Responsibilities	SA 3
SUPPLEMENTAL EXHIBITS		
BFE1.	BFE Variables	SA 3
CS1.	Customer Support Variables	SA 3
EE1.	Engine Escalation/Engine Warranty and Patent Indemnity	
SLP1.	Service Life Policy Components	
LETTER AGREEMENTS		
2191-01	Demonstration Flight Waiver	
2191-02	**Material Redacted**	
2191-03	Seller Purchased Equipment	

RESTRICTED LETTER AGREEMENTS

6-1162-DAN-0123	Performance Guarantees
6-1162-DAN-0124	**Material Redacted**
6-1162-DAN-0155	**Material Redacted**
6-1162-DAN-0156	Year 2000 Ready Software, Hardware and Firmware
6-1162-DAN-0157	Miscellaneous Matters
6-1162-MJB-0017	**Material Redacted**
6-1162-MJB-0030	**Material Redacted**
6-1162-LAJ-874R	**Material Redacted**
6-1162-LAJ-874R1	**Material Redacted**
6-1162-LAJ-874R2	**Material Redacted**

SUPPLEMENTAL AGREEMENTS

DATED AS OF:

Supplemental Agreement No. 1	June 29, 2001
Supplemental Agreement No. 2	December 21, 2001
Supplemental Agreement No. 3	June 14, 2002
Supplemental Agreement No. 4	December 20, 1002
Supplemental Agreement No. 5	October 31, 2003
Supplemental Agreement No. 6	September 9, 2004
Supplemental Agreement No. 7	December __, 2004

TABLE 1-3
 AIRCRAFT INFORMATION TABLE FOR MODEL 737-7V3 AIRCRAFT
 AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

AIRFRAME MODEL/MTGW:	737-700	154,500	DETAIL SPECIFICATION:	D6-38808-42-I-D (10/5/2002)
ENGINE MODEL:	CFM56-7B22		PRICE BASE YEAR:	Jul-00
AIRFRAME PRICE:		\$41,058,000		
OPTIONAL FEATURES:		\$ 3,011,200	AIRFRAME AND ESCALATION DATA:	
SUB-TOTAL OF AIRFRAME AND FEATURES:		\$44,069,200	BASE YEAR INDEX (ECI):	145.50
ENGINE PRICE (PER AIRCRAFT):		\$ 0	BASE YEAR INDEX (ICI):	130.30
AIRCRAFT BASIC PRICE (EXCLUDING BFE/SPE):		\$44,069,200		
		=====		
BUYER FURNISHED EQUIPMENT (BFE) ESTIMATE:		\$ 1,000,000		
SELLER PURCHASED EQUIPMENT (SPE) ESTIMATE AT DELIVERY:		\$ 1,700,000		
REFUNDABLE DEPOSIT PER AIRCRAFT AT PROPOSAL ACCEPTANCE:		\$ 75,000		

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	MANUFACTURER SERIAL NUMBER	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):			
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6 MOS. 5%	TOTAL 30%
May-2006	1	1.2271	34535	\$ 55,777,000	\$ 482,770	\$2,231,080	\$ 2,788,850	\$16,733,100
May-2006	1	1.2299	34536	\$ 55,901,000	\$ 484,010	\$2,236,040	\$ 2,795,050	\$16,770,300

THE BOEING COMPANY
P.O. Box 3707
Seattle, WA 95124-2207

6-1162-LAJ-874R1

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1, Panama

****Material Redacted****

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between The Boeing Company (Boeing) and COPA HOLDINGS, S.A. (Customer) relating to Model 737 aircraft (the Aircraft)

This Letter Agreement amends and supplements the Purchase Agreement. This Letter Agreement supercedes and replaces in its entirety Letter Agreement 6-1162-LAJ-874R1. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement. In consideration of the Aircraft orders, Boeing provides the following to Customer.

1. ****Material Redacted****

2. ****Material Redacted****

3. ****Material Redacted****

4. ****Material Redacted****

5. ****Material Redacted****

6. ****Material Redacted****

7. ****Material Redacted****

8. Confidentiality. Customer understands that certain commercial and financial information contained in this Letter Agreement are considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity.

ACCEPTED AND AGREED TO this

Date: December 9th , 2004

THE BOEING COMPANY

COPA HOLDINGS, S.A.

Supplemental Agreement No. 8

to

Purchase Agreement No. 2191

between

The Boeing Company

and

COPA Holdings, S.A., Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT entered into as of April 15, 2005, by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and COPA HOLDINGS, S.A., INC. (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2191 dated November 25, 1998 (the Agreement), as amended and supplemented, relating to Boeing Model 737-700 and 737-800 aircraft (the Aircraft); and

WHEREAS, Customer and Boeing have come to agreement on the purchase and sale of five 737 Aircraft with schedule delivery months of August 2007, November 2007, May 2008, November 2008, and May 2009; and

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

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

1. Table of Contents, Tables and Exhibits:

- 1.1. Remove and replace, in its entirety the "Table of Contents", with the "Table of Contents" attached hereto and hereby made a part of the Agreement, to reflect the changes made by this Supplemental Agreement.
- 1.2. Table 1-4 entitled "Aircraft Information Table for Model 737-7V3 Aircraft" is attached hereto to reflect the schedule delivery months for the 737 Aircraft with schedule delivery months of August 2007, November 2007, May 2008, November 2008, and May 2009.

2. Letter Agreements: Remove and replace Letter Agreement No. 6-1162-MJB-0017 entitled "***Material Redacted**" with Letter Agreement No. 6-1162-LAJ-982 entitled "***Material Redacted**" attached hereto and hereby made a part of the Agreement.

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

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1-2	Aircraft Information Table for Model 737-8V3 Aircraft	SA 5
1-3	Aircraft Information Table for Model 737-7V3 Aircraft	SA 7
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 EXHIBIT		
A-1	Aircraft Configuration for Model 737-7V3 Aircraft	SA 3
A-2	Aircraft Configuration for Model 737-8V3 Aircraft	SA 3
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BFE1.	BFE Variables	SA 3
CS1.	Customer Support Variables	SA 3
EE1.	Engine Escalation/Engine Warranty and Patent Indemnity	
SLP1.	Service Life Policy Components	
 LETTER AGREEMENTS		
2191-01	Demonstration Flight Waiver	
2191-02	**Material Redacted**	
2191-03	Seller Purchased Equipment	

RESTRICTED LETTER AGREEMENTS

6-1162-DAN-0123	Performance Guarantees
6-1162-DAN-0124	**Material Redacted**
6-1162-DAN-0155	**Material Redacted**
6-1162-DAN-0156	Year 2000 Ready Software, Hardware and Firmware
6-1162-DAN-0157	Miscellaneous Matters
6-1162-MJB-0017	**Material Redacted**
6-1162-MJB-0030	**Material Redacted**
6-1162-LAJ-874R	**Material Redacted**
6-1162-LAJ-874R1	**Material Redacted**
6-1162-LAJ-874R2	**Material Redacted**
6-1162-LAJ-982	**Material Redacted**

SUPPLEMENTAL AGREEMENTS

DATED AS OF:

Supplemental Agreement No. 1	June 29, 2001
Supplemental Agreement No. 2	December 21, 2001
Supplemental Agreement No. 3	June 14, 2002
Supplemental Agreement No. 4	December 20, 2002
Supplemental Agreement No. 5	October 31, 2003
Supplemental Agreement No. 6	September 9, 2004
Supplemental Agreement No. 7	December 9, 2004
Supplemental Agreement No. 8	April 15, 2005

TABLE 1-4

AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

AIRFRAME MODEL/MTGW: 737-700 154,500 DETAIL SPECIFICATION: D6-38808-42-I (4/30/2004)
 ENGINE MODEL: CFM56-7B22 AIRFRAME PRICE BASE YEAR/ESCALATION FORMULA: Jul-04 BCI-MFG/CPI
 AIRFRAME PRICE: \$47,784,000 ENGINE PRICE BASE YEAR/ESCALATION FORMULA: N/A N/A
 OPTIONAL FEATURES: \$ 3,517,000 AIRFRAME ESCALATION DATA:

 SUB-TOTAL OF AIRFRAME AND FEATURES: \$51,301,000 BASE YEAR INDEX (ECI): 166.1
 ENGINE PRICE (PER AIRCRAFT): \$ 0 BASE YEAR INDEX (CCI): 184.1
 AIRCRAFT BASIC PRICE (EXCLUDING BFE/SPE): \$51,303,000
 =====
 BUYER FURNISHED EQUIPMENT (BFE) ESTIMATE: \$ 0
 SELLER PURCHASED EQUIPMENT (SPE) ESTIMATE: \$ 1,800,000
 REFUNDABLE DEPOSIT / AIRCRAFT AT PROPOSAL ACCEPT: \$ 90,000

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	MANUFACTURER SERIAL NUMBER	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):				
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6 MOS. 5%	TOTAL 30%	
Aug-2007	1	1.1101	35068	\$ 58,947,000	\$ 499,470	\$2,357,880	\$ 2,947,350	\$ 17,634,100	
Nov-2007	1	1.1126	35067	\$ 59,346,000	\$ 503,460	\$2,273,840	\$ 2,967,300	\$ 17,803,800	
May-2008	1	1.1346	35125	\$ 60,248,000	\$ 512,480	\$2,409,920	\$ 3,012,400	\$ 18,074,400	
Nov-2008	1	1.1511	25126	\$ 61,125,000	\$ 521,250	\$2,445,000	\$ 3,056,250	\$ 18,337,500	
May-2009	1	1.1682	35127	\$ 62,033,000	\$ 530,330	\$2,481,320	\$ 3,101,650	\$ 18,609,900	
TOTAL:	5								

THE BOEING COMPANY
P.O. Box 3707
Seattle, WA 95124-2207

6-1162-LAJ-874R1

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1, Panama

Material Redacted

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between The Boeing Company (Boeing) and COPA HOLDINGS, S.A. (Customer) relating to Model 737 aircraft (the Aircraft)

This Letter Agreement amends and supplements the Purchase Agreement. This Letter Agreement supercedes and replaces in its entirety Letter Agreement 6-1162-MJB-0017. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement. In consideration of the Aircraft orders, Boeing provides the following to Customer.

1. **Material Redacted**
2. **Material Redacted**
3. **Material Redacted**
4. **Material Redacted**
5. **Material Redacted**
6. **Material Redacted**
7. **Material Redacted**
8. **Material Redacted**
9. **Material Redacted**
10. **Material Redacted**
11. **Material Redacted**
12. **Material Redacted**
13. **Material Redacted**
14. **Material Redacted**

15. Confidentiality. Customer understands that certain commercial and financial information contained in this Letter Agreement are considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity.

ACCEPTED AND AGREED TO this

Date: _____, 2005

THE BOEING COMPANY

COPA HOLDINGS, S.A.

PURCHASE RIGHTS
AIRCRAFT INFORMATION TABLE A.

Material Redacted

PURCHASE RIGHTS
AIRCRAFT INFORMATION TABLE B.

Material Redacted

GE ENGINE SERVICES

CFM56-7
MAINTENANCE COST PER HOUR(SM)
ENGINE SERVICE AGREEMENT
("MCPH" (SM))

BETWEEN

COMPANIA PANAMENA DE AVIACION, S.A.

AND

GE ENGINE SERVICES, INC.

REFERENCE NUMBER ESI-01-0417M

DATED MARCH 5, 2003

THIS PROPOSAL SHALL REMAIN VALID THROUGH MARCH 15, 2003

PROPRIETARY INFORMATION NOTICE

The information contained in this document is GE Engine Services, Inc. ("GE")
Proprietary Information and is disclosed in confidence. It is the property
of GE and shall not be used, disclosed to others or reproduced without the
express written consent of GE. If consent is given for reproduction in whole
or in part, this notice and the notice set forth on each page of this document
shall appear in any such reproduction. U.S. export control laws may also
control the information contained in this document. Unauthorized export
or re-export is prohibited.

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EXHIBITS

Exhibit A	**Material Redacted**
Schedule 1	**Material Redacted**
Schedule 2	**Material Redacted**
Schedule 3	**Material Redacted**
Exhibit B	**Material Redacted**
Exhibit C	**Material Redacted**
Exhibit D	**Material Redacted**
Exhibit E	**Material Redacted**

CFM56-7 MAINTENANCE COST PER HOUR(SM) ("MCPH" (SM))
ENGINE SERVICE AGREEMENT

THIS ENGINE SERVICE AGREEMENT is made as of the 1st day of January, 2003 ("Effective Date"), by and between Compania Panamena De Aviacion, S.A., a corporation organized under the law of Panama, whose principal address is Aeropuerto Int. De Tocumen, Apdo. 1572 Panama 1, Panama ("Copa") and GE Engine Services, Inc., a corporation organized under the law of the State of Delaware, whose principal address is 1 Neumann Way, Cincinnati, Ohio 45215 ("GE"), (both of which may be hereinafter collectively referred to as the "Parties").

RECITALS

WHEREAS, GE maintains and operates Repair Stations for the servicing, repair, maintenance, and functional testing of aircraft engines, and engine modules, assemblies, subassemblies, controls and accessories, and parts thereof;

WHEREAS, Copa requires repair, overhaul or servicing of CFM56-7 aircraft Engines, and engine modules, assemblies, subassemblies, controls and accessories, and parts thereof on a cost per hour basis; and

WHEREAS, GE agrees to provide certain Services on Copa's equipment, as defined below, subject to the terms of this Agreement.

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

ARTICLE 1 - DEFINITIONS

Definitions. Capitalized terms used in the recitals and elsewhere in the Agreement but not otherwise defined in this Agreement shall have the following meanings:

"Agreement" shall mean this Engine Service Agreement, as the same may be amended or supplemented from time to time.

"Airworthiness Directive" or "AD" shall mean a document issued by the Approved Aviation Authority having jurisdiction over the Engine, identifying an unsafe condition relating to such Engine and, as appropriate, prescribing inspections and the conditions and limitations, if any, under which the Engine may continue to operate.

"Approved Aviation Authority" shall mean, as applicable, the Federal Aviation Administration of the United States ("FAA"), or, as identified by Copa and agreed in writing by GE, the European Joint Aviation Authority ("JAA"), Panamanian DAC or such other equivalent foreign aviation authority having jurisdiction over the performance of Services provided hereunder.

"Base Price" shall mean the applicable MCPH Rate stated in Base Year (2003) Dollars.

"Base Year" shall mean the contract year in which the Base Price is applicable and is the baseline from which adjustment for fluctuation in the economy is made.

"Bench Stock" shall mean those expendable or consumable items routinely replaced during the inspection, repair or maintenance of Engine, whether or not such items have been damaged, and other items that are customarily replaced at each inspection or maintenance period.

"Catastrophic Failure" shall mean an Engine shop visit caused by failure of an internal Engine part **Material Redacted**.

"CLP" shall mean the manufacturer's current catalog or manufacturer's current list price pertaining to a new part or new item of equipment. The term "current" as used in this definition means as of the time of the applicable Service.

"Copa's Fleet" shall mean all B737-700 and B737-800 aircraft, operated by Copa and powered by CFM56-7B Engines. The currently fleet is list on Exhibit B which exhibit shall be amended by the Parties from time to time in accordance.

"Delivery" shall, subject to the terms of Section 3.4.7 below, mean, in respect of any item of equipment, the occurrence of the arrival of the Engine, together with all applicable records and required data (as described in Paragraph 5.1.8 below), Delivered Duty Paid ("DDP") to the Designated Repair Station pursuant to the International Chamber of Commerce "Incoterms" (2000 Edition), whereby Copa shall fulfill the obligations of seller and GE of buyer. "Deliver" shall mean the act by which Copa accomplishes Delivery.

"Designated Repair Station" shall mean the GE affiliate Repair Station specified for each shop visit.

"Dollars" and "\$" shall mean the lawful currency of the United States of America.

"Engine" shall mean, each bare CFM56-7B22, CFM56-7B24, and CFM56-7B26 engine assembly, identified by serial number in Exhibit B including its essential controls, accessories, and parts as described in Exhibit E. Exhibit B shall be amended by mutual agreement of the Parties from time to time as set forth herein, to reflect changes in the Copa fleet.

"Engine Year" shall mean the year of Engine operation measured in twelve (12) consecutive month periods, with the first Engine year measured from the date of aircraft acceptance by Copa for installed Engines or the date of first installation of Spare Engines. For purposes of invoicing MCPH payments, the date of aircraft acceptance, or the date of the first installation for Spare Engines, will be deemed to have occurred on the first day of the month following the actual acceptance or installation if the date of the actual acceptance or installation falls on or before the 15th day of that month. The date of aircraft acceptance, or the date of first installation for Spare Engines, will be deemed to have occurred on the first of the month following the actual acceptance or installation if the date of actual acceptance or installation falls after the 15th day of that month.

"Foreign Object Damage" or "FOD" shall mean damage to any portion of the Engine caused by impact or ingestion of an outside object such as birds, vehicles, stones, hail, or debris. FOD shall be further defined as follows:

"Major FOD" shall mean impact damage to an Engine or Engine part caused by the a foreign object which requires the Engine to be immediately removed from service, or subsequently removed due to an out of limit condition per Copa's Aircraft Maintenance Manual as reviewed and accepted by mutual agreement between the parties.

"Other FOD" shall mean foreign object damage to an Engine or Engine Part detected during routine maintenance which is determined to be FOD other than Major FOD.

"Life Limited Part" or "LLP" shall mean a part with an approved limitation on use in cumulative hours or cycles, established by the OEM or the Approved Aviation Authority.

"Line Replaceable Unit" or "LRU" shall mean one or more major accessories of the external portion of an Engine which can be changed on wing and is identified as an LRU in Exhibit E.

"MCPH" shall mean maintenance cost per hour.

"MCPH Program" shall mean the program consisting of the repair, maintenance, and management of the Engines provided to Copa by GE on an MCPH fixed rate basis, pursuant to the terms hereof.

"MCPH Rate" shall have the meaning set forth in Exhibit A.

"MCPH Shop Visit(s)" shall mean a Repair Station visit (scheduled or unscheduled) during which off-wing repair and maintenance covered under the MCPH fixed rate pricing is performed on equipment that meets the MCPH eligibility requirements of Clause 3.2.2 below.

"Original Equipment Manufacturer" or "OEM" shall mean the original manufacturer of any item of equipment.

"Performance Restoration" shall mean the Services performed during an Engine shop visit in which, at a minimum, the compressor, combustor and high pressure turbine are exposed and subsequently refurbished, consistent with the workscope utilized for MCPH.

"Procedure Manual" shall mean the document, prepared by GE and approved by Copa, based upon the requirements of this Agreement which provides detailed procedures and guidance for the administration of the MCPH Program. In case of conflict between the Procedure Manual and the Agreement, the Agreement will prevail.

"Qualifying Shop Visit" shall mean the Repair Station visit during which the initial Performance Restoration required for any Engine that does not meet the MCPH eligibility requirements, as set forth in Clause 3.1, is performed on the Engine. The Qualifying Shop Visit shall be performed at Copa's expense in accordance with the Supplemental Work pricing set forth in Exhibit A.

"Redelivery" shall, subject to the terms of Section 3.4.7 below, mean the occurrence of the return of the Engine for Copa's acceptance Ex Works, GE's Designated Repair Station, pursuant to the International Chamber of Commerce "Incoterms" (2000 Edition), whereby Copa shall fulfill the obligations of buyer and GE of seller. "Redeliver" shall mean the act by which GE accomplishes Redelivery.

"Removal Schedule" or "RS" shall mean the schedule for Engine removal from the aircraft for maintenance as jointly developed by GE and Copa.

"Repair Specification" shall mean the Copa repair specification number _____, dated _____ as may be amended by Copa (upon written agreement by GE, such agreement not to be unreasonably withheld, conditioned or delayed) from time to time, which shall identify the minimum baseline to which Copa's equipment will be inspected, repaired, modified, reassembled and tested hereunder. Unless otherwise agreed by the Parties, such Repair Specification shall meet or exceed the recommendations of the OEM's operational specifications and applicable Engine maintenance or overhaul manuals and Copa's maintenance plan as agreed to by Copa and GE and approved by the Approved Aviation Authority.

"Repair Station" shall mean one or more of the repair facilities owned by GE or its affiliates, now or in the future, which are certified by the Approved Aviation Authority to perform the applicable Service hereunder.

"Repairable" shall mean capable of being made Serviceable.

"Rotable Part" shall mean a new or used Serviceable part drawn from a common pool of parts used to support multiple customers, which replaces a like part requiring repair.

"Scrapped Parts" shall mean those parts determined by GE (or Copa if in connection with a Supplemental Work Shop Visit) to be unserviceable and beyond economic repair for reliability, performance or economic reasons.
Material Redacted

"Service" or "Services" shall mean, with respect to any Engine, all or any part of those services requested by Copa which GE agrees to perform under this Agreement, as more particularly described in the Workscope for such Engine, including, without limitation, the furnishing of parts and materials, labor, facilities, tooling, painting, plating, and testing devices required in the performance of repair and maintenance in connection with the Engine. "Serviced" shall be construed accordingly.

"Service Bulletin" or "SB" shall mean the document issued by an OEM to notify the operator of modifications, substitution of parts, special inspections, special checks, amendment of existing life limits or establishment of first time life limits, or conversion of Engine from one model to another.

"Serviceable" means an item of equipment that meets all OEM and Approved Aviation Authority specified standards for airworthiness, and has no known defects which would render it unfit for service in accordance with the Repair Specification.

"Serviceable Condition" shall mean, with respect to an item, a repaired, calibrated, or inspected item in an airworthy condition which can be used for the same purpose as a newly manufactured item.

"Supplemental Work" shall mean any Service provided hereunder which is not covered under the MCPH Program. All Supplemental Work shall be at Copa's expense, in accordance with the pricing set forth in Exhibit A.

"Straight Time" shall mean the first eight (8) hours charged per person each day, Monday through Friday (except local holidays observed by the Designated Repair Station), provided that a minimum of eight (8) hours break has occurred since the last time charged.

"Turn Time" shall mean the number of calendar days between Delivery and Redelivery of an Engine, exclusive of public holidays observed by the Designated Repair Station.

"Workscope" shall mean the document written and approved by GE's engineering staff and approved in writing by Copa, which approval shall not be unreasonably delayed, conditioned or denied, describing the prescribed repair or approach to repair of identified equipment to meet the requirements of the Repair Specification for the Engine.

ARTICLE 2 - TERM

- 2.1 Term of Agreement. This Agreement shall commence upon the Effective Date and, unless sooner terminated pursuant to Article 16 herein, shall remain in effect through December 31, 2014 (the "Initial Term").
- 2.2 Exclusive Agreement. This Agreement, insofar as it relates to the maintenance, repair or overhaul of the Engines, including, without limitation, Supplemental Work, shall be exclusive, and Copa shall not enter into any other arrangement with a third party for such services with respect to the Engines during the term hereof, except to the extent provided in Article 12 herein and subject to provisions of Article 16 hereof
- 2.3 Renewal Beyond Initial Term. If Copa desires to extend the term of this Agreement beyond the Initial Term, Copa shall give GE written notice of its desire to extend at least one hundred twenty (120) days prior to the expiration date of the Initial Term. Upon GE's proposal for pricing for such extended term and mutual agreement of the parties, the term of the Agreement shall be extended for a period of sixty (60) months. Should the term be extended as described herein, Copa shall have an option for an additional extension of sixty (60) month term on the same basis.

ARTICLE 3 MAINTENANCE COST PER HOUR PROGRAM PROCEDURES

- 3.1 MCPH Eligibility. Commencing on the Effective Date, GE shall provide Services, as further described in this Article 3, and Copa shall pay the MCPH Rate, for all of Copa's Engines listed by Engine serial number in Exhibit B on a MCPH basis upon eligibility of each Engine as follows:
- 3.1.1 Engines listed on Exhibit B as of the Effective Date shall be eligible for the MCPH Program as of the Effective Date and shall be charged at the applicable Base Price per Engine Flying Hour ("EFH") as set forth in Exhibit A.
- 3.1.2 New Engines (Serviceable Engines with less than one hundred (100) operating hours since manufacture), or as otherwise agreed by the Parties, shall be eligible for MCPH coverage as of the date of aircraft or spare Engine acceptance and shall be charged the Base Price Per Engine Flying Hour ("EFH") for the applicable Engine Year as set forth in Exhibit A.
- 3.1.3 After the Effective Date and with GE's written consent, Copa may add additional used CFM56-7 engines (which may be eligible or ineligible at the time of such addition) to this Agreement for the remaining term hereunder as specified in Exhibit A hereto. As a condition to GE's consent to add such an Engine, Customer shall disclose whether or not such additional Engine has had any non-OEM approved part or repair installed or performed. All non-OEM parts or repairs shall be removed by GE or Customer at Customer's expense prior to eligibility of such additional Engine. On the date of such addition, Copa shall begin paying the applicable, adjusted and escalated MCPH Rate for each such Engine based upon its Engine Year. Upon meeting the eligibility requirements, which may require completing a Qualifying Shop Visit, the added Engine shall be eligible for MCPH Shop Visits and all other MCPH Services, subject to then-current terms and conditions. Any such addition shall be documented by amending Exhibit B accordingly. All MCPH charges paid by Copa for such an Engine, to the point such Engine meets the MCPH Program's eligibility requirements, shall be credited up to the amount of the Supplemental Work invoice for the Qualifying Shop Visit.
- 3.2 Scope of MCPH
- 3.2.1 Qualifying Shop Visits. Copa will Deliver all used Engines that are inducted into Copa's Fleet after execution of this Agreement and which are to be covered under this Agreement to GE for an initial Performance Restoration Shop Visit on a Supplemental Work basis. All non-OEM parts or repairs shall be removed by GE as Supplemental Work prior to eligibility of such additional Engine. Following such Performance Restoration Shop Visit, a used Engine will enter the MCPH Program in accordance with Paragraph 3.1.3 above.
- 3.2.2 **Material Redacted**
- 3.3 Workscope and Repair Specification. Upon input of Engines for Service, GE shall prepare a Workscope which specifies inspections, upgrades, improvements, and repairs required to return the Engine to Serviceable Condition and provide a copy of such Workscope to Copa for approval, such approval not to be unreasonably delayed, conditioned, or denied. Should Copa fail to provide approval of the Workscope within two (2) business days of receipt, the calendar days beyond that time shall be an excusable delay. Such Workscope may include reliability and performance enhancements and Approved Aviation Authority approved repairs. GE shall repair the Engines and, as defined in Exhibit E, LRU's in accordance with the Repair Specification and Approved Aviation Authority regulations. GE may request that Copa amend the Repair Specification during the term hereof to improve reliability, enhance Engine operating

characteristics, and incorporate Designated Engineering Representative approved repairs or repairs not contained in the OEM manual, subject to Copa's written approval, which approval shall not be unreasonably delayed, conditioned or denied. Any changes or amendments requested by Copa or requested or made by any regulatory agency to the Workscope or Repair Specification shall be mutually agreed by the Parties hereto and may be subject to an adjustment in the pricing described in Exhibit A. The Procedures Manual will delineate the procedures to be followed when processing Engines in the Repair Station.

3.4 MCPH Program Services Provided. Services to be provided by GE under the MCPH Program are:

3.4.1 Provide, either at a Repair Station, a subcontractor (if an entire Engine is subcontracted, Copa's prior written approval is required), or such other location as agreed by Copa and GE, all labor, materials, and parts (new or used Serviceable, including use of GE Rotable Parts) necessary to return the Engine to a Serviceable Condition.

3.4.2 Repair or replace LLP.

3.4.3 Repair LRUs, as specified in Exhibit E, received with an Engine for a MCPH Shop Visit and which were installed on the Engine when it was removed from the aircraft for the shop visit, as evidenced by records provided in accordance with Paragraph 5.1.8 of this Agreement.

3.4.4 Notwithstanding Section 3.4.1.above, comply with Airworthiness Directives ("AD"), issued by the Approved Aviation Authority, and Service Bulletins designated by the OEM as mandatory (Categories 3-6) and which are performed during an MCPH Shop Visit, **Material Redacted**.

3.4.5 With Copa's written approval, perform repairs at a location other than that of GE or a GE affiliate, which may otherwise require a shop visit, without unduly disrupting Copa's operation.

3.4.6 Test Engine in accordance with the Repair Specification and provide all associated labor and material, including fuel and oil, for MCPH Shop Visits, including slave test equipment.

3.4.7 **Material Redacted**

3.4.8 Assign a Program Manager who will be the point of contact for Copa with respect to Services specified in this Agreement and support this Agreement as set forth in Paragraphs 3.4.8.1 through 3.4.8.6 below.

3.4.8.1 Coordinating the work to be accomplished for each MCPH Shop Visit or Qualifying Shop Visit, consistent with the Procedure Manual.

3.4.8.2 Assist Copa with Supplemental Work requirements to be performed in accordance with Article 4 below.

3.4.8.3 Maintain the necessary liaison between GE and Copa.

3.4.8.4 Provide Copa's authorized personnel with immediate access to Copa's maintenance records. If immediate access would create an undue burden for GE, GE shall provide access as soon as reasonably possible.

3.4.8.5 Develop with Copa, on a monthly basis, an RS for the Engines forecast for Delivery. The RS shall identify by serial number the Engine(s) to be Delivered during the following six (6) month period and the anticipated reason for removal of each.

3.4.8.6 Ensure that all routine correspondence from GE to Copa relative to the administration of the Agreement, except for formal notices issued under Article 13 of this Agreement, shall be directed to the attention of the appropriate person at Copa's facility as designated by Copa.

3.4.9 Engineering Support. GE will provide engineering support services for Engines as follows:

- 3.4.9.1 Develop a plan for removal and shop input of Engines at the Designated Repair Station as outlined in the Procedure Manual.
 - 3.4.9.2 Maintain current files on published CFM56-7 Service Bulletins, engineering specifications, and applicable repair documents as well as their application and introduction to Copa's equipment. The parties will meet quarterly to determine the incorporation of Service Bulletins and the economic impact thereof.
 - 3.4.9.3 Notify Copa of any deviations from the configuration specification, provided by Copa pursuant to Paragraph 5.1.8, on equipment Delivered for Service and request disposition of same.
 - 3.4.9.4 Provide Engine test logs and Service Bulletin introduction status for each Engine Redelivered to Copa.
 - 3.4.9.5 Provide a findings report identifying any damage detected and repair(s) accomplished, including any photographs of same.
- 3.4.10 Documentation. GE shall provide Copa with a records package in connection with Services performed on each Engine, at Redelivery and shall retain a copy of such records.
- 3.4.10.1 Major Repair/Alteration Certification FAA No. 337 (or equivalent foreign agency equivalent) including AD compliance;
 - 3.4.10.2 FAA Form 8130-3 (or Approved Aviation Authority equivalent) for accessories;
 - 3.4.10.3 Cycle limited parts log;
 - 3.4.10.4 Serviceable tag for Serviceable equipment;
 - 3.4.10.5 Original records and related documentation furnished by Copa;
 - 3.4.10.6 Incoming inspection report;
 - 3.4.10.7 Off/On log; and,
 - 3.4.10.8 Service Bulletin status report.
 - 3.4.10.9 Findings Report.
- 3.4.11 Spare Engines. ****Material Redacted****:
- 3.4.11.1 The parties have established a mutually agreeable Removal Schedule; and
 - 3.4.11.2 Customer has shipped Engines for MCPH Shop Visits within forty-eight (48) hours following removal from the aircraft unless prevented by any circumstance directed by GE; and
 - 3.4.11.3 Customer is in compliance with the requirements of Paragraphs 5.1.8 and 5.1.11 below; and
 - 3.4.11.4 Customer, concurrent with execution of this Agreement, has executed a General Equipment Lease Agreement ("GELA") with GE, or a GE affiliate for the benefit of

and enforceable by GE, the terms of which shall govern the lease and operation of any Lease Engine(s) required to support this Agreement.

- 3.4.11.5 Customer shall redeliver DDP (Incoterms 2000) the Lease Engine to GE at the Housekeeping facility or other mutually agreed location as soon as practicable but in no case later than ten (10) calendar days following Redelivery of an MCPH Engine provided that such Redelivery corrects the zero (0) spare Engine condition. Daily rental fees and hourly restoration charges shall be waived during such ten (10) day period. Customer shall commence paying the applicable daily rental fees and hourly restoration charges on the eleventh (11th) day following correction of the zero (0) spare engine condition. In addition, Customer shall continue to pay the applicable MCPH Rate for EFH incurred by the Lease Engine., plus LLP fees per flight cycle.
 - 3.4.11.6 In the event a Copa operated aircraft is in an AOG situation as a sole and direct result of GE's failure to provide spare engine in accordance with the provisions above, then GE shall be obligated to credit Copa an amount equal to 2.5 times the then current daily lease rates for such spare engine for each AOG, commencing in the first day of such AOG situation, for each day the AOG situation continues thru the 10th day of such AOG situation. Should the AOG situation continues past the 10th day of such AOG situation, senior executives of each party, so designated by each party, shall meet within 5 calendar days to negotiate an equitable solution.
 - 3.4.11.7 the foregoing shall constitute the sole remedy of Copa and the sole liability of GE for Spare Engine availability under this Agreement.
- 3.4.12 Implement remote diagnostics services known as "Tier One" to identify and diagnose trend shifts in accordance with the following requirements ("Remote Diagnostics") as follows:
- 3.4.12.1 Twenty-four (24) hours a day, seven (7) days a week ("24 X 7") automated processing of Engine performance and other data using Remote Diagnostics expanded tool set when received at the Designated Repair Station.
 - 3.4.12.2 Customer Notification Reports ("CNR"), for Engine condition monitoring trend shift observation, including engineering review, analysis, and recommendations based on trend shift observations and other available information. CNRs will be provided to Customer as required on a 24 X 7 basis.
 - 3.4.12.3 Monthly Performance Summary Report.
 - 3.4.12.4 GE shall review that portion of data and messages delivered to GE by Customer that are relative to GE's implementation of Remote Diagnostics.
 - 3.4.12.5 The parties understand that any information provided to Customer by GE for use in troubleshooting and managing operations is advisory only. GE is not responsible for Line Maintenance or other actions resulting from such advice. GE will use commercially reasonable efforts to identify and notify Customer of Engine and aircraft fault data. Customer is responsible to conclusively identify and resolve any aircraft or Engine faults or adverse trend
- 3.4.13 If Copa's spare Engine availability reaches zero (0) as a sole and direct result of SV for Supplemental Work per Article 4, GE shall deliver a Lease Engine to Copa at Copa's expense as provided in the GELA agreement. If not possible to provide an engine, GE will endeavor, using its diligent commercial efforts, to locate and deliver a spare engine from other resources.

ARTICLE 4 SUPPLEMENTAL WORK

4.1 Supplemental Work At Shop Visits. Any and all Services not specifically included in the MCPH Program pursuant to Paragraph 3.4, above shall be performed by GE in accordance with the Supplemental Work pricing provisions of Exhibit A. Supplemental Work shall include, but not be limited to:

4.1.1 Any shop visit not described in Paragraph 3.2.2 of this Agreement.

4.1.2 Further, Services described in Paragraph 3.4 of this Agreement, shall be identified as Supplemental Work if it has been determined to GE's reasonable satisfaction, based on reasonable technical substantiation provided to Copa including, without limitation, engineering reports and metallurgical analysis, that such Engine or module requires Service for, or as a result of the following while the equipment was in Copa's care, custody, or control:

4.1.2.1 An accident.

4.1.2.2. FOD that is not covered under 3.2.2.5 above. GE will provide reasonable assistance, which may include independent metallurgical analysis as required, to Copa, in substantiation of FOD events in support of processing insurance claims for same.

4.1.2.3 The incorporation, at Copa's request, of Service Bulletins other than those described in Paragraph 3.4.4 of this Agreement.

4.1.2.4 Military action or terrorist activity.

4.1.2.5 An act of God.

4.1.2.6 Improper or negligent installation, operation or maintenance of Copa's equipment not in conformance with OEM manuals, unless performed by GE.

4.1.2.7 Experimental test applied to the equipment, unless performed by GE.

4.1.2.8 Use of non-conforming parts, components or modules, except those installed by GE.

4.1.2.9 Repairs resulting from failure of a PMA part not installed by GE (for GE or CFMI Engine lines).

4.1.2.10 Engine upgrade programs or conversion to another thrust rating.

4.1.2.11 Operation beyond OEM removal guidelines.

4.1.2.12 Service required to comply with or resulting from lease return conditions.

4.1.2.13 Catastrophic Failure, unless due to defects in material or GE workmanship.

4.1.2.14 Repair or replacement of buyer furnished equipment and LRU's not defined in Exhibit E.

4.1.2.15 Replacement of scrapped LRU's or QEC items.

- 4.2 Work Accomplished at Copa's Facility. Copa shall be responsible for all repairs that may be accomplished without a MCPH Shop Visit, consistent with Copa's historical maintenance practices, except for Services that GE decides to perform on-wing that would otherwise be performed under the MCPH Program.
- 4.3 On-Wing Support. GE shall provide, at Copa's request, twenty-four (24) hour field service support for on-wing Services at rates specified in Schedule 3 of Exhibit A.
- 4.4 Additional/Changed Engine Removals. Should Copa elect to remove an Engine notwithstanding advice to the contrary from GE's onsite Service Representative (Reference Paragraph 3.2.2.4 above) such shop visit shall be deemed Supplemental Work, unless, during that shop visit, it is demonstrated that the removal meets the requirements to be considered a MCPH Shop Visit.
- 4.5 Pre-Existing Warranty. Copa agrees that any requested Engine repairs that are covered under a warranty from an entity other than GE shall be performed directly by that entity at no expense to GE or, at GE's option, such warranties shall be, for the duration of the term hereof, assigned to GE to the extent assignable. A list of such equipment under pre-existing warranties shall be developed by Copa and GE within thirty (30) calendar days of execution of this Agreement. Copa agrees to execute the warranty assignment letter, attached hereto as Exhibit D, as required by paragraph 5.1.7 below.
- 4.6 Transportation Stands and Containers. Maintenance services, as required, for Copa's Engine transportation stands and containers while at GE's facility in connection with Supplemental Work shall be charged as Supplemental Work.
- 4.7 ****Material Redacted****
- 4.8 ****Material Redacted****

ARTICLE 5 - COPA OBLIGATIONS

- 5.1 During the term of this Agreement, Copa shall:
 - 5.1.1 Provide to GE's authorized personnel immediate, reasonable, access to the Engines when such Engines are in Copa's possession, as well as to all operating and maintenance records related to the Engines which are maintained by Copa, in a manner which does not cause undue interruption to Copa's operations.
 - 5.1.2 Make every reasonable effort to provide incoming transportation information in writing to GE (A) within forty-eight (48) hours prior to the availability of an Engine for Delivery, (B) within twenty-four (24) hours following commencement of an unscheduled removal, when either occurs within or outside the forty-eight (48) contiguous United States.
 - 5.1.3 Designate in writing one (1) or more of its employees as a representative during the term of this Agreement. Such representative(s) shall be Copa's point of contact for matters hereunder.
 - 5.1.4 Develop with GE, on a monthly basis, an RS of Engines forecast for Delivery to GE for Service hereunder. The RS shall identify by serial number the Engine(s) to be Delivered during the following six (6) month period and the anticipated reason for removal of each. However, actual removals shall occur as specified in the Procedures Manual.
 - 5.1.5 Provide all line maintenance and line station support.
 - 5.1.6 Copa shall use commercially reasonable efforts to troubleshoot in accordance with the Engine's OEM or aircraft maintenance manuals, as applicable. Copa shall, with GE's concurrence, to the extent that it is practicable to obtain GE's concurrence, determine prior to removal from the aircraft

whether any Engine requires off-wing repairs considering the impact the off-wing maintenance may have on Copa flight operations.

- 5.1.7 Execute the Warranty Assignment Letter, attached hereto as Exhibit D stating that Copa agrees to assign to GE the benefits of all off-wing maintenance related guarantees (but, excluding the CFMI Shop Visit Rate Guarantee), warranties or other remedies (including campaign service bulletin benefits) Copa is entitled to assign, and which directly relate to Services covered by MCPH charges. If these guarantees, warranties or other remedies cannot be assigned, Copa will raise claims under said non-assigned guarantees, warranties or other remedies. Copa agrees to support GE in the enforcement of any assigned rights as described in this Paragraph 5.1.7. It is agreed that any remaining benefits of such warranties and guarantees shall be re-assigned to Copa by GE upon expiration or termination of this Agreement.
- 5.1.8 No later than the time of Delivery of the equipment, provide GE all information and records necessary for GE to establish the nature and extent of the Services required to be performed on the equipment and to perform such Services. Such information and records include, but are not limited to:
- 5.1.8.1 The cause of Engine removal (reason for this shop visit);
 - 5.1.8.2 Applicable information as typically received in Engine log books detailing work performed at last shop visit, any reported defects or incidents during operation since last shop visit, with description of action taken, and significant operational characteristics experienced during last flight prior to shop visit;
 - 5.1.8.3 SB and AD status/requirements;
 - 5.1.8.4 Total engine operating time since new ("TSN") for each Engine;
 - 5.1.8.5 Time since last shop visit ("TSLV") for each Engine, module, component and accessory;
 - 5.1.8.6 Flight cycles since new ("CSN");
 - 5.1.8.7 Flight cycles since last visit ("CSLV");
 - 5.1.8.8 Record of change of parts during operating period prior to this shop visit (these records are limited to the previous ninety (90) days);
 - 5.1.8.9 TSN, CSN, TSLV, CSLV time since overhaul ("TSO") and cycles since overhaul ("CSO") for each thrust rating utilized on all LLP;
 - 5.1.8.10 Back to birth history certificate indicating history from zero TSN/CSN on all LLPs;
 - 5.1.8.11 Copa inventory of equipment "as shipped", including (when applicable) a description of the external Engine configuration;
 - 5.1.8.12 Engine oil used (for Engines);
 - 5.1.8.13 Historical log (for parts and accessories);
 - 5.1.8.14 Module log cards (if applicable); and
 - 5.1.8.15 Engine on-wing performance trend data generated utilizing trend monitoring programs such as ADEPT or SAGE (if available). Copa's failure to furnish necessary information and records shall result in an excusable delay in induction of the Engine for Service, and GE's obligation to provide a lease Engine, as specified in Paragraph 3.4.12, shall be suspended on a day for day basis for that shop visit delay, and may necessitate premature LLP replacement as described in Paragraph 7.2.2, below, at Copa's expense. However, prior to replacing such LLP, and if data remains unavailable for three (3) calendar days, GE will first advise Copa that certain records are missing and allow Copa five (5) working days to acknowledge and forward such records to GE.
 - 5.1.8.16 Non-OEM approved parts or repairs installed by other than GE in such Engine.
 - 5.1.8.17 Standard Form ATA-106 (non-incident statement) or equivalent for the Engine since its last certification as airworthy.
- 5.1.9 Provide to GE an external equipment configuration specification for any Engine to be Delivered for Service.

- 5.1.10 Ensure that adequate non-exclusive workspace, parking, and local telephone and facsimile access are available for the GE technical representative assigned to the Copa facility, as applicable. Costs incurred by such GE technical representative, including without limitation, long distance telephone charges, fax, or computer charges, shall be the responsibility of GE.
- 5.1.11 Provide a minimum quantity of spare Engines, as required in Exhibit B, for the term of the Agreement.
- 5.1.12 Provide automated transfer of Engine trend and maintenance data from in-flight data acquisition systems and/or ground based computer systems via electronic medium.
- 5.1.13 **Material Redacted**

ARTICLE 6 - DELIVERY, REDELIVERY, AND GOVERNMENTAL AUTHORIZATION

- 6.1 DELIVERY. ALL ENGINES FROM COPA'S FLEET, AS SPECIFIED IN EXHIBIT B, TO BE SERVICED SHALL BE DELIVERED BY COPA TO GE. SUCH ENGINES SHALL BE READY FOR SHIPMENT WITHIN FORTY-EIGHT (48) HOURS, FROM LOCATIONS WITHIN THE FORTY-EIGHT (48) CONTIGUOUS UNITED STATES, AND WITHIN ONE HUNDRED TWENTY (120) HOURS FROM LOCATIONS OUTSIDE OF THE FORTY-EIGHT (48) CONTIGUOUS UNITED STATES, FOLLOWING REMOVAL FROM THE AIRCRAFT. HOWEVER, GE SHALL HAVE THE OPTION TO PERFORM REPAIRS WITH A FIELD TEAM AT LOCATIONS OTHER THAN ITS FACILITIES.
- 6.2 Redelivery. After completion of Services, GE shall Redeliver the Engine to Copa. In the event Redelivery of the Engine cannot occur due to any cause referred to in Article 12, "Excusable Delay" below, or at Copa request, GE may place such Engine into storage (which may be at a Repair Station). In such event, GE shall notify Copa of such storage, GE's Redelivery obligations shall be deemed fulfilled, except that GE shall retain all risk of loss or damage to the Engine until they are in Copa's care, custody and control, and any amounts payable to GE upon Redelivery shall be payable Upon presentation of GE's invoice. Such Engines in storage shall be considered available spare Engines for purposes of Paragraph 5.1.11 above. Upon payment of all amounts due hereunder, GE shall assist and cooperate with Copa in the removal of Engines placed in storage.
- 6.3 Governmental Authorization. Copa shall be the importer and/or exporter of record outside of the U.S. and shall be responsible for timely obtaining any import license, export license, exchange permit, or other required governmental authorization relating to the Engines. GE shall be importer and/or exporter of record in the U.S. GE will not be liable if any authorization is not renewed or is delayed, denied, revoked, or restricted, and Copa shall not thereby be relieved of its obligation to pay for Services performed by GE. All items and equipment delivered hereunder shall at all times be subject to the U.S. Export Administration Regulations and/or International Traffic in Arms Regulations of the U.S.A. and any amendments thereto. Copa agrees not to dispose of U.S. origin items provided by GE other than in and to the country of ultimate destination specified in Copa's purchase order and/or approved government license or authorization, except as said laws and regulations may permit.

ARTICLE 7 - PARTS REPLACEMENT PROCEDURES

- 7.1 Missing or Damaged Parts. GE shall, within one hundred twenty (120) hours of Delivery, notify Copa in writing, or by alternate mutually agreed electronic communication, of any components or LRUs damaged or missing from an Engine when received at the Designated Repair Station. GE shall replace such missing or damaged items at Copa's expense unless Copa notifies GE in writing within two (2) business days of receiving GE's notice that Copa wishes to furnish such missing or damaged items within a period of time specified by GE. If such damage or loss occurred after Delivery, GE shall be responsible for repairing or replacing such item.

- 7.2 Parts Replacement. GE shall determine which parts are required to accomplish the Services associated with a MCPH Shop Visit and shall provide all parts and materials required to accomplish the Services.
- 7.2.1 Rotable Parts. GE may issue compatible parts from GE's Rotable Parts inventory to replace Copa's parts requiring repair. Copa agrees to accept compatible Rotable Parts that are updated to the then-current Service Bulletin baseline used by the majority of GE's customers. Repairable parts removed from the Engine and replaced by GE's Rotable Parts inventory will be repaired by GE or a third party, at GE's option. Any Rotable Part which replaces a Copa part shall meet or exceed the modification standard of the Copa part.
- 7.2.2 Life Limited Parts. LLP received by GE without the necessary records required in Paragraph 5.1.8 above that relate to LLP, shall be replaced by GE at Copa's expense as stated therein, following the time period allowed for Copa to provide such records, as stated herein.
- 7.3 Title to Parts. GE furnished parts and material incorporated into an Engine shall be deemed to have been sold to Copa and title to such GE furnished parts and material shall pass to Copa upon incorporation into such Engine. Risk of loss or damage to such parts and material shall pass to Copa upon Redelivery of the Engine. Title to any parts removed from the Engine, which are replaced by other parts, shall pass to GE upon incorporation into the Engine of the replacement part, unless such removed parts are scrapped.
- 7.4 Title to Scrapped Parts. Title to Scrapped Parts shall pass to GE upon review and disposition by Copa, only to the extent required to comply with FAA requirements. Title to Scrapped Parts as result of a Supplemental Shop Visit shall pass to GE only upon confirmation of scrap status by Copa.
- 7.5 Scrapped Parts. GE shall, at its sole expense and without any further adjustment to Copa, dispose of all Scrapped Parts, except for Supplemental Work Scrap Parts which shall be subject to Copa's disposition instructions (delays in such disposition instruction shall not prevent GE from continuing performance on the Engine, including replacement of the Scrapped Part). Copa shall prior to the end of each calendar quarter elect, at its option, either to witness destruction of Scrapped Parts or receive a certificate of destruction, in a format to be set forth in the Procedures Manual, during the subsequent quarter.

ARTICLE 8 - REPAIR STATIONS AND SUBCONTRACTED SERVICES

- 8.1 GE Repair Stations. GE may have any of the Services within the scope of this Agreement performed at any facility of GE or any GE affiliated repair station, with prior Copa written approval, such approval not to be unreasonably withheld, delayed or denied.
- 8.2 Subcontracted Services. GE may subcontract any portion of the Services to be performed on the Engines. Any subcontracted Services shall be performed in accordance with the requirements of this Agreement. Copa shall, at its sole expense, have the right to review GE's audit report(s) for such subcontractor(s). Subcontracting of any Services hereunder shall not relieve GE of its performance obligations set forth in this Agreement.

ARTICLE 9 - PRICING

In consideration of Services provided under this Agreement, Copa agrees to pay GE for labor, material, subcontractor Services, testing, and all other services furnished hereunder in accordance with the prices set forth in Exhibit A. All prices are stated in 2003 United States Dollars, and are subject to adjustment as described in Exhibit A.

ARTICLE 10 -INVOICES AND PAYMENT

10.1 MCPH Payments. Copa shall remit to GE, on the fifteenth (15th) day of each month of performance under this Agreement, an amount equal to the actual EFH incurred by all of the Engines for that preceding month multiplied by the applicable adjusted and escalated MCPH Rate.

10.2 Supplemental Work Payments.

10.2.1 Supplemental Work invoices shall be net of any warranty applicable to the equipment which GE receives.

10.2.2 Application of Payments

Payments by Copa for Supplemental Work shall be applied to the oldest outstanding invoices, less any disputed amounts, in order of succession.

10.2.3 Invoice(s)

10.2.3.1 Interim Invoices. GE shall issue an interim invoice at terms of net thirty (30) days, following incoming inspection of Engines into GE's Designated Repair Station, for GE's cost estimate for that shop visit.

10.2.3.2 Final Invoice. GE shall issue a final invoice for Services as soon as practicable, not later than 6 months following Redelivery of the Engine. The final invoice shall reflect the total charges owed by Copa and credits due Copa and shall reflect any additional charges and/or credits to the interim invoice(s) incurred, based on actual charges to complete the Services. Such invoice shall be reconciled with any interim invoice(s).

10.2.3.3 Payment Terms. Copa shall pay, in full, the unpaid balance of any final invoice for Services within thirty (30) days after Redelivery of the Engine. If any payment date falls on a day that is not a business day, the payment that is otherwise due shall instead be due the next business day. Subject to GE's then current credit and collection status for Copa, or in the event Copa's account becomes delinquent, GE reserves the right to require different terms of payment or other commercially acceptable assurances of payment until such delinquency has been cured.

10.2.3.4 All Invoices shall include the following information:

- Cover sheet to include general transaction data.
- Labor summary.
- Material listing by source. (Includes PN, IIN, Noun, reason for replacement, price, quantity and total price.)
- Subcontractor charges, including supporting documentation.
- Any other applicable charges.

10.2.4 Invoice Dispute Resolution Process

In the event Copa has a legitimate, substantiated reason(s) to believe that an error(s) has been made in a GE invoice for Supplemental Work, the following resolution process shall apply:

10.2.4.1 Copa shall provide written notice to GE which states both the amount and nature of the alleged error(s) within thirty (30) working days of the applicable invoice date;

10.2.4.2 Copa shall deduct the amount(s) being disputed from the invoice total, without penalty, pending an investigation by GE of the alleged error(s); however, Copa shall pay all non-disputed charges in accordance with Paragraph 10.2.1, above;

10.2.4.3 GE shall conduct an investigation of the disputed amount(s) and notify Copa of the findings of such investigation within ten (10) working days of receipt of notification. Upon mutual agreement of such resolution, Copa shall pay any and all amounts still owed to GE or GE shall credit Copa, as applicable and as promptly as possible, but in no event later than thirty (30) days following such resolution.

10.2.5 All MCPH charges paid by Copa for an ineligible Engine, to the point such Engine qualifies under the MCPH Program's eligibility requirements in 3.1.3 above, shall be credited up to the Supplemental Work charges for the Qualifying Shop Visit.

10.2.6 In the event that Copa requires a Supplemental Work shop visit which includes a Full Performance Restoration Workscope, GE shall invoice all of the Services performed during that shop visit as Supplemental Work and credit Copa's Supplemental Work invoice for ninety percent (90%) of Copa's MCPH payments actually paid to GE for EFH incurred by the applicable Engine since its last shop visit or since new, whichever occurred last.

10.3 Late Payment. Should Copa fail to make payment for non-disputed charges within the specified time, then it is agreed that GE may charge interest for late payment at a rate equal to the then current one (1) year London InterBank Offered Rate ("LIBOR") for U.S. Dollar deposits, as published in the Wall Street Journal, plus two hundred (200) basis points, compounded daily on any unpaid balance commencing on the next calendar day after the payment due date until such time as the payment plus the late payment charges are received by GE. Payments by Copa shall be applied to the oldest outstanding amounts owing to GE in order of succession. GE's obligation to provide a lease Engine as specified in Paragraph 3.4.11 will be suspended during any period Copa fails to make payment within the specified time, except for amounts disputed pursuant to 10.2.4.

10.4 Payment Instruction. All payments under this Agreement shall be made in United States Dollars, immediately available for use, without any right of set-off or deduction, except as permitted by this Agreement, via wire transfer by Copa to the bank account and address designated below:

GE Engine Services, Inc.
Account No. 1010933861
ABA # 043000096
Pittsburgh National Bank
Pittsburgh PA 15265

10.5 Mechanic's Lien/Security Interest. To the extent permissible under any applicable Lease of Copa aircraft and Copa's rights under applicable law in the respective Engine operated by Copa, Copa shall properly execute and deliver all documentation as reasonably requested by GE to effect GE's rights to a mechanic's, material man's, FAA or other statutory or common law lien under applicable state, federal or foreign laws.

ARTICLE 11 - LIMITATION OF LIABILITY, INDEMNIFICATION AND INSURANCE

11.1 Total Liability. The total liability of GE or Copa for any and all claims, whether in contract, warranty, tort (including negligence but excluding willful misconduct or gross negligence), product liability, patent infringement, or otherwise for any damages arising out of, connected with, or resulting from the performance or non-performance of any Service or Services provided hereunder or from the manufacture, sale, Redelivery, resale, repair, overhaul, replacement or use of any Engine shall not exceed the then current fair market value of that certain Engine which gives rise to the claim, on a per occurrence basis.

- 11.2 Damages. Except for indemnification obligations for third party claims under Paragraph 11.3 or as otherwise provided herein, in no event, whether as a result of breach of contract, warranty, tort (including negligence but excluding willful misconduct or recklessness), product liability, patent infringement, or otherwise, shall GE be liable for any special, consequential, incidental, resultant (except resultant physical damage to any Engine), indirect, punitive or exemplary damages (including, without limitation, loss of use, loss of profit or loss of revenue in connection with the Engine).
- 11.3 GE and Copa shall each release the other party from, and shall indemnify, defend and hold the other party harmless from and against any and all claims, liabilities and losses whatsoever of any nature or kind on account of or by any reason of injury to or death of any employee or representative of that other party or any third party or damage to or loss of property, including infringement of intellectual property rights, of that other party or any third party, arising out of, in connection with or resulting from performance hereunder or operation of the Aircraft on which an Engine is installed, whether in contract, warranty, tort, product liability, patent infringement or otherwise, except to the extent such injury, death or damage arose directly out of the gross negligence or willful misconduct of an indemnified party.
- 11.4 Definition. For the purpose of this Article 11, the term "GE" or "Copa" is deemed to include such party and its affiliated companies, the subcontractors and suppliers of any Services furnished hereunder, and the directors, officers, employees, servants, and representatives of each.
- 11.5 Insurance. GE shall maintain, at its own cost and expense, during the term of this Agreement, policies of insurance of the types and in the amounts not less than those stipulated in the terms of this Agreement:
- 11.5.1 Comprehensive General Liability with combined single limits not less than \$2,500,000.00 per occurrence.
- 11.5.2 Aircraft Products and Completed Operations liability, for bodily injury and property damage with limits of not less than \$500,000,000.00 combined single limit per occurrence and in the aggregate where applicable.
- 11.5.3 Workers' Compensation to statutory limits and Employer's Liability with limits of not less than \$1,000,000.00 per occurrence and including occupational disease coverage.
- 11.5.4 GE shall cause the aforesaid liability insurance policies to be duly and properly endorsed by GE's insurance underwriters to:
- 11.5.4.1 Contain a standard cross liability/severability of interest clause.
- 11.5.4.2 Provide that said insurance shall be primary in all instances with respect to Copa's insurance which shall be secondary or excess at all times.
- 11.5.4.3 Provide blanket contractual liability coverage for the liability, indemnity and hold harmless obligations assumed under the terms of this Agreement.
- 11.5.4.4 Provide a waiver of subrogation rights in favor of Copa.
- 11.5.4.5 Provide thirty (30) days prior written notice of cancellation or adverse material change in coverage.
- 11.5.4.6 Provide that Copa is endorsed as an additional insured.

11.5.5 Within ten (10) days after the execution of this Agreement, GE shall supply Copa with certificates of insurance evidencing the coverages and endorsements referenced above with Copa listed as an additional insured.

ARTICLE 12 - EXCUSABLE DELAY

- 12.1 Excusable Delays. GE and Copa shall be excused from, and shall not be liable for, any delays in its performance or failure to perform hereunder, and shall not be deemed to be in default for any delay in or failure of performance hereunder due to causes beyond its reasonable control. Such causes shall be conclusively deemed to include, but not be limited to, acts of God, acts (or failure to act) of the other party, acts (or failure to act) of civil or military authority, government priorities, fires, strikes, labor disputes, work stoppage, floods and other natural catastrophe(s), epidemics, war (declared or undeclared), riot, or delays in transportation. In the event of any such delay, the time of performance shall be extended for a period equal to the time lost by reason of the delay.
- 12.2 Continuing Obligations. Paragraph 12.1 shall not, however, relieve either party from using its best commercial efforts to avoid or remove such causes of delay and continue performance with reasonable dispatch when such causes are removed. If, within fourteen (14) calendar days of the event causing the excusable delay, GE has not provided Copa evidence of GE's ability to continue providing Services under the Agreement or providing such Services through a third party, Copa shall have the right to have any of the Services performed by a mutually agreeable third party. In such event, GE shall, with respect to any Engine sent to a third party, reimburse Copa the MCPH Rates paid since the last MCPH Shop Visit.
- 12.3 Extended Delay - Termination. If delay resulting from any of the foregoing causes extends for more than six (6) months and the parties have not agreed upon a revised basis for continuing the Services, including any adjustment of the price, then either party, upon thirty (30) calendar days written notice to the other, may terminate the performance of Services with respect to any Engine for which Services were delayed, whereupon Copa shall pay GE amounts due upon receipt of GE's invoice(s).

ARTICLE 13 - NOTICES

- 13.1 Acknowledgment. All notices required or permitted under this Agreement shall be in writing and shall be delivered personally, or sent via first class mail, return receipt requested, facsimile, courier service, or express mail, addressed as follows or such other address as either party may designate in writing to the other party from time to time:

GE:	COPA:
GE Engine Services, Inc.	Compania Panamena De Aviacion, S.A
1 Neumann Way	Tocumen Int'l Airport
M/D F-103	P.O. Box 1572
Cincinnati, OH 45215-6301	Panama 1, Panama
Attn: President & CEO	Attn: VP Purchasing & Material Services
Copy to: GE Engine Services, Inc	Tel.: (507) 238-4449
1 Neumann Way	Fax: (507) 238-4810
M/D F-120	
Cincinnati, OH 45215-6301	Copy to: Chief Financial Officer

Attn: Manager, Fleet Management Operation

- 13.2 Effect of Notices. Notices shall be effective and shall be deemed to have been given when received by the recipient (A) if sent by courier, express mail, or delivered personally, upon delivery; (B) if sent by facsimile, upon receipt; and (C) in the case of a letter sent prepaid first class mail, on the fifth (5th) day after posting (or on actual receipt, if earlier).

ARTICLE 14 - TAXES AND OTHER CHARGES

- 14.1 Taxes, Duties or Charges. In addition to the price for the Services, Copa shall pay to GE, upon demand, any taxes (including without limitation, sales, use, ad valorem, excise, turnover or value added taxes), duties, fees, charges, imposts, tariffs, or assessments of any nature (but excluding income taxes) ("Taxes"), assessed or levied in connection with GE's performance under this Agreement.
- 14.2 Right To Protest/Refund. If claim is made against GE for any such Taxes, GE shall immediately notify Copa and, if requested by Copa, GE shall not pay except under protest, and if payment be made, GE shall use all reasonable efforts to obtain a refund thereof. If all or any part of any such Taxes be refunded, GE shall repay to Copa such part thereof as Copa shall have paid. Copa shall pay to GE, upon demand, all expenses (including penalties, interest and attorney's fees) incurred by GE in protesting payment and in endeavoring to obtain such refund at Copa's request.

ARTICLE 15 - DISPUTE RESOLUTION, ARBITRATION

- 15.1 Resolution by Senior Management. If a dispute arises relating to this Agreement and related damages, if any, (the "Dispute") either party shall give written notice to the other party requesting that senior management attempt to resolve the Dispute. Within fifteen (15) days after receipt of such notice, the receiving party shall submit a written response. The notice and the response shall include a statement of the applicable party's position and a summary of reasons supporting that position. The parties shall cause senior management to meet within thirty (30) days after delivery of the notice, at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to use commercially reasonable efforts to resolve the Dispute.
- 15.2 Arbitration. If the parties' senior management do not resolve the Dispute by means of the process described above within one hundred twenty (120) calendar days after delivery of the disputing party's notice, then either party may request that the Dispute be settled and finally determined by binding arbitration in New York, New York, USA, or any other location the parties may agree, in accordance with the Commercial Arbitration Rules of the American Arbitration Association (then in effect) ("AAA").
- 15.3 Arbitration Procedure. The arbitration will be conducted by a single arbitrator chosen by agreement of the parties. In the event that they are unable to reach agreement within thirty (30) calendar days of the demand for arbitration, the parties may request the AAA to appoint the neutral arbitrator. The arbitrator may hold pre-hearing conferences or adopt other procedures. The Agreement shall be interpreted and applied in accordance with the substantive laws of the State of New York, without giving effect to its conflict of law provisions, rules or procedures (except to the extent that the validity, perfection, or creation of any lien or security interest hereunder and the exercise of rights or remedies with respect of such lien or security interest for a particular item of equipment are governed by the laws of a jurisdiction other than New York).

Reasonable examination of opposing witnesses in oral hearing will be permitted. Each party will bear its own cost of presenting or defending its position in the arbitration. The award of the arbitrator shall be final, binding and non-appealable and judgment may be entered thereon in any court having jurisdiction

thereof. If a party is found to be in default hereunder, the non-defaulting party's reasonably incurred costs associated with the arbitration, including reasonable attorneys' fees, shall be paid by the defaulting party.

15.4 ****Material Redacted****

15.5 Exception. Either party may at any time, without inconsistency with this Article 15, seek from a court of competent jurisdiction any equitable, interim, or provisional relief to avoid irreparable harm or injury. This Article 15 shall not be construed to modify or displace the ability of the parties to effectuate any termination contemplated in Article 16 below.

ARTICLE 16 - TERMINATION

16.1 Failure to Pay/Insolvency. Either party may, at its option, immediately cancel all or any portion of this Agreement if the other party: (A) fails to make any of the required payments or credits when due, unless cured within ten (10) calendar days of such payment due date; (B) makes any agreement with creditors due to its inability to make timely payments of its debts; (C) enters into bankruptcy or liquidation whether involuntary or voluntary (provided, in the event of an involuntary proceeding, the same shall not have been dismissed within 60 days); (D) becomes insolvent; or (E) becomes subject to the appointment of a receiver of the whole or material part of its assets. If such cancellation should occur, Copa shall not be relieved of its payment obligation for Services rendered hereunder prior to such cancellation.

16.2 Material Provisions. Without limiting the provisions of Paragraph 16.1 above and excluding any other remedies provided elsewhere in this Agreement, either party may cancel this Agreement upon sixty (60) calendar days written notice to the other for failure to comply with any material provision of this Agreement, unless the failure shall have been cured or the party in breach has substantially effected all acts required to cure the failure prior to such ninety (90) calendar days.

16.3 Work in Process. Upon the expiration or cancellation of this Agreement, GE shall complete all work in process in a diligent manner under the terms of this Agreement provided that Copa has deposited sufficient monies with GE to pay the estimated charges for all such work, in accordance with the prices set forth in Exhibit A.

16.4 GE shall, upon receipt of Copa's written request, promptly deliver all Copa's Engines, parts and related documentation to Copa.

16.5 Reconciliation of MCPH Payments. In the event this Agreement is terminated, GE will calculate reconciliation for each Engine covered by this Agreement as set forth in Paragraph 1.3.1.2 of Exhibit A to this Agreement. Based on this calculation and at its option, GE shall invoice Copa an amount to be paid by Copa within thirty (30) days of the date of invoice.

16.6 ****Material Redacted****

16.7 Survival. Termination of this Agreement shall not terminate the rights and obligations of the parties accruing prior to such termination. The provisions of Articles 11, 17 and 18 shall survive termination of this Agreement.

ARTICLE 17 - NONDISCLOSURE OF PROPRIETARY DATA

17.1 Non-Disclosure. The existence of this Agreement and its general purpose may be stated to others by either of the parties without approval from the other, except, that the terms of this Agreement and any knowledge or information which either party may disclose to the other party with respect to pricing,

design, manufacture, sale, use, repair, overhaul or Service of Engines, shall be deemed to be proprietary information, and shall be held in confidence by the receiving party. Such information shall not be reproduced, used or disclosed to others by receiving party without the disclosing party's prior written consent, except to the extent required by government agencies and courts for official purposes. Disclosure to such government agencies and courts shall be made only (A) upon thirty (30) calendar days advance written notice by the receiving party to the other party of such disclosure, so as to provide that other party the ability to obtain appropriate protective orders, and (B) with a suitable restrictive legend limiting further disclosure.

17.2 Exceptions. The preceding Paragraph 17.1 shall not apply to information which (A) is or becomes part of the general public knowledge or literature otherwise than as a result of breach of the receiving party's obligations hereunder, or (B) was, as shown by written records, known to the receiving party prior to receipt from other party, or (C) is disclosed without restriction to the receiving party by a third party having the right to do so.

17.3 Trademarks. Nothing contained in this Agreement shall convey to either party the right to use the trademarks of the other, or convey or grant to either Party any license under any patent owned or controlled by the other party.

ARTICLE 18 - WARRANTY

18.1 **Material Redacted**

18.2 **Material Redacted**

18.3 **Material Redacted**

18.4 **Material Redacted**

18.5 **Material Redacted**

18.6 **Material Redacted**

18.7 **Material Redacted**

ARTICLE 19 - GENERAL PROVISIONS

19.1 Assignment. The assignment of all or any portion of this Agreement or any purchase order or any right or obligation hereunder, by either party, without the prior written consent of the other party, shall be void; except that Copa's consent shall not be required for the substitution of an affiliated company of GE in place of GE as the contracting party and/or the recipient of payments pertaining to all or any portion of this Agreement or any purchase order in connection with this Agreement. In the event of any such substitution, Copa shall be so advised in writing.

19.2 Governing Law, Waiver of Immunity. The Agreement shall be interpreted and applied in accordance with the substantive laws of the State of New York, without giving effect to its conflicts or choice of law provisions, rules or procedures. To the extent that Copa or any of its property becomes entitled at any time to any immunity on the grounds of sovereignty or otherwise from any legal action, suit, or proceeding of any nature, Copa hereby irrevocably waives the application of such immunity and particularly, the U.S. Foreign Sovereign Immunities Act, 28 U.S.C. 1602, et. seq. insofar as such immunity relates to Copa's rights

and obligations in connection with this Agreement.

- 19.3 Savings Clause. If any portion of this Agreement shall be determined to be a violation of or contrary to any controlling law, rule or regulation issued by a court of competent jurisdiction, then that portion shall be unenforceable and deleted from this Agreement. However, the balance of this Agreement shall remain in full force and effect.
- 19.4 Beneficiaries. Except as herein expressly provided to the contrary, the provisions of the document are for the benefit of the parties hereto and not for the benefit of any third party.
- 19.5 Controlling Language. The English language shall be used in the interpretation and performance of this Agreement. All correspondence and documentation arising out of or connected with this Agreement and any related purchase order(s), including but not limited to Engine records and Engine logs shall be in the English language.
- 19.6 Non-Waiver of Rights and Remedies. Any failure or delay in the exercise of rights or remedies hereunder shall not operate to waive or impair such rights or remedies. Any waiver given shall not be construed to require future or further waivers.
- 19.7 Titles/Subtitles. The titles and subtitles given to the sections of the Agreement are for convenience only and shall not in any manner be deemed to limit or restrict the context of the article or section to which they relate. The words "herein", "hereof", "hereunder", "herewith", and similar terms are not to be deemed restrictive and refer to the entire Agreement, including all Exhibits.
- 19.8 Currency Judgment. This is an international transaction in which the specification of United States Dollars is of the essence. No payments required to be made under this Agreement shall be discharged by payments in any currency other than United States Dollars, whether pursuant to a judgment, arbitration award, or otherwise.
- 19.9 No Agency Fees. Copa represents and warrants that no officer, employee, representative, or agent of Copa has been or will be paid a fee or otherwise has received or will receive any personal compensation or consideration by or from GE in connection with the obtaining, arranging or negotiation of this Agreement or other documents entered into or executed in connection herewith. GE represents that, unless otherwise disclosed in writing prior to the execution of this Agreement and approved by Copa's duly authorized representative, GE has not and will not enter into any agreement with any third party for the purpose of facilitating, assisting, or coordinating, in any way, shape or form, any aspect of this Agreement (except in the case of attorneys or other counselors whose function is to review and advise GE on the terms of this Agreement), including but not limited to the initial meetings which led to the negotiation of this Agreement.
- 19.10 On-Site Representative. Subject to the following conditions, GE agrees to ensure that adequate non-exclusive workspace, parking, and local telephone and facsimile access are available for Copa's on-site representative assigned to the Designated Repair Station. Costs incurred by such on-site representative, including without limitation, long distance telephone charges, fax, or computer charges, shall be the responsibility of Copa, and if charged to GE in the first instance, shall be invoiced to Copa.
- 19.11 No Agency. Nothing in this Agreement shall be interpreted or construed to create a partnership, agency, or joint venture between GE and Copa.
- 19.12 Entire Agreement. This Agreement, together with Exhibits A through E, contains and constitutes the entire understanding and agreement between the Parties hereto respecting the subject matter hereof, and supersedes and cancels all previous negotiations, agreements, commitments, and writings in connection herewith. This Agreement may not be released, discharged, abandoned, supplemented, changed, or modified in any manner, orally or otherwise, except by a writing of concurrent or subsequent date signed

and delivered by a duly authorized officer or representative of each of the parties hereto making specific reference to this Agreement and the provisions hereof being released, discharged, abandoned, supplemented, changed, or modified.

19.13 Counterparts. This Agreement may be executed in one or more counterparts, all of which counterparts shall be treated as the same binding agreement, which shall be effective as of the date set forth on the first page hereof, upon execution and delivery by each party hereto to the other party of one or more such counterparts.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officer or representatives who represent to each other and both parties that each is employed in the capacity indicated below and has the unequivocal authority to execute and deliver this Agreement, which shall be effective as of the date first above written.

GE ENGINE SERVICES, INC.

COMPANIA PANAMENA DE AVIACION, S.A

BY: /s/ Gilberto Peralta

BY: /s/ Pedro Heilbron

PRINTED NAME: Gilberto Peralta

PRINTED NAME: Pedro Heilbron

TITLE: GM, Sales, Latin America

TITLE: CEO

DATE: 3/6/03

DATE: 3/6/03

EXHIBIT A

****Material Redacted****

****5 pages****

SCHEDULE 1
TO
EXHIBIT A

Material Redacted

2 pages

SCHEDULE 2
TO
EXHIBIT A

Material Redacted

2 pages

SCHEDULE 3
TO
EXHIBIT A

Material Redacted

EXHIBIT B

Material Redacted

EXHIBIT C

****Material Redacted****

****2 pages****

EXHIBIT D

Material Redacted

EXHIBIT E

Material Redacted

FUEL SUPPLY AGREEMENT

Between the undersigned: COMPANIA PANAMENA DE AVIACION, S.A, a company duly organized under the laws of the Republic of Panama, incorporated in the Public Registry, File 12086, Film 515, Image 111 of the Mercantile Microfilm Section, represented by VICTOR VIAL, as Financial Vice President, granted with full capacity and power, hereinafter COPA AIRLINES, and PETROLEOS DELTA, S.A, a company duly organized under the laws of the Republic of Panama, incorporated in the Public Registry, File 11524, Film 115657, Image 0002 of the Mercantile Microfilm Section, with RUC N(degree) 11524-0002-115657, represented by FERNANDO ROMERO LABARCES, as Legal Agent, granted with full capacity and power, agree to execute this Fuel Supply Agreement, subject to the following:

I. PURPOSE OF THE AGREEMENT

Subject to the terms and conditions of this agreement, PETROLEOS DELTA will deliver aviation fuel to the COPA AIRLINES' aircraft in the Tocumen International Airport (PTY) in Panama.

COPA AIRLINES, in return, will receive and pay for the supplied fuel, which will be used for the consumption of COPA AIRLINES' aircraft and/or equipment under its service.

II. SALES VOLUME

This Agreement has been prepared assuming an (estimated) volume of 30,000,000 gallons of Jet Fuel per year, according to the invitation letter sent by COPA AIRLINES' Fuel & Risk Management office on April 9th 2005.

II. PRICE

The sales price of Jet Fuel in the wing of the Aircraft in Tocumen International Airport, at room temperature, will be equal to the average of the USGC as defined below, plus a fixed differential per gallon (which includes the transport cost, plus gross margin), plus the charges to be paid to the Civil Aviation (as airport tax) and to Ogden Aviation Services (as into plane).

According to the previous formula, the effective price as of June 9, 2005 will be:

Average of the USGC (previous two weeks)	1.5787
Margin and Delta management including transport	**Material Redacted**
Airport Tax	**Material Redacted**
Ogden Aviation Services charge	**Material Redacted**
TOTAL	**MATERIAL REDACTED**

The USGC Average is the average of the postings published in the "US Gulf Coast waterborne Mean" for the Kero 54 Jet according to Platt's Oligram Price Report. For calculation purposes, Platt's publications during the previous 14 days will be used. This

average will be in force during the following 14 days and so forth thereafter. For calculation purposes, non business days will be calculated based on the previous day posting since postings only occur on business days (Monday through Friday).

As an example, the average of the USGC for Wednesday May 25 to Tuesday June 7 2005, was B/.1.5787 and entered into force on Thursday June 9 until Wednesday June 22, 2005.

The total price will vary according to variations in the price of USGC (which will happen every 14 days), as well as Civil Aviation and the Operating Company charges, keeping PETROLEOS DELTA the gross margin per gallon.

This price may also increase or decrease should there be an increase or decrease in any tax, charge of Civil Aviation, charge of the Operating Company, charge or expense of any other nature, duty, fee or right that may affect the cost of the product that we are quoting.

III. DELIVERIES

The fuel supplied by PETROLEOS DELTA to COPA AIRLINES in virtue of this agreement will be delivered in the aircraft's wing in Tocumen International Airport of the City of Panama, in the usual and regular areas that COPA AIRLINES uses for refueling. The risk and property of the fuel supplied in virtue of this agreement will be assumed by COPA AIRLINES as the supplied fuel passes through the joint that connects to the entrance of the receptive airplane. The deliveries will be adjusted to the scheduled flight times of COPA AIRLINES airplanes, that are known by PETROLEOS DELTA and the Fuel System Operator, hereinafter OGDEN, which may vary from time to time, with previous written notice, according to COPA AIRLINES operational needs.

IV. INVOICING

Petroleos Delta, S.A. shall invoice COPA AIRLINES weekly for all Jet Fuel consumed by COPA AIRLINES. Invoices shall cover Friday to Thursday periods of every week, except for the beginnings and endings of every month, in which case the week will start or end according to the date on which the month starts or ends.

PETROLEOS DELTA shall invoice COPA AIRLINES on a weekly basis (every Monday), the amount corresponding to the previous week consumption, except for holidays, in which case the invoice will be presented on the next immediate business day.

V. PAYMENT CONDITIONS

Material Redacted

Material Redacted

Material Redacted

Payments for fuel shall be made to Petroleos Delta, S.A. by a check drawn against a local bank, expressed in dollars (legal US currency).

VI. QUALITY

VI. 1- The specifications corresponding to fuel supplied in virtue of this agreement are set hereunder:

Fuel for Turbo A-1 type reactors without antistatic additive complying with ASTM D-1655 (last edition) Quality Requirements.

VI. 2- COPA AIRLINES will, from time to time, be permitted to take samples of the fuel before it is supplied into the aircraft, and make basic tests such as water content or impurities. The gathering of these sample shall be properly coordinated so that a PETROLEOS DELTA representative or an OGDEN operator is present, and who shall be duly equipped for water testing, determining the specific weight and temperature of the fuel.

In the case that the samples referred to in the previous paragraph differ from the quality requirements cited in item VII.1, the operator will not sell or supply the tested fuel into the airplane and will proceed to supply fuel that complies with said requirements from another lot. Any complaint that COPA AIRLINES may have about fuel quality will be addressed to PETROLEOS DELTA in writing in a period no greater than 30 days after the date of delivery.

VII. COMPENSATION AND LIABILITY

Parties will be held liable to each other for damages caused by willful misconduct or gross negligence. It is nevertheless understood and agreed that upon no event shall the parties be held liable to each other for indirect or general damages (including but not limited to loss of profit).

VIII. FORCE MAJEURE

No party shall be liable for damages caused by delay or impossibility to perform, in part or totally, when said delay or failure occurs due to a fortuitous cause, strike, climate, act of terrorism, differences with the workers, forced company closedown, fires, floods, complying with governmental authority's acts or regulations, declared or non-declared war conditions, accidents, Freight Services delays, limitation or impossibility to obtain equipment, supplies, material or raw material or any other cause out of the breaching party's control which is or is not similar to the aforementioned causes. It is hereby understood and agreed that the solution of the strikes and differences with workers, falls within the full discretion of the party facing said strikes or differences.

If COPA AIRLINES breaches its obligations, in part or totally, under a force majeure event, COPA AIRLINES will therefore have the right to cancel, notifying the other party, any and/or all flights affected by said Force Majeure event, being exempt of any liability, penalty or damages for said cancellation. Furthermore, COPA AIRLINES' obligations affected by the Force Majeure event shall remain cancelled as long as the Force Majeure event lasts.

If PETROLEOS DELTA breaches its obligations under this agreement, in part or totally, under a Force Majeure event, PETROLEOS DELTA shall therefore have the right to cancel or reduce the supply of fuel affected by said Force Majeure, by notifying COPA AIRLINES,

without being held liable or being subject to any penalty or damages for said suspension or reduction.

Any of the parties shall make reasonable efforts to end the Force Majeure, not being required to compromise the strike, close employees unions or other labor difficulties contrary to its desires and under its entire discretion. It is clear and understood that COPA AIRLINES' halt of its obligations due to Force Majeure does not imply cessation of payment of COPA AIRLINES to PETROLEOS DELTA, of indebted sums which nevertheless need to be paid on the agreed dates.

In the case that PETROLEOS DELTA withholds, reduces or suspends deliveries of fuel in regards with this Agreement, based in the present Force Majeure Clause, and as long as the withholding, reduction or suspension of the deliveries continue, COPA AIRLINES shall have the liberty to buy to other suppliers, by its own means, the amount of fuel not delivered as a consequence of the preceding event.

IX. DURATION OF THIS AGREEMENT

This Agreement is effective as from July 1, 2005, and will continue in full force and effect for a period of twelve (12) months until June 30, 2006 and will be automatically renewed for an additional period of twelve (12) months, if within 30 days prior to the original expiration date, none of the parties indicate to the other its intention to terminate this Agreement. This Agreement can only be cancelled prior to its original termination by mutual consent of the parties and if properly attested.

COPA AIRLINES will have the option to renew the present Agreement for an additional twelve (12) months period maintaining the same terms and price conditions, and anytime when there does not exist, for PETROLEOS DELTA, any justifiable cause that shall affect the actual price structure of PETROLEOS DELTA.

Any amendment or addition to what has been established in this Agreement shall be in written and with mutual consent of the contracting parties.

X. CONFIDENTIALITY

Both parties agree to keep this Agreement and all of its parts confidential.

XI. APPLICABLE LAW AND JURISDICTION

This Agreement shall be governed and construed in accordance with the laws of the Republic of Panama.

The parties shall solve any discrepancy or dispute arising from the application or interpretation of this Agreement by direct and friendly negotiations. Shall an agreement not be reached, the parties will be subject to the Justice Tribunals of Panama City, Republic of Panama.

For the evidence and proof of what has been agreed upon in this Agreement, it is executed in two identical copies in the city of Panama, Republic of Panama, on July 18, Two Thousand and Five (2005).

BY PETROLEOS DELTA:

Fernando Romero
Executive Vice President
and General Manager

BY COPA AIRLINES:

Victor Vial
Financial Vice President

FORM OF AMENDED AND RESTATED
ALLIANCE AGREEMENT

This Amended and Restated Alliance Agreement (the "Agreement") is made this ____ day of _____, 2005, by and between CONTINENTAL AIRLINES, INC. (together with its Affiliates, "Continental"), a corporation duly organized and validly existing under the laws of the State of Delaware, U.S.A. with its principal office at 1600 Smith Street, Houston, Texas, U.S.A. 77002, and COMPANIA PANAMENA DE AVIACION, S.A. (together with its Affiliates, "COPA"), a corporation of the Republic of Panama, with its principal office at Ave. Justo Arosemena y Calle 39, Apartado 1572, Panama 1, Panama. Continental and COPA are herein referred to as the "Carriers".

RECITALS

Continental and COPA are each certificated air carriers providing air transportation services with respect to both passengers and cargo in their respective areas of operation.

Continental and COPA desire to increase the flow of air passenger traffic on aircraft operated by both carriers and increase the quantity and quality of air service available to the traveling public by entering into and maintaining a cooperative relationship that will include the codesharing of flights, schedule coordination for connectivity, through check-in, special prorated arrangements for both passengers and cargo, frequent flyer program participation, joint marketing programs and other mutually agreed to arrangements.

Continental and COPA are each a party to the "Alliance Agreement" made the 22nd day of May, 1998 and each agree to enter into this Agreement as an amended and restated version of the Alliance Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein contained, Continental and COPA hereby agree as follows:

A. GOVERNMENTAL APPROVALS

1. Antitrust Immunity.

(a) During the term of this Agreement, Continental and Compania Panamena de Aviacion, S.A. shall use their commercially reasonable efforts to maintain unconditional exemption and immunization pursuant to 49 U.S.C. Sections 41308 and 41309 and 41309 from the application of all United States antitrust laws, as defined therein, for all transactions and activities contemplated in this Agreement with respect to such Carriers, including, but not limited to, pricing, route planning, yield management, scheduling, commissions, advertising, sales and marketing and all ancillary transactions and activities thereto ("Antitrust Immunity"); provided, however, that if the Carriers use their commercially reasonable efforts to maintain Antitrust

Immunity but Antitrust Immunity is terminated, this Agreement shall not terminate and shall continue to be a valid and binding agreement of the Carriers and enforceable against the Carriers but limited by any applicable law, rule, regulation, ordinance, certificate, governmental permit or license, judgment, injunction, order or decree or a governmental or regulatory authority, agency, commission, court or other entity, domestic or foreign.

(b) To the extent that Antitrust Immunity is terminated, a new application for Antitrust Immunity shall be filed by the applicable Carriers with the Department of Transportation (the "DOT") as soon as reasonably and commercially possible after such termination.

(c) Subject to Antitrust Immunity and applicable laws and regulations, the Carriers shall coordinate their pricing, route planning, yield management, scheduling, commissions, advertising, sales and marketing and other activities for the mutual benefit of the Carriers.

2. Codesharing Approval. Within 45 days after the commencement date of this Agreement (the "Implementation Date"), Continental and COPA shall apply to the DOT pursuant to Section 212 of the DOT's regulations for authorization to implement the "Shared Code Segments" (the application for "Statements of Authorization"), as defined below. Continental and COPA shall use their commercially reasonable efforts to obtain and maintain such authorization.

3. Filings; Other Action. Subject to the terms and conditions herein provided the Carriers shall: (i) promptly make any other filings, notices or applications with any Governmental Entity required in connection with the consummation of the transactions and acts contemplated by this Agreement; (ii) promptly seek any necessary consents of, or give any required notices to, third parties with respect to the transactions and acts contemplated by this Agreement; (iii) consult reasonably with the other party in connection with, and keep the other party reasonably informed with respect to, the foregoing; and (iv) use all reasonable effort to promptly take, or cause to be taken, all other actions and do, or cause to be done, all other things necessary, proper or appropriate under applicable laws and regulations to consummate and make effective the transactions and acts contemplated by this Agreement as soon as practicable.

B. CODESHARING

1. Schedules to be Operated.

(a) To the extent permitted by law, Continental operated Shared Code Segments (as herein defined) will be marketed under not only Continental's "CO" designator code but also under COPA's "CM*" designator code, and COPA operated Shared Code Segments will be marketed under not only COPA's "CM" designator code, but also under Continental's "CO*" designator code. Schedule B.1(a) hereto, which is incorporated herein by this reference, sets forth the flight segments where shared code segments ("Shared Code Segments") will operate during the term of this Agreement. It is the intention of the Carriers that

the Shared Code Segments shall be operated with full reciprocity in a non-discriminatory manner towards the non-operating Carrier on gateway routes (i.e., from a non-United States point to another non-United States point or to a United States domestic routes as applicable and on head-to-head and non-overlapping markets). Each Carrier will use its commercially reasonable efforts to commence codeshare operations as soon as regulatory authority to commence such operations has been obtained ; provided that neither Carrier shall have an obligation to place its designator code on flights operated by the other Carrier unless or until such time as the Carrier whose designator code will be used is reasonably satisfied that the manner in which the codeshare service is to be provided is substantially comparable to its own service. Except as expressly set forth herein, no Carrier shall have an obligation to extend Shared Code Segments to other routes or to maintain operations of its aircraft on any routes and no such obligation can be created by any oral statements or representations or course of dealing by a Carrier, but only by an express written agreement.

(b) The Carriers shall meet together at least twice per year to discuss the appropriateness of expanding or contracting the Shared Code Segments. Each Carrier shall have the right to propose changes to the Shared Code Segments and such proposal must be duly and timely analyzed and the decision of the other Carrier to reject it must be made on a commercially reasonable basis.

2. Schedule Changes. For flights operating as Shared Code Segments, each Carrier shall operate the schedule published by it on the Implementation Date and either Carrier may change its schedule published by it on the Implementation Date and either Carrier may change its schedule for Shared Code Segments operated by it at its own discretion; provided, however, that if a proposed change in a Carrier's schedule will have a material adverse effect on the other Carrier's connecting opportunities, the Carrier planning to change its schedule shall provide the other Carrier with 60 days' written notice (or notice as far in advance as practical, if 60 days is not practical, but under no circumstances less than 15 days) of the schedule change. The Carriers recognize that in order to provide a high level of customer service, the schedule change process must be synchronized and the Carriers shall endeavor to achieve such synchronization to such extent and as promptly as is reasonably and legally possible.

3. Revenue Sharing, Codeshare Commission and Proration on Shared Code Segments.

(a) The revenue from flight itineraries made up of transportation via a flight (a Shared Code Segment or otherwise) operated by one Carrier connecting with a flight (a Shared Code Segment or otherwise) operated by the other Carrier (such flight itineraries are hereinafter referred to as the "Through Flights") shall be allocated between the Carriers in accordance with a special prorate agreement between the Carriers, a copy of which is attached hereto as Exhibit A (the "Special Prorate Agreement"). The tickets for Through Flights or connecting flights shall be issued such that a separate coupon shall be utilized for each flight segment. From time to time and in good faith, each Carrier shall determine which discount coupons or documents of the other Carrier it shall recognize.

(b) The Special Prorate Agreement shall be based primarily on ****Material Redacted****. In such selected short-haul markets, the operating Carrier will provide ****Material Redacted****. The Special Prorate Agreement will also provide for revenue proration for unpublished fares on mutually agreeable terms. The Special Prorate Agreement shall be modified by mutual agreement of the Carriers, as necessary, so that it is no less favorable to the non-operating Carrier on applicable origin and destination itineraries than the most favorable arrangement offered by the applicable operating Carrier to another non-operating airline for similar origin and destination itineraries.

(c) The Carriers agree that for tickets sold by the marketing Carrier on Shared Code Segments, the operating Carrier shall be responsible for booking fees with respect to segments operated by the operating Carrier assessed by any CRS vendors, including CRSs operated by third parties and CRSs providing hosting services to any of the Carriers. The Carriers will request the CRS vendors to directly bill the operating Carrier for such booking fees if feasible. If such direct billing is not feasible, the Carriers shall bill each other monthly and shall provide documentation that is reasonably acceptable to the other Carrier of such fees from each CRS vendor.

(d) Gain-Sharing. Subject to Antitrust Immunity, the air traffic revenue gains and cost efficiencies derived from the alliance of the Carriers shall benefit both Carriers. The Carriers shall periodically assess the relative benefits and costs of codesharing and other forms of marketing cooperation. If, after Antitrust Immunity, the gains or costs of the Carrier's coordination of pricing, route planning, yield management, scheduling, commissions, advertising, sales and marketing and other activities directly result in benefits to one Carrier but adversely impact the other, and such adverse impact is not the result of such other Carrier's action, the Carriers shall negotiate immediately in good faith to make adjustments so that both Carriers may fairly benefit from these alliance activities.

4. Issuance of Traffic Documents and Settlement.

(a) Passenger's traffic documents for Shared Code Segments may be issued by either Carrier, or third parties with whom the Carriers from time to time have interline traffic agreements, in the same way as for any other flight of the marketing Carrier or the operating Carrier.

(b) The acceptance of passengers' traffic documents used in connection with the Shared Code Segments and settlements between the Carriers shall occur through the IATA Clearinghouse in accordance with the procedures set forth in the IATA Multilateral Interline Traffic Agreement-Passenger (the `IATA Interline Agreement), except as specifically set forth in this Section B.4. The settlement amounts shall be determined using the techniques provided in the IATA Revenue Accounting Manual. Each Carrier consents to the use by the other Carrier of sampling techniques in accordance with the IATA Revenue Accounting Manual, Chapter B1, to determine the settlement amounts. COPA's revenue accounting system currently does not have the capacity to handle interline sampling. Should Continental request that COPA install and use interline sampling, Continental shall pay the reasonable cost to upgrade COPA's revenue accounting system to accommodate interline sampling. The Carriers recognize that because of

Continental's size and selling strength relative to COPA's it is probable that a disproportionate number of COPA operated Shared Code Segments will be ticketed on Continental's ticket stock or ticketing plate and, therefore, COPA will suffer negative impact to its cash flow from ticket sales. If a disproportionate number of COPA operated Shared Code Segments are ticketed, or are reasonably expected to be ticketed on Continental's ticketed on Continental's ticket stock or ticketing plate, the Carriers will develop a commercially reasonable method to neutralize the negative impact, if any, to COPA's cash flow, including, but not limited to, Continental's providing a cash advance on ticket lifts or a cash deposit to cover the amount of COPA's delayed cash flow resulting from Continental's sales of COPA operated Shared Code Segments. Each Carrier shall remain a member in good standing of the IATA Clearinghouse. If the IATA Clearinghouse ceases to operate, settlement shall be determined by the internal accountants of the Carriers in accordance with procedures to be mutually agreed.

(c) Unredeemed Tickets. If either Carrier demonstrates that the revenue distribution associated with unredeemed tickets is detrimental to it, the Carriers will discuss ways to correct the problem and, to the extent that it is commercially reasonable to do so, implement necessary changes.

(d) Employee Pass Travel Agreement. During the term of this Agreement, the Carriers will maintain a mutually agreeable employee pass travel agreement which includes benefits for Officers of both Carriers and members of board of directors of Copa Holdings, S.A. substantially similar to the terms of the pass travel agreement in place as of the date hereof.

5. Pricing and Yield Management of Shared Code Segments.

(a) Pricing. Each Carrier shall, subject to the following sentences, independently and at its sole discretion, establish and determine the tariffs and fares for flights operated on Shared Code Segments that utilize its designator code (CO or CO* in the case of Continental and CM or CM* in the case of COPA). Subject to retaining Antitrust Immunity and applicable laws and regulations, pricing on the Shared Code Segments shall be established as follows: (i) local fares will be set by the Carrier operating the route if only one Carrier is operating the route and (ii) through fares on all connecting itineraries and local fares on routes operated by both carriers shall be established by mutual agreement. Automatic concurrence shall apply when matching competitive fares.

(b) Yield Management.

(i) Except to the extent necessary to prevent unauthorized overbooking and subject to applicable laws, each Carrier shall make available for sale by the other Carrier on a non-discriminatory basis all of the available seats in each inventory class for Shared Code Segments and COPA/Continental interline flights subject to reasonable yield management practices; provided, however, that the Carriers may negotiate in good faith to establish reasonable capacity limits on

the maximum number of seats that may be sold in a particular fare category on a particular operating flight, and provided that such capacity limits can be implemented in a commercially reasonable manner. The Carriers shall map fares into each other's booking classes ("buckets") in a fully non-discriminatory fashion so that comparable fares are placed in comparable buckets.

(ii) Each Carrier shall have access to the other Carrier's inventory through an automated interface, which interface shall be maintained by both Carriers to permit the sale of inventory on the Shared Code Segments.

(iii) Subject to the rights of each Carrier to manage the seat inventory that it controls, including seats on the operational flight of another Carrier, each Carrier shall maintain its reservations and yield management systems in good operational condition to permit the other Carrier, when it is the Marketing Carrier, to offer the same functionality to its customers as is enjoyed by the customers of the Operating Carrier, including the ability to make advance seat assignments, issue advance boarding passes and access inventory that is available for sale (in the appropriate inventory class) on the reservations system of the Operating Carrier, but excluding, until technically practical, the ability to review seat maps. Each Carrier will be responsible for its own systems costs for ensuring such functionality.

(iv) Unless the Carriers mutually agree, the Carriers shall not have any blocked-space arrangements with each other.

6. Marketing Programs.

To the extent permitted by law, the Carriers shall work to develop and implement mutually agreeable joint marketing programs to help promote the codeshare and frequent flyer relationship and to increase revenues from traffic on the Shared Code Segments and the other flights. Where applicable, the Carriers shall include each other as appropriate in each other's marketing programs, such as cross-route tie-in's, third-party tie-in's, contests and affinity programs. The Carriers will, to the extent permitted by law, structure mutually agreeable agency and corporate incentive compensation programs that provide an incentive to customers to increase their aggregate business on the Carriers, while preserving the independent marketing practices of the Carriers, unless (once Antitrust Immunity is obtained) otherwise agreed. Without limiting the foregoing and to the extent permitted by law, each Carrier shall include the other in its travel agent, corporate and related override commission, discounting and sales incentive programs in a non-discriminatory fashion unless the other Carrier declines to participate in any such program. The joint marketing programs shall take into account the following elements:

- (i) mutual internal incentive program;
- (ii) overall product compatibility;

- (iii) ground and in-flight consistency that promotes both carriers;
- (iv) communication planning for travel agencies and corporate travel departments;
- (v) targeted Frequent Flyer Program promotions;
- (vi) performance measurements and reporting;
- (vii) leisure product development;
- (viii) communication plans; and
- (ix) hub development.

Details of joint program development and the sharing of the incremental program costs shall be negotiated by the Carriers based on the relative revenue benefit obtained by each of the Carriers with respect to the program on a case-by-case basis. The Carriers shall conduct quarterly joint marketing meetings to discuss implementing or adding possible marketing programs and strategies.

7. Codesharing Licenses.

(a) CO* License

(i) Grant of License. Subject to the terms and conditions of this Agreement, Continental shall grant to COPA a nonexclusive, nontransferable, revocable license to use the CO* designator code on all of COPA's flights operated as a Shared Code Segment (COPA flights flown using the CO* code are herein referred to as "CO* Flights").

(ii) Control of CO* Flights. COPA shall have sole responsibility for and control over, and Continental shall have no responsibility for, control over or obligations or duties with respect to, each and every aspect of COPA's operations including, without limitation, scheduling (except as provided in Sections B.1 and 2), pricing (except as provided in Section B.5), planning of flight itineraries and routings, reservations, reservations control, yield management (except as provided in Section B.5), dispatch, fueling, weight and balance, flight release, maintenance, and flight operations and compliance with applicable rules and regulations.

(b) CM* License

(i) Grant of License. Subject to the terms and conditions of this

Agreement, COPA shall grant to Continental a nonexclusive, nontransferable, revocable license to use the CM* designator code on all of Continental's flights operated as a Shared Code Segment. (Continental flights flown using the CM* code are herein referred to as "CM* Flights").

(ii) Control of CM* Flights. Continental shall have sole responsibility for and control over, and COPA shall have no responsibility for, control over or obligations or duties with respect to, each and every aspect of Continental's operations including, without limitation, scheduling (except as provided in Sections B.1 and 2), pricing (except as provided in Section B.5), planning of flight itineraries and routings, reservations, reservations control, yield management (except as provided in Section B.5), dispatch, fueling, weight and balance, flight release, maintenance, and flight operations and compliance with applicable rules and regulations.

8. Audit.

(a) Continental Audit. Continental shall have the right, at its own cost, to inspect, review, and observe COPA's operations of CO*Flights, and/or to conduct a full safety and/or service audit of COPA's operations, manuals and procedures reasonably related to CO* Flights, at such intervals as Continental shall reasonably request. In the exercise of such right, Continental does not undertake any responsibility for the performance of COPA's operations. Continental shall coordinate its safety and service audits with COPA so as to avoid disruptions of COPA's operations. Any safety audit may include, without limitation, maintenance and operation procedures, crew planning, reservations, passenger and baggage handling, customer service, personnel records, spare parts, inventory records, training records and manuals, and flight, flight training and operational personnel records.

(b) COPA Audit. COPA shall have the right, at its own cost, to inspect review, and observe Continental's operations of CM* Flights, and/or to conduct a full safety and/or service audit of Continental's operations, manuals and procedures reasonably related to CM* Flights, at such intervals as COPA shall reasonably request. In the exercise of such right, COPA does not undertake any responsibility for the performance of Continental's operations. COPA shall coordinate its safety and service audits with Continental so as to avoid disruptions of Continental's operations. Any safety audit may include, without limitation, maintenance and operation procedures, crew planning, reservations, passenger and baggage handling, customer service, personnel records, spare parts, inventory records, training records and manuals, and flight, flight personnel records, spare parts, inventory records, training records and manuals, and flight, flight training and operational personnel records.

9. Irregularities in Operations.

(a) COPA shall promptly notify Continental of all irregularities involving CO* Flight which result in any damage to persons or property as soon as such information is available and shall furnish to Continental as much detail as practicable.

(b) Continental shall promptly notify COPA of all irregularities involving a CM* Flight which result in any damage to persons or property as soon as such information is available and shall furnish to COPA as much detail as practicable.

(c) In the event of any irregularity in Shared Code Segments' operations, including without limitation, any event causing damage to persons or property, the Operating Carrier shall identify itself as being operated independently of the Carrier whose code is being used, and as being solely responsible for its operations. Either Carrier may state that it holds a codesharing license from the other Carrier and that it obtains certain services from, or provides certain services to, as the case may be, the other Carrier if third parties inquire as to such relationship. COPA shall designate (and notify Continental of such designation) a contact in each of the cities that COPA operates CO* Flights that is authorized to speak and comment (and has the knowledge or immediate access to the knowledge necessary to do so) on behalf of COPA in relation to its irregular operations and Continental shall designate (and notify COPA of such designation) a contact in each of the cities that Continental operates CM* Flights that is authorized to speak and comment (and has the knowledge or immediate access to the knowledge necessary to do so) on behalf of Continental in relation to its irregular operations.

10. Reporting Obligation.

(a) Changes of Service. Each Carrier shall give the other Carrier 60 days advance notice (or notice as far in advance as possible if 60 days is impracticable) of any intended material changes to the manner of conducting its business or operations or the nature of its product that relate to its operation of Shared Code Segments.

(b) Correspondence from Governmental Entities.

(i) COPA shall immediately provide Continental copies of any formal notice of proposed civil penalty, or other similar document, received from any Governmental Entity which, with respect to CO* Flights, references (i) any alleged noncompliance with rules or regulations affecting air transportation, or (ii) any investigation of COPA performed or proposed by any Governmental Entity, including, without limitation, any communication issued by a government authority concerning the airworthiness of COPA's aircraft, the compliance of COPA's personnel with required operational or training procedures or any other matter relating to the safe operation of COPA aircraft.

(ii) Continental shall immediately provide COPA copies of any formal notice of proposed civil penalty, or other similar document, received from any Governmental Entity which, with respect to CM* Flights, references (i) any alleged noncompliance with rules or regulations affecting air transportation, or (ii) any investigation of Continental performed or proposed by any Governmental Entity, including, without limitation, any communication issued by a government authority concerning the airworthiness of Continental's aircraft, the compliance of

Continental's personnel with required operational or training procedures or any other matter relating to the safe operation of Continental aircraft.

(c) Notice of Complaints. COPA shall monthly furnish Continental a summary of complaints, notices of violation, requests to cease activity or similar correspondence which reasonably relate to CO* Flights and which are received by COPA from Continental ticketed passengers, any Governmental Entity or other parties. Continental shall monthly furnish COPA a summary of complaints, notices of violation, request to cease activity or similar correspondence which reasonably relate to CM* Flights and which are received by Continental from COPA ticketed passengers, any Governmental Entity or other parties. Each Carrier shall comply with the other Carrier's reasonable requests for actual copies of any such documents.

(d) Operations. For purposes of monitoring the success of the codeshare operations, the Carriers shall provide each other with mutually agreed to monthly reports containing, without limitation, the following data for Shared Code Segments operated by each Carrier:

(i) the total number of scheduled, actual and canceled departures for the month, by flight and city pair; and

(ii) completion and on-time performance data, by system and market.

11. Flight Display.

(a) All Shared Code Segments shall be included in the schedule, availability and fare displays of all computerized reservations systems in which Continental and COPA participate, the Official Airline Guide (to the extent agreed upon) and Continental's and COPA's internal reservation systems, under the shared code as well as the operator's own code, to the extent possible. Continental and COPA shall take the appropriate measures necessary to ensure the display of the schedules of all Shared Code Segments in accordance with the preceding sentence.

(b) Continental and COPA shall disclose and identify the Shared Code Segments to the public as actually being a flight of and operated by the Operating Carrier, in at least the following ways:

(i) a symbol shall be used in timetables and computer reservation system indicating that Shared Code Segments are actually operated by the other Carrier;

(ii) to the extent reasonable, messages on airport flight information displays shall identify the operator of flights shown as Shared Code Segments;

(iii) Continental and COPA advertising concerning Shared Code Segments and Continental and COPA reservationists shall disclose the operator of each flight; and

(iv) in any other manner prescribed by law.

12. Terms and Conditions of Carriage and Claims Procedures.

(a) In all cases the contract of carriage between a passenger and a Carrier shall be that of the Carrier whose code is designated on the ticket. As for handling passenger claims between the Carriers, the conditions of carriage of the Operating Carrier shall apply to the Shared Code Segments, except as otherwise mutually agreed by the Carriers. The procedures for claims handling of the Operating Carrier shall also be applicable to the Shared Code Segments. The Carriers shall meet as soon as practical prior to commencement of the Shared Code Segments to identify discrepancies in procedures for claims handling between the Carriers.

(b) The Carriers shall use existing IATA procedures when handling and settling claims made by customers in connection with Shared Code Segments.

13. Irregularity Handling.

(a) In the event of flight delays, cancellations or other schedule irregularities that affect Shared Code Segments, the Operating Carrier shall inform the Marketing Carrier, if applicable, in accordance with Section B.9, of all pertinent information concerning an irregularity for customer information purposes.

(b) The Carriers shall cooperate in all available ways to accommodate passengers experiencing flight irregularities (including, but not limited to, schedule changes, flight cancellations, delayed flights, flight interruptions and delayed, damaged, pilfered or lost baggage) and that neither shall forbear from providing such assistance because the other may have been responsible for the flight irregularity. In the event of a flight irregularity, the Carrier causing or experiencing the irregularity shall bear all related costs (including costs of the other Carrier) associated with accommodating the passengers that has been affected by such flight irregularity. The Carriers shall review existing procedures for handling flight irregularities and accommodating interline passengers with respect thereto and handling over sales situations to determine their adequacy for the purposes of this Agreement and shall make such mutually agreed to adjustments in existing procedures as they find necessary or appropriate to provide coordinated irregularity handling. In the absence of such agreement, the written policies and procedures of the Operating Carrier shall be followed. The Carriers shall meet prior to commencement of the Shared Code Segments to develop a mishap response plan with respect to flights operated as Shared Code Segments.

14. Tariff Filing. Each Carrier shall file the tariffs and fares for flights operated on Shared Code Segments that utilize its designator code (CO or CO* in the case of Continental and CM or CM* in the case of COPA).

15. Transportation Taxes. Each Carrier shall be responsible for collecting and paying any taxes or fees assessed by any Governmental Entities or airport on the transportation of passengers or property for transportation utilizing its travel documents.

16. Flight Coupon Handling.

(a) Continental Authorization. Except as may otherwise be provided in this Agreement, Continental shall authorize COPA to handle Continental flight coupons specifying Continental's Through Flights or connecting flights under this Agreement to and from points in Panama', in the same way as if these coupons were specifying COPA Through Flights or connecting flights between Panama', on the one hand, and (i) other points served by COPA beyond Panama', and (ii) the United States, on the other. Continental shall confirm this authorization immediately to third parties if COPA so requires.

(b) COPA Authorization. Except as may otherwise be provided in this Agreement, COPA hereby authorizes Continental to handle COPA flight coupons specifying COPA Through Flights or connecting flights under this Agreement to and from points in the United States in the same way as if these coupons were specifying Continental flights between the United States, on the one hand, and (i) other points served by Continental beyond the United States and (ii) Panama', on the other. COPA shall confirm this authorization immediately to third parties if Continental so requires.

17. Quality of Service.

(a) Subject to Subsection (d) of this Section, each Carrier shall retain its own identity and determine its own service levels. Each Carrier shall adopt a smoking policy for flights operated by it that it believes is appropriate for its services, it being understood that each of the Carriers intends to continue to ban smoking on flights operated by it.

(b) Each Carrier shall perform its service with respect to its flights operated under the designator code of the other Carrier in a timely and professional manner with superior quality in accordance with all applicable laws, rules and regulations. Without limitation, each Carrier shall maintain its aircraft in an airworthy, clean, attractive and comfortable condition and strive to maintain a completion factor of at least 98% (without considering delays caused by air traffic control or weather). Each Carrier agrees that, in conducting flight operations under the designator of the other Carrier, it shall employ prudent safety and loss prevention policies in accordance with applicable laws, rules and regulations. If either Carrier is in breach of this Section B.17(b), the non-breaching Carrier may remove its designator code from the breaching Carrier's flight operations or refuse to allow the breaching Carrier to place its designator code on the flight operations of the non-breaching Carrier until such time as the breach is fully cured and such removal by the non-breaching Carrier of the designator code from the breaching Carrier's flight operations or refusal to allow the breaching Carrier to place its designator code on the flight operations of the non-breaching Carrier shall not constitute a breach of this Agreement or a waiver of its rights under this Agreement by the non-breaching Carrier.

(c) To provide customers with the best service and a positive impression of the cooperative services of the alliance between the Carriers, the Carriers shall create, to the extent practicable, the following:

(i) Schedule Coordination. The Carriers shall each use all reasonable efforts, consistent with their respective operational constraints, to coordinate their schedules to minimize connecting passenger waiting time and to maximize passenger convenience and service.

(ii) Seamless Transfer. Subject to operational constraints, the Carriers shall expedite, to the greatest extent feasible, the transfer of all passengers and baggage making connections between the respective networks of the Carriers, and shall cooperate in communicating efficiently to passengers the benefits and procedures associated with the cooperative service through ticket inserts, terminal and gate signage, and flight information displays. In connection therewith, Continental and COPA shall cooperate to coordinate and maintain their schedules to minimize the waiting time and to maximize convenience of passengers who are connecting from a Continental to a COPA flight segment (or vice versa). Each Carrier shall provide the other with the airport operational assistance that is required to assure schedule compatibility for the Through Flights or the connecting flights where applicable.

(iii) Terminal Facilities. Each Carrier shall use its commercially reasonable efforts to arrange for terminal facilities at gateway airports to facilitate passenger handling and connections between the flights of the Carriers with the objective of achieving convenience similar to on-line connections.

(iv) In-Flight Announcements. The Operating Carrier shall make in-flight announcements to all passengers on the Shared Code Segments to promote the cooperative service.

(d) The customer service standards of the Operating Carrier shall be followed on Shared Code Segments for both Continental and COPA passengers; provided that COPA agrees to maintain a standard of service in all classes of service that is at least substantially similar to the quality that Continental provides on its flights of similar stage length.

18. Frequent Flyer Program Participation. Cooperation between the Carriers with respect to frequent flyer program participation is governed by the "Amended and Restated Frequent Flyer Program Participation Agreement", dated as of the date hereof. During the term of this Agreement, Copa will be a participant in Continental's OnePass program on a co-branded basis as contemplated in the Amended and Restated Frequent Flyer Program Participation Agreement or pursuant to a reciprocal frequent flyer program participation arrangement as

contemplated in the Amended and Restated Frequent Flyer Program Participation Agreement if COPA ceases to participate in OnePass on a co-branded basis.

C JOINT COOPERATION

To the extent applicable, the initiatives covered by this Section C are subject to Antitrust Immunity.

1. Procedures and Ground Handling

(a) Harmonizing. The Carriers shall harmonize their physical operations with respect to components, operations, quality, appearance, conditions of carriage and any other aspects of the physical operations as the Carriers agree.

(b) Joint Handling. Without employee dislocation and subject to competitive pricing and service, COPA will provide below wing handling services for Continental's operations in Panama. Compensation for such service shall be the "Incremental Cost" (as defined in the Amended and Restated Services Agreement entered into by and between the Carriers on the date hereof (the "Services Agreement")), of the handling Carrier plus a reasonable profit. To enhance operations of Shared Code Segments, the Carriers shall make their airport operations contiguous where practical. In locations where both Carriers operate, other than Panama, each Carrier shall give the other Carrier the opportunity to bid on handling services (above and below wing).

2. Reservations and City Ticket Offices. The Carriers shall consider the best way to coordinate their reservations and the functions of the city ticket offices.

3. Joint Advertising and Publicity. The Carriers shall jointly promote their alliance as part of their ordinary advertising efforts. Each Carrier, while an Operating Carrier, shall not discriminate against the Marketing Carrier in its respective advertising, public relations, promotion, distribution and sales activities.

4. Employee and Corporate Incentives.

(a) Instruction, measurement, and evaluation. Joint targets shall be established by the Carriers at their annual meeting, as provided under Section B.1.(b). Applicable employees of each Carrier shall be instructed that in applicable areas of interaction, the first aim is to maximize the alliance between the Carriers, not the individual Carrier's position.

(b) Inclusion in incentive programs. Employees bonus, profit-sharing and other cash and non-cash route specific sales incentive programs should include Shared Code Segments, revenues, etc. of both Carriers on a non-discriminatory basis.

(c) Selection and reciprocal feedback. Employees performing outsourced or joint service shall be selected on a basis that provides no favoritism to either Carrier. Their evaluation (and certain personnel decisions) shall be based on input from both Carriers with ultimate decision-making by their employer after giving high regard to the input of the other Carrier.

5. Information Sharing. Subject to applicable laws and regulations, the Carriers shall share research studies on booking (including marketing information data tape), revenue, traffic, yield, cost and other data with the other Carrier as it pertains to their common areas of cooperation. Such information shall be provided at the providing Carrier's Incremental Cost as provided in the Services Agreement and, where jointly performed, in proportion to the size of the Carriers.

6. Joint Selling.

(a) To the extent legally permissible, the Carriers shall sell seats on each other's aircraft in a non-discriminatory fashion and will establish mutually agreed to incentives and methods to do so. The Carriers shall consider establishing joint sales organizations (including inbound and outbound telephone sales) in countries where COPA currently flies and where it may begin to fly during the duration of this Agreement.

(b) If a Carrier withdraws its sales personnel from a country where the other Carrier has a significant presence, the Carrier that has a significant presence in such country will offer to serve as the other Carrier's general sales agent ("GSA") in such country in consideration of receiving its Incremental Costs of providing the services of a GSA for the withdrawing Carrier, plus a reasonable profit acceptable to both Carriers. If the withdrawing Carrier chooses, at its option, to employ the other Carrier as its GSA in such country, the other Carrier will represent the withdrawing Carrier in a non-discriminatory manner.

D GENERAL PROVISIONS

1. Compliance with Laws and Regulations and Changes in Laws.

(a) Each of Continental and COPA represents, warrants, and agrees with the other that performance of its respective obligations under this Agreement shall be conducted and all of its personnel shall at all times meet, be in full compliance with and have all required licenses under any and all applicable laws, statutes, orders, rules and regulations of any country or territory with jurisdiction over the Shared Code Segments, including without limitation, those laws, statutes, orders, rules and regulations promulgated by the United States of America or Panama. Each Carrier shall be responsible, at its own cost, for obtaining any regulatory authorizations necessary to operate its flights or utilize its designator code on the Shared Code Segments, provided that, the other Carriers shall render such assistance as a reasonably requested in order to obtain such regulatory authorizations. No provision of this Agreement that would

violate applicable antitrust laws without Antitrust Immunity having first been obtained shall be applicable unless and until Antitrust Immunity is obtained.

(b) If, during the term of this Agreement, there is any change in treaties, statutes or regulations of air transportation (and legally binding interpretations thereof) that prevents Continental or COPA of both from operating the CO* or CM* Flights or carrying out the arrangements contemplated by this Agreement or attaches conditions or restrictions on the operation of CO* or CM* Flights that have a material adverse effect on a carrier's other services or operations not contemplated by this Agreement, the Carriers shall consult within 30 days after any of the occurrences described herein. The purpose of such consultations shall be to assess such change or changes and to seek, in good faith, mutual agreement on what changes, if any, to this Agreement are necessary or appropriate. Any such changes to this Agreement shall be made in accordance with Section D.13.

2. Independent Parties.

(a) Independent Contractors. It is expressly recognized and agreed that each Carrier, in its performance and otherwise under this agreement, is and shall be engaged and acting as an independent contractor and in its own independent and separate business; that each Carrier shall retain complete and exclusive control over its staff and operations and the conduct of its business; and that each Carrier shall bear and pay all expenses, costs, risks and responsibilities incurred by it in connection with its obligations under this Agreement. Neither Continental nor COPA nor any officer, employee representative, or agent of Continental or COPA shall in any manner, directly or indirectly, expressly or by implication, be deemed to be in, or make any representation of take any action which may give rise to the existence of, any employment, agent, partnership, or other like relationship as regards the other, but each Carrier's relationship as respects the other Carrier in connection with this Agreement is and shall remain that of an independent contractor.

(b) Status of Employees. The employees, agents and/or independent contractors of COPA shall be employees, agents, and independent contractors of COPA for all purposes, and under no circumstances shall they be deemed to be employees, agents or independent contractors of Continental. The employees, agents and independent contractors of Continental shall be employees, agents and independent contractors of Continental for all purposes, and under no circumstances shall they be deemed to be employees, agents or independent contractors of COPA. Continental shall have no supervisory power or control over any employees, agents or independent contractors employed by COPA, and COPA shall have no supervisory power or control over any employees, agents and independent contractors employed by Continental.

(c) Liability For Employee Costs. Each Carrier, with respect to its own employees (hired directly or through a third party), accepts full and exclusive liability for the payment of worker's compensation and/or employer's liability (including insurance premiums where required by law) and for the payment of all taxes, contributions or other payments for unemployment compensation, vacations, or old age benefits, pensions and all other benefits now or hereafter imposed upon employers with respect to its employees by any government or agency

thereof or provided by such Carrier (whether measured by the wages, salaries, compensation or other remuneration paid to such employees or otherwise) and each Carrier further agrees to make such payments and to make and file all reports and returns, and to do everything necessary to comply with the laws imposing such taxes, contributions or other payments.

3. Term and Termination.

(a) Term. The term of this Agreement, unless earlier terminated as provided in this Section D.3, shall continue until either Carrier gives the other Carrier three years' written notice of termination: provided, however, that neither Carrier may give such notice on or before May 22, 2012. The terms and conditions of this Amended and Restated Alliance Agreement are effective as of the date first written above.

(b) Other Termination Rights. In addition to the termination provisions of paragraph (a) of this Section D.3, this Agreement may be terminated as follows:

(i) By a Carrier, if the other Carrier has materially breached any material provision of this Agreement and such breach shall remain unremedied for more than 180 days after delivery of written notice by the non-defaulting Carrier. During such 180-day period, the Carriers shall consult in good faith to ensure that each of the Carriers understands the nature of the alleged breach and what steps are required to effect a cure;

(ii) By a Carrier immediately on notice, if the other Carrier (i) shall be dissolved or shall fail to maintain its corporate existence, or (ii) shall have its authority to operate as a scheduled airline suspended or revoked, or shall cease operations as a scheduled airline, in each case for a period of 30 or more days;

(iii) In the event of a breach of any payment obligation under this Agreement, the non-breaching Carrier shall be entitled to terminate this Agreement on providing 60 days prior written notice, which notice shall describe, with as much specificity as reasonably practicable, the breach and the total sums due and owing. Termination under this paragraph (iii) shall not be effective, however, if the allegedly breaching Carrier shall, within 45 days of receiving such notice, correct the breach by making the full payment due together with interest thereon at 10% per annum from the date of such notice, provided that in the event the breaching Carrier disputes the obligation to pay the amounts claimed owing, it may satisfy its obligations pursuant to this sentence by paying, within such 45 day period, the disputed amounts into escrow during the pendency of the dispute;

(iv) By a Carrier immediately on notice if the other Carrier shall (A) commence any case, proceeding or other action (1) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief

entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (2) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or shall make a general assignment for the benefit of its creditors; or (B) there shall be commenced against the other Carrier any case, proceeding or other action of a nature referred to in clause (A) above that (1) results in the entry of an order for relief or any such adjudication or appointment or (2) remains undismissed or undischarged for a period of 60 days; or (C) there shall be commenced against the other Carrier any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (D) the other Carrier shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (A), (B), or (C) above; or (E) the other Carrier shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(v) By a Carrier immediately on notice if the other Carrier fails to maintain the insurance coverage that is required to be maintained pursuant to Section D.4(b) and such failure remains unremedied for 60 days after the breaching Carrier's receipt of written notice of such failure from the other Carrier, provided that the marketing Carrier may cease displaying its code on the breaching Carrier's Shared Code Segments during the period such failure continues;

(vi) By Continental immediately on notice if, unless agreed otherwise by the Carriers, COPA shall have a system wide completion factor (completed flights, regardless of time of departure or arrival, divided by scheduled flights) of less than 95% during any 90 day period (including in such calculations all flights canceled less than one week prior to the date of its scheduled operation, but excluding flights not completed due to weather or air traffic control);

(vii) By COPA immediately on notice if, unless agreed otherwise by the Carriers, Continental shall have a system wide completion factor (completed flights, regardless of time of departure or arrival, divided by scheduled flights) of less than 95% during any 90 day period (including in such calculations all flights canceled less than one week prior to the date of its scheduled operation, but excluding flights not completed due to weather or air traffic control);

(viii) By either Carrier immediately on notice if the other Carrier fails to maintain its membership in the Airline Clearing House (ACH) or the International

Air Transport Association Clearing House for a period of ten (10) consecutive days; and

(ix) By a Carrier on thirty (30) days' prior written notice if it shall have duly terminated the Amended and Restated Services Agreement pursuant to Section 6(b)(i) thereof as a result of an unremedied breach of the terms and conditions of such agreement by the other Carrier;

(x) By a Carrier on sixty (60) days' prior written notice if the other Carrier materially breaches (or, in the case of Continental's right to terminate, Corporacion de Inversiones Aereas, S.A. materially breaches) the terms and/or conditions of the Amended and Restated Shareholders Agreement or the Registration Rights Agreement, each entered into on the date hereof, and fails to cure such breach within such sixty (60)-day notice period; provided that during such 60-day period, the Carriers shall consult in good faith to ensure that each of the Carriers understands the nature of the alleged breach and what steps are required to effect a cure;

(xi) By either Carrier immediately on notice if the Amended and Restated Frequent Flyer Program Participation Agreement is terminated and the Carriers do not enter into a new reciprocal frequent flyer participation arrangement within three months after such termination as contemplated by the Amended and Restated Frequent Flyer Program Participation Agreement;

(xii) **Material Redacted**;

(xiii) **Material Redacted**;

(xiv) By either Carrier, with respect to any Affiliate of the other Carrier, immediately on notice, if such Affiliate is no longer an Affiliate of the other Carrier; and

(xv) By either Carrier on thirty (30) days' prior written notice if the other Carrier rejects the Services Agreement and/or Frequent Flyer Program Participation Agreement in a bankruptcy proceeding.

(c) Tickets Issued Prior to Termination. With respect to tickets issued but unused prior to termination of this Agreement:

(i) If this Agreement is terminated as provided herein by the Marketing Carrier, the Marketing Carrier shall endorse all Marketing Carrier tickets to the Operating Carrier. The Operating Carrier shall accept all confirmed reservations for passengers traveling on such tickets as if such reservations had been booked through the Operating Carrier using ordinary interline procedures but

giving effect to the ticket pricing methodology as provided by IATA's standard procedures.

(ii) If this Agreement is terminated as provided herein by the Operating Carrier, the Marketing Carrier, at its sole discretion, shall have the option to endorse Marketing Carrier tickets to the Operating Carrier or any other carrier. The Marketing Carrier shall also have the option to transfer confirmed reservations for passengers traveling on such tickets to the Operating Carrier or any other carrier.

(d) Force Majeure and Termination. Except with respect to the performance of a Carrier's payment obligations under this Agreement, neither Carrier shall be liable for delays or failure in its performance hereunder to the extent that such delay or failure of performance (a) is caused by any act of God, war, [terrorism], natural disaster, strike, lockout, labor dispute, work stoppage, fire, serious accident, epidemic, quarantine restriction, act of government, or any other cause, whether similar or dissimilar, beyond the control of that Carrier, and (b) is not the result of that Carrier's lack of reasonable diligence (an "Excusable Delay"). In the event an Excusable Delay continues for sixty (60) days or longer, the non-delayed Carrier shall have the right, at its option, to terminate this Agreement by giving the delayed Carrier at least thirty (30) days prior written notice of such election to terminate.

(e) Duties upon termination. If this Agreement is terminated pursuant to this Section D.3, the Carriers will cooperate with each other to achieve an orderly termination and wind-down of the codeshare relationship so as not to inconvenience customers or cause undue hardship to either of the Carriers. No termination of this Agreement will release the parties from any liability for breach of this Agreement or from any moneys or other duties owed at the time of such termination.

(f) Termination for Change of Control. Notwithstanding any other provision of this Agreement in the event of a Change of Control involving a Carrier, the Carrier not involved in the Change of Control shall have the right to terminate this Agreement on six (6) months' prior written notice without liability or penalty to the Carrier involved in the Change of Control; provided, however, the right of a Carrier to give notice to terminate with respect to a Change of Control involving the other Carrier shall expire on the six month anniversary of the later to occur of (i) the date the terminating Carrier receives notice of such Change of Control from the other Carrier or (ii) the date of the consummation of such Change of Control transaction. The following definitions apply to the following terms used in this Section D.3(f):

"AIRLINE ASSETS" means those assets used, as of the date of determination, in the relevant Person's operation as an air carrier.

"BENEFICIAL OWNERSHIP" has the meaning given such term in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, as amended.

"CAPITAL STOCK" of any Person means any and all shares, interests, rights to purchase, options, warrants, participation or other equivalents of or interests in (however designated) the equity of such Person, including any preferred stock.

"CARRIER AFFECTED COMPANY" means as to the applicable Carrier (a) such Carrier and its successor, (b) any Holding Company of such Carrier or its successor, or (c) any Subsidiary of such Carrier or its successor or of any Holding Company of such Carrier or its successor, that in any such case owns, directly or indirectly, all or substantially all of the Airline Assets of such Carrier or its successor, such Holding Companies of such Carrier and such Subsidiaries, taken as a whole.

"CHANGE OF CONTROL" shall mean, with respect to a Carrier, the consummation of:

(1) a merger, reorganization, share exchange, consolidation, tender or exchange offer, private purchase, business combination, recapitalization or other transaction as a result of which (A) a Competing Carrier or a Holding Company of a Competing Carrier and a Carrier Affected Company are legally combined, (B) a Competing Carrier, any of its Affiliates or any combination thereof acquires, directly or indirectly, Beneficial Ownership of 50% or more of the Capital Stock or Voting Power of a Carrier Affected Company, or (C) a Carrier Affected Company acquires, directly or indirectly, Beneficial Ownership of 50% or more of the Capital Stock or Voting Power of a Competing Carrier;

(2) the sale, transfer or other disposition of all or substantially all of the Airline Assets of a Carrier (or its successor) and its Subsidiaries on a consolidated basis directly or indirectly to a Competing Carrier, any Affiliate of a Competing Carrier or any combination thereof, whether in a single transaction or a series of related transactions;

(3) the execution by a Carrier Affected Company of bona fide definitive agreements, the consummation of the transactions contemplated by which would result in a transaction described in the immediately preceding clauses (1) or (2).

"COMPETING CARRIER" means an air carrier that competes (internationally and/or domestically) on a significant and material basis with the Carrier that is not involved in the Change of Control.

"HOLDING COMPANY" means, as applied to a Person, any other Person of whom such Person is, directly or indirectly, a Subsidiary.

"SUBSIDIARY" of any Person means any corporation, association, partnership, joint venture, limited liability company or other business entity of which more than 40% of the total Voting Power thereof or the Capital Stock thereof is at the time owned or controlled, directly or indirectly, by (1) such person, (2) such person and one or more Subsidiaries of such Person, or (3) one or more Subsidiaries of such Person.

"VOTING POWER" means, as of the date of determination, the voting power in the general election of directors, managers or trustees, as applicable.

4. Indemnification and Insurance.

(a) Indemnification.

(i) Except as otherwise provided herein, each Carrier (the "Indemnifying Carrier") shall indemnify and hold harmless the other Carrier and its directors, officers, employees, agents, consultants and contractors from all liabilities, damages, losses, claims, suits, judgments, costs, and expenses, including reasonable attorneys' fees, directly or indirectly incurred by the other Carrier as the result of any claims that arise out of or in connection with the breach of this Agreement by the Indemnifying Carrier or performance or failure of performance of the Indemnifying Carriers' obligations under this Agreement, including, but not limited to, the operation of the aircraft by the Indemnifying Carrier. In addition, each Indemnifying Carrier shall indemnify and hold harmless the other Carrier and its directors, officers, employees, agents, consultants and contractors from all liabilities, damages, losses, claims, suits, judgments, costs and expenses, including reasonable attorneys' fees, directly or indirectly incurred by the other Carrier as the result of any claims by third parties that arise out of or in connection with any products or services received from or supplied by the Indemnifying Carrier in connection with this Agreement, except with respect to the products or services provided pursuant to Section C hereof and the Services Agreement (which will be subject to indemnification obligations as separately agreed). The indemnification provision under this paragraph (i) shall be valid and enforceable as of the Implementation Date whether or not Antitrust Immunity or other regulatory approvals are obtained.

(ii) The indemnified Carrier has no right under this Section D.4 to be indemnified for claims that arise out of such Carrier's gross negligence or willful misconduct.

(iii) In the case of each indemnified Carrier:

A. it shall promptly notify the Indemnifying Carrier in writing of any claim for indemnification hereunder;

B. it shall cede to the Indemnifying Carrier, if the latter so requests, sole control of the defense and any related settlement negotiations of any matter covered by indemnification hereunder (provided that any settlement shall contain a complete and unconditional release of all claims against the indemnified Carrier);

C. it shall provide to the Indemnifying Carrier, at the latter's expense, all reasonable information and assistance for such defense or settlement; and

D. the Indemnifying Carrier shall not be liable for any settlement of any such claim or suit entered into by the indemnified Carrier without the former's consent (which consent shall not be unreasonably withheld).

(b) Insurance Coverage.

(i) Each Carrier shall, at all times during the term of this Agreement, maintain in full force and effect policies of insurance as follows:

A. Comprehensive Airline Liability Insurance, including Aircraft Third Party, Passenger, including Passengers' Baggage and Personal Effects, Cargo and Mail Legal Liability for a Combined Single Limit (CSL) of not less than **Material Redacted** for B737 aircraft; provided that if the number of U.S. origin passengers increases in a material manner, the carriers will reevaluate the coverage levels. In respect of Personal Injury (per clause AVN 60 or its equivalent) the maximum limit is **Material Redacted** per offense and in the aggregate.

B. Workmen's Compensation or Government Social Insurance

Insurance	Per Accident
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(Company Employee)	Statutory
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C. Employers' Liability (**Material Redacted** combined single limit)

(ii) Subject to Section D.4(b)(i), the Operating Carrier shall, as applicable, cause the policies of insurance described in such Section D.4(b)(i) with respect to flights operated as Shared Code Segments by it to be duly and properly endorsed by that Carrier's insurance underwriters as follows:

A. to provide that the underwriters shall waive any and all subrogation rights against the other Carrier, its directors, officers, agents, employees and other authorized representatives, except for gross negligence or willful misconduct;

B. to provide that the other Carrier, its directors, officers, agents, employees and other authorized representatives shall be endorsed as additional insured parties thereunder, except for gross negligence or willful misconduct of any of the additional insureds;

C. to provide that said insurance shall be primary to and without right of contribution from any other insurance which may be available to the additional insureds;

D. to include a breach of warranty provision in favor of the additional insureds;

E. to accept and insure the Operating Carrier's hold harmless and indemnity undertaking under Section D.4(a), but only to the extent of the coverage afforded by the policy or policies; and

F. to provide that said policy or policies or any part or parts thereof shall not be canceled, terminated or materially altered, changed or amended until 30 days (but seven days or such lesser period as may be available in respect of war and allied periods) after written notice thereof shall have been sent to the other Carrier.

iii) From time to time, upon request by either Carrier, the other Carrier shall furnish to the requesting Carrier evidence reasonably satisfactory to the requesting Carrier of the aforesaid insurance coverage and endorsements, including certificates certifying that the aforesaid insurance and endorsements are in full force and effect.

iv) In the event either Carrier fails to maintain in full force and effect any of the insurance and endorsements required hereby, the other Carrier shall have the right (but not the obligation) to procure and maintain such insurance or any part thereof. The cost of such insurance shall be payable by the first Carrier to the other Carrier upon demand by the other Carrier. The procurement of such insurance or any part thereof by the other Carrier shall not discharge or excuse the first Carrier's obligation to comply with the provisions of Sections D.4(b)(i) and (ii).

v) Notwithstanding the above provisions, it shall not be a breach of the Agreement to maintain the insurance described in subsection (i) above to the extent the failure to maintain such insurance is caused by a change or condition generally affecting the availability of insurance in the aviation industry in a material manner in the countries or regions in which such Carrier operates.

(c) Survival of Rights and Obligations. The rights and obligations of this Section D.4 shall survive the expiration or termination of this Agreement.

5. Trademarks.

(a) COPA shall have nonexclusive, nontransferable, revocable license to use the Continental Service Marks (as defined below) in its marketing programs for the purpose of promoting Shared Code Segments. All advertising programs using any Continental Service Marks shall be subject to Continental's prior approval. In general, COPA's use of the Continental Service Marks shall do no more than identify the codeshare relationship between Continental and COPA, and advertise that schedules are coordinated to provide convenient connections. Any marketing program, advertising brochures, schedules, signs or information disseminated to the public or intended to be disseminated to the public ("Advertising Material") shall reflect that Continental and COPA are operated separately and shall comply with any DOT policy on airline designator codesharing. COPA is specifically prohibited from using any of the Continental Service Marks and agrees that it shall not do anything that would infringe, abridge, and adversely affect, impair or reduce the value or validity of the Continental Service Marks. In no event shall COPA allow the use of any Continental Service Marks in marketing, selling, promoting or otherwise identifying or referencing any flight that is not a Shared Code Segment.

(b) Continental shall have nonexclusive, nontransferable, revocable license to use the COPA Service Marks (as defined below) in its marketing programs for the purpose of promoting Shared Code Segments. All advertising programs using any COPA Service Marks shall be subject to COPA's prior approval. In general, Continental's use of the COPA Service Marks shall do no more than identify the codeshare relationship between Continental and COPA, and advertise that schedules are coordinated to provide convenient connections. Any Advertising Material shall reflect that Continental and COPA are operated separately and shall comply with any DOT policy on airlines designator codesharing. Continental is specifically prohibited from using any of the COPA Service Marks on its aircraft or other equipment, on its stationery, or elsewhere unless Continental has received prior specific authorization in writing from COPA.

Continental hereby acknowledges COPA's exclusive ownership of the COPA Service Marks and agrees that it shall not do anything that would infringe, abridge or adversely affect, impair or reduce the value or validity of the COPA Service Marks. In no event shall Continental allow the use of any COPA Service Marks in marketing, selling, promoting or otherwise identifying or referencing any flight that is not a Shared Code Segment.

(c) As used herein the term "Service Marks" shall include, without limitation: (i) with respect to Continental: "Continental", the "CO" and "CO*" designator codes, "Business First" and "OnePass", and (ii) with respect to COPA: "COPA" and the "CM" and "CM*" designator codes.

6. Confidential Information. Neither COPA nor Continental shall disclose to the other Carrier or be required to disclose by the other Carrier any information relating to its scheduling (except as provided in Section B.1 and ..2), pricing (except as provided in Section B.5), inventory control or flight profitability. Neither COPA nor Continental shall disclose the terms of this Agreement or any proprietary information with respect to the other obtained as a result of this Agreement, either during the term hereof or thereafter; provided, however, that such disclosure may be made if required by applicable law, regulation or stock exchange rule, or by any order of a court or administrative agency, and then only upon ten days' written notice by the disclosing Carrier to the other Carrier. The Carriers recognize that, in the course of the performance of each of the provisions hereof, each Carrier may be given and may have access to confidential and proprietary information of the other Carrier. The Carriers recognize that, in the course of the performance of each of the provisions hereof, each Carrier may be given and may have access to confidential and proprietary information of the other Carrier, including proposed schedule changes, promotional programs and other operating and competitive information ("Confidential Information"). Each Carrier shall preserve, and shall ensure that each of its officers, agents, consultants and employees who receive Confidential Information preserve, the confidentiality of the other Carrier's Confidential Information and shall not disclose Confidential Information to a third Carrier, without prior written consent from the other Carrier or use of Confidential Information to a third Carrier, without prior written consent from the other Carrier or use Confidential Information except as contemplated by this Agreement. This Section D.6 shall survive two years after the termination or expiration of this Agreement.

7. Management and Initial Dispute Resolution. This Agreement shall be governed and managed by a steering committee composed of senior officers of each Carrier (the "Committee"). Said Committee shall be responsible for identifying profit maximizing activities to be undertaken by the Carriers in furtherance of the codeshare relationship. In addition, the Committee shall attempt to resolve all disputes that occur between the Carriers that arise under this Agreement. Disputes that cannot be resolved by the Committee shall be referred to the Chief Executive Officers of the two Carriers. If the Chief Executive Officers of the two Carriers cannot resolve the dispute, it shall be finally settled by arbitration in accordance with Section D.8.

8. Arbitration

(a) Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration administered by the Conciliation and Arbitration Center (the "CAC") an affiliate of the Panama Chamber of Commerce in accordance with the International Arbitration Rules of the International Chamber of Commerce Court of International Arbitration. Judgment on the awarded rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(b) The number of arbitrators shall be three, one of whom shall be appointed by each of the Carriers and the third of whom shall be selected by mutual agreement, if possible, within 30 days of the selection of the second arbitrator and, if no agreement on the third arbitrator is possible, by the CAC; provided that unless otherwise agreed the CAC may only choose an arbitrator that is from a country other than Panama or the United States. The place of arbitration shall be Miami, Florida. The language of the arbitration shall be English, but documents or testimony may be submitted in any other language if a translation is provided.

(c) The arbitrators shall have no authority to award punitive damages or any other damages not measured by the prevailing Carrier's actual damages, and may not, in any event, make any ruling, finding or award that does not conform to the terms of this Agreement.

(d) Either Carrier may make an application to the arbitrators seeking injunctive relief to maintain the status quo until such time as the arbitration award is rendered or the controversy is otherwise resolved. Either Carrier may apply to any court having jurisdiction hereof and seek injunctive relief in order to maintain the status quo until such time as the arbitration award is rendered or the controversy is otherwise resolved.

9. Certain Definitions:

(a) Commercially Reasonable Efforts. As used in this Agreement, the term "commercially reasonable efforts" shall not require a Carrier to make any cash outlays, to accept adverse contracts terms, to limits its operations, to impair any right with respect to the use of its assets, or to otherwise adversely affect the Carrier.

(b) Affiliate. As used in this Agreement, the term "Affiliate" means, as applied to a Person, any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For purposes of this definition "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise.

(c) Person. As used in this Agreement, the term "Person" means an individual, partnership, corporation, business trust, joint stock company, limited liability company, unincorporated association, joint venture or other entity of whatever nature.

10. Alliance Development. COPA and Continental will explore areas of cooperation that will produce revenue and cost synergies for the Carriers and to the extent reasonable will implement such cooperation. Neither Carrier guarantees that any such cooperation is possible nor that any such synergies will be obtained. In order to facilitate the development of their commercial agreement to the maximum extent possible, the Carriers agree, subject to the proviso at the end of this Section:

- a) **Material Redacted**
- b) **Material Redacted**
- c) **Material Redacted**
- d) Continental shall use its commercially reasonable efforts to cause COPA, at COPA's election, to be included as a commercial partner (e.g. an airline with whom Continental has a Commercial Agreement) with each of Continental's commercial partners and to be invited to join the SkyTeam global alliance or any other branded global alliance group which Continental is a member.
- e) **Material Redacted**
- f) **Material Redacted**
- g) **Material Redacted**
- h) **Material Redacted**

Provided, however, nothing in this Section shall preclude COPA and Continental from fully performing their obligations, participating in, maintaining and renewing the code-share or alliance agreements that either of them may have entered into prior to the date hereof or from complying with their obligations pursuant to SkyTeam membership. Provided, further, nothing in this Section shall preclude either Carrier from performing obligations arising under, participating in, maintaining or renewing any Commercial Agreement to which such Carrier may become a party or to which it may otherwise succeed after the date hereof by virtue of any merger, reorganization, consolidation, business combination or similar transaction involving such Carrier.

11. Governing Law. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of New York.

12. Taxes. Each Carrier shall be responsible for paying any and all taxes assessed on its income or revenue derived pursuant to this Agreement and shall hold harmless and indemnify the other Carrier from all and all claims based on such assessments.

13. Entire Agreement, Waivers and Amendments. This Agreement, together with the Services Agreement and the Amended and Restated Frequent Flyer Program Participation Agreement to the extent such agreements concern the matters covered in this Agreement, constitutes the entire understanding of the carriers with respect to the subject matter hereof superseding all prior discussions and agreements, written and oral. This Agreement may not be amended, nor may any of its provision be waived, except by writing signed by both carriers. No delay on the part of either shall any waiver operate as a continuing waiver of any right, power of privilege.

14. Notices. All notices given hereunder shall be in writing delivered by hand, certified mail, telex, or telecopy to the carriers at the following addresses:

If to Continental:

Continental Airlines, Inc.
1600 Smith Street
Houston, Texas 77002
Attention: Senior Vice President- Asia/Pacific and Corporate Development
Telecopier No.: (713) 324-3099

With copy to:

Continental Airlines, Inc.
1600 Smith Street
Houston, Texas 77002
Attention: Senior Vice President
And General Counsel
Telecopier No.: (713) 324-5161

If COPA:

Compania Panamena de Aviacion, S.A.
Ave. Justo Arosemena y Calle 39
Apdo. 1572
Panama 1, Panama
Attention: Pedro Heilbron
Facsimile No.: 507-227-1952

With copy to:

Galindo, Arias y Lopez
Edif. Omanco
Apartado 8629
Panama 5, Panama

15. Successors and Assigns. Neither carrier may assign its rights or delegate its duties under this Agreement and any such purported assignment or delegation shall be void. This Agreement shall be binding on the lawful successors of each carrier.

16. Severability. Any provision of this Agreement 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 prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

17. Headings. The headings in this Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

18. Counterparts. This Agreement may be executed in counterparts, all of which taken together shall constitute one agreement.

19. Equal Opportunity. To the extent applicable, EEO clauses contained at 41 C.F.R. Sections 60-1.4, 60-250.4 and 60-741.4 are hereby incorporated by reference. Each Carrier shall comply with all equal opportunity laws and regulations that apply to or must be satisfied by that Carrier as a result of this Agreement.

20. Nondiscrimination on the Basis of Disability. COPA shall make all reasonable efforts not to discriminate against Continental's customers on the basis of disability in activities performed on behalf of Continental in connection with Shared Code Segments, consistent with 14 CFR Part 382, Nondiscrimination on the Basis of Disability in Air Travel. In connection therewith, COPA shall make all reasonable efforts to comply with directives issued by Continental's complaints resolution officials (CROs).

21. Privacy Obligations. If a Carrier ("Accessing Party") processes and/or has access to personally identifiable information obtained by the other Carrier ("Collecting Party") from the data subject ("Personal Data") that is provided to it by the Collecting Party, it agrees that the Collecting Party owns all such Personal Data provided to it pursuant to this Agreement. The Accessing Party will at all times comply with all applicable laws and regulations, including but not limited to data privacy laws, in its use of Personal Data provided by the Collecting Party that will be processed under this Agreement that relates to, or is about, an identified or identifiable person. Without limiting the foregoing, the Accessing Party represents and warrants that it has appropriate security measures in place to protect any Personal Data provided by the Collecting Party pursuant to this Agreement. The Accessing Party will indemnify, defend and protect the Collecting Party from any claims arising out of the Accessing Party's failure to comply with the foregoing.

IN WITNESS WHEREOF, the parties hereto, being duly authorized, have caused this Agreement to be executed as of the date written below.

CONTINENTAL AIRLINES, INC.

By: _____

Name: _____

Title: _____

COMPANIA PANAMENA DE AVIACION, S.A.

By: _____

Name: _____

Title: _____

Schedule B.1(a)

SHARED CODE SEGMENTS

Shared Code Segments shall be operated on the following routes:

Subject to the terms and conditions of the Agreement, Shared Code Segments will be operated on the following routes:

CO* Flights

Flights operated by COPA between the Republic of Panama or the Republic of Colombia and cities located in the United States (except New York/Newark, Houston or Cleveland) and, to the extent legally permissible, (i) between cities within the Republic of Panama or the Republic of Colombia and (ii) between the Republic of Panama or the Republic of Colombia and cities located beyond the Republic of Panama or the Republic of Colombia will operate as CO* Flights.

CM*/P5* Flights

Flights operated by Continental between the United States and cities located in the Republic of Panama or the Republic of Colombia, between the Republic of Panama and the Republic of Colombia and, to the extent mutually agreed and legally permissible, (i) between cities within the United States and (ii) between the United States and cities located beyond the United States will operate as CM* or P5* Flights.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated August 30, 2005, except for the effects of the reorganization discussed in Note 5 to the consolidated financial statements, as to which the date is November 25, 2005, in the Registration Statement (Form F-1) and related Prospectus of Copa Holdings, S.A. for the registration of shares of its Class A common stock.

/s/ Ernst & Young

Panama City, Republic of Panama
November 25, 2005