

PLAN EXHIBIT D

NEW INVESTOR EXIT FACILITY SECURITY AGREEMENT

Exhibit D

**THIS PLAN EXHIBIT REMAINS SUBJECT TO FURTHER NEGOTIATION (INCLUDING,
WITHOUT LIMITATION, WITH RESPECT TO THE BRACKETED TEXT).**

**Sidley Draft
1/17/06**

MORTGAGE AND SECURITY AGREEMENT

Dated as of [•], 2006

made by

**THE GRANTORS REFERRED TO HEREIN,
as Grantors**

in favor of

**[•],
as Collateral Agent**

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MORTGAGE AND SECURITY AGREEMENT

MORTGAGE AND SECURITY AGREEMENT (as amended, modified, restated or otherwise supplemented from time to time in accordance with the terms hereof, this “Security Agreement”) dated as of [•], 2006 is made by **ATA AIRLINES, INC.**, an Indiana corporation (the “Borrower”), [NEW ATA HOLDING COMPANY], a [•] corporation (the “Parent”), the subsidiaries of the Parent listed on the signature pages hereof, as grantors (together with the Borrower and the Parent, the “Grantors”) in favor of [•], [a national banking association organized and existing under the laws of the United States of America], acting solely in its capacity as collateral agent for the Lenders and the Participants (as such terms are defined in the Loan Agreement (as defined below)) (the “Collateral Agent”).

W I T N E S S E T H:

WHEREAS, the Borrower, the Parent, the subsidiaries of the Parent party thereto and the several lenders and agents from time to time party thereto entered into that certain Amended and Restated Loan Agreement dated as of the date hereof (the “First Lien Loan Agreement”) pursuant to which the parties thereto agreed to amend and restate that certain Loan Agreement dated as of November 20, 2002 (as amended, modified, restated or otherwise supplemented through the date hereof, the “Original ATSB Loan Agreement”);

WHEREAS, to induce the Lenders (as defined in the First Lien Loan Agreement) to enter into the First Lien Loan Agreement, the Grantors and Citibank, N.A. (the “First Lien Collateral Agent”) have agreed to enter into that certain Amended and Restated Mortgage and Security Agreement dated as of the date hereof (the “First Lien Security Agreement”), pursuant to which the parties thereto agreed to amend and restate that certain Mortgage and Security Agreement, dated as of November 20, 2002 (as amended, supplemented, restated or otherwise modified through the date hereof, the “Original ATSB Security Agreement”);

WHEREAS, the Borrower, the Parent, the subsidiaries of the Parent party thereto and the lenders and agents from time to time party thereto entered into that certain [Loan Agreement] dated as of the date hereof (as amended, modified, restated or otherwise supplemented through the date hereof, the “Loan Agreement”) pursuant to which the lenders thereunder made a single term loan to the Borrower in the original principal amount of \$20,000,000;

WHEREAS, pursuant to the First Lien Security Agreement, the Grantors granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed unto the First Lien Collateral Agent a first priority security interest in and first priority mortgage Lien on the Collateral, subject to certain permitted Liens (the “First Lien”);

WHEREAS, the Borrower, the Grantors, the First Lien Collateral Agent and the Collateral Agent entered into that certain Intercreditor Agreement dated as of the date hereof (as amended, modified, restated or otherwise supplemented through the date hereof, the “Intercreditor Agreement”); and

WHEREAS, to induce the Lenders to enter into the Loan Agreement, the Grantors and the Collateral Agent have agreed to enter into this Security Agreement.

GRANTING CLAUSE

NOW, THEREFORE, THIS MORTGAGE AND SECURITY AGREEMENT WITNESSETH, that, to secure the prompt payment of the principal of, interest on, and all other amounts due with respect to, the Loan and to secure the performance and observance by each of the Grantors of all the agreements, covenants and provisions contained herein, in the Loan Agreement and in the other Loan Documents, and the prompt payment of any and all amounts from time to time owing hereunder, under the Loan Agreement and the other Loan Documents, and for the uses and purposes and subject to the terms and provisions hereof, and in consideration of the premises and of the covenants herein contained, and of other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, each Grantor has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm unto the Collateral Agent, its successors and assigns, for the ratable security and benefit of the Lenders and the Participants, a security interest in and mortgage Lien on all estate, right, title and interest of such Grantor in, to and under all of such Grantor's personal property, including, without limitation, the following described personal property, rights, interests and privileges, whether now owned or hereafter acquired by such Grantor, and wherever located (which collectively, including all property hereafter specifically subjected to the Lien of the Security Documents by any instrument supplemental hereto, but excluding all property, rights, interests and privileges which are Excluded Assets, are herein called the "Collateral"):

(1) each Aircraft (including, without limitation, each Airframe, each Engine (each such Engine having 750 or more rated take-off horsepower or the equivalent thereof) and each Propeller (each such Propeller capable of absorbing 750 or more related takeoff shaft horse power or the equivalent thereof)) as the same is now and will hereafter be constituted, whether now owned or hereafter acquired, and in the case of such Engines or Propellers, whether or not any such Engine or Propeller shall be installed in or attached to any Airframe or any other airframe and all substitutions or replacements therefor, as provided in this Security Agreement, together with all Parts of whatever nature which are from time to time included in the "Airframe", the "Engines" or the "Propellers", whether now owned or hereafter acquired, and all renewals, substitutions, replacements, additions, improvements, accessories and accumulations with respect to any of the foregoing;

(2) each Spare Engine (each such Spare Engine having 750 or more rated take-off horsepower or the equivalent thereof) as the same is now and will hereafter be constituted, whether now owned or hereafter acquired, and whether or not any such Spare Engine shall be installed in or attached to any Airframe or any other airframe and all substitutions or replacements therefor, as provided in this Security Agreement, together with all Parts of whatever nature which are from time to time included in the "Spare Engines", whether now owned or hereafter acquired, and all renewals, substitutions, replacements, additions, improvements, accessories and accumulations with respect to any of the foregoing;

(3) all Spare Parts whether now owned or hereafter acquired by such Grantor; including but not limited to Spare Parts located at the Designated Locations, provided that the following shall be excluded from the Lien under this Security Agreement: (a) any Spare Part so long as it is incorporated in, installed on or attached or appurtenant to an aircraft or engine and (b) any Spare Part leased to, loaned to or held on consignment by, such Grantor (such Spare Parts and any replacements, substitutions or renewals therefor and accessions thereto, giving effect to such exclusion, the "Pledged Spare Parts");

(4) without limiting the generality of the foregoing, all requisition proceeds (including, without limitation, all payments and proceeds or other revenues or income under the Civil

Reserve Air Fleet Program) with respect to any of the Collateral, all insurance proceeds with respect to any of the Collateral and all proceeds from the sale or disposition of any of the Collateral;

(5) the Purchase Agreements, the Warranty Bills of Sale and the FAA Bills of Sale;

(6) the rights of such Grantor under any warranty, indemnity or agreement, express or implied, regarding title, materials, workmanship, design or patent infringement or related matters in respect of any Collateral;

(7) all records, logs, manuals and all other documents and materials similar thereto (including, without limitation, any such records, logs, manuals, documents and materials that are in electronic format or are computer print-outs) at any time maintained, created or used by such Grantor (including, without limitation, all repair, maintenance and inventory records, logs, documents and other materials required at any time to be maintained by such Grantor pursuant to FAA regulations or under the Federal Aviation Act), in each case with respect to any of the Collateral ("Records");

(8) all Account Collateral;

(9) all Pledged Equipment;

(10) all Pledged Inventory;

(11) all Pledged Receivables and Related Contracts;

(12) all Security Collateral;

(13) all Intellectual Property Collateral;

(14) all Goods and all other General Intangibles;

(15) all other personal property of every kind and nature of such Grantor;

(16) all moneys and securities now or hereafter paid or deposited or required to be paid or deposited to or with the Collateral Agent by or for the account of such Grantor pursuant to any term hereof or of any other Loan Document and held or required to be held by the Collateral Agent hereunder or thereunder;

(17) all right, title, interest, claims and demands of such Grantor, in, to and under any lease of any Aircraft, Spare Engines or other Collateral; and

(18) all substitutions, replacements, Accessions, and Proceeds of any of the foregoing.

Anything herein to the contrary notwithstanding, in no event shall the security interest granted under this Agreement attach to, and the term "Collateral" shall not include, any Excluded Assets.

HABENDUM CLAUSE

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Collateral Agent, its successors and assigns, and for the uses and purposes and subject to the terms and provisions set forth in this Security Agreement.

(1) It is expressly agreed that anything herein contained to the contrary notwithstanding, each Grantor shall remain liable under each of the Loan Documents to which such Grantor is a party to perform all of the obligations assumed by such Grantor thereunder, all in accordance with and pursuant to the terms and provisions thereof, and the Collateral Agent shall have no obligation or liability under any of the Loan Documents by reason of or arising out of the collateral assignment hereunder, nor shall the Collateral Agent be required or obligated in any manner to perform or fulfill any obligations of such Grantor under any of the Loan Documents to which such Grantor is a party, or, except as herein expressly provided, to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim, or take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(2) Each Grantor does hereby irrevocably appoint the Collateral Agent as its true and lawful attorney, with full authority from time to time in the Collateral Agent's discretion to take any action and to execute any instrument that the Collateral Agent may deem necessary or advisable to accomplish the purposes of this Security Agreement, for good and valuable consideration and coupled with an interest and with full power of substitution (in its name or otherwise) subject to the terms and conditions of this Security Agreement, including, without limitation: (i) to obtain and adjust insurance required to be paid to the Collateral Agent pursuant to any Loan Documents, (ii) to ask, require, demand, collect, receive, sue for, recover, compromise, compound and receive and give acquittance for any and all moneys and claims for moneys due and to become due to it under or arising out of the Loan Documents, (iii) to endorse any checks or other instruments, documents, chattel paper or orders in connection with the preceding clauses (i) and (ii), and (iv) to file any claims or take any action or institute any proceedings which the Collateral Agent may deem to be necessary or advisable (A) for collection of any of the Collateral or otherwise to enforce the rights of the Collateral Agent with respect to any of the Collateral or (B) in the premises as fully as such Grantor itself could do; provided, that the Collateral Agent shall not exercise any of such rights or take any of such actions except upon the occurrence and during the continuance of an Event of Default.

(3) If any Grantor fails to perform any agreement contained herein resulting in the occurrence of a Default or an Event of Default, during the continuance thereof, the Collateral Agent may, as the Collateral Agent deems necessary to protect the security interest granted hereunder in the Collateral or to protect the value thereof, but without any obligation to do so, itself perform, or cause performance of, such agreement, and the reasonable expenses of the Collateral Agent, including, without limitation, the reasonable fees and expenses of its counsel, incurred in connection therewith shall be payable by such Grantor and shall be considered obligations secured by the security interest granted hereunder.

(4) Each Grantor hereby authorizes the Collateral Agent to file one or more financing or continuation statements, including, without limitation, a UCC-1 financing statement, and any amendments thereto and continuations thereof, each of which may indicate that such financing statements cover all assets or all personal property (or words of similar effect) of such Grantor, other than Excluded Assets, and regardless of whether any particular asset described in such financing statements falls within the scope of the UCC or the Granting Clause of this Security Agreement. A photocopy or other reproduction of this Security Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by applicable law. Each Grantor ratifies its authorization for the Collateral Agent to have filed such financing statements, continuation statements or amendments prior to the date hereof. Each Grantor will furnish to the Collateral Agent from time to time statements and schedules further identifying and describing the Collateral of such Grantor as the Collateral Agent may reasonably request, all in reasonable detail.

(5) Each Grantor agrees that at any time and from time to time, at its sole cost and expense, upon the written request of the Collateral Agent, it will promptly and duly execute, deliver, file and record (as applicable) any and all such further agreements, certificates, instruments and documents as may be necessary or desirable or which the Collateral Agent may reasonably request in order to create, preserve, perfect (or better perfect), confirm or validate the security interests in the Collateral or to enable the Collateral Agent to obtain the full benefits of this Security Agreement and the other Security Documents or to enable the Collateral Agent lawfully to enforce any of its rights, powers, and remedies hereunder or thereunder with respect to any of the Collateral, it being acknowledged and agreed that the Collateral Agent is expressly authorized to unilaterally exercise or cause to be exercised any and all rights of a secured party hereunder or under applicable law. Without limiting the generality of the foregoing, each Grantor will, with respect to the Collateral of such Grantor: (i) at the written request of the Collateral Agent during the continuance of a Specified Default or Event of Default, mark conspicuously each document included in Pledged Inventory, each Chattel Paper included in Pledged Receivables, each Related Contract, and each of its records pertaining to such Collateral with a legend, in form and substance reasonably satisfactory to the Collateral Agent, indicating that such document, Chattel Paper, Related Contract, or Collateral is subject to the security interest granted hereby; (ii) execute or authenticate (to the extent required) and file, or authorize the filing of (to the extent authorization is required) such financing or continuation statements, or amendments thereto, and such other instruments or notices, as the Collateral Agent may reasonably request, in order to perfect and preserve the security interest granted or purported to be granted by such Grantor hereunder; (iii) take all action reasonably necessary to ensure that the Collateral Agent has control of Collateral consisting of Deposit Accounts, Securities Accounts, Commodity Accounts, Investment Property, and at the written request of the Collateral Agent during the continuance of a Specified Default or Event of Default, Electronic Chattel Paper and Letter-of-Credit Rights, as provided in Sections 9-104, 9-105, 9-106 and 9-107 of the UCC; (iv) take all action reasonably necessary to ensure that the Collateral Agent's security interest is noted on any Certificate of Title related to any Collateral evidenced by a Certificate of Title; (v) at the written request of the Collateral Agent, cause the Collateral Agent to be the beneficiary under all letters of credit that constitute Collateral, with the exclusive right to make all draws under such letters of credit, and with all rights of a transferee under Section 5-114(e) of the UCC; and (vi) deliver to the Collateral Agent evidence that all other action of such Grantor that the Collateral Agent may deem reasonably necessary in order to perfect and protect the security interest created by such Grantor in the Collateral under this Security Agreement has been taken.

(6) Notwithstanding any contrary provision in this Security Agreement or the other Security Documents, no Grantor shall be obligated to perfect the security interest of the Collateral Agent in motor vehicles for which a Grantor has a Certificate of Title and which are a part of the Pledged Equipment ("Vehicle Collateral"), except as follows: such Grantor will cause the Lien of the Collateral Agent to be perfected on any Vehicle Collateral acquired: (a) after the date of this Security Agreement at a cost in excess of \$50,000; or (b) at any time while the aggregate book value of all of Vehicle Collateral on which the Collateral Agent does not have a perfected Lien, net of depreciation and as determined in accordance with GAAP, exceeds [\$150,000] or while an Event of Default or Specified Default exists. In addition, each Grantor, at the request of the Collateral Agent made at any time after the occurrence of and during the continuance of any Event of Default or Specified Default, shall cause the Lien of the Collateral Agent to be perfected on all Vehicle Collateral.

(7) Each Grantor does hereby warrant and represent that, except for the First Lien, it has not assigned or pledged, and hereby covenants that it will not (i) assign or pledge to any Person in each case other than the First Lien Collateral Agent or the Collateral Agent, so long as the Lien of the Security Documents has not been discharged in accordance with the terms hereof, any of its rights, titles or interests hereby assigned (including, with respect to the Pledged Receivables, any rights of such Grantor under any supporting obligation, instrument or other document evidencing or supporting its right

to payment in respect of the Pledged Receivables) and (ii) subject to the provisions of the Loan Agreement, except as provided hereunder or except in a manner that does not adversely affect the Collateral Agent, the Participants or the Lenders, (A) enter into any agreement amending or supplementing any Security Document or, except in the ordinary course of business of such Grantor, any other material agreement assigned or pledged hereunder, (B) execute any waiver or modification of, or consent under, the terms of, or during the continuance of an Event of Default, exercise any rights, powers or privileges under, any Security Document, or (C) during the continuance of an Event of Default, settle or compromise any claim arising under any Security Document, submit or consent to the submission of any dispute, difference or other matter arising under or in respect of any Security Document, or to arbitration thereunder.

(8) It is hereby further agreed that any and all property of the type described or referred to in the Granting Clause hereof which is hereafter acquired by a Grantor (other than Excluded Assets) shall *ipso facto*, and without any other conveyance, assignment or act on the part of such Grantor or the Collateral Agent, become and be subject to the Lien herein granted as fully and completely as though specifically described herein. The Collateral Agent shall take, and such Grantor shall authorize the Collateral Agent to take (to the extent such authorization is necessary or required), at such Grantor's sole cost and expense such action (including, without limitation, filing UCC financing statements and the provision of requisite notices of assignment pursuant to applicable law and the terms and conditions of any military charter contracts renewed or entered into after the Effective Date) that may be deemed necessary or desirable in order to perfect and protect the security interest to be created in such after-acquired property and such Grantor shall otherwise comply with the terms of Section 5.13(b) of the Loan Agreement with respect to such additional property.

(9) Anything herein to the contrary notwithstanding, (i) each Grantor shall remain liable under the contracts and agreements included in such Grantor's Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Security Agreement had not been executed, (ii) the exercise by the Collateral Agent of any of its rights hereunder shall not release any Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (iii) no Lender shall have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement or any other Loan Document, nor shall any Lender be obligated to perform any of the obligations or duties of any Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

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

ARTICLE 1.

DEFINITIONS

Section 1.1. Definitions.

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

(i) each of the "Grantors", "Collateral Agent", or any other Person includes, without prejudice to the provisions of any Loan Documents, any successor in interest to it and any permitted transferee, permitted purchaser or permitted assignee of it;

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

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

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

(v) all references in this Security Agreement to Articles, Sections, Schedules and Exhibits refer to Articles, Sections, Schedules and Exhibits of this Security Agreement;

(vi) all references in this Security Agreement to Schedules and Exhibits refer to such Schedules and Exhibits as such Schedules and Exhibits may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof; and

(vii) all references to “Lien of the Security Documents” or “Lien created under the Security Agreement” and phrases of similar import refer to the security interest in the Collateral granted under the Security Documents.

(b) The terms “aircraft”, “aircraft engine”, “appliance”, “cargo” and “propeller” shall have the respective meanings ascribed thereto in Section 40102 of Chapter 401 of Title 49 of the United States Code and the term “engine” shall include an “aircraft engine” as defined therein.

(c) The term “UCC” means the Uniform Commercial Code as in effect on the date hereof in the State of New York; provided, however, that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, then for purposes of the provisions hereof relating to such perfection or the effect of perfection or non-perfection of any security interest the term “UCC” shall mean the Uniform Commercial Code as in effect in such other jurisdiction. References herein to Article 9 of the UCC shall include such Article however numbered in any relevant jurisdiction.

(d) Unless the context otherwise requires, the terms “Accessions”, “Account”, “Certificate of Title”, “Chattel Paper”, “Commodity Account”, “Commodity Contract”, “Deposit Account”, “Electronic Chattel Paper”, “Equipment”, “Fixtures”, “General Intangibles”, “Goods”, “Health-Care Insurance Receivables”, “Instruments”, “Inventory”, “Investment Property”, “Letter-of-Credit Right”, “Payment Intangibles”, “Promissory Note”, “Registered Organization”, “Secured Party”, “Securities Account”, “Security Entitlement”, “Securities Intermediary”, “Software” and “Tangible Chattel Paper” shall have the respective meanings ascribed thereto in Article 9 of the UCC.

(e) Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Loan Agreement.

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

“Acceptable Alternate Engine” means (i) in case an Engine being replaced was originally installed or attached to an Airframe, an engine of the same make and same or improved model as the engine it replaces suitable for installation and use on the relevant Airframe or (ii) in case an Engine being

replaced was not originally installed on or attached to an Airframe, an engine of the same make and same or improved model as such engine, and, in each case under (i) or (ii), which has a value and utility at least equal to the Engine which it is replacing, assuming such Engine was in the condition required by the terms of this Agreement.

“Acceptable Alternate Propeller” means (i) in case a Propeller being replaced was originally installed or attached to an Airframe, a propeller of the make and same or improved model as the propeller it replaces suitable for installation and use on the relevant Airframe or (ii) in case a Propeller being replaced was not originally installed on or attached to an Airframe, a propeller of the same make and same or improved model as such propeller, and, in each case under (i) or (ii), which has a value and utility at least equal to the Propeller which it is replacing, assuming such Propeller was in the condition required by the terms of this Agreement.

“Account Collateral” means the following property of each Grantor:

(i) all Deposit Accounts, Securities Accounts and Commodity Accounts and all funds and financial assets from time to time credited thereto (including, without limitation, all cash equivalents), all interest, dividends, distributions, cash, Instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such funds and financial assets, and all certificates and Instruments, if any, from time to time representing or evidencing such Deposit Accounts, Securities Accounts and Commodity Accounts;

(ii) all certificates of deposit and other Instruments from time to time delivered to or otherwise possessed by the Collateral Agent for or on behalf of such Grantor, including, without limitation, those delivered or possessed in substitution for or in addition to any or all of the then existing Account Collateral; and

(iii) all interest, distributions, cash, Instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the then existing Account Collateral.

“Account Debtor” means a Person obligated to pay a Grantor in respect of a Pledged Receivable.

“Additional Insured” means each Lender, the Collateral Agent, the Agent, the Loan Administrator, each Participant, any Grantor in its capacity as lessor under any Permitted Lease, and each of their respective Affiliates, successors and permitted assigns, and the respective directors, officers and employees of each of the foregoing.

“Additional Parts” has the meaning assigned thereto in [Section 3.2\(c\)](#) hereof.

“Agent” has the meaning assigned thereto in the recitals hereof.

“Aircraft” means each Airframe together with the Engines and Propellers relating to such Airframe as specified on [Schedule 1.1\(a\)](#) hereto, and all Records relating to such Aircraft.

“Airframe” means: (i) each of the aircraft (excluding Engines or Propellers, or engines or propellers either initially or from time to time installed thereon) specified by United States Registration Number and Manufacturer’s serial number on [Schedule 1.1\(b\)](#) hereto and on any Security Agreement Supplement (Aircraft) executed and delivered from time to time hereunder; (ii) any Replacement Airframe which may from time to time be substituted pursuant to clause (B)(2) of [Section 4.1\(a\)\(i\)](#) hereof

and (iii) in either case any and all Parts which are from time to time incorporated or installed in or attached thereto or which have been removed therefrom, unless the Lien of the Security Documents shall not be applicable to such Part in accordance with [Section 3.2](#).

“Appliances” means an instrument, equipment, apparatus, a part, an appurtenance, or an accessory used, capable of being used, or intended to be used in operating or controlling aircraft in flight, including a parachute, communication equipment, and any other mechanism installed in or attached to aircraft during flight, and not part of an aircraft, engine, or Propeller.

“Bankruptcy Default” means any event or condition which is, or upon notice, lapse of time or both would, unless cured or waived, become, an Event of Default under clauses (f) or (g) of Section 7.1 of the Loan Agreement.

“Borrower” has the meaning assigned thereto in the preamble to this Agreement.

“Certificated Air Carrier” means a Person holding an air carrier operating certificate issued by the Secretary of Transportation of the United States pursuant to Chapter 447 of Title 49 of the United States Code or any analogous successor provision of the United States Code, for aircraft capable of carrying ten or more individuals or 6,000 pounds or more of cargo.

“CFC” means a “controlled foreign corporation” under Section 957 of the Internal Revenue Code.

“[] Paper” has the meaning assigned thereto in Section 7.13(i) hereof.

“Civil Reserve Air Fleet Program” means the Civil Reserve Air Fleet Program administered by the United States Government pursuant to Executive Order No. 11490, as amended, or any substantially similar program.

“Clearing Agency” has the meaning assigned thereto in [Section 7.13\(h\)](#) hereof.

“Collateral Agent” has the meaning assigned thereto in the preamble hereof.

“Collateral” has the meaning assigned thereto in the Granting Clause hereof.

“Computer Software” has the meaning assigned thereto in clause (iv) of the definition of Intellectual Property Collateral.

“Designated Locations” means (i) the locations in the United States designated from time to time by a Grantor at which it may keep Spare Parts [(other than Spare parts kept in the Fly Away Kits)], which initially shall be the locations set forth on part (a) of [Schedule 2.1](#), and [(ii) with respect to Spare Parts which are stored in the Fly Away Kits, (A) the aircraft identified on part (b) of [Schedule 2.1](#) on which such Fly Away Kits may be kept from time to time (it being acknowledged that no Lien is being made, granted or taken on any of such aircraft unless it is an Aircraft) and (B) the airports or other locations in the U.S. identified on part (b) of [Schedule 2.1](#) at which such aircraft are generally located while not in actual flight]; and in the case of each of (i) and (ii), the additional locations designated by a Grantor pursuant to [Section 3.3\(c\)](#) hereof.¹

¹ Do the Grantors use Fly Away Kits?

“Discharge of First Lien Obligations” has the meaning assigned thereto in the Intercreditor Agreement.

“Disposition” has the meaning assigned thereto in [Section 3.15](#) hereof.

“Eligible Investment” means (i) any bond, note or other obligation which is a direct obligation of or guaranteed by the U.S. or any agency thereof having maturities no later than 90 days following the date of such investment; (ii) any obligation which is a direct obligation of or guaranteed by any state of the U.S. or any subdivision thereof or any agency of any such state or subdivision, and which has the highest rating published by Moody’s or Standard & Poor’s; (iii) any commercial paper issued by a U.S. obligor and having the highest rating published by Moody’s or Standard & Poor’s; (iv) any money market investment instrument relying upon the credit and backing of any bank or trust company which is a member of the Federal Reserve System and which has a combined capital (including capital reserves to the extent not included in capital) and surplus and undivided profits of not less than \$250,000,000 (including the Collateral Agent and its Affiliates if such requirements as to Federal Reserve System membership and combined capital and surplus and undivided profits are satisfied), including, without limitation, certificates of deposit, time and other interest-bearing deposits, bankers’ acceptances, commercial paper, loan and mortgage participation certificates and documented discount notes accompanied by irrevocable letters of credit and money market fund investing solely in securities backed by the full faith and credit of the United States; or (v) repurchase agreements collateralized by any of the foregoing.

“Engine” means (i) each of the engines listed by Manufacturer’s serial number on [Schedule 1.1\(c\)](#) hereto and on any Security Agreement Supplement (Aircraft) or Security Agreement Supplement (Engine/Propeller) executed and delivered from time to time hereunder, and whether or not either initially or from time to time installed on any Airframe or any other airframe; (ii) any Replacement Engine which may from time to time be substituted for any of such Engines pursuant to the terms hereof; and (iii) in either case, any and all Parts which are from time to time incorporated or installed in or attached to any such engine and any and all Parts removed therefrom unless the Lien of the Security Documents shall not apply to such Parts in accordance with [Section 3.2](#), and all Records relating to such Engine.

“Equity Interests” means, with respect to any Person, all of the shares of Capital Stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of Capital Stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of Capital Stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

“Event of Loss” means, with respect to any Aircraft, Airframe, Engine, Propeller, Spare Engine, Pledged Spare Part or any other Collateral, any of the following events with respect to such property (as applicable): (i) the loss of such property or of the use thereof due to the destruction of or damage to such property which renders repair uneconomic or which renders such property permanently unfit for normal use for any reason whatsoever; (ii) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss or a constructive or compromised total loss; (iii) the theft or disappearance of such property for the lesser of (A) a period in excess of sixty (60) consecutive days, (B) the period to the date when the Net Insurance Proceeds with respect to such property are paid to the Collateral Agent, or (C) the period to the date when the Grantor

owning such property has confirmed to the Collateral Agent in writing that it cannot recover such property; (iv) the confiscation, condemnation or seizure of, or requisition of, title to, or use of, such property by any Governmental Authority or purported Governmental Authority (other than a requisition of title, or for use, by the United States Government or by any other government of registry of any Aircraft, or any agency or instrumentality of any thereof, which is governed by clause (vi) below), which shall have resulted in the loss of possession of such property by the Grantor owner thereof or any lessee permitted pursuant to **Section 3.1(b)** hereof with respect to such Aircraft or any Spare Engine, or pursuant to **Section 3.3(b)** hereof with respect to any Pledged Spare Part, for a period in excess of sixty (60) consecutive days or shall have resulted in the loss of title of such property by the Grantor owner thereof; (v) as a result of any law, rule, regulation, order or other action by the FAA or other Governmental Authority of the government of registry of any Aircraft, use of such property in the normal course of the business of air transportation shall have been prohibited for a period of sixty (60) consecutive days (a “grounding”); (vi) the requisition of title, or for use, by (x) the United States Government or (y) any other government of registry of any Aircraft or any instrumentality or agency of any thereof, which shall have occurred while the Loan remains outstanding and shall continue, (A) in the case of such a requisition of title, for a period in excess of fifteen (15) days, or (B) in the case of such a requisition for use under (x), beyond the Loan Maturity Date, or (C) in the case of such a requisition for use under (y), for a period in excess of six (6) months; and (vii) with respect to an Engine, Propeller or Spare Engine only, any requisition of title to such Engine, Propeller or such Spare Engine, as applicable, or other event which constitutes an Event of Loss pursuant to **Section 4.1(b)** or **4.1(f)** hereof. An Event of Loss with respect to an Aircraft shall be deemed to have occurred if an Event of Loss occurs with respect to the Airframe of such Aircraft.

“Excluded Assets” means:

(i) any Deposit Account or Securities Account with respect to which the Grantors are not required to enter into a Control Agreement pursuant to Section 5.15 of the Loan Agreement;

(ii) Passenger Convenience Equipment;

(iii) any Equity Interests which Grantors are not required to pledge pursuant to subsection (iii) of the definition of “Security Collateral”;

(iv) any intent-to-use Trademark applications until a verified statement of use is filed with the U.S. Patent and Trademark Office;

(v) any leases of “equipment” under and as defined in Section 1110 of the Bankruptcy Code;

(vi) any Fixtures which are leasehold improvements to the extent that pursuant to the terms of the applicable governing lease such Fixtures are owned by the lessor under such lease;

(vii) any lease, license, contract, property rights, General Intangible or agreement to which any Grantor is a party or any of the rights or interests of any Grantor thereunder to the extent and for so long as the grant of such security interest shall constitute or result in (x) the abandonment, invalidation, or unenforceability of any material right, title or interest of any Grantor therein or (y) in a breach or termination pursuant to the terms of, or a default under, any such lease, license, contract, property rights, General Intangible or agreement (other than to the extent that any such term would be rendered ineffective pursuant to Section 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) of any relevant jurisdiction or any other applicable law (including the Bankruptcy Code) or principles of equity); provided, however, that such security interest shall attach immediately at

such time as the condition causing such abandonment, invalidation or unenforceability shall be remedied and, to the extent severable, shall attach immediately to any portion of such lease, license, contract, property rights, General Intangible or agreement (including, without limitation, any deposits or payments made thereunder) that does not result in any of the consequences specified in (x) or (y) above; and

(viii) to the extent not included in the foregoing clauses (i) – (vii), Excluded Property.

“FAA” means the United States Federal Aviation Administration or any successor thereto administering the functions of the Federal Aviation Administration under the Federal Aviation Act.

“FAA Bills of Sale” means, collectively, each bill of sale on AC Form 8050-2 or such other form as in effect on the date thereof executed by the applicable Manufacturer in favor of any Grantor in respect of each Aircraft.

“Federal Aviation Act” means Subtitle VII of Title 49 of the United States Code relating to aviation, as amended from time to time, or any similar legislation of the United States enacted to supersede, amend or supplement such subtitle.

“First Lien Collateral Agent” has the meaning assigned thereto in the recitals hereof.

“First Lien” has the meaning assigned thereto in the recitals hereof.

“First Lien Loan Agreement” has the meaning assigned thereto in the recitals hereof.

“First Lien Security Agreement” has the meaning assigned thereto in the recitals hereof.

“Flight Simulators” means all of the flight simulators and flight training devices, including, without limitation, the flight simulators and flight training devices described on Schedule 2.6 hereto.

[“Fly Away Kits” means Spare Parts typically located on an aircraft comprised of critical, frequently used rotatable and non-rotatable parts for use in maintenance of aircraft.]

“Grantors” has the meaning assigned thereto in the preamble to this Agreement.

“Initial Pledged Debt” means all indebtedness for borrowed money owed to any Grantor and set forth opposite such Grantor’s name on and as otherwise described in Schedule 2.7(b).

“Initial Pledged Equity” means the Equity Interests set forth opposite each Grantor’s name on and as otherwise described in Schedule 2.7(a).

“Insurance Brokers” has the meaning assigned thereto in **Section 3.4(d)**.

“Intellectual Property Collateral” means the following property of each Grantor:

(i) all patents, patent applications, utility models and statutory invention registrations, all inventions claimed or disclosed therein and all improvements thereto;

(ii) all trademarks, service marks, domain names, trade dress, logos, designs, slogans, trade names, business names, corporate names and other source identifiers, whether registered or unregistered (provided that no security interest shall be granted in United States intent-to-use trademark

applications to the extent that, and solely during the period in which, the grant of a security interest therein would not impair the validity or enforceability of such intent-to-use trademark applications under applicable federal law), together, in each case, with the goodwill symbolized thereby (“Trademarks”);

(iii) all copyrights, whether registered or unregistered, including, without limitation, copyrights in Computer Software, internet websites and the content thereof, whether registered or unregistered;

(iv) all computer software, programs and databases (including, without limitation, source code, object code and all related applications and data files), firmware and documentation and materials relating thereto, together with any and all rights under contracts for maintenance and service, additional programming, hosting services, testing, improvements, error corrections, updates and new versions of any of the foregoing (the “Computer Software”);

(v) all confidential and proprietary information, including, without limitation, trade secrets, confidential and proprietary know-how, manufacturing and production processes and techniques, inventions, research and development information, databases and data, including, without limitation, technical data, financial, marketing and business data, pricing and cost information, business and marketing plans and customer and supplier lists and information, and all other intellectual, industrial and intangible property of any type, including, without limitation, industrial designs and mask works;

(vi) all registrations and applications for registration for any of the foregoing, including, without limitation, those registrations and applications for registration set forth on Schedule 2.8 hereto or in any IP Security Agreement, together with all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations thereof;

(vii) all rights in the foregoing provided by international treaties or conventions, all rights corresponding thereto throughout the world and all other rights of any kind whatsoever of such Grantor accruing thereunder or pertaining thereto;

(viii) all agreements, permits, consents and franchises relating to the license, development, use or disclosure of any of the foregoing to which such Grantor, now or hereafter, is a party or a beneficiary (“IP Agreements”); and

(ix) any and all claims for damages and injunctive relief for past, present and future infringement, dilution, misappropriation, violation, misuse or breach with respect to any of the foregoing, with the right, but not the obligation, to sue for and collect, or otherwise recover, such damages.

“IP Agreement” has the meaning assigned thereto in clause (viii) of the definition of Intellectual Property Collateral.

“IP Security Agreement” means an intellectual property security agreement in the form of Exhibit B.

“IP Security Agreement Supplement” means a supplement to an IP Security Agreement in the form of Exhibit C attached hereto.

“Intercreditor Agreement” has the meaning assigned thereto in the recitals hereof.

“Lenders” has the meaning assigned thereto in the recitals hereof.

“Loan Agreement” has the meaning assigned thereto in the recitals hereof.

“Manufacturer” means with respect to each Airframe, Engine, Propeller, Spare Engine and Pledged Spare Part, the manufacturer thereof, and its successors and assigns.

“Mortgage and Security Agreement” or “this Agreement” means this Security Agreement.

“Motor Vehicle” means any vehicle whose ownership is governed by a Certificate of Title statute.

“Obsolete Parts” has the meaning assigned thereto in [Section 3.2\(c\)](#).

“Original ATSB Loan Agreement” has the meaning assigned thereto in the recitals hereof.

“Original ATSB Security Agreement” has the meaning assigned thereto in the recitals hereof.

“Parent” has the meaning assigned thereto in the recitals hereof.

“Parts” means, in respect of any Airframe, any Engine, any Propeller, any Spare Engine or any Pledged Spare Part, any and all Appliances, parts, instruments, appurtenances, accessories, avionics, furnishings, seats and other equipment of whatever nature (other than (i) complete Engines, Propellers, Spare Engines, engines or propellers, (ii) any items leased by any Grantor from a third party, (iii) any Passenger Convenience Equipment and (iv) cargo containers which may from time to time be incorporated or installed in or attached to such Airframe, Engine, Propeller, Spare Engine or such Pledged Spare Part.

“Passenger Convenience Equipment” means severable components or systems installed on or affixed to any Airframe that are used to provide individual telecommunications or electronic entertainment to passengers aboard an Aircraft, to the extent and for so long as such equipment shall be owned by, or shall be subject to a security interest, license or other interest of, another Person (other than any Affiliate of any Grantor) in accordance with the provisions of [Section 3.2\(d\)](#) hereof.

“Payment Default” means any event or condition which is, or upon notice, lapse of time or both would, unless cured or waived, become, an Event of Default under Section 7.1(a) of the Loan Agreement.

“Permitted Air Carrier” means any Certificated Air Carrier or any air carrier principally domiciled in a country listed on [Schedule 3.1\(b\)](#) hereto.

“Permitted Lease” means a lease permitted under the terms of [Section 3.1\(b\)](#) hereof.

“Permitted Lessee” means the lessee under a Permitted Lease.

“Pledged Debt” has the meaning assigned thereto in clause (iv) of the definition of Security Collateral.

“Pledged Equipment” means all Equipment, in all of its forms, including, without limitation, all machinery, tools, Motor Vehicles, Flight Simulators, vessels, passenger loading bridges,

Fixtures, furniture, and all parts thereof and all accessions thereto and all Software related thereto (including, without limitation, Software that is embedded in and is part of the Equipment).

“Pledged Equity” has the meaning assigned thereto in clause (iii) of the definition of Security Collateral.

“Pledged Inventory” means all Inventory now, including, without limitation, (i) all raw materials, work in process, finished goods and materials used or consumed in the manufacture, production, preparation or shipping thereof, (ii) Goods in which any Grantor has an interest en mass or a joint or other interest or right of any kind (including, without limitation, Goods in which such Grantor has an interest or right as consignee) and (iii) Goods that are returned to or repossessed or stopped in transit by such Grantor), and all accessions thereto and products thereof and documents therefor, and all Software related thereto (including, without limitation, Software that is embedded in and is part of the Inventory).

“Pledged Receivables” means all Accounts (including, without limitation, Health-Care Insurance Receivables), Chattel Paper (including, without limitation, Tangible Chattel Paper and Electronic Chattel Paper), Instruments (including, without limitation, Promissory Notes), Letter-of-Credit Rights, General Intangibles (including, without limitation, Payment Intangibles) and other obligations of any kind, whether or not arising out of or in connection with the sale or lease of Goods or the rendering of services and whether or not earned by performance, including, without limitation, rights to payment under the Air Mobility Command Agreement, in each case which is not Security Collateral, Account Collateral or Intellectual Property Collateral.

“Pledged Spare Parts” has the meaning assigned thereto in clause (3) of the Granting Clause hereof.

“Proceeds” has the meaning assigned to such term under Article 9 of the UCC and, in any event, shall include, but not be limited to, any and all (i) proceeds of any insurance, indemnity, warranty or guarantee, by reason of loss or damage to or otherwise, payable to the Collateral Agent or to any Grantor from time to time with respect to any of the Collateral, (ii) payments (in any form whatsoever), made or due and payable to any Grantor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of Governmental Authority), (iii) Instruments delivered in respect of the Collateral, (iv) products of the Collateral, (v) any and all rights of any Grantor to receive moneys due and to become due from any Person under or pursuant to any contract or other agreement arising out of the Collateral, including, all rents, revenues, royalties, license fees, for the use, or otherwise arising out of the Collateral, (vi) all causes of action, claims (including tort and commercial tort claims) and warranties now or hereafter held by each Grantor arising out of any of the Collateral, and (vii) other amounts from time to time paid or payable on account of any of the Collateral.

“Propeller” means (i) each of the propellers listed by Manufacturer’s serial number on Schedule 1.1(d) hereto and on any Security Agreement Supplement (Aircraft) or Security Agreement Supplement (Engine/Propeller) executed and delivered from time to time hereunder, and whether or not either initially or from time to time installed on any Airframe or any other airframe; (ii) any Replacement Propeller which may from time to time be substituted for any of such Propellers pursuant to the terms hereof; and (iii) in either case, any and all Parts which are from time to time incorporated or installed in or attached to any such propeller and any and all Parts removed therefrom unless the Lien of the Security Documents shall not apply to such Parts in accordance with [Section 3.2](#).

“Purchase Agreements” means, collectively, (i) with respect to each Airframe, the agreement between any Grantor and the applicable Manufacturer relating to the purchase by such Grantor of such Airframe, as originally executed or as modified, amended or supplemented in accordance with the terms thereof, but only insofar as the foregoing relates to such Airframe and to such Manufacturer's warranty obligations with respect thereto and (ii) with respect to each Engine, Propeller or Spare Engine, the agreement between any Grantor and the applicable Manufacturer relating to the purchase by such Grantor of such Engine, Propeller or such Spare Engine, as applicable, as originally executed or as modified, amended or supplemented in accordance with the terms thereof, but only insofar as the foregoing relates to such Engine, Propeller or such Spare Engine, as applicable, and to such Manufacturer's warranty obligations with respect thereto.

“Records” has the meaning assigned thereto in paragraph (7) of the Granting Clause hereof.

“Related Contracts” means, with respect to any Pledged Receivable, all rights now or hereafter existing in and to all supporting obligations and in and to all security agreements, mortgages, Liens, leases, letters of credit and other contracts securing or otherwise relating to such Pledged Receivable, in each case which is not Security Collateral, Account Collateral or Intellectual Property Collateral.

“Replacement Airframe” means any airframe substituted for an airframe in accordance with [Section 4.1\(a\)\(i\)](#) hereof.

“Replacement Closing Date” has the meaning assigned thereto in [Section 4.1\(a\)\(iii\)\(A\)](#) hereof.

“Replacement Engine” means any engine substituted for an Engine or Spare Engine in accordance with [Sections 3.1\(d\), 4.1\(a\)\(i\) or 4.1\(b\)](#) hereof.

“Replacement Propeller” means any propeller substituted for a Propeller in accordance with [Sections 3.1\(d\), 4.1\(a\)\(i\) or 4.1\(b\)](#) hereof.

“Scheduled Country” has the meaning assigned thereto in [Section 3.1\(a\)\(iii\)](#) hereof.

“Security Agreement” or “Agreement” means this Mortgage and Security Agreement as amended and/or restated from time to time.

“Security Agreement Supplement (Aircraft)” means a supplement to this Security Agreement in the form of Exhibit A1.

“Security Agreement Supplement (Engine/Propeller)” means a supplement to this Security Agreement in the form of Exhibit A2.

“Security Agreement Supplement (Pledged Spare Parts)” means a supplement to this Security Agreement in the form of Exhibit A3.

“Security Collateral” means the following property, to the extent not Account Collateral:

(i) the Initial Pledged Equity and the certificates, if any, representing the Initial Pledged Equity, and all dividends, distributions, return of capital, cash, Instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all

of the Initial Pledged Equity and all subscription warrants, rights or options issued thereon or with respect thereto;

(ii) the Initial Pledged Debt and the Instruments, if any, evidencing the Initial Pledged Debt, and all interest, cash, Instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Initial Pledged Debt;

(iii) all additional shares of stock and other Equity Interests from time to time acquired by any Grantor in any manner (such shares and other Equity Interests, together with the Initial Pledged Equity, being the “Pledged Equity”), and the certificates, if any, representing such additional shares or other Equity Interests, and all dividends, distributions, return of capital, cash, Instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares or other Equity Interests and all subscription warrants, rights or options issued thereon or with respect thereto; provided, however, that anything to the contrary contained herein notwithstanding, none of the Grantors shall be required to pledge or grant any Lien with respect to any Equity Interest in any Subsidiary that is a CFC or an Equity Interest in a U.S. corporation whose assets consist solely of the stock of one or more CFCs owned or otherwise held by any Grantor which, when aggregated with all of the other shares of stock in such Subsidiary pledged by all of the other Grantors, would result in more than 65% of the shares of stock in such Subsidiary entitled to vote (within the meaning of Treasury Regulation Section 1.956-2(c)(2) promulgated under the Internal Revenue Code) being pledged to the Collateral Agent, under this Agreement (although all of the shares of stock in such Subsidiary not entitled to vote (within the meaning of Treasury Regulation Section 1.956-2(c)(2) promulgated under the Internal Revenue Code) shall be pledged by each of the Grantors that owns or otherwise holds any such non-voting foreign stock therein; provided, further, that if as a result of any change in U.S. tax laws after the date of this Agreement the pledge by such Grantor of any additional shares of stock in any such Subsidiary to the Collateral Agent would not result in income inclusion under Section 951 or 956 of the Internal Revenue Code with respect to such Grantor and its Subsidiaries, then, promptly after the change in such laws, all such additional shares of stock shall be so pledged under this Agreement;

(iv) all additional indebtedness for borrowed money from time to time owed to any Grantor (such indebtedness, together with the Initial Pledged Debt, being the “Pledged Debt”) and the Instruments, if any, evidencing such indebtedness, and all interest, cash, Instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such indebtedness; and

(v) all other Investment Property (including, without limitation, all (A) securities, whether certificated or uncertificated, (B) Security Entitlements and (C) Commodity Contracts) in which any Grantor now has, or acquires from time to time hereafter, any right, title or interest in any manner, and the certificates or Instruments, if any, representing or evidencing such Investment Property, and all dividends, distributions, return of capital, interest, distributions, value, cash, Instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Investment Property and all subscription warrants, rights or options issued thereon or with respect thereto.

“Security Documents” means, collectively, this Security Agreement, any Security Agreement Supplement (Aircraft), any Security Agreement Supplement (Engine/Propeller), any Security Agreement Supplement (Pledged Spare Parts), and any additional pledge agreements, security agreements, supplements or other agreements delivered pursuant to the Loan Documents to secure the obligations of the Obligors thereunder, and each certificate, instrument, financing statement or other

document executed, delivered, filed or recorded by, on behalf, or in respect of (as applicable) any Obligor, in connection with or pursuant to the foregoing.

“Spare Engine” means (i) each of the engines listed by Manufacturer’s serial number on Schedule 1.1(e) hereto and on any Security Agreement Supplement (Engine/Propeller) executed and delivered from time to time hereunder, and whether or not either initially or from time to time installed on any Airframe or any other airframe; (ii) any Replacement Engine which may from time to time be substituted for any of such Spare Engines pursuant to the terms hereof; and (iii) in either case, any and all Parts which are from time to time incorporated or installed in or attached to any such engine and any and all Parts removed therefrom, unless the Lien of the Security Documents shall not apply to such Parts in accordance with Section 3.2.

“Spare Part” means an accessory, appurtenance, Appliance, instrument or part of whatever nature relating to an aircraft (except an engine or propeller), engine (except a propeller), spare engine, propeller, or Appliance, that is to be installed at a later time on an aircraft, engine, propeller or Appliance (and, for the avoidance of doubt, including any Spare Part which is an expendable, repairable or rotatable).

“Specified Default” means a Payment Default or a Bankruptcy Default.

“Tracking System” means each Grantor’s system for tracking its inventory of Spare Parts, and any and all improvements, upgrades, substitutes or replacement systems.

“Trademark” has the meaning assigned thereto in clause (ii) of the definition of Intellectual Property Collateral.

“UCC” has the meaning assigned thereto in Section 1.1(c) hereof.

“United States” or “U.S.” means the United States of America.

“United States Government” means the federal government of the United States or any instrumentality or agency thereof.

“Vehicle Collateral” has the meaning assigned thereto in Clause (6) of the Habendum Clause.

“Warranty Bills of Sale” means, collectively, each full warranty bill of sale delivered to a Grantor from the applicable Manufacturer (or other seller) in respect of each Airframe, Engine, Propeller and Spare Engine.

“Wet Lease” means any arrangement whereby a Grantor (or any Permitted Lessee) agrees to furnish the Airframe and Engines or Propellers or engines or propellers installed thereon to a third party pursuant to which such Airframe and Engines or Propellers or engines or propellers (i) shall remain in the operational control of such Grantor (or such Permitted Lessee) and (ii) shall be maintained, insured and otherwise used and operated in accordance with the provisions hereof.

ARTICLE 2.

REPRESENTATIONS AND WARRANTIES OF THE GRANTORS

Each Grantor hereby represents and warrants as of the date hereof or as of such other date as set forth herein as follows (as applicable):

Section 2.1. [Certificated Air Carrier; Maintenance and Location of Pledged Spare Parts; Section 1110.](#)

(a) The Borrower is a Certificated Air Carrier, and the Pledged Spare Parts are maintained by it. The Designated Locations identified on part (a) of Schedule 2.1 hereto or otherwise identified on a Mortgage and Security Agreement Supplement (Spare Parts) are the only locations at which Pledged Spare Parts are maintained, other than Spare Parts [in the Fly Away Kits or] in transit to or from Designated Locations. [The Designated Locations identified on part (b) of Schedule 2.1 hereto or otherwise identified on a Security Agreement Supplement (Spare Parts) are the only airports or other locations in the U.S. at which aircraft on which Fly Away Kits are kept are generally located while not in actual flight.]

(b) The Collateral Agent shall be entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to such Grantor's Aircraft, Airframes, Spare Engines and Spare Parts pledged hereunder, in each case to the extent first placed into service after October 22, 1994, and to enforce any of its other rights or remedies as provided in the Security Agreement, in the event of a case under Chapter 11 of the Bankruptcy Code in which such Grantor is a debtor, all subject to the provisions and limitations of the Bankruptcy Code.

Section 2.2. [Title to Collateral; Financing Statements.](#) Such Grantor is the legal and beneficial owner of the Collateral of such Grantor free and clear of any Liens, other than the First Lien and other Permitted Liens. Such Grantor has full power, authority and legal right to assign and pledge all of the Collateral pledged by it hereunder. Except as set forth on Schedule 2.3², as of the date hereof, there is no financing statement (or similar statement or instrument of registration under the law of any jurisdiction intended to provide notice of a Lien) covering or purporting to cover any interest of any kind in the Collateral of such Grantor which would be effective to perfect or record a Lien on such Collateral, other than financing statements that relate to (x) Permitted Liens; or (y)]transactions for which all secured obligations have been paid in full or are being paid in full on the Effective Date, and there is no commitment on the part of any Person to advance funds or perform any obligation that would be secured by the collateral described in such financing statements.

Section 2.3. [Location of Grantors; UCC Information.](#) Such Grantor's name (sufficient to provide the name of such Grantor as a debtor under Section 9-503(a) of the UCC), federal employer identification number and state organizational identification number are correctly set forth on Schedule 2.3 hereto. Such Grantor is located (within the meaning of Section 9-307 of the UCC) in the jurisdiction set forth on Schedule 2.3 hereto. Such Grantor has its chief executive office at the address and in the state set forth on Schedule 2.3 hereto. Such Grantor has its chief executive office at the address and in the state set forth on Schedule 2.3 hereto. As of the date hereof, the information set forth on Schedule 2.3 hereto with respect to such Grantor is true and accurate in all respects. Except as disclosed on Schedule 2.3, as of the date hereof such Grantor has not previously changed its name, location, chief executive office, type of organization, jurisdiction of organization or organizational identification number during the five (5) years preceding the execution of this Agreement from those set forth herein or on Schedule 2.3.

² Schedule 2.3 should list the First Lien.

Section 2.4. [Perfected Liens](#). Upon (i) the filing of this Agreement with the FAA in accordance with the Federal Aviation Act and the rules and regulations thereunder in respect of the Aircraft, Airframes, Spare Engines and Spare Parts, (ii) the filing of the UCC-1 financing statement in the appropriate filing office naming such Grantor as debtor and the Collateral Agent as secured party in respect of the Collateral, (iii) the recording of the IP Security Agreement with the U.S. Patent and Trademark Office, the U.S. Copyright Office and any other applicable U.S. Governmental Authority with respect to the Intellectual Property Collateral of such Grantor, and (iv) effecting other filings/recordings required to be made and expressly contemplated hereunder, all filings, registrations and recordings necessary to create, preserve, protect and perfect the security interest granted by such Grantor to the Collateral Agent hereby in respect of the Collateral of such Grantor will have been accomplished, and the security interest granted to the Collateral Agent pursuant to this Agreement in and to the Collateral of such Grantor will constitute a perfected security interest therein (and with respect to perfection, to the extent that (A) perfection of the security interest in respect of such Collateral is required hereunder and (B) a security interest in such Collateral may be perfected by filing, registration or recording), prior to the rights of all other Persons therein other than the First Lien Collateral Agent and holders of other Permitted Liens and subject to no other Liens other than the First Lien and other Permitted Liens.

Section 2.5. [Consents](#). Except as set forth on [Schedule 2.5](#) [or as provided in the “Loan Documents” (as such term is defined in the Loan Agreement) or in the Intercreditor Agreement], no consent of any other party (including, without limitation, stockholders or creditors of such Grantor) other than consents that have been obtained, and no consent, authorization, approval, or other action by, and (except in connection with the perfection of the Liens created hereby) no notice to or filing with, any Governmental Authority or other Person is required either (x) for the granting by such Grantor of a security interest in its Collateral pursuant to this Agreement or for its execution, delivery or performance of this Agreement or (y) for the exercise by the Collateral Agent of the rights and remedies provided in this Agreement in respect of the Collateral.

Section 2.6. [Possession of Pledged Equipment](#). Such Grantor has exclusive possession and control of the Pledged Equipment of such Grantor, which Pledged Equipment is located only at the locations identified on [Schedule 2.6](#) hereto or in transit between such locations. In the case of Pledged Equipment of such Grantor located on leased premises, leased aircraft or in warehouses, no lessor or warehouseman of any premises or warehouse upon or in which such Pledged Equipment is located has (i) to the best knowledge of any Responsible Officer of such Grantor, issued any warehouse receipt or other receipt in the nature of a warehouse receipt in respect of any of such Grantor’s Pledged Equipment, (ii) to the best knowledge of any Responsible Officer of such Grantor, issued any document for any of such Grantor’s Pledged Equipment and (iii) to the best knowledge of any Responsible Officer of such Grantor, received notification of any Secured Party’s interest (other than the First Lien, other Permitted Liens and the security interest granted hereunder) in such Grantor’s Pledged Equipment. The Flight Simulators described on [Schedule 2.6](#) hereto constitute all of the Flight Simulators of the Grantors as of the Effective Date and are maintained at the location set forth opposite the description of such Flight Simulator on [Schedule 2.6](#) hereto.

[Section 2.7. Pledged Equity and Pledged Debt.](#)

(a) The Pledged Equity of any Subsidiary of such Grantor in which such Grantor grants a security interest hereunder, including, without limitation, the Pledged Equity listed on [Schedule 2.7\(a\)](#), has been duly authorized and validly issued and is fully paid and non-assessable. If any Grantor is an issuer of Pledged Equity, such Grantor confirms that it has received notice of such security interest. To the best knowledge of such Grantor, except as set forth on [Schedule 2.7\(a\)](#), the Pledged Debt pledged by such Grantor hereunder which has an outstanding principal amount on the date hereof in excess of

[\$50,000] has been duly authorized, authenticated or issued and delivered, is the legal, valid and binding obligation of the issuers thereof, is evidenced by one or more Promissory Notes and is not in default.

(b) The Initial Pledged Equity constitutes all of the Equity Interests of any Person owned by such Grantor as of the Effective Date (other than Equity Interests not required to be pledged hereunder on the Effective Date pursuant to the terms hereof). The Initial Pledged Debt constitutes all of the outstanding indebtedness for borrowed money owed to each Grantor by the issuers thereof (other than indebtedness for borrowed money owed to a Grantor and not required to be pledged hereunder on the Effective Date pursuant to the terms hereof) and, as of the Effective Date, is outstanding in the principal amount indicated on [Schedule 2.7\(b\)](#) hereto.

(c) With respect to the Initial Pledged Equity in which such Grantor has any right, title or interest and which is represented by a certificate or Instrument, such Grantor has delivered such Instruments or certificates to the Collateral Agent in suitable form for transfer by delivery or accompanied by duly executed Instruments of transfer or assignment in blank.

(d) With respect to the Initial Pledged Equity in which such Grantor has any right, title or interest and which constitutes an uncertificated security (other than an uncertificated security which (x) is not an Equity Interest in a Subsidiary of such Grantor and (y) has a fair market value, together with all uncertificated securities of such issuer held by such Grantor, of less than \$[50,000]), such Grantor has caused the issuer thereof either (A) to register the Collateral Agent as the registered owner of such security or (B) agree in an authenticated record with such Grantor and the Collateral Agent that such issuer will comply with instructions with respect to such security originated by the Collateral Agent without further consent of such Grantor.

(e) With respect to any Initial Pledged Debt in which such Grantor has any right, title or interest and which is represented by an Instrument (other than an Instrument representing Pledged Debt (x) issued by a Person other than a Subsidiary of such Grantor and (y) which has a value, together with all other Instruments representing Pledged Debt issued by the same issuer and physically held by such Grantor, of less than \$[50,000]), such Grantor has delivered such Instrument to the Collateral Agent accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Collateral Agent.

(f) Upon the filing of the UCC-1 financing statement in the appropriate filing office naming such Grantor as debtor and the Collateral Agent as secured party in respect of the Collateral and (ii) the taking of the actions described in subsections (c), (d) and (e) of this [Section 2.7](#), as applicable, the security interest granted to the Collateral Agent pursuant to this Agreement in and to the Initial Pledged Equity and the Initial Pledged Debt will constitute a perfected security interest therein (to the extent perfection is required hereunder), prior to the rights of all other Persons therein and subject to no other Liens other than the First Lien and other Permitted Liens.

Section 2.8. [Intellectual Property](#). [Schedule 2.8](#) sets forth all material Intellectual Property Collateral of such Grantor which is the subject of a registration or application for registration with the U.S. Patent and Trademark Office, the U.S. Copyright Office and any other applicable U.S. Governmental Authority. With respect to each material IP Agreement included in the Collateral: (i) such IP Agreement is valid and binding and in full force and effect with respect to such Grantor; (ii) to the extent that Section 9-408 of the UCC is applicable thereto or such IP Agreement permits the assignment of such Grantor's rights thereunder, such IP Agreement will not cease to be valid and binding and in full force and effect with respect to such Grantor on terms identical to those currently in effect as a result of the rights and interest granted herein, nor will the grant of such rights and interest constitute a breach or default under such IP Agreement or otherwise give any party thereto a right to terminate such IP

Agreement; (iii) no Grantor has received any notice of termination, cancellation or received any notice of a breach or default under such IP Agreement; (iv) except as set forth on Schedule 2.8³, no Grantor has granted to any other third party any rights under such IP Agreement; and (v) neither such Grantor nor, to the best knowledge of such Grantor, any other party to any such IP Agreement, is in breach or default thereof in any material respect, and, to the best knowledge of such Grantor, no event has occurred that, with notice or lapse of time or both, would constitute such a breach or default or permit termination, modification or acceleration under such IP Agreement.

Section 2.9. Deposit and Securities Accounts. Schedule 2.9 lists all of the Deposit Accounts and Securities Accounts maintained by such Grantor on the date hereof. Other than the excluded deposit accounts identified on Schedule 2.9, each such Deposit Account or Securities Account is maintained with a financial institution or Securities Intermediary which has entered into a Control Agreement with such Grantor, the First Lien Collateral Agent and the Collateral Agent relating to such Deposit Account or Securities Account, as the case may be, other than a Deposit Account or Securities Account not required to be subject to a Control Agreement pursuant to Section 5.15 of the Loan Agreement.

ARTICLE 3.

COVENANTS OF THE GRANTORS

Each Grantor covenants and agrees, with respect to the Collateral owned by it, as follows:

Section 3.1. Aircraft Registration, Maintenance and Operation; Possession and Permitted Leases; Insignia.

(a) (i) Registration and Maintenance. Such Grantor, at its own cost and expense, shall (or shall cause any Permitted Lessee to): (A) on or prior to the Effective Date, cause each Aircraft to be duly registered in such Grantor's name, and, subject to subparagraph (iii) of this **Section 3.1(a)**, to remain duly registered in such Grantor's name under the Federal Aviation Act; (B) maintain, service, repair, and overhaul (or cause to be maintained, serviced, repaired, and overhauled) each Aircraft (and any engine which is not an Engine and any propeller which is not a Propeller but which, in either case, is installed on any Aircraft), Spare Engine and each of the Pledged Spare Parts (x) so as at all times to keep each Aircraft in as good an operating condition as when initially subjected to the Lien hereof, ordinary wear and tear excepted, and as may be necessary to enable the airworthiness certification for such Aircraft to be maintained in good standing at all times (other than during temporary periods of maintenance, overhaul or storage in accordance with applicable regulations) under the Federal Aviation Act or the applicable laws of any other jurisdiction in which such Aircraft may then be registered from time to time and in substantially the same manner as such Grantor (or any Permitted Lessee) maintains, services, repairs or overhauls similar aircraft, engines or propellers operated by such Grantor (or Permitted Lessee) in similar circumstances; (y) so as to keep the Spare Engines in an airworthy condition and suitable for installation and operation on an Airframe in accordance with any applicable maintenance program and in compliance with all applicable airworthiness directives; and (z) so as to maintain in or return the Pledged Spare Parts to good working order and condition and shall perform all maintenance thereon necessary for that purpose and in accordance with the requirements of each of the Manufacturer's manuals and mandatory service bulletins and each of the Manufacturer's non-mandatory service bulletins which relate to airworthiness, excluding Pledged Spare Parts that have become worn out or obsolete or unfit for

³ Should include the Senior Lien.

use and are not reasonably repairable; (C) maintain or cause to be maintained all Records, logs and other materials required to be maintained by the FAA or any other applicable regulatory agency or body in respect of each Aircraft, Spare Engine and each of the Pledged Spare Parts; and (D) promptly furnish or cause to be furnished to the Collateral Agent or any Lender such information as may be required to enable the Collateral Agent or any Lender to file any reports required to be filed by the Collateral Agent or any Lender with any Governmental Authority because of such person's interest in the Aircraft, Spare Engines or Pledged Spare Parts hereunder.

(ii) Operation of Aircraft and Spare Engines. Such Grantor will not (or permit any Permitted Lessee to) maintain, use, store, service, repair, overhaul or operate any Aircraft or any Spare Engine in material violation of any law, rule, regulation, treaty, order or certificate of any government or Governmental Authority (domestic or foreign) having jurisdiction, or in violation of any airworthiness certificate or in material violation of any license or registration relating to such Aircraft or Spare Engine issued by any such authority. In the event that any such law, rule, regulation, treaty, order, certificate, license or registration requires alteration of any Aircraft or Spare Engine, such Grantor will, at its sole cost and expense, conform thereto or obtain conformance therewith. Notwithstanding the foregoing, such Grantor or any Permitted Lessee may contest in good faith the validity or application of any such law, rule, regulation, treaty, order, certificate, license or registration in any reasonable manner which does not materially adversely affect the Collateral Agent or any Lender, or any of their respective legal and economic interests in or to any of the Aircraft, Spare Engines or any Loan Documents, including the Lien of the Security Documents. In every case, operation, use, storage, maintenance, servicing, repair or overhaul of the Aircraft is subject to compliance by such Grantor with the provisions of [Section 3.4](#). If the indemnities or insurance from the United States Government specified in [Section 3.4\(g\)](#), or some combination thereof in amounts equal to amounts required by [Section 3.4\(g\)](#), have not been obtained (unless indemnities or insurance in amounts so required are available in the commercial aviation insurance market and are obtained), such Grantor will not operate or locate any Aircraft or Spare Engine, or permit any Permitted Lessee or any other Person to operate or locate any Aircraft or Spare Engine, in or to any area excluded from coverage by any insurance required to be maintained by the terms of [Section 3.4](#); provided, however, that the failure of any Grantor to comply with the provisions of this [Section 3.1\(a\)\(ii\)](#) shall not give rise to an Event of Default where such failure is attributable to a hijacking, medical emergency, equipment malfunction, weather conditions, navigational error or act of terrorism and such Grantor (or such Permitted Lessee, as the case may be) is taking all reasonable steps to remedy such failure as soon as practicable.

(iii) Reregistration. (A) So long as the Lien of the Security Documents shall not have been discharged and no Specified Default or Event of Default shall have occurred or be continuing, if such Grantor has requested the Collateral Agent's consent to registration of any Aircraft in the name of such Grantor (or, if appropriate, in the name of a Permitted Lessee as a "lessee"), at such Grantor's own cost and expense, under the laws of (1) any country listed on [Schedule 3.1\(a\)](#) with which the United States then maintains normal diplomatic relations or, if Taiwan, the United States then maintains diplomatic relations at least as good as those in effect on the Effective Date (a "Scheduled Country"), or (2) any other country with which the United States maintains diplomatic relations, and the Collateral Agent has determined, based on the information contemplated below, that the laws of such other country would provide substantially equivalent protection (including the right to take possession of such Aircraft in the event of the bankruptcy of such Grantor or such Permitted Lessee, if any) for the rights of lenders to that enjoyed by the Collateral Agent under the Security Documents as provided under United States law, the Collateral Agent will not (subject to the terms of this [Section 3.1](#)) in the case of either (1)

or (2) above, unreasonably withhold its consent to such change of registration. Such consent shall only be given if the Collateral Agent shall have received reasonable evidence that after giving effect to such re-registration the Collateral Agent shall possess a Lien and security interest over such Aircraft with priority and perfection (to the extent perfection is a relevant concept in such country) to substantially the same extent as is available under the corresponding laws of the United States (it being agreed that the lack of such reasonable evidence shall constitute sole reasonable grounds to withhold such consent with respect to a Scheduled Country or a country mentioned in clause (2) above).

(B) Prior to any such re-registration under the laws of a Scheduled Country or the United States, the Collateral Agent shall have received (1) an Officer's Certificate from such Grantor certifying that the conditions of this [Section 3.1\(a\)\(iii\)](#) have been satisfied and (2) a favorable opinion of counsel (which opinion and counsel shall be reasonably satisfactory to the Collateral Agent) addressed to the Collateral Agent to the effect that (I) the laws of the new country of registration will recognize such Grantor's right of ownership with respect to such Aircraft and will give effect to the priority and perfection (to the extent perfection is a relevant concept in such country) of the Lien and security interest created by this Security Agreement (or such Grantor shall enter into such other instrument as shall be necessary to convey a valid and enforceable perfected security interest (subject to the First Lien and other Permitted Liens) to the Collateral Agent, such instrument to be in form and substance reasonably satisfactory to the Collateral Agent), (II) this Security Agreement (or such other instrument) and the Collateral Agent's Lien and right to repossession thereunder is valid and enforceable under the laws of such country and (III) all filing, recording and other action necessary to perfect (to the extent perfection is a relevant concept in such country) and protect the Lien of the Security Documents (or other such instrument) in such new jurisdiction either has been accomplished prior to such change in the country of registry or, if such opinion cannot under applicable law be given at the time of registration, are specified in such opinion and such Grantor undertakes to accomplish such filing, recording or other action as soon as practicable (but in any event no later than five (5) Business Days) after giving effect to such change in registry (in which case a further opinion shall be received by the Collateral Agent immediately thereafter to the effect that all such recording, filing and other action have been accomplished).

(C) Prior to any such re-registration under the laws of any country other than the U.S. or a Scheduled Country, the Collateral Agent shall have received (1) an Officer's Certificate from such Grantor certifying that the conditions of this [Section 3.1\(a\)\(iii\)](#) have been satisfied and (2) a favorable opinion of counsel (which opinion and counsel shall be reasonably satisfactory to the Collateral Agent) in the new jurisdiction of registry covering the matters set forth in the preceding paragraph and addressed to it, and to the effect that (I) the terms (including, without limitation, the governing law, service of process and jurisdictional submission provisions thereof) of this Security Agreement (or such other instrument) are legal, valid, binding and enforceable in such jurisdiction, (II) that it is not necessary for the Collateral Agent to register or qualify to do business in such jurisdiction, (III) that there is no tort liability of the lender of an aircraft or engine not in possession thereof under the laws of such jurisdiction other than tort liability which might have been imposed on such lender under the laws of the United States or any state thereof (it being understood that, such opinion shall be waived if insurance reasonably satisfactory to Collateral Agent is provided, at such Grantor's expense, to cover such risk), (IV) (unless such Grantor shall have agreed to provide insurance covering the risk of requisition of use or title of such Aircraft by the government of such jurisdiction so long as such Aircraft is registered under the laws of such jurisdiction) that the laws of such jurisdiction require fair compensation by the government of such jurisdiction payable in currency freely convertible into Dollars for the loss of use or title of such Aircraft in the event of the requisition by such

government of such use or title, (V) if a Permitted Lease is then in effect, the laws of the new jurisdiction of registry do not provide the Permitted Lessee or any third party possessory rights which would, upon such Grantor's bankruptcy or insolvency or other Event of Default (assuming that at such time the Permitted Lessee is not subject to a proceeding or final order under applicable bankruptcy, insolvency or reorganization laws of such jurisdiction), prevent the return of such Aircraft in accordance with the terms of this Security Agreement (or such other instrument) (such opinion to be subject to customary qualifications and exceptions in the relevant domicile of the Permitted Lessee but only to the extent that they do not deny the Collateral Agent the practical realization of its rights and benefits pursuant to this Security Agreement (or such other instrument)), and (VI) to such further effect with respect to such other matters as the Collateral Agent may reasonably request.

(D) In addition to the opinion contemplated above, prior to any such re-registration under the laws of any country other than the U.S. or a Scheduled Country, the Collateral Agent shall have received assurances, reasonably satisfactory to it, to the effect that (1) the insurance provisions of this Security Agreement will have been complied with after giving effect to such change of registry, (2) the original indemnities (and any additional indemnities for which such Grantor is then willing to enter into a binding agreement to indemnify) in favor of the Collateral Agent, the Lenders and the Participants under the Loan Agreement afford each such party substantially the same protection as provided prior to such change of registry, (3) such change will not result in the imposition of, or increase in the amount of, any Tax for which such Grantor is not required to indemnify, or is not then willing to enter into a binding agreement to indemnify, the Collateral Agent, the Lenders or the Participants and (4) such new country of registry imposes aircraft maintenance standards not materially less stringent than those of the FAA or the Civil Aviation Authority of the United Kingdom, France, Germany, Japan or Canada.

(E) In connection with any such re-registration, such Grantor shall, at its cost and to the extent permitted by the laws of such country, cause the interests of the Collateral Agent in such Aircraft to be duly registered or recorded under the laws of such country and at all times thereafter to remain so duly registered or recorded unless and until changed as provided herein, and shall, at its sole cost and expense cause to be done at all times all other acts (including the filing, recording and delivery of any document or instrument and the payment of any sum) necessary or, by reference to prudent industry practice in such country, advisable in order to establish the Collateral Agent's interest in and to such Aircraft as against such Grantor, any Permitted Lessee or any third parties in such jurisdiction.

(F) The Collateral Agent shall execute and deliver, at such Grantor's expense, all such documents as such Grantor may reasonably request and otherwise cooperate with such Grantor for the purpose of effecting, continuing or (as provided in this **Section 3.1(a)(iii)**) changing the registration of such Aircraft as may be permissible hereunder.

(G) Such Grantor shall pay all reasonable fees and expenses of the Collateral Agent or any Lender in connection with any change of registry of any Aircraft.

(b) Possession and Permitted Leases. (i) Such Grantor will not, without the prior written consent of the Collateral Agent, lease or otherwise in any manner deliver, transfer or relinquish possession of any Airframe, Engine, Propeller or any Spare Engine or install or permit any Engine, Propeller or any Spare Engine to be installed on any airframe other than an Airframe; provided that, so long as (x) no Specified Default or Event of Default shall have occurred and be continuing at the time of such lease, delivery, transfer or relinquishment of possession or installation and (y) such action shall not deprive the Collateral Agent of a second priority perfected security Lien (subject only to the First Lien) of

the Security Documents on any Aircraft, any Airframe, any Engine, Propeller or any Spare Engine, such Grantor (or, except with respect to subparagraph (H) below, any Permitted Lessee) may, without the prior written consent of Collateral Agent:

(A) subject the Airframes, the Engines, the Propellers or engines or propellers then installed thereon and the Spare Engines to normal interchange agreements or any Engine, Propeller or any Spare Engine to normal pooling or similar arrangements, in each case customary in the airline industry and entered into by such Grantor (or any Permitted Lessee) in the ordinary course of its business; provided, that (1) no such agreement or arrangement contemplates or requires the transfer of title to any Airframe, any Engine, any Propeller or any Spare Engine, (2) if such Grantor's title to any Airframe, any Engine, any Propeller or any Spare Engine shall be divested under any such agreement or arrangement, such divestiture shall be deemed to be an Event of Loss with respect to such Airframe, Engine, Propeller or Spare Engine, as applicable, and such Grantor shall (or shall cause any Permitted Lessee to) comply with **Section 4.1** hereof in respect thereof and (3) no such Airframe interchange arrangement shall (I) be for a period in excess of 5 days or (II) result in such Certificated Air Carrier, Permitted Lessee or other approved air carrier obtaining possessory rights for a period in excess of 5 days with respect to, or a Lien on, any Airframe, Engines, Spare Engines, Propellers, engine(s) or propeller(s) then installed on such Airframe;

(B) deliver possession of any Airframe, any Engine, any Propeller or any Spare Engine to the Manufacturer thereof or to any other Person for testing, service, repair, maintenance or overhaul work on such Airframe, such Engine, such Propeller or such Spare Engine or any part thereof or for alterations or modifications in or additions to such Airframe, such Engine, such Propeller or such Spare Engine to the extent required or permitted by the terms hereof;

(C) install an Engine, a Propeller or Spare Engine on an airframe owned by such Grantor (or any Permitted Lessee) which airframe is free and clear of all Liens, except: (1) the First Lien and other Permitted Liens and those which apply only to the engines (other than Engines or Spare Engines), propellers (other than Propellers), Appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment (other than Parts) installed on such airframe (but not to the airframe as an entirety), (2) the rights of third parties under interchange agreements which would be permitted under clause (A) above, provided that such Grantor's title to such Engine, Propeller or Spare Engine shall not be divested as a result thereof and (3) mortgage Liens or other security interests, provided, that (as regards this clause (3)), such mortgage Liens or other security interests effectively provide that such Engine, Propeller or Spare Engine shall not become subject to the Lien of such mortgage or security interest, notwithstanding the installation thereof on such airframe;

(D) install an Engine, Propeller or Spare Engine on an airframe leased to such Grantor (or any Permitted Lessee) or purchased by such Grantor (or a Permitted Lessee) subject to a conditional sale or other security agreement, provided that (1) such airframe is free and clear of all Liens, except: (w) the First Lien, if applicable, (x) the rights of the parties to the lease or conditional sale or other security agreement covering such airframe, or their assignees, and (y) Liens of the type permitted by subparagraph (C) of this **Section 3.1(b)(i)** and (2) such lease, conditional sale or other security agreement effectively provides that such Engine, Propeller or Spare Engine shall not become subject to the Lien of such lease, conditional sale or other security agreement, notwithstanding the installation thereof on such airframe;

(E) install an Engine, Propeller or Spare Engine on an airframe owned by such Grantor (or any Permitted Lessee), leased to such Grantor (or any Permitted Lessee) or purchased by such Grantor (or any Permitted Lessee) subject to a conditional sale or other security agreement under circumstances where neither clause (C) nor clause (D) of this **Section 3.1(b)(i)** is applicable, provided that any divestiture of title to such Engine, Propeller or Spare Engine resulting from such installation shall be deemed an Event of Loss with respect to such Engine, Propeller or Spare Engine and such Grantor shall (or shall cause any Permitted Lessee to) comply with **Section 4.1(b)** hereof in respect thereof, the Collateral Agent not intending hereby to waive any right or interest it may have to or in such Engine, Propeller or Spare Engine under applicable law until compliance by such Grantor with such **Section 4.1(b)**;

(F) transfer (or permit any Permitted Lessee to transfer) possession of any Airframe, Engine, Propeller or any Spare Engine to the United States of America or any instrumentality or agency thereof pursuant to the Civil Reserve Air Fleet Program so long as such Grantor (or a Permitted Lessee) shall notify the Collateral Agent (1) prior to transferring possession of any such Airframe, Engine, Propeller or any such Spare Engine to the United States of America or any agency or instrumentality thereof pursuant to the Civil Reserve Air Fleet Program and (2) of the name and the address of the Contracting Office Representative for the United States Air Force Headquarters Air Mobility Command to whom notice must be given pursuant to **Section 5.1(b)** hereof;

(G) transfer possession of any Airframe, Engine, Propeller or any Spare Engine to the United States of America or any instrumentality or agency thereof pursuant to a lease, contract or other instrument, a copy of which shall be provided to the Collateral Agent; or

(H) enter into a lease of any Aircraft or any Spare Engine with (1) a Certificated Air Carrier, (2) any airline domiciled and principally located in a country listed on Schedule 3.1(b) hereto, or (3) any other Person approved in writing by the Collateral Agent; provided that (I) no such lease shall be permitted to a lessee that is subject to a proceeding or final order under applicable bankruptcy, insolvency or reorganization laws on the date the lease is entered into, (II) in the case of a lease under subclause (2) or (3) above, on the date of such lease or any renewal or extension thereof, the United States and the country in which such lessee is domiciled and principally located maintain normal diplomatic relations (which for purposes of this clause (H) shall include Taiwan and any other country that is similarly situated), (III) in the case only of a lease to any Person under subclause (3) above, the Collateral Agent receives at the time of such lease an opinion of counsel (in form and from counsel reasonably satisfactory to the Collateral Agent) to the effect that (w) the terms of the proposed lease will be legal, valid, binding and (subject to customary exceptions in foreign opinions generally) enforceable in accordance with its terms against the proposed lessee in the country in which the proposed lessee is principally based, (x) there exist no possessory rights in favor of the lessee under such lease under the laws of such lessee's country of domicile that would, upon bankruptcy or insolvency of or other default by such Grantor and assuming at such time such lessee is not insolvent or bankrupt, prevent the return or repossession of such Aircraft or such Spare Engine in accordance with the lease and when permitted by the terms of **Article 5** upon the exercise by the Collateral Agent of its remedies pursuant to such Article, (y) the laws of such lessee's country of domicile require fair compensation by the government of such jurisdiction payable in currency freely convertible into Dollars for the loss of use of such Aircraft or such Spare Engine in the event of the requisition by such government of such use, and (z) in the case of an Airframe or Spare Engine, the laws of such lessee's country of domicile would give recognition to such Grantor's title to the applicable Aircraft of which such Airframe is a part or such Spare Engine, to the registry of the applicable Aircraft of which such Airframe is a part or such Spare Engine (if such

country maintains a registry for engines) in the name of such Grantor (or the proposed lessee, as “lessee”, as appropriate), and to the Lien of the Security Documents, (IV) if the lessee under such lease is a governmental entity, such lessee has waived all rights of sovereign immunity, and (V) if the lessee is a Certificated Air Carrier and the Aircraft or such Spare Engine was first placed in service after October 22, 1994, such Grantor will be entitled as lessor to the benefits of Section 1110 of the Bankruptcy Code with respect to such Aircraft or such Spare Engine in connection with a proceeding under Chapter 11 of the Bankruptcy Code in which the lessee is the debtor.

(ii) The rights of any Permitted Lessee or other transferee (other than a transferee where the transfer is of an Engine, a Propeller or Spare Engine which is to be an Event of Loss) shall be (and the sublease, assignment or other transfer document under which such transfer or sublease is governed shall explicitly provide that) during the period of such possession, subject and subordinate to, all the terms of the Security Documents (and any Permitted Lease shall expressly state that it is so subject and subordinate), including, without limitation, the covenants contained in this **Article 3**, including the inspection rights contained in **Section 3.5** and the Collateral Agent’s right to repossess such Aircraft or such Spare Engine and to avoid and terminate any lease upon such repossession, and such Grantor shall remain primarily liable for the performance of all of the terms of the Security Documents, and the terms of any such Permitted Lease shall not permit any Permitted Lessee to take any action not permitted to be taken by such Grantor in the Security Documents with respect to such Aircraft or such Spare Engine. No pooling agreement, Permitted Lease or other relinquishment of possession of any Airframe, any Engine, any Propeller or any Spare Engine shall in any way discharge or diminish any of such Grantor’s obligations to the Collateral Agent under the Security Documents or constitute a waiver of Collateral Agent’s rights or remedies hereunder or thereunder. The Collateral Agent agrees, for the benefit of such Grantor (and any Permitted Lessee) and for the benefit of any mortgagee or other holder of a security interest in any engine or propeller owned by such Grantor (or any Permitted Lessee), any lessor of any engine (other than an Engine) or propeller (other than a Propeller) leased to such Grantor (or any Permitted Lessee) and any conditional vendor of any engine (other than an Engine or Spare Engine) or propeller (other than a Propeller) purchased by such Grantor (or any Permitted Lessee) subject to a conditional sale agreement or any other security agreement, that no interest shall be created under this Security Agreement in any engine or propeller so owned, leased or purchased and that neither the Collateral Agent nor its successors or assigns will acquire or claim, as against such Grantor (or any Permitted Lessee) or any such mortgagee, lessor or conditional vendor or other holder of a security interest or any successor or assignee of any thereof, any right, title or interest in such engine or propeller as the result of such engine or propeller being installed on any Airframe. Such Grantor shall provide the Collateral Agent with a copy of any Permitted Lease having a term of more than one (1) year upon entering into such Permitted Lease.

(iii) In connection with any Permitted Lease, the Grantor: (A) all necessary action shall be taken by such Grantor at its expense which is required to continue the Collateral Agent’s security interest in the Aircraft, Airframes, Engines, Propellers and Spare Engines, and such Permitted Lease, and (B) all other necessary documents shall be duly filed, registered or recorded in such public offices as may be required to fully preserve the priority of the security interest of the Collateral Agent in the Aircraft, Airframes, Engines, Propellers and Spare Engines.

(iv) Any Wet Lease shall not constitute a delivery, transfer or relinquishment of possession for purposes of this **Section 3.1**. The Collateral Agent acknowledges that any consolidation or merger of such Grantor or conveyance, transfer or lease of all or substantially all of such Grantor’s assets, in each case as permitted by the Loan Documents, shall not be prohibited by this **Section 3.1**.

(v) Any Permitted Lease having a term in excess of one (1) year shall be assigned by such Grantor to the Collateral Agent as additional Collateral hereunder; provided that, except upon the occurrence and during the continuance of an Event of Default, (A) such Grantor shall be entitled to retain the rental payments made to such Grantor under such Permitted Lease, and (B) the rights of such Grantor as lessor under any Permitted Lease shall not vest (to the exclusion of such Grantor) in the Collateral Agent. Upon the occurrence of a default under such Permitted Lease, such Grantor and the Collateral Agent shall have the right, acting separately or together, to enforce the terms of such Permitted Lease; provided, however, that upon the occurrence and during the continuance of an Event of Default, the Collateral Agent shall have the exclusive right to enforce the terms of such Permitted Lease. In the event of the expiration or termination of the Permitted Lease, at such Grantor's request, the Collateral Agent shall release its interest in such Permitted Lease.

(vi) No Permitted Lease entered into pursuant to this **Section 3.1(b)** shall permit any subleasing of any Aircraft or any Spare Engine.

(c) Insignia. Within ninety (90) days after (x) the Effective Date (with respect to Aircraft, Engines and Spare Engines covered by the Lien of the Security Documents as of the Effective Date), and (y) the date on which any Security Agreement Supplement (Aircraft), Security Agreement Supplement (Engine/Propeller) or Security Agreement Supplement (Spare Engine) is delivered (with respect to such additional Collateral), and so long as any Aircraft, Engines or Spare Engines are subject to the Lien of the Security Documents, such Grantor agrees to affix and maintain (or cause to be affixed and maintained) in the cockpit of each Airframe adjacent to the registration certificate therein, on each Engine and on each Spare Engine a nameplate bearing the inscription:

“THIS [AIRCRAFT/ENGINE] IS MORTGAGED TO
[_____] ,
AS COLLATERAL AGENT, FOR THE BENEFIT AND SECURITY OF THE LENDERS AND THE
PARTICIPANTS”

(such nameplate to be replaced, if necessary, with a nameplate reflecting the name of any successor collateral agent, in each case as permitted under the Loan Documents). Except as above provided, such Grantor will not allow the name of any Person other than the Grantors to be placed on any Airframe, any Engine, any Propeller or on any Spare Engine as a designation that might be interpreted as a claim of ownership or of any rights therein.

(d) Substitution of Engines/Propellers. Such Grantor may at any time, at its sole cost and expense, replace any Engine, any Propeller or any Spare Engine subjected to the Lien hereof by causing an Acceptable Alternate Engine or an Acceptable Alternate Propeller, as the case may be, to be substituted for such Engine, Propeller or Spare Engine, as the case may be, hereunder in accordance with the provisions of **Section 4.1(b)** hereof to the same extent as if an Event of Loss has occurred with respect to such Engine, such Propeller or such Spare Engine.

(e) Additional Aircraft-related Collateral. Such Grantor may at any time, at its sole cost and expense, subject additional airframes, engines and propellers to the Lien of the Security Documents by entering into any one or more Security Agreement Supplements and otherwise complying with the terms of Section 5.13 of the Loan Agreement with respect to such additional collateral.

(f) License. Such Grantor shall at all times maintain, and upon the exercise of remedies by the Collateral Agent with respect to Spare Parts shall make available to the Collateral Agent, the Lenders or their representatives, the ability to access, download, view and manipulate in a usable way

all electronically stored Records concerning the Spare Parts without need of any additional software license or sublicense beyond that which is either maintained by such Grantor and may lawfully be utilized by the Collateral Agent, the Lenders or their representatives or is readily available at no more than incidental cost.

Section 3.2. Replacement and Pooling of Parts; Alterations, Modifications and Additions.

(a) Replacement of Parts. Such Grantor, at its own cost and expense, will promptly replace or cause to be replaced all Parts which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever, except as otherwise provided in **Section 3.2(c)**. All replacement Parts shall be owned by such Grantor free and clear of all Liens (except the First Lien and other Permitted Liens, pooling arrangements permitted by **Section 3.2(b)** hereof and replacement Parts temporarily installed on an emergency basis) and shall be in good operating condition, and shall have a value and utility at least equal to the Parts replaced, assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof. All Parts at any time removed from any Airframe, any Engine, any Propeller or any Spare Engine shall remain the property of such Grantor and subject to the Lien of the Security Documents, no matter where located, until such time as such Parts shall be replaced by Parts which meet the requirements for replacement Parts specified above as certified to the Collateral Agent by an Officer's Certificate from such Grantor. Immediately upon any replacement Part becoming incorporated or installed in or attached to any Airframe, any Engine, any Propeller or any Spare Engine, without further act (subject only to the First Lien and other Permitted Liens and any pooling arrangement permitted by **Section 3.2(b)** hereof and except any replacement Part temporarily installed on an emergency basis), (i) such replacement Part shall become the property of such Grantor and subject to the Lien of the Security Documents and be deemed a Part for all purposes hereof to the same extent as the Part originally incorporated or installed in or attached to such Airframe, such Engine, such Propeller or such Spare Engine and (ii) the replaced Part shall be free and clear of all rights of the Collateral Agent and shall no longer be deemed a Part or Spare Part hereunder.

(b) Pooling of Parts. Any Part removed from any Airframe, any Engine, any Propeller or any Spare Engine as provided in **Section 3.2(a)** hereof may be subjected by such Grantor (or any Permitted Lessee) to a pooling arrangement of the type which is permitted by clause (A) of **Section 3.1(b)(i)** hereof; provided, that the Part replacing such removed Part shall be incorporated or installed in or attached to such Airframe, Engine, Propeller or Spare Engine in accordance with **Section 3.2(a)** as promptly as practicable after the removal of such removed Part. In addition, any replacement Part when incorporated or installed in or attached to an Airframe, an Engine, a Propeller or a Spare Engine in accordance with such Section may be owned by any third party subject to such a pooling arrangement, provided, that such Grantor (or any Permitted Lessee), at its expense, as promptly thereafter as practicable, either (i) causes such replacement Part to become subject to the Lien of the Security Documents, free and clear of all Liens other than the First Lien and other Permitted Liens or (ii) replaces such replacement Part with a further replacement Part owned by such Grantor (or any Permitted Lessee) which shall become the property of such Grantor and subject to the Lien of the Security Documents, free and clear of all Liens other than the First Lien and other Permitted Liens.

(c) Alterations, Modifications and Additions. Such Grantor, at its own expense, will make (or cause to be made) such alterations and modifications in and additions to the Airframes, Engines, Propellers and Spare Engines as may be required to be made from time to time so as to comply with any law, rule, regulation or order of any regulatory agency or body of any jurisdiction in which any Aircraft may then be registered; provided, however, that such Grantor or any Permitted Lessee may, in good faith, and by appropriate proceedings contest the validity or application of any such law, rule, regulation or order in any reasonable manner which does not materially adversely affect the Collateral Agent or any

Lender or any of their respective legal and economic interests in or to such Airframe, Engine, Propeller or Spare Engine, or subject any such Person to risk of any material civil or any criminal penalties or involve any material risk of loss or forfeiture of title to such Aircraft, Engine, Propeller or such Spare Engine. In addition, such Grantor (or any Permitted Lessee), at its own expense, may from time to time make such alterations and modifications in and additions to any Airframe, any Engine, any Propeller or any Spare Engine as such Grantor (or any Permitted Lessee) may deem desirable in the proper conduct of its business, including removal of Parts which such Grantor (or any Permitted Lessee) deems to be obsolete or no longer suitable or appropriate for use on such Airframe, such Engine, such Propeller or such Spare Engine (such parts, "Obsolete Parts"); provided that no such alteration, modification, removal or addition impairs the condition or airworthiness of such Airframe, such Engine, such Propeller or such Spare Engine, or materially diminishes the value or utility of such Airframe, such Engine, such Propeller or such Spare Engine below the condition, airworthiness, value or utility thereof immediately prior to such alteration, modification, removal or addition assuming such Airframe, such Engine, such Propeller or such Spare Engine was then in the condition required to be maintained by the terms of this Security Agreement. In addition, the value (but not the utility, condition or airworthiness) of any Airframe, any Engine, any Propeller or any Spare Engine may be reduced by the value, if any, of Obsolete Parts which shall have been removed so long as the aggregate fair market value of all Obsolete Parts which shall have been removed and not replaced shall not exceed the Obsolete Parts Cap. All Parts incorporated or installed in or attached or added to an Airframe, an Engine, a Propeller or a Spare Engine as the result of such alteration, modification or addition (except those parts which are excluded from the definition of Parts or which may be removed by such Grantor pursuant to the next sentence) (the "Additional Parts") shall, without further act, become subject to the Lien of the Security Documents. Notwithstanding the foregoing sentence, such Grantor (or any Permitted Lessee) may, at its own expense, so long as no Event of Default shall have occurred and be continuing, remove or suffer to be removed any Additional Part, provided that such Additional Part (i) is in addition to, and not in replacement of or substitution for, any Part originally incorporated or installed in or attached to such Airframe, any Engine, any Propeller or any Spare Engine at the time of delivery thereof hereunder or any Part in replacement of or substitution for any such Part, (ii) is not required to be incorporated or installed in or attached or added to any Airframe, any Engine, any Propeller or any Spare Engine pursuant to the first sentence of this paragraph (c) and (iii) can be removed from such Airframe, such Engine, such Propeller or such Spare Engine without diminishing the condition, airworthiness, value or utility of the Airframe, such Engine, such Propeller or such Spare Engine which such Airframe, such Engine, such Propeller or such Spare Engine would have had at such time had such alteration, modification or addition not occurred. Upon the removal thereof as provided above, such Additional Part shall no longer be deemed to be subject to the Lien of the Security Documents or part of the Airframe, Engine, Propeller or Spare Engine from which it was removed.

(d) Certain Matters Regarding Passenger Convenience Equipment. Such Grantor may at any time and from time to time install on any Airframe, subject to the requirements of **Section 3.2(c)** above, Passenger Convenience Equipment that is (i) owned by another Person and leased to such Grantor, (ii) sold to such Grantor by another Person subject to a conditional sale contract or other retained security interest, (iii) leased to such Grantor pursuant to a lease which is subject to a security interest in favor of another Person or (iv) installed on the applicable Aircraft subject to a license granted to such Grantor by another Person, and in any such case (A) the Collateral Agent will not acquire or claim, as against any such other Person, any right, title or interest in any such Passenger Convenience Equipment solely as a result of its installation on such Airframe, (B) such Grantor shall notify such Person of Collateral Agent's interest in such Aircraft, and (C) such Grantor shall procure that, upon the occurrence of any default under the applicable lease, conditional sale agreement, security agreement or license, such Person shall not be entitled to repossess such Passenger Convenience Equipment unless it shall, in connection with such repossession, undertake to restore such Aircraft to the condition it had been in had the installation of such Passenger Convenience Equipment not occurred.

[Section 3.3. Use, Possession and Designated Locations of Spare Parts and Pledged Equipment; Collateral Access Agreement.](#)

(a) Subject to the Loan Agreement, such Grantor shall have the right, at any time and from time to time at its own cost and expense, without any release from or consent by the Collateral Agent, to deal with the Pledged Spare Parts in any manner consistent with such Grantor's ordinary course of business, including without limitation any of the following:

(i) to incorporate in, install on or attach or make appurtenant to any aircraft, engine or Appliance leased to or owned by such Grantor (whether or not subject to any Lien) or any Pledged Spare Part, free from the Lien of the Security Documents;

(ii) to dismantle any Pledged Spare Part that has become worn out or obsolete or unfit for use, and to sell or dispose of any such Pledged Spare Part or any salvage resulting from such dismantling, free from the Lien of the Security Documents; and

(iii) to transfer any or all of the Pledged Spare Parts located at one or more Designated Locations to one or more other Designated Locations.

(b) Without the prior consent of the Collateral Agent, such Grantor will not sell, lease, transfer or relinquish possession of any Pledged Spare Part except as permitted by the provisions of this [Section 3.3](#) and except that such Grantor shall have the right in the ordinary course of business, (i) to transfer possession of any Pledged Spare Part to the Manufacturer thereof or any service provider for testing, overhaul, repairs, maintenance, alterations or modifications purposes or (ii) to subject any Pledged Spare Part to an interchange or pooling, exchange, borrowing or maintenance servicing arrangement customary in the airline industry and entered into in the ordinary course of business; provided, however, that if such Grantor's title to any such Pledged Spare Part shall be divested under any such agreement or arrangement, such divestiture shall be deemed to be an Event of Loss with respect to such Pledged Spare Part subject to the provisions of [Section 4.1\(c\)](#).

(c) Such Grantor shall maintain and keep the Pledged Spare Parts at one or more of the Designated Locations, except as otherwise permitted under this [Section 3.3](#) [(it being understood and agreed that Pledged Spare Parts maintained in a Fly Away Kit shall be deemed to be located at a Designated Location so long as the airport or other locations in the U.S. at which aircraft on which Fly Away Kits are kept are generally located while not in actual flight or outside the U.S. are identified as Designated Locations on [Schedule 2.1](#) hereto).] If any Pledged Spare Part [(other than a Pledged Spare Part in a Fly Away Kit aboard an aircraft outside the U.S.),] at any time and for any reason, is located at any location other than a Designated Location (except as otherwise permitted under this [Section 3.3](#)), such Grantor will promptly furnish to the Collateral Agent with respect to such Spare Part the following:

(i) a Security Agreement Supplement (Pledged Spare Parts) duly executed by such Grantor, identifying each location that is to become a Designated Location and specifically subjecting the Spare Parts at such location to the Lien of the Security Documents;

(ii) a legal opinion from counsel (which opinion and counsel shall be reasonably satisfactory to the Collateral Agent), dated the date of execution of said Security Agreement Supplement (Pledged Spare Parts), stating that said Security Agreement Supplement (Pledged Spare Parts) has been duly filed for recording in accordance with the provisions of the Federal Aviation Act, and either: (A) no other filing or recording is required in any other place within the United States in order to perfect the Lien of the Security Documents on the Spare Parts held at the Designated Locations specified in such Security Agreement Supplement (Pledged Spare Parts)

under the laws of the United States, or (B) if any such filing or recording shall be required that said filing has been accomplished in such other manner and places, which shall be specified in such legal opinion, as are necessary to perfect the Lien of the Security Documents; and

(iii) an Officer's Certificate stating that in the opinion of the officer executing the Officer's Certificate, all conditions precedent provided for in this Security Agreement relating to the subjection of such property to the Lien of the Security Documents have been complied with.

(d) Such Grantor shall, on an ongoing basis, effect any filings or recordings (or amend any existing filings or recordings) which are necessary or desirable to perfect the security interest of the Collateral Agent in the Spare Parts which are being subjected to the Lien hereof in accordance with this [Section 3.3](#) and shall promptly deliver copies of any such filings or recordings to the Collateral Agent.

[Section 3.4. Insurance.](#)

(a) Public Liability and Property Damage Insurance.

(i) Except as provided in clause (ii) of this [Section 3.4\(a\)](#), and subject to self-insurance to the extent permitted by [Section 3.4\(e\)](#) hereof at all times, such Grantor will carry or cause to be carried with respect to each Aircraft and each Spare Engine at its or any Permitted Lessee's expense (A) comprehensive airline liability (including, without limitation, passenger, contractual, bodily injury, and property damage liability and product liability) insurance (exclusive of Manufacturer's product liability insurance), (B) cargo liability insurance and (C) war risk liability insurance in each case (I) in an amount per occurrence not less than the greater of (x) the amounts of comprehensive airline liability insurance from time to time applicable per occurrence to aircraft and engines owned or leased and operated by such Grantor of the same type as such Aircraft and such Spare Engines and (y) the Minimum Liability Insurance Amount, (II) of the same type (subject, however, to [Section 3.4\(h\)](#)) and covering at least the same risks as from time to time are applicable to aircraft and engines owned or leased and operated by the Grantors of the same type as such Aircraft and such Spare Engines, and (III) which is maintained in effect with insurers (or reinsurers) of nationally or internationally recognized reputation and reasonably believed to be financially sound.

(ii) During any period that an Airframe, Engine, Propeller or Spare Engine, as the case may be, is on the ground and not in operation, such Grantor may carry or cause to be carried as to such non-operating property, in lieu of the insurance required by clause (i) above, and subject to the self-insurance to the extent permitted by [Section 3.4\(e\)](#) hereof, insurance by insurers of recognized reputation and reasonably believed to be financially sound otherwise conforming with the provisions of clause (i) except that (A) the amounts of coverage shall not be required to exceed the amounts of comprehensive airline liability insurance from time to time applicable to property owned or leased by such Grantor of the same type as such non-operating property and which is on the ground and not in operation; and (B) the scope of the risks covered and the type of insurance shall be the same as from time to time shall be applicable to property owned or leased by such Grantor of the same type as such non-operating property and which is on the ground and not in operation.

(iii) Such Grantor will carry or cause to be carried at all times comprehensive airline liability insurance, including, without limitation, property damage liability insurance with respect to the Pledged Spare Parts, which is (A) of amount and scope as may be customarily maintained by similar corporations engaged in the same or similar business and similarly situated as such

Grantor for property similar to the Pledged Spare Parts, (B) maintained in effect with insurers (or reinsurers) of nationally or internationally recognized reputation and reasonably believed to be financially sound and (C) with such retentions as such Grantor customarily maintains (provided, however, that any self-insurance retention or deductible shall not exceed \$[1,000,000] per occurrence).

(b) Insurance Against Loss or Damage to an Aircraft, a Spare Engine, etc.

(i) With respect to Aircraft only, subject to the provisions of [Section 3.4\(e\)](#) hereof permitting self-insurance, such Grantor shall maintain or cause to be maintained in effect, at its or any Permitted Lessee's expense, with insurers of nationally recognized reputation and reasonably believed to be financially sound (A) "all-risk" aircraft hull insurance covering each Aircraft, (B) "all-risk" coverage of Spare Engines, Engines, Propellers and Parts (while such Spare Engines, Engines, Propellers and Parts are temporarily removed from such Aircraft and not replaced by similar components) and (C) "all-risk" coverage with respect to Pledged Spare Parts in such forms and amounts and with such retentions as such Grantor customarily maintains with respect to similar property owned or operated by such Grantor (provided, however, that any self-insurance retention or deductible shall not exceed \$[1,000,000] per occurrence); provided, that such insurance shall at all times while such Aircraft and Spare Engines are subject to the Security Documents be for an amount (taking into account self-insurance to the extent permitted by [Section 3.4\(e\)](#) hereof) not less than the Insured Amount for such Aircraft and Spare Engines. In the case of a loss with respect to an engine (other than an Engine or Spare Engine) or propeller (other than a Propeller) installed on any Airframe, the Collateral Agent shall, subject to Section 2.5(c) of the Loan Agreement, as promptly as practicable remit any payment made to it of any insurance proceeds in respect of such loss to such Grantor or any other third party identified, to the Collateral Agent by such Grantor in an Officer's Certificate, entitled to receive such proceeds.

(ii) All losses will be adjusted by such Grantor (giving due regard to the interest of the Collateral Agent) with the insurers; provided, however, that during a period when any Specified Default or Event of Default shall have occurred and be continuing, such Grantor shall not agree to any such adjustment without the prior written consent of the Collateral Agent. As between the Collateral Agent and such Grantor, it is agreed that all proceeds of insurance maintained in compliance with the preceding paragraph and received as the result of the occurrence of an Event of Loss will be applied in accordance with [Section 4.1](#).

(c) War-Risk, Hijacking and Related Perils Insurance.

(i) Such Grantor shall at all times maintain hull coverage, in an amount not less than the Insured Amount for each Aircraft and Spare Engine, for war risk, hijacking and related perils at least as broad as Lloyd's of London Form LSW555B as in effect on the date hereof, or its substantive equivalent as reasonably determined by the Collateral Agent (such determination to be made after consultation with such Grantor's insurance broker).

(ii) At all times when [Section 3.4\(a\)\(ii\)](#) shall not apply, such Grantor shall maintain or cause to be maintained world-wide liability coverage of war-risk, hijacking and related perils insurance at least as broad as AVN 52D as in effect on the date hereof, or its substantive equivalent as reasonably determined by the Collateral Agent (such determination to be made after consultation with such Grantor's insurance broker) in an amount, subject to the provisions of [Section 3.4\(e\)](#), not less than the Minimum Liability Insurance Amount.

(d) Reports, Certificates, etc. Such Grantor will furnish, or cause to be furnished, to the Collateral Agent on or before the Effective Date, and each annual renewal of the applicable insurances, (i) a report, signed by an authorized representative of Aon Risk Services, Inc. or any other independent firm of insurance brokers reasonably acceptable to the Collateral Agent which brokers may be regularly retained by such Grantor (the “Insurance Brokers”), describing in reasonable detail the hull and liability insurance (and property insurance for detached engines, parts and other items) then carried and maintained with respect to the Collateral and stating the opinion of such firm that (A) such insurance complies with the terms hereof, (B) all premiums in connection with such insurance then due have been paid and (C) such insurance together with any self-insurance permitted hereby provides coverages against risks that are customarily insured against by Certificated Air Carriers and that such coverages are in substantially similar forms, are of such types and have limits as are customarily carried by Certificated Air Carriers; and (ii) a certificate of insurance evidencing the due compliance with the terms of this **Section 3.4** relating to insurance with respect to the Collateral. To the extent that the insurance obligations of this **Section 3.4** are satisfied in part with the coverage described in [**Section 3.4(g)**], the Insurance Broker’s report and certificate need not certify such coverage but may instead refer to the FAA Certificate of Insurance (which the Insurance Broker shall attached to its report). Such Grantor will cause such Insurance Broker to agree to advise the Collateral Agent in writing of any default in the payment of any premium and of any act or omission on the part of such Grantor of which it has knowledge and which might invalidate or render unenforceable, in whole or in part, any insurance on the applicable Collateral and to advise the Collateral Agent in writing at least thirty (30) days (twenty (20) days in the case of lapse for nonpayment of premiums and seven (7) days in the case of war risk and allied perils coverage) prior to the cancellation (but not expiration), lapse for non-payment of premium or material adverse change of any insurance maintained pursuant to this **Section 3.4**; provided that if the notice period specified above is not reasonably obtainable, such Grantor will cause the Insurance Broker to provide for as long a period of prior notice as shall then be reasonably obtainable. In addition, such Grantor will also cause such Insurance Broker to deliver to the Collateral Agent on or prior to the date of expiration of any insurance policy referenced in a previously delivered certificate of insurance, a new certificate of insurance, substantially in the same form as delivered by such Grantor to the Collateral Agent on the Effective Date except for changes in the report or the coverage consistent with the terms hereof. In the event that such Grantor shall fail to maintain, or cause to be maintained, insurance as herein provided, the Collateral Agent may, at its sole option, but shall be under no duty to, procure such insurance on behalf of such Grantor and, in such event, such Grantor shall, upon demand, reimburse the Collateral Agent for the cost thereof to the Collateral Agent, together with interest on such cost at the Overdue Rate from the date of such payment by the Collateral Agent to the date of reimbursement without waiver of any other rights the Collateral Agent may have; provided, however, that no exercise by the Collateral Agent of said option shall affect the provisions of this Security Agreement or the other Loan Documents, including the provisions that failure by such Grantor to maintain the prescribed insurance shall constitute an Event of Default. Upon receipt of any notices or reports, the Collateral Agent shall as promptly as practicable forward copies of the same to the Agent, the Loan Administrator, each of the Lenders and each of the Participants. The Collateral Agent shall have no responsibility for independently verifying the accuracy or completeness of any information contained in any report or certificate provided by the Insurance Brokers.

(e) Self-Insurance. Such Grantor (but no Permitted Lessee) may self-insure the risks required to be insured against pursuant to this **Section 3.4** under a program applicable to all aircraft (whether owned or leased) in such Grantor’s fleet, but in no case shall the aggregate amount of such self-insurance in regard to Sections **3.4(a)** and **3.4(b)** hereof exceed for any calendar year, with respect to all of the aircraft (whether owned or leased) in such Grantor’s fleet (including, without limitation, the Aircraft) \$[2,500,000]. In addition to the foregoing right to self-insure, such Grantor (and any Permitted Lessee) may self-insure, to the extent of any applicable mandatory minimum per aircraft (or, if applicable,

per annum or other period) the hull or liability insurance deductible imposed by the aircraft hull or liability insurer, which are commensurate with the standard deductibles in the aircraft insurance industry.

(f) Additional Insurance by such Grantor. Such Grantor (and, if applicable, any Permitted Lessee) may at its own expense carry insurance with respect to its interest in the Aircraft, Engines, Propellers, Spare Engines and Pledged Spare Parts in amounts in excess of that required to be maintained by this [Section 3.4](#); provided, however, that such insurance does not prevent such Grantor (or such Permitted Lessee) from carrying the insurance required or permitted by this [Section 3.4](#) or adversely affect such insurance or the cost thereof; and provided, further, that the proceeds of such insurance shall be subject to Section 2.5(c) of the Loan Agreement.

(g) Indemnification by Government in Lieu of Insurance. Notwithstanding any provisions of this [Section 3.4](#) requiring insurance, the Collateral Agent agrees to accept, in lieu of insurance against any risk with respect to the Aircraft or Spare Engines, indemnification from, or insurance provided by, the United States Government, against such risk in an amount which, when added to the amount of insurance against such risk maintained by such Grantor (or any Permitted Lessee) shall be at least equal to the amount of insurance against such risk otherwise required by this [Section 3.4](#) (taking into account self-insurance permitted by [Section 3.4\(e\)](#) hereof). Any such indemnification or insurance provided by the United States Government shall provide substantially similar protection as the insurance required by this [Section 3.4](#) (other than [Section 3.4\(g\)](#)) to the extent that any of the provisions of such section are generally unavailable from the United States Government). Such Grantor shall furnish to the Collateral Agent a copy of any FAA Certificate of Insurance (if such certificates are then being furnished by the FAA), and at the request of the Collateral Agent, an Officer's Certificate confirming in reasonable detail the amount and scope of such indemnification or insurance and certifying that such indemnification or insurance complies with the terms of this [Section 3.4\(g\)](#).

(h) Terms of Insurance Policies. Any insurance policies carried in accordance with Sections [3.4\(a\)](#) through [3.4\(c\)](#) hereof covering the applicable Collateral and any other insurance policies carried in accordance with the Loan Documents (and any policies taken out in substitution or replacement for any such policies) (i) shall name the Additional Insureds as additional insureds and the Collateral Agent as a loss payee as their respective interests may appear (but without imposing on any such party liability to pay premiums with respect to such insurance), (ii) may provide for self-insurance to the extent permitted in [Section 3.4\(e\)](#) hereof, (iii) shall provide that if the insurers cancel such insurance for any reason whatever, or if the same is allowed to lapse for non-payment of premium or if any material change is made in the insurance which adversely affects the interest of any Additional Insured, such lapse, cancellation or change shall not be effective as to any Additional Insured for thirty (30) days (twenty (20) days in the case of lapse for non-payment of premiums and seven (7) days in the case of war risk and allied perils coverage) after receipt by such Additional Insured of written notice by such insurers of such lapse, cancellation or change; provided, however, that if any notice period specified above is not reasonably obtainable, such policies shall provide for as long a period of prior notice as shall then be reasonably obtainable, (iv) shall provide that in respect of the respective interests of each Additional Insured in such policies the insurance shall not be invalidated by any action or inaction of such Grantor (or any Permitted Lessee) or any other Person and shall insure the respective interests of the Additional Insureds, as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by such Grantor (or any Permitted Lessee) or by any other Person, (v) shall be primary without any right of contribution from any other insurance which is carried by any Additional Insured, (vi) shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each Additional Insured, (vii) shall waive any right of the insurers to set-off, recoupment or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of any Additional Insured, (viii) shall provide that in the event of a loss involving an Aircraft, Airframe, Engine, Propeller or Spare Engine the proceeds in

respect of such loss for such Aircraft, Airframe, Engine, Propeller or Spare Engine shall be payable to the Collateral Agent and shall be applied in accordance with Section 2.5(c) of the Loan Agreement), (ix) shall waive any right of the insurers to subrogation against any Additional Insured, and (x) shall provide for a 50/50 claims settlement per AVS 103 or its equivalent.

(i) Application of Payments During Existence of a Specified Default or an Event of Default. Subject to the Intercreditor Agreement, any amount referred to in this **Section 3.4** which is payable to or retainable by such Grantor (or any Permitted Lessee) shall not be paid to or retained by such Grantor (or any Permitted Lessee) if at the time of such payment or retention a Specified Default or an Event of Default shall have occurred and be continuing, but shall be held by or paid over to the Collateral Agent and, at the discretion of the Requisite Lenders, subject to applicable law, be applied against the obligations of such Grantor under the Loan Documents. At such time as there shall not be continuing any such Specified Default or Event of Default, such amount shall be paid to such Grantor to the extent not previously applied in accordance with the preceding sentence. Prior to remitting any such funds to such Grantor, the Collateral Agent shall be authorized to request and receive an Officer's Certificate from such Grantor certifying that no Specified Default or Event of Default has occurred and is continuing.

(j) Obligations under Loan Agreement. Nothing in this **Section 3.4** shall be construed as limiting such Grantor's obligations under Section 5.4(b) of the Loan Agreement to maintain insurance coverages in accordance with the terms thereof, including, without limitation, to maintain insurance with respect to other Collateral not specifically identified in subsections (a) and (b) of this **Section 3.4**.

Section 3.5. Inspection of Aircraft, Spare Engines and Pledged Spare Parts.

(a) Without prejudice to the Loan Agreement and subject to subsection (c) below, at reasonable times but not more often than once for all Grantors combined in any twelve (12) month period, and upon at least ten (10) days prior written notice to such Grantor (provided, however, that if a Specified Default or Event of Default shall have occurred and be continuing, any such inspection shall be at reasonable times without any limit on the number of times and upon at least three (3) Business Days' prior written notice to and at the expense of such Grantor), the Collateral Agent or its authorized representatives may inspect the Aircraft, Spare Engines and Pledged Spare Parts, inspect and make copies of the books and records of such Grantor and any Permitted Lessee required to be maintained by the FAA or other applicable regulatory agency or body, access the Tracking System (with assistance from the Borrower's personnel and at the Borrower's risk and expense) and to discuss any relevant matters with the officers of any Grantor, all at such Grantors' expense. Any such inspection of any Aircraft, any Spare Engine or any Pledged Spare Part shall be subject to such Grantor's (or any Permitted Lessee's) safety and security rules applicable at the location of such Collateral. So long as no Specified Default of Event of Default shall have occurred and be continuing, no exercise of such inspection right shall interfere with the normal operation or maintenance of such Collateral by, or the normal business operations of, such Grantor (or any Permitted Lessee). The Collateral Agent shall not have any duty to make any such inspection and shall not incur any liability or obligation by reason of not making any such inspection.

(b) The Collateral Agent may by written notice to such Grantor request notice of the next scheduled heavy maintenance visit of any Aircraft and such Grantor shall permit observation of such visit subject to the terms and conditions set forth above.

(c) The Borrower shall at all times properly maintain the Tracking System and its perpetual inventory procedures for the Spare Engines and Spare Parts that provide a continuous internal audit of the Spare Engines and Spare Parts. Notwithstanding subsection (a), at any time during normal business hours and upon reasonable notice to the Borrower but not more than quarterly (provided,

however, that if an Event of Default shall have occurred and be continuing any such inspection shall be at reasonable times without any limit on the number of times and upon at least one (1) Business Day's prior written notice to and at the expense of such Grantor), the Collateral Agent shall be entitled to inspect the Tracking System to ensure the Borrower's compliance with the terms hereof. Such inspection right shall not be exercised in a manner which is unduly disruptive to the normal operation or maintenance of the Tracking System or the normal business operations of the Borrower.

Section 3.6. [Inspection of Other Collateral](#). Without prejudice to the Loan Agreement, at reasonable times but not more often than once for all Grantors combined in any twelve (12) month period, and upon at least ten (10) days' prior written notice to such Grantor (provided, however, that if a Specified Default or Event of Default shall have occurred and be continuing, any such inspection shall be at reasonable times without any limit on the number of times and upon at least three (3) Business Days' prior written notice to and at the expense of such Grantor), the Collateral Agent or its authorized representatives may (a) conduct inspections of all Collateral (except inspections of Aircraft, Spare Engines and Pledged Spare Parts, which are addressed by [Section 3.5](#)), (b) inspect and make abstracts from its books and records pertaining to such Collateral, (c) be present at such Grantor's place of business to receive copies of all communications and remittances relating to such Collateral, (d) forward copies of any notices or communications received by such Grantor with respect to such Collateral, and (e) discuss any relevant matters with the officers of any Grantor, all at the Grantors' expense and in such manner as may be deemed necessary or advisable by the Collateral Agent.

Section 3.7. [Changes in Locations, Name, etc.](#) Such Grantor will not, except upon thirty (30) days' prior written notice to the Collateral Agent and delivery to the Collateral Agent of all additional financing statements and other documents in recordable form (and with all required signatures thereon) reasonably requested by the Collateral Agent to maintain the validity, perfection and priority of the security interests provided for herein, change (i) its name, identity or corporate structure in any manner, (ii) the location of its chief executive office or (iii) its jurisdiction of organization in any manner (or take any other action to become a Registered Organization in any other jurisdiction)

Section 3.8. [Pledged Receivables](#).

(a) Except with respect to intercompany Pledged Receivables among any two or more Grantors, such Grantor will not, without the Collateral Agent's prior written consent, grant any extension of the time of payment under or in respect of any of the Pledged Receivables or Related Contracts of such Grantor, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partly, any Person liable for the payment thereof, or allow any credit or discount whatsoever thereon, other than any of the foregoing with respect to Pledged Receivables consisting of Accounts, Chattel Paper or Payment Intangibles which are done in the ordinary course of business and trade discounts granted in the ordinary course of business of such Grantor.

(b) Such Grantor shall keep full and accurate books and records relating to the Pledged Receivables, including, without limitation, a current and complete list of all Account Debtors, along with their respective names, addresses, telephone numbers, account or other identification numbers and the balance and aging of their respective Pledged Receivables, copies of which list such Grantor shall deliver to the Collateral Agent promptly after the end of each fiscal quarter of such Grantor and as soon as practicable following the Collateral Agent's request therefor, and (ii) stamp or otherwise mark or code such books and records in such manner as may be required to perfect the security interest in such Collateral or at the request of the Collateral Agent in order to reflect the security interests granted by this Security Agreement.

(c) Such Grantor shall use commercially reasonable efforts to cause to be collected from its Account Debtors, as and when due, all amounts owing under or on account of the Pledged Receivables (including, without limitation, a Pledged Receivable which is delinquent, which shall be collected in accordance with lawful collection procedures to the extent commercially reasonable) and shall apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of the Pledged Receivables.

(d) Upon the occurrence and during the continuance of an Event of Default and upon the written request of the Collateral Agent, such Grantor shall promptly (i) notify the Account Debtors in respect of the Pledged Receivables that the Pledged Receivables have been assigned to the Collateral Agent hereunder, and that any payments due or to become due in respect thereof are to be made directly to the Collateral Agent or its designee (it being understood and agreed that the foregoing shall not limit the rights of the Collateral Agent upon the occurrence and during the continuance of an Event of Default to so notify the Account Debtors without giving prior notice to or making a demand upon such Grantor including, without limitation, any notices required to be given under the Assignment of Claims Act of 1940, as amended (31 U.S.C. Sec. 3727 et seq.) and (ii) transfer to the Collateral Agent or its designee all funds received by it from or on behalf of the Account Debtors in respect of the Pledged Receivables (it being acknowledged and agreed that such Grantor shall be deemed to be holding all such funds as trustee for the Collateral Agent and, as such, shall not commingle such funds with other funds of such Grantor).

Section 3.9. Pledged Equipment. Subject to **Section 3.3**, such Grantor shall maintain and keep the Pledged Equipment in good working order and repair, ordinary wear and tear and loss due to casualty excepted, and shall not use such Collateral in violation of law or any policy of insurance thereon. Except upon prior written notice to the Collateral Agent and delivery to the Collateral Agent of a written supplement to Schedule 2.6 showing any additional locations at which Pledged Equipment shall be kept, such Grantor shall not transfer Pledged Equipment to any locations other than the locations listed on Schedule 2.6. Upon the acquisition after the date hereof by such Grantor of any additional or replacement Pledged Equipment covered by a Certificate of Title or ownership (excluding Vehicle Collateral unless required by Clause (6) of the Habendum Clause) such Grantor shall cause the Collateral Agent to be listed as the lienholder on such Certificate of Title and take such other steps as may be required under the law applicable to perfection of a security interest in such property to perfect such security interest and within thirty (30) days of the acquisition thereof deliver evidence of the same to the Collateral Agent.

Section 3.10. Delivery and Control of Pledged Equity and Pledged Debt.

(a) All certificates or instruments representing or evidencing Pledged Equity of such Grantor shall be delivered to and held by or on behalf of the Collateral Agent pursuant hereto, and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Collateral Agent.

(b) With respect to any Pledged Equity in which such Grantor has any right, title or interest and that constitutes an uncertificated security, such Grantor will use commercially reasonable efforts to cause the issuer thereof either (A) to register the Collateral Agent as the registered owner of such security or (B) to agree in an authenticated record with such Grantor and the Collateral Agent that such issuer will comply with instructions with respect to such security originated by the Collateral Agent without further consent of such Grantor, such authenticated record to be in form and substance reasonably satisfactory to the Collateral Agent; provided, however, that such Grantor shall not be required to comply with the terms of this subsection (b) so long as such uncertificated security, together with all uncertificated securities of such issuer held by such Grantor, has a fair market value of less than \$[100,000].

(c) Except upon the occurrence and during the continuation of an Event of Default and after notice from the Collateral Agent, such Grantor shall be entitled to receive all cash dividends paid in respect of the Pledged Equity of such Grantor.

(d) Except upon the occurrence and during the continuation of an Event of Default and after notice from the Collateral Agent, such Grantor will be entitled to exercise all voting, consent and corporate rights with respect to the Pledged Equity of such Grantor.

(e) With respect to any Pledged Debt in which such Grantor has any right, title or interest and that is represented by an instrument, such Grantor will deliver such instruments to the Collateral Agent accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Collateral Agent; provided, however, that such Grantor shall not be required to comply with the terms of this subsection (e) with respect to an Instrument representing Pledged Debt having a value, together with all other Instruments representing Pledged Debt issued by the same issuer and held by such Grantor, of less than \$[100,000].

[Section 3.11. Notices.](#) Such Grantor will advise the Collateral Agent promptly after it obtains knowledge thereof, in reasonable detail, of any Lien asserted against any material portion of the Collateral pledged by such Grantor other than the First Lien and other Permitted Liens.

[Section 3.12. Intellectual Property Collateral.](#)

(a) With respect to each item of its Intellectual Property Collateral that is material to such Grantor's business, such Grantor agrees to take, at its expense, all necessary steps, including, without limitation, in the U.S. Patent and Trademark Office, the U.S. Copyright Office and any other applicable U.S. Governmental Authority, to (i) maintain the validity and enforceability of such Intellectual Property Collateral and maintain such Intellectual Property Collateral in full force and effect, and (ii) pursue the registration and maintenance of each patent, trademark, or copyright registration or application, now or hereafter included in such Intellectual Property Collateral of such Grantor, including, without limitation, the payment of required fees and taxes, the filing of responses to office actions issued by the U.S. Patent and Trademark Office, the U.S. Copyright Office or other applicable U.S. Governmental Authorities, the filing of applications for renewal or extension, the filing of affidavits under Sections 8 and 15 of the U.S. Trademark Act, the filing of divisional, continuation, continuation-in-part, reissue and renewal applications or extensions, the payment of maintenance fees and, to the extent that there is, in such Grantor's reasonable judgment, a reasonable probability of success, the participation in interference, reexamination, opposition, cancellation, infringement and misappropriation proceedings. Such Grantor shall not, without the written consent of the Collateral Agent, discontinue use of or otherwise abandon any Intellectual Property Collateral that is material to such Grantor's business, or abandon any right to file an application for patent, trademark, or copyright in any Intellectual Property Collateral that is material to such Grantor's business, unless such Grantor shall have determined prior to such cessation of use or abandonment that such use or the pursuit or maintenance of such Intellectual Property Collateral is no longer desirable in the conduct of such Grantor's business and that the loss thereof would not be reasonably likely to have a Material Adverse Effect.

(b) Such Grantor agrees promptly to notify the Collateral Agent if such Grantor becomes aware (i) that any material item of the Intellectual Property Collateral has become abandoned, placed in the public domain, invalid or, unenforceable, or of any adverse determination or development regarding such Grantor's ownership of any of the material Intellectual Property Collateral or its right to register the same or to keep and maintain and enforce the same, or (ii) of any adverse determination or the institution of any proceeding (including, without limitation, the institution of any proceeding in the U.S.

Patent and Trademark Office or any court) regarding any material item of the Intellectual Property Collateral.

(c) In the event that such Grantor becomes aware that any item of the Intellectual Property Collateral that is material to such Grantor's business is being infringed or misappropriated by a third party, such Grantor shall promptly notify the Collateral Agent and shall take such actions, at its expense, as such Grantor or the Collateral Agent deems reasonable and appropriate under the circumstances to protect or enforce such Intellectual Property Collateral, including, without limitation, suing for infringement or misappropriation and seeking an injunction against such infringement or misappropriation, unless such Grantor shall have determined that such Intellectual Property Collateral is no longer desirable in the conduct of such Grantor's business and that the infringement or misappropriation thereof would not be reasonably likely to have a Material Adverse Effect.

(d) Such Grantor shall use proper statutory notice (where necessary) in connection with its use of each material item of its Intellectual Property Collateral. No Grantor shall do or permit any act or knowingly omit to do any act whereby any of its material Intellectual Property Collateral may lapse or become invalid or unenforceable or placed in the public domain except to the extent that it is commercially reasonable to do so.

(e) Such Grantor shall take all reasonable steps which it or the Collateral Agent deems appropriate under the circumstances to preserve and protect each material item of its Intellectual Property Collateral, including, without limitation, maintaining a level of quality with respect to any and all products or services offered or sold in connection with any of the material Trademarks, consistent with the level of quality existing on the date hereof, and take all steps necessary to ensure that all licensed users of any of the material Trademarks use such consistent standards of quality.

(f) Such Grantor agrees that should it obtain an ownership interest (or in the case of trademarks, begin use of a trademark) after the date hereof in any intellectual property (which it does not own on the date hereof) of the type which is similar to the Intellectual Property Collateral (for purposes of this subsection, "After-Acquired Intellectual Property") the provisions of this Agreement shall automatically apply to such After-Acquired Intellectual Property and such After-Acquired Intellectual Property shall automatically become part of the Intellectual Property Collateral subject to the terms and conditions of this Agreement with respect thereto. At the end of each calendar quarter, such Grantor shall give prompt written notice to the Collateral Agent identifying the After-Acquired Intellectual Property acquired during such quarter (if any) that is the subject of an application or registration in the U.S. Patent and Trademark Office or the U.S. Copyright Office, and such Grantor shall execute and deliver to the Collateral Agent upon the granting of such application or registration, , or otherwise authenticate, an IP Security Agreement Supplement covering such After-Acquired Intellectual Property which shall be recorded with the U.S. Patent and Trademark Office, the U.S. Copyright Office and any other applicable Governmental Authorities in the United States (if any) necessary to perfect the security interest hereunder in such After-Acquired Intellectual Property.

Section 3.13. [Liens](#). Such Grantor will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to any Collateral, except the First Lien and other Permitted Liens. Such Grantor shall promptly, at its own expense, and take such action as may be necessary to duly discharge any Lien (other than the First Lien and other Permitted Liens) arising at any time and will defend the right, title and interest of the Collateral Agent in and to all of such Grantor's rights under such Collateral against the claims and demands of all Persons whomsoever other than claims or demands arising out of the First Lien.

Section 3.14. [Financing Statements](#). Such Grantor shall not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction intended to provide notice of a Lien) relating to the Collateral of such Grantor, except financing statements filed or to be filed in respect of and covering the First Lien and other Permitted Liens.

Section 3.15. [Disposition of Collateral](#). Such Grantor shall not sell, lease, transfer, assign, convey or otherwise dispose of its Collateral (for purposes of this subsection, a “[Disposition](#)”), except: (i) abandonment of Intellectual Property Collateral pursuant to [Section 3.11](#) hereof; (ii) licensing and sublicensing of Intellectual Property Collateral consistent with the Borrower’s past practices in the ordinary course of business; (iii) Dispositions of unused, obsolete, worn out or no longer needed property in the ordinary course of business and otherwise permitted by the Loan Documents; (iv) Dispositions of Inventory in the ordinary course of business; (v) other Dispositions made in compliance with Section 6.10 of the Loan Agreement (including Dispositions not constituting Asset Sales) and with respect to which such Grantor complies with Section 2.5(b) thereof, as applicable; (vi) Dispositions of property by such Grantor to any other Grantor (so long as such Disposition shall not deprive the Collateral Agent of its security interest in such Collateral); (vii) Dispositions permitted by Sections 6.6 or 6.9 of the Loan Agreement; and (viii) Dispositions permitted by Section [●] hereof]. Such Grantor expressly acknowledges and agrees that, in the case of any Disposition of Collateral from one Grantor to another Grantor, the Lien of the Collateral Agent in such assets or property immediately prior to such Disposition shall survive such transaction and remain attached to (and perfected in) such assets or property following such transaction.

Section 3.16. [Performance](#). Such Grantor shall perform and observe all of its agreements, covenants and obligations contained in the Loan Agreement and the Notes, all of which are hereby incorporated by reference herein.

Section 3.17. [Further Assurances](#). Such Grantor agrees that it will promptly correct any defect or error that may be discovered in any document delivered in connection with the Security Documents to which it is a party or in the execution, acknowledgment or recordation thereof.

ARTICLE 4.

EVENT OF LOSS

Section 4.1. Event of Loss with Respect to Collateral.

(a) **Event of Loss with Respect to an Aircraft.**

(i) Upon the occurrence of an Event of Loss with respect to any Airframe or any Airframe and the Engines, Propellers, Spare Engines and/or engines then installed on any Airframe, the Grantor owning such Collateral shall:

(A) forthwith (and in any event, within five (5) Business Days after such occurrence) give the Collateral Agent written notice of such Event of Loss; and

(B) not later than the earlier of (x) 60 days after the occurrence of such Event of Loss or (y) the fifth (5th) Business Day following notification to such Grantor of receipt by the as loss payee of the insurance proceeds with respect to such Event of Loss, give the Collateral Agent written notice of its election to perform one of the following options (it being understood

that the failure to give such notice shall be deemed to be an election of the option set forth in subclause (1) below):

(1) Not later than the earlier of (x) the Business Day next succeeding the one hundred eightieth (180th) day following the occurrence of such Event of Loss or (y) the first Interest Payment Date that is at least three (3) Business Days after receipt by the loss payee of the insurance proceeds with respect to such Event of Loss (but not earlier than the first Business Day next succeeding the thirtieth (30th) day following the occurrence of such Event of Loss), such Grantor shall, to the extent not paid to the Collateral Agent as insurance proceeds, pay or cause to be paid to the Collateral Agent the proceeds of insurance in respect of such Event of Loss. Upon receipt of such insurance proceeds from such Grantor or the relevant insurance provider, the Collateral Agent shall apply such insurance proceeds on behalf of such Grantor as a prepayment in accordance with Section 2.5(c) of the Loan Agreement (but only to the extent the aggregate amount of all Net Insurance Proceeds and Net Condemnation Proceeds received by the Grantors in such Fiscal Year, including the insurance proceeds received in respect of such Event of Loss, exceeds the threshold amount set forth in the first sentence of such Section 2.5(c)). If such insurance proceeds are less than the Insured Amount, such Grantor shall pay or cause to be paid to the Collateral Agent the difference between the Insured Amount and the amount of such proceeds [to the extent the aggregate amount of all Net Insurance Proceeds and Net Condemnation Proceeds received by the Grantors in such Fiscal Year exceeds the threshold amount set forth in the first sentence of Section 2.5(c) of the Loan Agreement] (which payment shall also be applied on behalf of such Grantor as a prepayment of the Loan in accordance with such Section 2.5(c)); or

(2) Not later than the Business Day next succeeding the one hundred eightieth (180th) day following the occurrence of such Event of Loss, such Grantor shall substitute an aircraft (together with engines and, if applicable, propellers installed thereon) in accordance with the terms hereof subject to the provisions of Section 2.5(c) of the Loan Agreement, provided that if (x) a Specified Default or Event of Default shall have occurred and be continuing as of such election date or (y) such Grantor shall have elected to make a substitution under this clause (2) and shall fail for any reason to make such substitution in accordance with the terms hereof, then such Grantor shall make the payments required by clause (1) above on such date.

(ii) At such time as such Grantor shall have complied fully with the provisions of clause (1) above or at such time as is required by the terms of the Intercreditor Agreement, the Collateral Agent shall release from the Lien of the Security Documents such Aircraft by executing and delivering to such Grantor all documents and instruments, prepared at such Grantor's sole cost and expense, as such Grantor may reasonably request to evidence such release.

(iii) Such Grantor's right to substitute any Replacement Airframe, Replacement Engine and Replacement Propeller as provided in Clause (B)(2) of **Section 4.1(a)(i)** shall be subject to the fulfillment (which may be simultaneous with such replacement), at such Grantor's sole cost and expense, of the following conditions precedent:

(A) on the date when any Replacement Airframe, Replacement Engine and Replacement Propeller is subjected to the Lien of the Security Documents (such date being referred to in this **Section 4.1** as the "Replacement Closing Date"), the following documents shall have been duly authorized, executed and delivered by the respective party or parties thereto and

shall be in full force and effect, and an executed counterpart of each thereof shall have been delivered by such Grantor to the Collateral Agent:

(I) a Security Agreement Supplement (Aircraft) covering each such Replacement Airframe, Replacement Engine and Replacement Propeller shall have been duly filed for recordation pursuant to the Federal Aviation Act or such other applicable law of such jurisdiction other than the United States in which each such Replacement Airframe, Replacement Engine and Replacement Propeller is to be registered in accordance with [Section 3.1\(a\)\(iii\)](#), as the case may be; and

(II) UCC financing statements (and any similar statements or other documents required to be filed or delivered pursuant to the laws of the jurisdiction in which each such Replacement Airframe, Replacement Engine and Replacement Propeller, may be registered in accordance with [Section 3.1\(a\)\(iii\)](#)) as may be necessary or advisable to protect the security interests of the Collateral Agent in each such Replacement Airframe, Replacement Engine and Replacement Propeller;

(B) each Replacement Airframe shall be one or more airframes, shall be of the same Manufacturer and type as the Aircraft (unless consented to by the Collateral Agent) and shall have been manufactured by the Manufacturer in or after the year that the Aircraft subject of the Event of Loss was manufactured and each Replacement Engine shall be the engine applicable to such airframe or airframes, as the case may be, of the same Manufacturer and type as the Engine to be replaced and each Replacement Propeller shall be the propeller applicable to such engine or engines, as the case may be, of the same Manufacturer and type as the Propeller to be replaced and the Collateral Agent shall have received an Appraisal Report from an Appraiser of each such Replacement Airframe, Replacement Engine and Replacement Propeller, dated within ten (10) Business Days of the Replacement Closing Date, evidencing that such Replacement Airframe, Replacement Engine or Replacement Propeller, as the case may be, is of at least the same value as the original Airframe, Engine or Propeller, as the case may be, at the time of replacement (assuming the original Airframe, Engine or Propeller, as the case may be, was in the condition and state of repair required by this Security Agreement);

(C) the Collateral Agent shall have received satisfactory evidence as to the compliance with [Section 3.4](#) with respect to each such Replacement Airframe, Replacement Engine and Replacement Propeller;

(D) the Collateral Agent, at the expense of such Grantor, shall have received (acting directly or by authorization to its special counsel) (I) an opinion of counsel to such Grantor (which opinion and counsel shall be reasonably satisfactory to the Collateral Agent), addressed to the Collateral Agent, to the effect that each Replacement Airframe, Replacement Engine and Replacement Propeller, if any, has been made subject to the Lien of the Security Documents, that all required action has been taken in order to maintain, and such action shall maintain, the effectiveness, perfection and priority (to the extent the same existed immediately prior to the occurrence of such Event of Loss, assuming such Grantor was in compliance with all relevant terms hereof) of the security interests in each such Airframe, Engine and Propeller and title thereto created by this Security Agreement and that, except as may have been affected by a change in law, the protections afforded to the Collateral Agent by Section 1110 of the Bankruptcy Code will not be less than such protections immediately prior to the occurrence of such Event of Loss (assuming such Grantor was in compliance with all relevant terms hereof) and (II) an opinion of qualified FAA counsel or counsel in any jurisdiction outside the United States where the Aircraft may be registered in accordance with applicable law (which opinion and counsel

shall be reasonably satisfactory to the Collateral Agent), addressed to the Collateral Agent, stating, in the case of FAA counsel, that the Security Agreement Supplement (Aircraft) and all other documents or instruments the recordation of which is necessary to perfect and protect the rights of the Collateral Agent in each such Replacement Airframe, Replacement Engine and Replacement Propeller have been duly recorded and that each such Replacement Airframe, Replacement Engine and Replacement Propeller is free and clear of any liens, security interests and encumbrances of record with the FAA other than the First Lien and other Permitted Liens, or in the case of counsel in a jurisdiction outside the U.S., that all action necessary has been taken in such jurisdiction for such purposes;

(E) the representations contained in [Section 2.2](#) and [Section 2.4](#) hereof with respect to each such Replacement Airframe, Replacement Engine and Replacement Propeller shall be true and correct; and

(F) the Collateral Agent shall have received an Officer's Certificate of such Grantor stating that all conditions precedent provided for in this [Section 4.1\(a\)](#) relating to such replacement have been complied with and representing that any such Replacement Engine or Replacement Propeller is an Acceptable Alternate Engine or Acceptable Alternate Propeller, as applicable, and authorizing the Collateral Agent to rely on such Officer's Certificate.

(iv) Upon satisfaction of all conditions to such substitution, (x) the Collateral Agent shall execute and deliver to such Grantor such documents and instruments, prepared by such Grantor at such Grantor's sole cost and expense, as such Grantor shall reasonably request to evidence the release of each such replaced Airframe, Engine, Propeller or Spare Engine from the Lien of the Security Documents, (y) the Collateral Agent shall assign to such Grantor all claims it may have against any other Person relating to any Event of Loss giving rise to such substitution and (z) subject to Section 2.5(c) of the Loan Agreement (to the extent that less than 100% of the Net Insurance Proceeds received in respect of the Event of Loss giving rise to such replacement were used to acquire such Replacement Aircraft, Replacement Engine or Replacement Propeller), such Grantor shall receive all insurance proceeds and other proceeds in respect of any Event of Loss giving rise to such replacement. For all purposes hereof, the property so substituted shall be deemed to be subjected to the Lien of the Security Documents and shall be deemed an "Aircraft", "Airframe", "Engine" or "Propeller", as the case may be, as defined herein.

(b) Event of Loss with Respect to an Engine, a Propeller or Spare Engine.

(i) Upon the occurrence of an Event of Loss with respect to an Engine or a Propeller under circumstances in which there has not occurred an Event of Loss with respect to an Airframe to which such Engine or Propeller was attached, or an Event of Loss with respect to a Spare Engine not installed on any Airframe, such Grantor shall forthwith (and in any event, within five (5) Business Days after such occurrence) give the Collateral Agent written notice thereof and shall, within one hundred and eighty (180) days after the occurrence of such Event of Loss, substitute an Acceptable Alternate Engine or Acceptable Alternate Propeller, as the case may be, free and clear of all Liens (other than the First Lien and other Permitted Liens) and cause such Acceptable Alternate Engine or Acceptable Alternate Propeller, as the case may be, to be subjected to the Lien of the Security Documents. Such Grantor's right to make a replacement hereunder shall be subject to the fulfillment (which may be simultaneous with such replacement) of the following conditions precedent at such Grantor's sole cost and expense and the Collateral Agent agrees to cooperate with such Grantor to the extent necessary to enable it to timely satisfy such conditions:

(A) the following documents shall be duly authorized, executed and delivered by the respective party or parties thereto, and an executed counterpart of each shall be delivered to the Collateral Agent:

(1) a Security Agreement Supplement (Engine/Propeller) covering the Replacement Engine or Replacement Propeller, as the case may be, which shall have been duly filed for recordation by such Grantor pursuant to the Federal Aviation Act (or such other applicable law of the jurisdiction other than the United States in which such Aircraft of which such Engine or Propeller is a part) is registered in accordance with [Section 3.1\(a\)\(iii\)](#); and

(2) UCC financing statements covering the security interests created by this Security Agreement (and any similar statements or other documents required to be filed or delivered pursuant to the laws of the jurisdiction in which such Aircraft may be registered) as may be necessary or advisable to perfect the security interests of the Collateral Agent in the Replacement Engine or Replacement Propeller, as the case may be;

(B) such Grantor shall cause to be delivered to the Collateral Agent, an opinion of counsel (which opinion and counsel shall be reasonably satisfactory to the Collateral Agent) to the effect that the Lien of the Security Documents continues to be in full force and effect, that the Replacement Engine or Replacement Propeller, as the case may be, has duly been made subject to the Lien of the Security Documents, that all required action has been taken in order to maintain, and such action shall maintain, the effectiveness, perfection and priority (to the extent the same existed, immediately prior to the occurrence of such Event of Loss, assuming such Grantor was in compliance with all relevant terms hereof) of the security interest on such Engine, Propeller or Spare Engine, as applicable, and title thereto created by this Security Agreement and that, except as may have been effected by a change in law, the protections afforded to the Collateral Agent by Section 1110 of the Bankruptcy Code will not be less than such protections immediately prior to the occurrence of such Event of Loss (assuming such Grantor was in compliance with all relevant terms hereof);

(C) an opinion of qualified FAA counsel or counsel in any jurisdiction outside the U.S. where such Aircraft may be registered in accordance with applicable law (which opinion and counsel shall be reasonably satisfactory to the Collateral Agent), addressed to the Collateral Agent, stating, in the case of FAA counsel, that the Security Agreement Supplement (Engine/Propeller) and all other documents or instruments the recordation of which is necessary to perfect and protect the rights of the Collateral Agent in the Replacement Engine or Replacement Propeller have been duly recorded and that each such Replacement Engine or Replacement Propeller is free and clear of any liens, security interests and encumbrances of record with the FAA other than the First Lien, or in the case of counsel in any jurisdiction outside the U.S., that all action necessary has been taken in such jurisdiction for such purposes;

(D) the representations contained in [Section 2.2](#) and [Section 2.4](#) hereof with respect to such Replacement Engine or Replacement Propeller shall be true and correct; and

(E) such Grantor shall deliver to the Collateral Agent an Officer's Certificate stating that in the opinion of such officer, all conditions precedent provided for in this [Section 4.1\(b\)](#) relating to such replacement have been complied with and representing that such alternate engine or alternate propeller is an Acceptable Alternate Engine or Acceptable Alternate Propeller, as applicable, and authorizing the Collateral Agent to rely on such Officer's Certificate.

(ii) Upon satisfaction of all conditions to such substitution, (x) the Collateral Agent shall execute and deliver to such Grantor such documents and instruments, prepared by such Grantor at such Grantor's sole cost and expense, as such Grantor shall reasonably request to evidence the release of such replaced Engine, replaced Propeller or replaced Spare Engine, as the case may be, from the Lien of the Security Documents, (y) the Collateral Agent shall assign to such Grantor all claims it may have against any other Person relating to any Event of Loss giving rise to such substitution and (z) subject to Section 2.5(c) of the Loan Agreement (to the extent that less than 100% of the Net Insurance Proceeds received in respect of the Event of Loss giving rise to such replacement were used to acquire such replaced Engine, replaced Propeller or replaced Spare Engine, as the case may be), such Grantor shall receive all insurance proceeds and other proceeds in respect of any Event of Loss giving rise to such replacement. For all purposes hereof, each such replaced Engine, replaced Propeller or replaced Spare Engine shall be deemed to be subjected to the Lien of the Security Documents and shall be deemed an "Engine", a "Spare Engine" or a "Propeller", as the case may be, as defined herein.

(c) Application of Insurance Proceeds. As between such Grantor and the Collateral Agent, all Net Insurance Proceeds received in respect of any of the Collateral (other than any of the Collateral referred to in subsections (a) or (b) of this Section 4.1 [and excepting Net Insurance Proceeds which the Obligors may retain pursuant to Section 2.5 of the Loan Agreement]), whether as a result of the occurrence of an Event of Loss, or property damage or loss not constituting an Event of Loss, under policies required to be maintained by such Grantor pursuant to Section 3.4 will be applied in accordance with the provisions of Section 2.5(c) of the Loan Agreement, subject to the requirements of the First Lien Security Agreement and the Intercreditor Agreement. If either the Collateral Agent or such Grantor receives a payment of such Net Insurance Proceeds in excess of its entitlement pursuant to the preceding sentence, it shall cause such payment to be applied in accordance with Section 2.5(c) of the Loan Agreement (subject to the Intercreditor Agreement).

(d) Application of Payments from Governmental Authorities for Requisition of Title, etc. Any payments (other than insurance proceeds the application of which is provided for elsewhere in Section 3.4) received at any time by the Collateral Agent or by any Grantor from any Governmental Authority or other Person with respect to an Event of Loss, other than a requisition for use by the United States Government or other government of registry of an Aircraft or any instrumentality or agency of any thereof not constituting an Event of Loss, will be applied as follows, subject to the Intercreditor Agreement:

(i) if payments are received with respect to an Airframe (or an Airframe and any Engine, any Propeller, any Spare Engine or engines or propellers then installed thereon), (A) unless the same are replaced pursuant to clause (B)(2) of Section 4.1(a)(i), such payments shall be paid and applied in accordance with clause (B)(1) of Section 4.1(a)(i); or (B) if such property is replaced pursuant to clause (B)(2) of Section 4.1(a)(i), such payments shall, subject to Section 2.5(c) of the Loan Agreement, be paid over to or retained by, such Grantor; provided, that such Grantor shall have fully performed or, concurrently therewith will fully perform, the terms of Section 4.1(a)(iii) with respect to the Event of Loss for which such payments are made;

(ii) if such payments are received with respect to an Engine, Propeller or Spare Engine under circumstances contemplated by Section 4.1(b) hereof, such payments shall be paid in accordance with Section 2.5(c) of the Loan Agreement; and

(iii) if such payments are received with respect to any Pledged Spare Part under circumstances contemplated by Section 4.1(c) hereof, such payments shall be paid in accordance with Section 2.5(c) of the Loan Agreement.

(e) Requisition for Use of an Aircraft by the United States Government or Government of Registry of an Aircraft. In the event of the requisition for use of any Airframe and the Engines or engines or Propellers or propellers installed on such Airframe by the United States Government or any other government of registry of such Aircraft or any instrumentality or agency of any thereof, such Grantor shall promptly notify the Collateral Agent of such requisition, and all of such Grantor's obligations under this Security Agreement with respect to such Aircraft shall continue to the same extent as if such requisition had not occurred. Subject to the rights of the Collateral Agent, upon the occurrence and during the continuance of a Specified Default or Event of Default, all payments received by the Collateral Agent or such Grantor from such government for the use of such Airframe and Engines or engines or Propellers or propellers shall be paid over to, or retained by, such Grantor (or, if directed by such Grantor, any Permitted Lessee).

(f) Requisition for Use of an Engine, a Propeller or Spare Engine by the United States Government or the Government of Registry of an Aircraft. In the event of the requisition for use of an Engine, a Propeller or Spare Engine by the United States Government or any other government of registry of the applicable Aircraft or any agency or instrumentality of any thereof (other than in the circumstances contemplated by subsection (e)), such Grantor shall replace (or cause any Permitted Lessee to replace) such Engine, Propeller or Spare Engine hereunder and Collateral Agent and such Grantor (or Permitted Lessee as the case may be) shall comply with the terms of [Section 4.1\(b\)](#) hereof to the same extent as if an Event of Loss had occurred at the time of such requisition with respect to such Engine, such Propeller or such Spare Engine. Upon compliance with, and subject to the rights of the Collateral Agent pursuant to, [Section 4.1\(b\)](#) hereof, any payments received by Collateral Agent or such Grantor from such government with respect to such requisition shall be paid over to, or retained by such Grantor.

(g) Application of Payments During Existence of Specified Defaults and Events of Default. Any amount referred to in this [Section 4.1](#) which is payable to or retainable by the Grantors (or any Permitted Lessee) shall not be paid to or retained by the Grantors (or any Permitted Lessee) if at the time of such payment or retention a Specified Default or any Event of Default shall have occurred and be continuing, but shall be held by or paid over, subject to the Intercreditor Agreement, to the Collateral Agent and applied against the obligations of the Grantors (or such Permitted Lessee) under the Loan Documents. At such time as there shall not be continuing any such Specified Default or Event of Default, such amount shall be paid to the Grantors to the extent not previously applied in accordance with the preceding sentence. Prior to remitting any such funds to the Grantors, the Collateral Agent shall be authorized to request and receive an Officer's Certificate from the Grantors certifying that no Specified Default or Event of Default has occurred and is continuing.

ARTICLE 5.

REMEDIES

Section 5.1. Remedies Available to Collateral Agent.

(a) After an Event of Default shall have occurred and so long as such Event of Default shall be continuing, then and in every such case, the Collateral Agent, as holder of a security interest in the Collateral may, as and when required pursuant to the provisions of Section 7.2 of the Loan Agreement, exercise, any or all of the rights and powers and pursue any and all of the remedies accorded to a Secured Party under the UCC and under any other applicable law, may recover judgment in its own name as Collateral Agent against the Collateral and may take possession of all or any part of the Collateral and may exclude the Grantors and all Persons claiming under any of them wholly or partly therefrom. Any proceeds received or realized by the Collateral Agent at any time pursuant to the exercise of remedies hereunder shall be promptly transferred by the Collateral Agent to the account of the Agent

specified in Section 2.8(a) of the Loan Agreement for application in accordance with the priority of payments set forth in Section 2.8(e) of the Loan Agreement.

(b) For the purpose of enforcing any and all rights and remedies under this Security Agreement, after an Event of Default shall have occurred and so long as such Event of Default shall be continuing, each Grantor agrees that: (i) upon the written demand of the Collateral Agent and at the Borrower's expense, the Borrower shall give immediate access to the Tracking System (together with personnel necessary to operate the Tracking System) and promptly deliver to the Collateral Agent or its designee possession of any Collateral as the Collateral Agent may so demand in the manner and condition required by, and otherwise in accordance with all the provisions of, this Security Agreement, or the Collateral Agent at its option may enter upon the premises where all or any part of the Collateral is located and take immediate possession of and remove the same by summary proceedings or otherwise (and at the Collateral Agent's option, store the same at such Grantor's premises until disposal thereof by the Collateral Agent), all without liability accruing to the Collateral Agent (other than that caused by the Collateral Agent's willful misconduct or gross negligence as actually and finally determined by a final, non-appealable judgment of a court of competent jurisdiction) for or by reason of such entry or taking of possession or removing whether for the restoration of damage to property caused by such action or otherwise; and (ii) such Grantor shall, at the request of the Collateral Agent, promptly execute and deliver to the Collateral Agent such instruments or other documents as may be necessary or advisable to enable the Collateral Agent or an agent or representative designated by the Collateral Agent, at such time or times and place or places as the Collateral Agent may specify, to obtain possession of all or any part of the Collateral the possession of which the Collateral Agent shall at the time be entitled to hereunder; provided, that during any period any Aircraft is activated under the Civil Reserve Air Fleet Program in accordance with the provisions of [Section 3.1(b)(i)(F)] hereof and in the possession of the United States Government or an instrumentality or agency thereof, the Collateral Agent shall not, on account of any Event of Default, be entitled to exercise any of its rights under this Section 5.1 against the Collateral in such manner as to limit such Grantor's control of the associated Airframe or any Engines installed thereon, unless at least sixty (60) days' (or such greater or lesser period as may then be applicable under the Air Mobility Command program) prior written notice of Default hereunder shall have been given by the Collateral Agent to such Grantor with a copy addressed to the Contracting Office Representative for the United States Air Force Headquarters Air Mobility Command under the contract with such Grantor relating to such Aircraft.

(c) So long as an Event of Default shall have occurred and be continuing, the Collateral Agent may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession, and either before or after taking possession and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Grantors, at least 20 days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, or interest therein, at public auction or private sale, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Collateral Agent may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) and time designated in the notice above referred to. The Collateral Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Each purchaser at any such sale shall acquire the property sold absolutely free from any claim or right on the part of the Grantors. Each Grantor hereby waives, to the fullest extent permitted by law, any claims against the Collateral Agent arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale.

(d) Any such sale may be adjourned from time to time by announcement at the time and place appointed for such sale, or for any such adjourned sale, without further notice, and the

Collateral Agent or any Lender may bid and become the purchaser at any such sale and each Lender shall be entitled at any public auction sale to credit against any purchase price bid at such public auction sale by such Lender all or any part of any unpaid obligations owing to such Lender secured by the Lien of the Security Documents.

(e) The Collateral Agent is authorized, in connection with any sale of the Collateral, to deliver or otherwise disclose to any prospective purchaser of the Collateral any information in its possession relating to such Collateral, but only to the extent such information is not subject to a non-disclosure agreement or confidentiality agreement between any Grantor and another Person which claims such information is proprietary to it. Notwithstanding the foregoing, if such non-disclosure agreement or confidentiality agreement allows disclosure of such information if the recipient thereof agrees to maintain such information in confidence, such information may be disclosed if such agreement is obtained.

(f) If an Event of Default has occurred and is continuing, the Collateral Agent shall also be entitled to pursue all or any part of the Collateral wherever it may be found and may enter any of the premises of the Grantors or any other Person wherever the Collateral may be or be supposed to be and search for the Collateral and take possession of any item of the Collateral pursuant to this **Section 5.1(f)**. The Collateral Agent may, from time to time, at the expense of the Grantors, make all such expenditures for the collection, maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of the Collateral, as it may deem proper. In each such case, the Collateral Agent shall have the right to collect, maintain, use, insure, operate, store, lease, control or manage the Collateral, and to carry on business and exercise all rights and powers of the Grantors relating to the Collateral as the Collateral Agent shall deem appropriate, including the right to enter into any and all such agreements with respect to the collection, maintenance, use, insurance, operation, storage, leasing, control or management of the Collateral or any part thereof. The Collateral Agent shall be entitled to collect, sue for and receive directly all monies due or to become due, tolls, rents, issues, profits, products, revenues or other income pursuant to this **Section 5.1(f)**. In accordance with the terms of this **Section 5.1(f)**, such monies due or to become due, tolls, rents, issues, profits, products, revenues and other income shall be applied to pay the expenses of collecting, using, operating, storing, leasing, controlling or managing the Collateral, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Collateral Agent may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Collateral or any part thereof (including the employment of engineers and accountants to examine, inspect and make reports upon the properties and books and records of the Grantors), and all other payments which the Collateral Agent may be required or authorized to make under any provision of this Security Agreement, including this **Section 5.1(f)**, as well as just and reasonable compensation for the services of the Collateral Agent, and of all persons properly engaged and employed by the Collateral Agent.

(g) Subject to **Section 5.1(c) and the Intercreditor Agreement**, the Collateral Agent may proceed to protect and enforce this Security Agreement by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, or for the recovery of judgment for the indebtedness secured by the Lien created under this Security Agreement or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

(h) Each and every right, power and remedy herein given to the Collateral Agent specifically or otherwise in this Security Agreement shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often in such order as may be

deemed expedient by the Collateral Agent, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Collateral Agent in the exercise of any right, remedy or power and no renewal or extension of any of the Obligations secured by this Agreement shall impair any such right, power or remedy or shall be construed to be a waiver of any Default or Event of Default or an acquiescence therein. No notice to or demand on the Grantors in any case shall entitle them to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Collateral Agent to any other or further action in any circumstances without notice or demand.

(i) Upon and during the continuance of an Event of Default the Collateral Agent shall be entitled to undertake an acceptance of all or a part of the Collateral in satisfaction of all or a specified part of the Obligations pursuant to and in accordance with the provisions of Sections 9-620 and 9-621 of the UCC and, if pursuant to such sections and after such Event of Default any of the Grantors consent to such acceptance, which consent shall not be unreasonably withheld, then such Grantor shall execute and deliver such deeds of conveyance, assignments and other documents or instruments (including any notices or applications to the FAA or any other Governmental Authority having jurisdiction over the Collateral subject to such conveyance) as shall be reasonably required to effectuate the transfer of such Collateral, together with the certificates, if any, representing the same and any other rights of such Grantor with respect thereto, to the Collateral Agent or any designee or designees selected by the Collateral Agent.

Section 5.2. Expenses. The Grantors agree that they will upon written demand pay to the Collateral Agent:

(a) the amount of any taxes payable by reason of the Collateral Agent's security interests in respect of the Collateral or to free any of the Collateral from any Lien thereon; and

(b) the amount of any and all reasonable out-of-pocket expenses, including, but not limited to, any excise, property, transfer, sales and use taxes imposed by any state, federal or other local authority on any of the Collateral, and reasonable fees and disbursements of counsel and of any other experts payable in connection with the enforcement of this Security Agreement after and during the continuance of any Event of Default, including such expenses as are incurred in connection with:

(i) the collection, sale or other disposition of the Collateral;

(ii) any action taken by the Collateral Agent to effect compliance on behalf of the Grantors in respect of a failure by any of the Grantors to comply with the provisions of this Security Agreement which results (or is likely to result) in the diminution of the value of the Collateral or the validity, perfection, rank or value of the Collateral Agent's security interest in the Collateral;

(iii) protecting, storing, warehousing, appraising, insuring, handling, maintaining, shipping, overhauling and repairing the Collateral; or

(iv) the exercise by the Collateral Agent of any of the rights or powers conferred upon it hereunder.

Any such amount not paid to the Collateral Agent on demand shall bear interest for each day until paid at a rate per annum equal to Overdue Rate.

Section 5.3. Waiver of Claims.

(a) Except as otherwise provided in this Security Agreement, each Grantor hereby waives, to the maximum extent permitted by applicable law, notice and judicial hearing in connection with the Collateral Agent's taking possession, retention, disposition or sale of any Collateral, including any and all prior notice and hearing for any prejudgment remedy or remedies and any such right which such Grantor would otherwise have under any applicable law, and such Grantor hereby further waives, to the maximum extent permitted by law:

(i) provided that the actions taken comply, in all material respects, with applicable law, including but not limited to all applicable provisions of the UCC, all claims, damages and demands against the Collateral Agent, the Lenders and the Participants arising out of such taking of possession, retention, disposition or sale of the Collateral except such claims, damages and demands as may arise out of such Person's own gross negligence or willful misconduct as actually and finally determined by a final non-appealable judgment of a court of competent jurisdiction and only to the extent of direct (as opposed to special, indirect, consequential or punitive) damages;

(ii) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Collateral Agent's rights hereunder; and

(iii) all rights of redemption, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Security Agreement or the absolute sale or other disposition of any part of the Collateral, and such Grantor, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws; provided, however, that the actions taken by the Collateral Agent as described in this **Section 5.3** herein comply, in all material respects, with applicable law, including but not limited to all applicable provisions of the UCC.

(b) Each Grantor, for itself and all who claim through it, hereby waives all right to have the Collateral marshaled upon any foreclosure hereof and agrees that any court having jurisdiction to foreclose this Security Agreement may order the sale of the Collateral as an entity.

Section 5.4. Discontinuance of Proceedings. In case the Collateral Agent shall have instituted any proceeding to enforce any right, power or remedy under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then and in every such case the Grantors, the Collateral Agent and each Lender shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest and Lien created under the Security Documents and all rights, remedies and powers of the Collateral Agent shall continue as if no such proceeding had been instituted.

Section 5.5. Intercreditor Agreement. This Security Agreement and the exercise and enforcement by the Collateral Agent, of its rights under this Security Agreement are subject to the Intercreditor Agreement.

ARTICLE 6.

TERMINATION OF SECURITY AGREEMENT

Section 6.1. Termination of Security Agreement. This Security Agreement shall terminate (i) upon payment and performance in full of all of the Obligations (other than contingent indemnification obligations not yet due and payable); and (ii) as to any item of Collateral, upon the Disposition of such Collateral as permitted in **Section 3.15** hereof. Upon termination, at the request and sole cost and expense of a Grantor, and upon receipt by the Collateral Agent of written confirmation from the Agent that all of the Obligations have been paid and performed in full (other than contingent indemnification obligations not yet due and payable) (in the case of a termination pursuant to clause (i) above), the Collateral Agent shall execute and deliver such documents and instruments reasonably requested by such Grantor to evidence the release of the Collateral (or such item of Collateral, as the case may be) from the Lien of the Security Documents; provided, however, that this Security Agreement shall earlier terminate and this Security Agreement shall be of no further force or effect upon any sale or other final disposition by the Collateral Agent of all property constituting part of the Collateral and the final distribution by the Collateral Agent of all monies or other property or proceeds constituting part of the Collateral in accordance with the terms hereof. Except as otherwise provided above, this Security Agreement shall continue in full force and effect in accordance with the terms hereof.

ARTICLE 7.

MISCELLANEOUS

Section 7.1. Indemnification. The provisions of Section 9.4 of the Loan Agreement are incorporated herein *mutatis mutandis*, as if fully set forth herein. If and to the extent that the obligations of each Grantor under this Section 7.1 are unenforceable for any reason, each Grantor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law. Any amounts paid by the Collateral Agent as to which the Collateral Agent has the right to reimbursement shall constitute Obligations secured by the Collateral. The indemnity obligations of the Grantors contained in this Section 7.1 shall continue in full force and effect notwithstanding the full payment of the Loan and the payment of all other Obligations and notwithstanding the discharge thereof.

Section 7.2. Collateral Agent. The Collateral Agent was appointed and authorized to act pursuant to Section 8.1 of the Loan Agreement. The Collateral Agent's responsibilities and obligations hereunder are subject in all respects to the Loan Agreement.

Section 7.3. Continuing Security Interest; Transfers Under Loan Agreement. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until this Agreement is terminated pursuant to Section 6.1 hereof, (ii) be binding upon the Grantors, their successors and assigns (provided that the Grantors may not transfer or assign any or all of their rights or obligations hereunder without the prior written consent of the Collateral Agent), and (iii) inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of the Collateral Agent, each Lender, each Participant and each of their respective permitted successors, transferees and assigns; no other persons (including, without limitation, any other creditor of the Grantors) shall have any interest herein or any right or benefit with respect hereto. Without limiting the generality of the foregoing clause (iii) and subject to the provisions of the Loan Agreement, any Lender or Participant may assign or otherwise transfer any indebtedness held by it secured by this Agreement to any other Person or entity, and such other Person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Lender or Participant herein or otherwise, subject, however, to the provisions of the Loan Agreement.

Section 7.4. Notices. All notices and other communication provided for herein shall be in writing and given in accordance with Section 9.7 of the Loan Agreement.

Section 7.5. [Governing Law](#). This Security Agreement is being delivered in the State of New York. This Agreement and the rights and obligations of the parties hereto shall be governed by, and construed in accordance with, the law of the State of New York.

Section 7.6. [Incorporation of Certain Loan Agreement Provisions](#). The provisions of Section 9.11, 9.12 and 9.18 of the Loan Agreement are incorporated herein *mutatis mutandis*, as if fully set forth herein.

Section 7.7. [Security Interest Absolute](#). The obligations of each Grantor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any exercise or non-exercise, or any waiver of, any right, remedy, power or privilege under or in respect of this Agreement or any other Loan Document, except as specifically set forth in a waiver granted pursuant to Section 9.1 of the Loan Agreement or (b) any amendment to or modification of any Loan Document or any security for any of the Obligations, whether or not the Grantors shall have notice or knowledge of any of the foregoing, except as specifically set forth in an amendment or modification executed pursuant to Section 9.1 of the Loan Agreement.

Section 7.8. [Headings](#). Section headings used in this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

Section 7.9. [Conflicts with other Loan Documents](#). Unless otherwise expressly provided in this Agreement, if any provision contained in this Agreement conflicts with any provision of any other Loan Document, the provision contained in this Agreement shall govern and control, except to the extent of a conflict with the Loan Agreement, in which case the Loan Agreement shall control; provided, that the inclusion of supplemental rights or remedies in favor of the Agent, the Collateral Agent or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement.

Section 7.10. [Execution in Counterparts](#). This Security Agreement may be executed in any number of counterparts, each of which shall be an original but such counterparts shall together constitute but one instrument.

Section 7.11. [Amendments](#). This Security Agreement may be amended in accordance with the provisions set forth in Section 9.1 of the Loan Agreement.

Section 7.12. [Documentation](#). The Grantors shall provide the Collateral Agent with copies of all documents executed in connection with the Security Documents.

Section 7.13. [Cash Collateral](#). (a) Any amounts held by the Collateral Agent pursuant to the provisions of this Agreement shall be invested by the Collateral Agent from time to time in Eligible Investments as directed in an Officer's Certificate from such Grantor so long as the Collateral Agent may acquire the same using commercially reasonable efforts. The parties hereto agree that the Collateral Agent and/or an Affiliate of the Collateral Agent may charge and/or collect fees and expenses in connection with the purchase of Eligible Investments or for other services rendered to the parties hereto (provided that such charges, fees and expenses are on terms consistent with terms negotiated at arm's length). Neither the Collateral Agent nor any of its Affiliates shall be required to account for any profits or benefits described in the preceding sentence. All Eligible Investments held by the Collateral Agent pursuant to this **Section 7.13** shall be registered in the name of, payable to the order of, or specially endorsed to, the Collateral Agent. Any income realized as a result of any such investment, net of the Collateral Agent's reasonable fees and expenses in making such investment, shall be held and applied by the Collateral Agent in the same manner as the principal amount of such investment is to be applied and any losses, net of earnings and such reasonable fees and expenses, shall be charged against the principal

amount invested. All taxes on any income so realized shall be charged to the applicable Grantor. The Collateral Agent shall not be liable for any loss resulting from any investment to be made by it under this Agreement other than by reason of its willful misconduct or gross negligence as actually and finally determined in a final, non-appealable judgment of a court of competent jurisdiction.

(b) Neither the Collateral Agent nor any of its Affiliates assume any duty or liability for monitoring the rating of the selected investment. In the event an investment selection is not made, the amounts held by the Collateral Agent pursuant to the provisions of this Security Agreement shall not be invested and the Collateral Agent shall not incur any liability for interest or income thereon.

(c) The Collateral Agent shall have no obligation to invest or reinvest amounts to be held by the Collateral Agent if all or a portion of such amounts are deposited with the Collateral Agent after 11:00 a.m. (New York time) on the day of the deposit. Instructions to invest or reinvest that are received after 11:00 a.m. (New York time) will be treated as if received on the following Business Day in New York.

(d) The Collateral Agent shall have the power to sell or liquidate the foregoing investments whenever the Collateral Agent shall be required to distribute the amounts held pursuant to the terms of this Security Agreement or as otherwise contemplated in this Security Agreement. Requests or instructions received after 11:00 a.m. (New York time) by the Collateral Agent to liquidate such amounts will be treated as if received on the following Business Day in New York.

(e) The Collateral Agent shall have no responsibility for any investment losses resulting from the investment, reinvestment or liquidation of the amounts held by the Collateral Agent pursuant to the terms of this Security Agreement, provided that the Collateral Agent has made such investment, reinvestment or liquidation of the trust assets in accordance with the terms, and subject to the conditions, of this Security Agreement.

(f) Each of the parties to this Security Agreement acknowledge that non-deposit investment products are not obligations of, or guaranteed by, [_____], nor any of their affiliates; are not FDIC insured; and are subject to investment risks, including the possible loss of principal amount invested in one of the money market funds made available by the Collateral Agent and selected by the Borrower.

(g) Any investment direction contained herein may be executed through an affiliated broker or dealer of the Collateral Agent and any such affiliated broker or dealer shall be entitled to such broker's or dealer's usual and customary fees for such execution.

(h) The Eligible Investments may be held by the Collateral Agent directly or through any clearing agency or depository (collectively, the "Clearing Agency") including, without limitation, the Federal Reserve/Treasury Book-Entry System for United States and federal agency securities, and The Depository Trust Company. The Collateral Agent shall not have any responsibility or liability for the actions or omissions to act on the part of any Clearing Agency.

(i) Notwithstanding anything contained herein to the contrary, the parties hereto hereby agree and acknowledge that due to the potential conflict of interest, the Collateral Agent will not purchase or any affiliate's commercial paper (collectively, "[●] Paper") unless the Collateral Agent is specifically instructed to purchase [●] Paper in an Officer's Certificate from the Borrower. Any instruction for the purchase of [●] Paper must be given by the Borrower on a transaction by transaction basis in the manner set forth in the preceding sentence.

* * *

IN WITNESS WHEREOF, the parties to hereto have caused this Mortgage and Security Agreement to be duly executed by their respective officers thereunto duly authorized.

ATA AIRLINES, INC.

By: _____
Name:
Title:

[OTHERS]

[_____] ,
as Collateral Agent

By: _____
Name:
Title:

EXHIBIT A1
to Mortgage and
Security Agreement

MORTGAGE AND SECURITY AGREEMENT
SUPPLEMENT (AIRCRAFT) NO. ()

This MORTGAGE AND SECURITY AGREEMENT SUPPLEMENT (AIRCRAFT) NO. () dated _____ (herein called this "Security Agreement Supplement") made by [], a [] corporation (herein called the "Grantor"), in favor of [], as Collateral Agent for, and directed by, the Lenders (as defined in the Loan Agreement (as defined in the Security Agreement (as defined below))) (the "Collateral Agent").

WITNESSETH:

WHEREAS, the Grantor has heretofore executed and delivered to the Collateral Agent a Mortgage and Security Agreement dated as of [●], 2006 (as amended, modified, restated or otherwise supplemented from time to time in accordance with its terms, the "Security Agreement"), covering, *inter alia*, Aircraft, Airframes, Engines and Propellers of the Grantor;

WHEREAS, terms that are defined in the Security Agreement or the Loan Agreement (as such term is defined in the Security Agreement) and which are not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement or the Loan Agreement;

WHEREAS, the Security Agreement has been recorded, pursuant to the Federal Aviation Act, by the FAA at Oklahoma City, Oklahoma, on _____ and assigned Conveyance No. _____; and

WHEREAS, the Security Agreement provides for the execution and delivery from time to time of Mortgage and Security Agreement Supplements, each substantially in the form hereof, for the purpose of subjecting an aircraft, airframe, engine and/or propeller to the Lien of the Security Agreement.

NOW, THEREFORE, this Security Agreement Supplement Witnesseth, that to secure the prompt payment of the principal of, interest on, and all other amounts due with respect to the Loan and to secure the performance and observance by the Grantor of all the agreements, covenants and provisions contained in the Security Agreement, in the Loan Agreement and in the other Loan Documents and the prompt payment of any and all amounts from time to time owing hereunder, under the Loan Agreement and the other Loan Documents, and for the uses and purposes and subject to the terms and provisions of the Security Agreement, and in consideration of the premises and of the covenants contained in the Security Agreement, and of other good and valuable consideration the receipt and adequacy whereof are hereby acknowledged, the Grantor has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto the Collateral Agent, its successors and assigns, for the security and benefit of the Lenders and the Participants, a security interest in and mortgage Lien on the following described property:

AIRFRAME

One Airframe identified as follows:

Exhibit A1-1

<u>Manufacturer</u>	<u>Model</u>	FAA <u>Registration Number</u>	<u>Manufacturer's Serial Number</u>
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together with all Parts which are from time to time incorporated or installed in or attached thereto, unless the Lien of the Security Agreement shall not be applicable to such Part pursuant to the provisions of the Security Agreement.

AIRCRAFT ENGINES

[] aircraft engines, each such engine having 750 or more rated take-off horsepower or the equivalent thereof, whether or not such engines shall be installed in or attached to the above Airframe or any other Aircraft or airframe, identified as follows:

<u>Manufacturer</u>	<u>Model</u>	<u>Manufacturer's Serial Number</u>
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PROPELLERS

[] propellers, each such propeller capable of absorbing 750 or more rated take-off shaft horsepower or the equivalent thereof, whether or not such propellers shall be installed in or attached to the above Engines or any other engine, identified as follows:

<u>Manufacturer</u>	<u>Model</u>	<u>Manufacturer's Serial Number</u>
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in each case, together with all Parts which are from time to time incorporated or installed in or attached thereto, unless the Lien of the Security Agreement shall not be applicable to such Part pursuant to the provisions of the Security Agreement.

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Collateral Agent, its successors and assigns, for the uses and purposes and subject to the terms and provisions set forth in the Security Agreement.

This Security Agreement Supplement shall be construed as a supplemental Security Agreement and shall form a part thereof, and the Security Agreement is hereby incorporated by reference herein and is hereby ratified, approved and confirmed.

* * *

IN WITNESS WHEREOF, the Grantor caused this Mortgage and Security Agreement Supplement (Aircraft) No. () to be duly executed by one of its officers, thereunto duly authorized, on the day and year first above written.

[]

By: _____
Name:
Title:

EXHIBIT A2
to Mortgage and
Security Agreement

MORTGAGE AND SECURITY AGREEMENT
SUPPLEMENT (ENGINE/PROPELLER) NO. ()

This MORTGAGE AND SECURITY AGREEMENT SUPPLEMENT (ENGINE/PROPELLER) NO. () dated _____ (herein called this "Security Agreement Supplement") made by [], a [] corporation (herein called the "Grantor"), in favor of [_____] , as Collateral Agent for, and directed by, the Lenders (as defined in the Loan Agreement (as defined in the Security Agreement (as defined below))) (the "Collateral Agent").

W I T N E S S E T H:

WHEREAS, the Grantor has heretofore executed and delivered to the Collateral Agent a Mortgage and Security Agreement dated as of [●], 2006 (as amended, modified, restated or otherwise supplemented from time to time in accordance with its terms, the "Security Agreement"), covering, *inter alia*, Engines, Propellers and Spare Engines of the Grantor;

WHEREAS, terms that are defined in the Security Agreement or the Loan Agreement (as such term is defined in the Security Agreement) and which are not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement or the Loan Agreement;

WHEREAS, the Security Agreement has been recorded, pursuant to the Federal Aviation Act, by the FAA at Oklahoma City, Oklahoma, on _____ and assigned Conveyance No. _____; and

WHEREAS, the Security Agreement provides for the execution and delivery from time to time of Mortgage and Security Agreement Supplements, each substantially in the form hereof, for the purpose of subjecting engines and/or propellers to the Lien of the Security Agreement.

NOW, THEREFORE, this Security Agreement Supplement Witnesseth, that to secure the prompt payment of the principal of, interest on and all other amounts due with respect to the Loan and to secure the performance and observance by the Grantor of all the agreements, covenants and provisions contained in the Security Agreement, in the Loan Agreement and in the other Loan Documents and the prompt payment of any and all amounts from time to time owing hereunder, under the Loan Agreement and the other Loan Documents and for the uses and purposes and subject to the terms and provisions of the Security Agreement, and in consideration of the premises and of the covenants contained in the Security Agreement, and of other good and valuable consideration the receipt and adequacy whereof are hereby acknowledged, the Grantor has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto the Collateral Agent, its successors and assigns, for the security and benefit of the Lenders and the Participants, a security interest in and mortgage Lien on the following described property:

AIRCRAFT ENGINES

[] aircraft engines, each such engine having 750 or more rated take-off horsepower or the equivalent thereof, whether or not such engines shall be installed in or attached to any Aircraft or airframe, identified as follows:

<u>Manufacturer</u>	<u>Model</u>	<u>Manufacturer's Serial Number</u>
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PROPELLERS

[] propellers, each such propeller capable of absorbing 750 or more rated take-off shaft horsepower or the equivalent thereof, whether or not such propellers shall be installed in or attached to the above Engines or any other engine, identified as follows:

<u>Manufacturer</u>	<u>Model</u>	<u>Manufacturer's Serial Number</u>
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together with all Parts which are from time to time incorporated or installed in or attached thereto or which have been removed therefrom, unless the Lien of the Security Agreement shall not be applicable to such Part pursuant to the provisions of the Security Agreement.

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Collateral Agent, its successors and assigns, for the uses and purposes and subject to the terms and provisions set forth in the Security Agreement.

This Security Agreement Supplement shall be construed as a supplemental Security Agreement and shall form a part thereof, and the Security Agreement is hereby incorporated by reference herein and is hereby ratified, approved and confirmed.

* * *

IN WITNESS WHEREOF, the Grantor has caused this Mortgage and Security Agreement Supplement (Engine/Propeller) No. () to be duly executed by one of its officers, thereunto duly authorized, on the day and year first above written.

[]

By: _____
Name:
Title:

EXHIBIT A3
to Mortgage and
Security Agreement

MORTGAGE AND SECURITY AGREEMENT
SUPPLEMENT (PLEDGED SPARE PARTS) NO. ()

This MORTGAGE AND SECURITY AGREEMENT SUPPLEMENT (PLEDGED SPARE PARTS) NO. () dated _____ (herein called this "Security Agreement Supplement") made by [], a [] corporation (herein called the "Grantor"), in favor of [_____] , as Collateral Agent for, and directed by the Lenders (as defined in the Loan Agreement (as defined in the Security Agreement (as defined below))) (the "Collateral Agent").

W I T N E S S E T H:

WHEREAS, the Grantor has heretofore executed and delivered to the Collateral Agent a Mortgage and Security Agreement dated as of [●], 2006 (as amended, modified, restated or otherwise supplemented from time to time in accordance with its terms, the "Security Agreement"), covering, *inter alia*, certain Spare Parts and Appliances of the Grantor;

WHEREAS, terms that are defined in the Security Agreement or the Loan Agreement (as such term is defined in the Security Agreement) and which are not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement or the Loan Agreement;

WHEREAS, the Security Agreement has been recorded, pursuant to the Federal Aviation Act, by the FAA at Oklahoma City, Oklahoma, on _____ and assigned Conveyance No. _____; and

WHEREAS, the Security Agreement provides for the execution and delivery from time to time of Mortgage and Security Agreement Supplements, each substantially in the form hereof, for the purpose of subjecting spare parts and appliances to the Lien of the Security Agreement.

NOW, THEREFORE, this Security Agreement Supplement Witnesseth, that to secure the prompt payment of the principal of, interest on and all other amounts due with respect to the Loan and to secure the performance and observance by the Grantor of all the agreements, covenants and provisions contained in the Security Agreement, in the Loan Agreement and in the other Loan Documents and the prompt payment of any and all amounts from time to time owing hereunder, under the Loan Agreement and the other Loan Documents and for the uses and purposes and subject to the terms and provisions of the Security Agreement, and in consideration of the premises and of the covenants contained in the Security Agreement, and of other good and valuable consideration the receipt and adequacy whereof are hereby acknowledged, the Grantor has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto the Collateral Agent, its successors and assigns, for the security and benefit of the Lenders and the Participants, a security interest in and mortgage Lien on the following described property:

PLEGGED SPARE PARTS

[Describe]

The Pledged Spare Parts described above are located, as of the date hereof, at [specify locations] (each such location to be included as a Designated Location).

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Collateral Agent, its successors and assigns, for the uses and purposes and subject to the terms and provisions set forth in the Security Agreement.

This Security Agreement Supplement shall be construed as a supplemental Security Agreement and shall form a part thereof, and the Security Agreement is hereby incorporated by reference herein and is hereby ratified, approved and confirmed.

* * *

IN WITNESS WHEREOF, the Grantor has caused this Mortgage and Security Agreement Supplement (Pledged Spare Parts) No. () to be duly executed by one of its officers, thereunto duly authorized, on the day and year first above written.

[]

By: _____
Name:
Title: