

DUANE MORRIS LLP
William C. Heuer, Esq.
William H. Schrag, Esq.
1540 Broadway
New York, New York 10036-4085
Telephone: (212) 692-1000
Facsimile: (212) 692-1020
wheuer@duanemorris.com
wschrag@duanemorris.com

Attorneys for the Foreign Representative

MORGAN, LEWIS & BOCKIUS LLP
Richard S. Toder
101 Park Avenue
New York, New York 10178-0600
Telephone: (212) 309-6000
Facsimile: (212) 309-6001
rtoder@morganlewis.com

Attorneys for JPMorgan Chase Bank, N.A.

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Chapter 15
)	
COMPANIA MEXICANA DE AVIACION, S.A. de)	Case No. 10-14182 (MG)
C.V.,)	
Debtor in a Foreign Proceeding.)	
)	
)	

**STIPULATION AND ORDER BETWEEN JPMORGAN CHASE BANK, N.A. AND THE
DEBTOR IN A FOREIGN PROCEEDING MODIFYING THE AUTOMATIC STAY TO
PERMIT THE APPLICATION OF CERTAIN CASH COLLATERAL**

Maru E. Johansen, in her capacity as the foreign representative (the “Foreign Representative”) of the above-captioned Debtor in a Foreign Proceeding (“Mexicana”), and JPMorgan Chase Bank, N.A. (“JPMC”), each through its undersigned counsel, hereby stipulate and agree as follows:

RECITALS

A. To effectuate a restructuring of its business and financial affairs, on August 2, 2010, Mexicana voluntarily filed a petition for commencement of a corporate reorganization proceeding under Mexico's Ley de Concursos Mercantiles (the "Concurso Proceeding") before the District Court for Civil matters for The Federal District, Mexico. In connection with the commencement of the Concurso Proceeding, Mexicana's Board of Directors appointed the Foreign Representative and specifically authorized the Foreign Representative to seek relief in this Court under Chapter 15 of Title 11 of the United States Code (the "Bankruptcy Code").

B. On the same date, the Foreign Representative filed a Verified Petition for Recognition of Foreign Main Proceeding and Request for Chapter 15 Relief with this Court on behalf of Mexicana (the "Petition"), pursuant to Sections 1515, 1517 and 1520 of Title 11 of the Bankruptcy Code. On the same date, by separate motion, Mexicana requested that this Court enter a temporary restraining order and preliminary injunctive relief in this proceeding (the "Proceeding"), pending the hearing on recognition sought in the Petition.

C. On August 18, 2010, this Court entered an order granting the request for preliminary injunction (the "Injunctive Order"), which Injunctive Order, by its terms, remains in effect pending this Court's determination with respect to the relief sought in the Petition. As of the date hereof, the Petition is still pending before this Court.

D. The Injunctive Order granted to Mexicana and its assets in the United States, among other things, the protections afforded under Section 362 of the Bankruptcy Code. Accordingly, the automatic stay is applicable in this Proceeding.

E. JPMC is the issuer of (i) Irrevocable Letter of Credit Number TPTS-644607 and (ii) Irrevocable Letter of Credit Number TPTS-644609 (each, a "Drawn Letter of Credit" and together, the "Drawn Letters of Credit"), which secure certain obligations of Mexicana owing to Wells Fargo

Bank Northwest, N.A. (“Wells Fargo”), the beneficiary under the Drawn Letters of Credit, pursuant to certain aircraft operating leases (the “Aircraft Leases”).¹ Pursuant to the Drawn Letters of Credit, upon the presentment of compliant documentation from Wells Fargo, JPMC is obligated to pay to Wells Fargo up to \$460,000, under each Letter of Credit.

F. On August 31, 2010, Wells Fargo delivered to JPMC sight drafts and drawing certificates with respect to each Drawn Letter of Credit, each asserting the occurrence of an Event of Default under the applicable Aircraft Lease, and requesting to draw funds of \$460,000, under each Drawn Letter of Credit. After JPMC determined that each drawing was compliant with the applicable Drawn Letter of Credit, JPMC made such payments, totaling \$920,000, to Wells Fargo on September 3, 2010.

G. In addition to the Drawn Letters of Credit, Mexicana’s reimbursement obligations to JPMC cover an as yet undrawn letter of credit (Credit Number TFTS - 819423), in the principal amount of up to \$1.6 million in favor of MK Aviation, S.A., as beneficiary (the “Undrawn Letter of Credit” and, together with the Drawn Letters of Credit, the “Letters of Credit”). Repayment of JPMC under the Letters of Credit is due on demand, if payment is made under a compliant sight draft, which demand has been duly made by JPMC of Mexicana with respect to the Drawn Letters of Credit. Mexicana’s reimbursement obligations to JPMC under the Letters of Credit also include interest, fees, costs and expenses, including reasonable attorney’s fees incurred in connection with the Letters of Credit and other letters of credit. Letter of Credit fees currently outstanding total \$24,869.92 plus accrued interest through September 19, 2010 on the Drawn Letters of Credit in the amount of \$2,718.22 plus per diem interest of \$159.90 (subject to any changes in the Prime Rate)

¹ Specifically, Letter of Credit TPTS-644607 secures Mexicana’s obligations to Wells Fargo under Aircraft Operating Lease Agreement covering one A319-100 Aircraft Serial No. 1618, and Letter of Credit TPTS-644609 secures Mexicana’s obligations to Wells Fargo under Aircraft Operating Lease Agreement covering one A319-100 Aircraft Serial No. 1634.

plus legal fees from inception through September 19, 2010, in the amount of \$11,095 (together with any reasonable legal fees incurred subsequent to such date). All of these reimbursement obligations are secured by cash collateral held by JPMC in the amount of \$2.76 million (the “Cash Collateral”), which security interests were granted by Mexicana to JPMC, pursuant to certain Assignments of Deposit(s) and the letter of credit applications executed by Mexicana.

H. The parties hereto agree that the automatic stay in this Proceeding should be modified to permit JPMC to apply such portion of the Cash Collateral as is required to reimburse JPMC for (i) the amounts drawn under the Drawn Letters of Credit and (ii) any and all interest, fees, costs and expenses, including reasonable attorney’s fees, incurred in connection with the Letters of Credit and other letters of credit. The parties also agree that JPMC should be permitted to continue to hold the remaining portion of the Cash Collateral to secure Mexicana’s reimbursement obligations under the Undrawn Letter of Credit.²

STIPULATION AND ORDER

1. Upon this Stipulation being “So Ordered” by this Court, the automatic stay in this Proceeding is modified so as to permit the JPMC to apply such portion of the Cash Collateral, as is required to reimburse JPMC for (i) the amounts drawn under the Drawn Letters of Credit, which, for the avoidance of doubt, total \$920,000, plus (ii) interest, fees, costs and expenses, including reasonable attorney’s fees, permitted under the Letters of Credit and other letters of credit.

2. The parties further agree that, following the application of the Cash Collateral as contemplated in paragraph 1 of this Stipulation, JPMC shall continue to hold the remaining portion of the Cash Collateral to secure Mexicana’s reimbursement obligations under the Undrawn Letter of

² In the event that the Undrawn Letter of Credit is drawn, JPMC will seek Mexicana’s consent or apply to the Court for further relief from the automatic stay before applying Cash Collateral to the reimbursement obligations of Mexicana, and to the extent that JPMC is reimbursed in full from the Cash Collateral, JPMC shall turn over any excess Cash Collateral to Mexicana within three (3) business days thereafter.

Credit; provided that nothing herein shall be construed as a waiver of any rights or obligations of JMPC or Mexicana under the Undrawn Letter of Credit, and each party expressly reserves its rights with respect thereto.

3. The parties hereto agree that the agreements set forth in this Stipulation shall not be modified or amended without the prior written consent of both parties hereto. Any modifications or amendments to this Stipulation, in whole or in part, shall be subject to further approval of this Court. No statement made or action taken in the negotiation of this Stipulation may be used by any party for any purpose whatsoever.

4. The 14-day stay period under Rule 4001(a)(3) of the Federal Rules of Bankruptcy Procedure is hereby waived and this Stipulation shall be effective immediately upon its being So Ordered by this Court.

5. This Stipulation: (a) is the entire agreement between the parties in respect of the subject matter hereof; and (b) may be signed in counterpart originals or by facsimile or electronic signature, which together shall constitute one and the same instrument.

6. This Court shall retain jurisdiction to hear and determine all matters arising from the implementation, interpretation or enforcement of this Stipulation.

WHEREFORE, the parties to this Stipulation respectfully request that this Court enter an order authorizing the relief set forth herein.

Dated: New York, New York
September 27, 2010

Respectfully submitted,

DUANE MORRIS LLP

MORGAN, LEWIS & BOCKIUS LLP

Attorneys for the Foreign Representative

Attorneys for JPMorgan Chase, N.A.

By: s/William H. Schrag
William C. Heuer, Esq.
William H. Schrag, Esq.
1540 Broadway
New York, NY 10036-4085
Telephone: (212) 692-1000
Facsimile: (212) 692-1020

By: s/Richard S. Toder
Richard S. Toder
101 Park Avenue
New York, NY 10178-0600
Telephone: (212) 309-6000
Facsimile: (212) 309-6001

It is So Ordered.

Dated: October ____, 2010
New York, New York

UNITED STATES BANKRUPTCY JUDGE