
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2010.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number 1-8957

ALASKA AIR GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

91-1292054
(I.R.S. Employer
Identification No.)

19300 International Boulevard, Seattle, Washington 98188
(Address of principal executive offices)

Registrant's telephone number, including area code: (206) 392-5040

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The registrant has 35,766,831 common shares, par value \$1.00, outstanding at April 30, 2010.

ALASKA AIR GROUP, INC.
Quarterly Report on Form 10-Q for the three months ended March 31, 2010

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As used in this Form 10-Q, the terms “Air Group,” “our,” “we” and the “Company” refer to Alaska Air Group, Inc. and its subsidiaries, unless the context indicates otherwise. Alaska Airlines, Inc. and Horizon Air Industries, Inc. are referred to as “Alaska” and “Horizon,” respectively, and together as our “airlines.”

Cautionary Note Regarding Forward-Looking Statements

In addition to historical information, this Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words “believe,” “expect,” “will,” “anticipate,” “intend,” “estimate,” “project,” “assume” or other similar expressions, although not all forward-looking statements contain these identifying words. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or the Company’s present expectations. Some of the things that could cause our actual results to differ from our expectations are:

- general economic conditions, including the impact of the current economic environment on customer travel behavior;
- changes in our operating costs, including fuel, which can be volatile;
- our significant indebtedness;
- the competitive environment in our industry;
- our ability to meet our cost reduction goals;
- an aircraft accident or incident;
- labor disputes and our ability to attract and retain qualified personnel;
- operational disruptions;
- the concentration of our revenue from a few key markets;
- actual or threatened terrorist attacks, global instability and potential U.S. military actions or activities;
- our reliance on automated systems and the risks associated with changes made to those systems;
- our reliance on third-party vendors and partners; and
- changes in laws and regulations.

You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our forward-looking statements are based on the information currently available to us and speak only as of the date on which this report was filed with the SEC. We expressly disclaim any obligation to issue any updates or revisions to our forward-looking statements, even if subsequent events cause our expectations to change regarding the matters discussed in those statements. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such differences might be significant and materially adverse to our shareholders. For a discussion of these and other risk factors, see “Item 1A: Risk Factors” of the Company’s annual report on Form 10-K for the year ended December 31, 2009. Please consider our forward-looking statements in light of those risks as you read this report.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

Alaska Air Group, Inc.

ASSETS

<i>(in millions)</i>	March 31, 2010	December 31, 2009
Current Assets		
Cash and cash equivalents	\$ 117.7	\$ 164.2
Marketable securities	1,053.5	1,027.9
Total cash and marketable securities	1,171.2	1,192.1
Receivables - net	137.3	111.8
Inventories and supplies - net	49.1	45.8
Deferred income taxes	133.0	120.3
Fuel hedge contracts	58.9	66.2
Prepaid expenses and other current assets	102.1	98.1
Total Current Assets	1,651.6	1,634.3
Property and Equipment		
Aircraft and other flight equipment	3,667.6	3,660.1
Other property and equipment	635.9	631.3
Deposits for future flight equipment	219.5	215.5
	4,523.0	4,506.9
Less accumulated depreciation and amortization	1,387.0	1,339.0
Total Property and Equipment - Net	3,136.0	3,167.9
Fuel Hedge Contracts	48.1	50.8
Other Assets	180.0	143.2
Total Assets	\$ 5,015.7	\$ 4,996.2

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

Alaska Air Group, Inc.

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31,	December 31,
	2010	2009
<i>(in millions except share amounts)</i>		
Current Liabilities		
Accounts payable	\$ 53.3	\$ 63.3
Accrued aircraft rent	35.8	54.0
Accrued wages, vacation and payroll taxes	113.3	155.4
Other accrued liabilities	510.0	474.5
Air traffic liability	468.9	366.3
Current portion of long-term debt	158.2	156.0
Total Current Liabilities	1,339.5	1,269.5
Long-Term Debt, Net of Current Portion	1,657.2	1,699.2
Other Liabilities and Credits		
Deferred income taxes	170.1	151.1
Deferred revenue	419.1	435.1
Obligation for pension and postretirement medical benefits	412.8	421.0
Other liabilities	131.6	148.2
	1,133.6	1,155.4
Commitments and Contingencies		
Shareholders' Equity		
Preferred stock, \$1 par value		
Authorized: 5,000,000 shares, none issued or outstanding	-	-
Common stock, \$1 par value		
Authorized: 100,000,000 shares		
Issued: 2010 - 36,174,693 shares		
2009 - 35,843,092 shares	36.2	35.8
Capital in excess of par value	779.7	767.0
Treasury stock (common), at cost: 2010 - 438,734 shares		
2009 - 252,084 shares	(13.8)	(5.7)
Accumulated other comprehensive loss	(237.0)	(240.0)
Retained earnings	320.3	315.0
	885.4	872.1
Total Liabilities and Shareholders' Equity	\$ 5,015.7	\$ 4,996.2

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

Alaska Air Group, Inc.

	Three Months Ended March 31	
	2010	2009
<i>(in millions except per share amounts)</i>		
Operating Revenues		
Passenger	\$ 748.4	\$ 684.1
Freight and mail	23.0	19.4
Other - net	58.5	38.9
Total Operating Revenues	829.9	742.4
Operating Expenses		
Wages and benefits	239.3	246.0
Variable incentive pay	17.9	9.3
Aircraft fuel, including hedging gains and losses	207.3	157.7
Aircraft maintenance	57.0	59.7
Aircraft rent	37.0	38.0
Landing fees and other rentals	55.9	54.2
Contracted services	39.6	38.4
Selling expenses	33.6	25.0
Depreciation and amortization	56.2	52.8
Food and beverage service	12.3	11.6
Other	47.8	56.8
Fleet transition costs - Q200	-	4.8
Total Operating Expenses	803.9	754.3
Operating Income (Loss)	26.0	(11.9)
Nonoperating Income (Expense)		
Interest income	7.5	8.3
Interest expense	(25.6)	(27.8)
Interest capitalized	1.7	2.8
Other - net	0.6	(1.0)
	(15.8)	(17.7)
Income (loss) before income tax	10.2	(29.6)
Income tax expense (benefit)	4.9	(10.4)
Net Income (Loss)	\$ 5.3	\$ (19.2)
Basic Earnings (Loss) per Share:	\$ 0.15	\$ (0.53)
Diluted Earnings (Loss) Per Share:	\$ 0.15	\$ (0.53)
Shares used for computation:		
Basic	35.667	36.326
Diluted	36.393	36.326

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)

Alaska Air Group, Inc.

<i>(in millions)</i>	<i>Common Shares Outstanding</i>	<i>Common Stock</i>	<i>Capital in Excess of Par Value</i>	<i>Treasury Stock, at Cost</i>	<i>Accumulated Other Comprehensive Loss</i>	<i>Earnings</i>	<i>Retained Total</i>
Balances at December 31, 2009	<u>35.591</u>	<u>\$ 35.8</u>	<u>\$ 767.0</u>	<u>\$ (5.7)</u>	<u>\$ (240.0)</u>	<u>\$ 315.0</u>	<u>\$ 872.1</u>
Net income for the three months ended March 31, 2010						5.3	5.3
Other comprehensive income (loss):							
Related to marketable securities:							
Change in fair value					3.5		
Reclassification to earnings					(1.8)		
Income tax effect					(0.7)		
					<u>1.0</u>		1.0
Adjustments related to employee benefit plans:							
Reclassification to earnings					5.4		
Income tax effect					(1.7)		
					<u>3.7</u>		3.7
Related to interest rate derivative instruments:							
Change in fair value					(2.8)		
Income tax effect					1.1		
					<u>(1.7)</u>		(1.7)
Total comprehensive loss							<u>8.3</u>
Purchase of treasury stock	(0.279)			(10.5)			(10.5)
Stock-based compensation			5.0				5.0
Treasury stock issued under stock plans	0.092			2.4			2.4
Stock issued for employee stock purchase plan	0.016	0.1	0.2				0.3
Stock issued under stock plans	0.316	0.3	7.5				7.8
Balances at March 31, 2010	<u>35.736</u>	<u>\$ 36.2</u>	<u>\$ 779.7</u>	<u>\$ (13.8)</u>	<u>\$ (237.0)</u>	<u>\$ 320.3</u>	<u>\$ 885.4</u>

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Alaska Air Group, Inc.

	Three Months Ended March 31	
	2010	2009
<i>(in millions)</i>		
Cash flows from operating activities:		
Net income (loss)	\$ 5.3	\$ (19.2)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Fleet transition costs - Q200	-	4.8
Depreciation and amortization	56.2	52.8
Stock-based compensation	5.0	5.4
Increase in air traffic liability	102.6	26.9
Changes in other assets and liabilities-net	(114.6)	(60.6)
Net cash provided by operating activities	54.5	10.1
Cash flows from investing activities:		
Property and equipment additions:		
Aircraft and aircraft purchase deposits	(5.0)	(199.5)
Other flight equipment	(14.2)	(17.0)
Other property and equipment	(6.7)	(9.7)
Total property and equipment additions	(25.9)	(226.2)
Proceeds from disposition of assets	1.4	2.3
Purchases of marketable securities	(284.0)	(160.5)
Sales and maturities of marketable securities	261.0	151.9
Restricted deposits and other	(0.4)	(3.3)
Net cash used in investing activities	(47.9)	(235.8)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	-	64.0
Proceeds from sale-leaseback transaction, net	-	230.0
Long-term debt payments, including line of credit	(39.8)	(121.5)
Purchase of treasury stock	(10.5)	-
Proceeds from issuance of common stock	11.1	2.0
Other financing activities	(13.9)	5.2
Net cash provided by (used in) financing activities	(53.1)	179.7
Net change in cash and cash equivalents	(46.5)	(46.0)
Cash and cash equivalents at beginning of year	164.2	283.1
Cash and cash equivalents at end of period	\$ 117.7	\$ 237.1
Supplemental disclosure of cash paid during the period for:		
Interest (net of amount capitalized)	\$ 29.5	\$ 28.7
Income taxes	-	-

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Alaska Air Group, Inc.

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Alaska Air Group, Inc. (Air Group or the Company) include the accounts of the parent company, Alaska Air Group, Inc., and its principal subsidiaries, Alaska Airlines, Inc. (Alaska) and Horizon Air Industries, Inc. (Horizon), through which the Company conducts substantially all of its operations. These interim condensed consolidated financial statements are unaudited and should be read in conjunction with the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2009. In the opinion of management, all adjustments have been made that are necessary to present fairly the Company's financial position as of March 31, 2010, as well as the results of operations for the three months ended March 31, 2010 and 2009. The adjustments made were of a normal recurring nature.

The Company's interim condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). In preparing these statements, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities, as well as the reported amounts of revenues and expenses. Significant estimates made include assumptions used to record expenses and revenues associated with the Company's Mileage Plan; assumptions used in the calculations of pension expense in the Company's defined-benefit plans; and the amounts of certain accrued liabilities. Actual results may differ from the Company's estimates.

Reclassifications

Certain reclassifications have been made to conform the prior year's data to the current format.

Prospective Accounting Pronouncements

New accounting standards on "Revenue Arrangements with Multiple Deliverables" were issued in September 2009 and update the current guidance pertaining to multiple-element revenue arrangements. This new guidance will be effective for the Company's annual reporting period beginning January 1, 2011. Management is currently evaluating the impact of this new standard on the Company's financial position, results of operations, cash flows, and disclosures.

NOTE 2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements

Accounting standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standards also establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Cash, Cash Equivalents and Marketable Securities

The Company uses the “market approach” as defined in the accounting standards in determining the fair value of its cash, cash equivalents and marketable securities. The securities held by the Company are valued based on observable prices in active markets and considered to be liquid and easily tradable.

Amounts measured at fair value as of March 31, 2010 are as follows (in millions):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 85.3	\$ 32.4	\$ —	\$ 117.7
Marketable securities	139.6	913.9	—	1,053.5
Total	<u>\$ 224.9</u>	<u>\$ 946.3</u>	<u>\$ —</u>	<u>\$ 1,171.2</u>

All of the Company’s marketable securities are classified as available-for-sale. The securities are carried at fair value, with the unrealized gains and losses, excluding credit losses, reported in shareholders’ equity under the caption “accumulated other comprehensive loss” (AOCL). Realized gains and losses are included in other nonoperating income (expense) in the condensed consolidated statements of operations.

The cost of securities sold is based on the specific identification method. Interest and dividends on marketable securities are included in interest income in the condensed consolidated statements of operations.

Marketable securities consisted of the following (in millions):

	March 31, 2010	December 31, 2009
Amortized cost:		
Government securities/agencies	\$ 359.5	\$ 376.7
Asset-backed obligations	196.1	215.4
Other corporate obligations	482.2	421.8
	<u>\$ 1,037.8</u>	<u>\$ 1,013.9</u>
Fair value:		
Government securities/agencies	\$ 363.1	\$ 381.2
Asset-backed obligations	195.5	214.7
Other corporate obligations	494.9	432.0
	<u>\$ 1,053.5</u>	<u>\$ 1,027.9</u>

Of the marketable securities on hand at March 31, 2010, 22% mature in 2010, 24% in 2011 and 54% thereafter. Gross realized gains and losses for the three months ended March 31, 2010 and 2009 were not material to the condensed consolidated financial statements.

Some of the Company’s asset-backed securities held at March 31, 2010 had credit losses, as defined in the accounting standards. These credit losses total \$2.2 million and were recorded through earnings in 2009 and represent the difference between the present value of future cash flows and the amortized cost basis of the affected securities. No additional credit losses were recorded in the first quarter of 2010.

Management does not believe the securities associated with the remaining \$3.3 million unrealized loss recorded in AOCL are “other-than-temporarily” impaired, as defined in the accounting standards, based on the current facts and circumstances. Management currently does not intend to sell these securities prior to their recovery nor does it believe that it will be more-likely-than-not that the Company would need to sell these securities for liquidity or other reasons.

Gross unrealized gains and losses, including credit losses, at March 31, 2010 are presented in the table below (in millions):

	Unrealized Losses							Fair Value of Securities with Unrealized Losses
	Unrealized Gains in AOCL	Less than 12 months	Greater than 12 months	Total Unrealized Losses	Less: Credit Loss Previously Recorded in Earnings	Net Unrealized Losses in AOCL	Net Unrealized Gains/(Losses) in AOCL	
Government								
Securities/Agencies	\$ 3.9	\$ (0.3)	\$ --	\$ (0.3)	\$ --	\$ (0.3)	\$ 3.6	\$ 127.2
Asset-backed obligations	2.2	(0.3)	(4.7)	(5.0)	(2.2)	(2.8)	(0.6)	61.1
Other corporate obligations	12.9	(0.2)	--	(0.2)	--	(0.2)	12.7	69.6
Total	<u>\$ 19.0</u>	<u>\$ (0.8)</u>	<u>\$ (4.7)</u>	<u>\$ (5.5)</u>	<u>\$ (2.2)</u>	<u>\$ (3.3)</u>	<u>\$ 15.7</u>	<u>\$ 257.9</u>

Fair Value of Financial Instruments

The majority of the Company’s financial instruments are carried at fair value. These include, cash, cash equivalents and marketable securities (Note 2); restricted deposits (Note 6); fuel hedge contracts (Note 3); and interest rate swap agreements (Note 3). The Company’s long-term fixed-rate debt is not carried at fair value. The estimated fair value of the Company’s long-term debt is as follows (in millions):

	Carrying Amount	Fair Value
Long-term debt at March 31, 2010	\$ 1,815.4	\$ 1,791.5
Long-term debt at December 31, 2009	\$ 1,855.2	\$ 1,821.3

The fair value of cash and cash equivalents approximates carrying values due to the short maturity of these instruments. The fair value of marketable securities is based on market prices. The fair value of fuel hedge contracts is based on commodity exchange prices. The fair value of restricted deposits approximates the carrying amount. The fair value of interest rate swap agreements is based on quoted market swap rates. The fair value of long-term debt is based on a discounted cash flow analysis using the Company’s current borrowing rate.

NOTE 3. DERIVATIVE INSTRUMENTS

Fuel Hedge Contracts

The Company's operations are inherently dependent upon the price and availability of aircraft fuel. To manage economic risk associated with fluctuations in aircraft fuel prices, the Company periodically enters into call options for crude oil and swap agreements for jet fuel refining margins. The Company records these instruments on the balance sheet at their fair value. Changes in the fair value of these fuel hedge contracts are recorded each period in aircraft fuel expense.

The following table summarizes the components of aircraft fuel expense for the three months ended March 31, 2010 and 2009 (in millions):

	2010	2009
Raw or "into-plane" fuel cost	\$ 195.2	\$ 141.9
Losses in value and settlement of fuel hedge contracts	12.1	15.8
Aircraft fuel expense	<u>\$ 207.3</u>	<u>\$ 157.7</u>

Cash received, net of premiums expensed, for hedges that settled in the first quarter of 2010 totaled \$0.4 million. In the first quarter of 2009, the Company recorded a net expense of \$25.8 million for hedges settled in that period.

The Company uses the "market approach" in determining the fair value of its hedge portfolio. The Company's fuel hedge contracts consist of over-the-counter contracts, which are not traded on an exchange. The fair value of these contracts is determined based on observable inputs that are readily available in active markets or can be derived from information available in active, quoted markets. Therefore, the Company has categorized these contracts as Level 2 in the fair value hierarchy described in Note 2.

Outstanding future fuel hedge positions are as follows:

	Approximate % of Expected Fuel Requirements	Gallons Hedged (in millions)	Approximate Crude Oil Price per Barrel
Second Quarter 2010	50%	45.9	\$ 69
Third Quarter 2010	50%	48.3	\$ 74
Fourth Quarter 2010	50%	44.5	\$ 83
Remainder of 2010	50%	138.7	\$ 75
First Quarter 2011	50%	44.9	\$ 87
Second Quarter 2011	41%	39.2	\$ 83
Third Quarter 2011	36%	35.6	\$ 86
Fourth Quarter 2011	29%	26.4	\$ 87
Full Year 2011	39%	146.1	\$ 85
First Quarter 2012	23%	21.6	\$ 87
Second Quarter 2012	14%	14.0	\$ 90
Third Quarter 2012	13%	12.8	\$ 95
Fourth Quarter 2012	11%	10.5	\$ 93
Full Year 2012	15%	58.9	\$ 91
First Quarter 2013	6%	5.2	\$ 95
Full Year 2013	1%	5.2	\$ 95

The Company also has financial swap agreements in place to fix the refining margin component for approximately 50%, 21%, and 2% of second, third, and fourth quarter 2010 jet fuel purchases, respectively, at an average price per gallon of 23 cents per gallon, 27 cents per gallon, and 30 cents per gallon, respectively.

As of March 31, 2010 and December 31, 2009, the net fair values of the Company's fuel hedge positions were as follows (in millions):

	March 31, 2010	December 31, 2009
Crude oil call options or "caps"	\$ 106.1	\$ 115.9
Refining margin swap contracts	0.9	1.1
Total	\$ 107.0	\$ 117.0

The balance sheet amounts include capitalized premiums paid to enter into the contracts of \$91.5 million and \$88.9 million at March 31, 2010 and December 31, 2009, respectively.

Interest Rate Swap Agreements

In the third quarter of 2009, the Company entered into interest rate swap agreements with a third party designed to hedge the volatility of the underlying variable interest rate in the Company's aircraft lease agreements for six B737-800 aircraft. The agreements stipulate that the Company pay a fixed interest rate over the term of the contract and receive a floating interest rate. All significant terms of the swap agreement match the terms of the lease agreements, including interest-rate index, rate reset dates, termination dates and underlying notional values. The agreements expire beginning in June 2020 through March 2021 to coincide with the lease termination dates.

The Company has formally designated these swap agreements as hedging instruments and records the effective portion of the hedge as an adjustment to aircraft rent in the condensed consolidated statement of operations in the period of contract settlement. The effective portion of the changes in fair value for instruments that settle in the future is recorded in AOCL in the condensed consolidated balance sheets.

At March 31, 2010, the Company had a net liability of \$0.4 million associated with these contracts recorded in other accrued liabilities in the condensed consolidated balance sheets, all of which is expected to be reclassified into earnings within the next twelve months. The fair value of these contracts is determined based on the difference between the fixed interest rate in the agreements and the observable LIBOR-based interest forward rates at period end, multiplied by the total notional value. As such, the Company places these contracts in Level 2 of the fair value hierarchy.

NOTE 4. LONG-TERM DEBT

Long-term debt obligations were as follows (in millions):

	March 31, 2010	December 31, 2009
Fixed-rate notes payable due through 2024	\$ 1,406.3	\$ 1,440.2
Variable-rate notes payable due through 2024	409.1	415.0
Long-term debt	1,815.4	1,855.2
Less current portion	(158.2)	(156.0)
	\$ 1,657.2	\$ 1,699.2

During the first three months of 2010, the Company had no new debt borrowings and made scheduled debt payments of \$39.8 million.

Bank Lines of Credit

The Company terminated its previous \$185 million credit facility effective March 30, 2010. That facility was replaced with two new \$100 million credit facilities. Both facilities have variable interest rates based on LIBOR plus a specified margin. Borrowings on one of the \$100 million facilities, which expires in March 2013, are secured by aircraft. Borrowings on the other \$100 million facility, which expires in March 2014, are secured by certain accounts receivable, spare engines, spare parts and ground service equipment. The Company has no immediate plans to borrow using either of these facilities. These facilities have a requirement to maintain a minimum unrestricted cash and marketable securities balance of \$500 million. The Company is in compliance with this covenant at March 31, 2010.

Pre-delivery Payment Facility

Subsequent to March 31, 2010, the Company terminated its variable-rate pre-delivery payment facility that had been used to provide a portion of the pre-delivery funding requirements for the purchase of new Boeing 737-800 aircraft. There were no borrowings on this facility as of December 31, 2009 or March 31, 2010.

NOTE 5. COMMON STOCK REPURCHASE

In June 2009, the Board of Directors authorized the Company to repurchase up to \$50 million of its common stock. Through March 31, 2010, the Company had repurchased 1,603,478 shares of its common stock for \$34.3 million under this program. In the first quarter of 2010, 278,900 shares were purchased for \$10.5 million.

NOTE 6. EMPLOYEE BENEFIT PLANS

Pension Plans - Qualified Defined Benefit

Net pension expense for the three months ended March 31 included the following components (in millions):

	2010	2009
Service cost	\$ 8.1	\$ 11.1
Interest cost	16.9	16.7
Expected return on assets	(17.7)	(12.8)
Amortization of prior service cost	(0.2)	1.1
Actuarial loss	5.5	7.2
Net pension expense	\$ 12.6	\$ 23.3

The Company contributed \$15.2 million to its qualified defined-benefit plans during the three months ended March 31, 2010, and expects to contribute an additional \$30.4 million to these plans during the remainder of 2010. The Company made \$10.6 million in contributions to its defined-benefit pension plans during the three months ended March 31, 2009.

Pension Plans - Nonqualified Defined Benefit

Net pension expense for the unfunded, noncontributory defined-benefit plans was \$0.8 million for the three months ended March 31, 2010 and 2009.

Postretirement Medical Benefits

Net periodic benefit cost for the post-retirement medical plans for the three months ended March 31, 2010 and 2009 was \$3.1 million and \$3.3 million, respectively.

NOTE 7. OTHER ASSETS

Other assets consisted of the following (in millions):

	March 31, 2010	December 31, 2009
Restricted deposits (primarily restricted investments)	\$ 87.1	\$ 86.7
Deferred costs and other*	92.9	56.5
	<u>\$ 180.0</u>	<u>\$ 143.2</u>

*Deferred costs and other includes deferred financing costs, long-term prepaid rent, lease deposits and other items.

NOTE 8. MILEAGE PLAN

Alaska's Mileage Plan deferrals and liabilities are included under the following balance sheet captions (in millions):

	March 31, 2010	December 31, 2009
Current Liabilities:		
Other accrued liabilities	\$ 287.7	\$ 267.9
Other Liabilities and Credits (non-current):		
Deferred revenue	395.1	410.6
Other liabilities	12.6	13.2
	<u>\$ 695.4</u>	<u>\$ 691.7</u>

Alaska's Mileage Plan revenue is included under the following condensed consolidated statements of operations captions for the three months ended March 31 (in millions):

	2010	2009
Passenger revenues	\$ 41.1	\$ 38.8
Other - net revenues	42.0	24.5
	<u>\$ 83.1</u>	<u>\$ 63.3</u>

NOTE 9. STOCK-BASED COMPENSATION PLANS

The Company has stock awards outstanding under a number of long-term incentive equity plans, one of which continues to provide for the grant of stock awards to directors, officers and employees of the Company and its subsidiaries. Compensation expense is recorded over the shorter of the vesting period or the period between the grant date and the date the employee becomes retirement-eligible as defined in the applicable plan. All stock-based compensation expense is recorded in wages and benefits in the condensed consolidated statements of operations.

Stock Options

During the three months ended March 31, 2010 the Company granted 129,970 options with a weighted-average fair value of \$18.05 per share. During the same period in the prior year, the Company granted 384,268 options with a weighted-average fair value of \$14.00 per share.

The Company recorded stock-based compensation expense related to stock options of \$1.8 million and \$2.3 million for the three months ended March 31, 2010 and 2009, respectively. As of March 31, 2010, \$4.9 million of compensation cost associated with unvested stock option awards attributable to future service had not yet been recognized. This amount will be recognized as expense over a weighted-average period of 2.2 years.

As of March 31, 2010, options to purchase 2,046,098 shares of common stock were outstanding with a weighted-average exercise price of \$29.90. Of that total, 1,305,791 were exercisable at a weighted-average exercise price of \$30.32.

Restricted Stock Awards

During the three months ended March 31, 2010, the Company awarded 123,650 restricted stock units (RSUs) to certain employees, with a weighted-average grant date fair value of \$33.26. This amount reflects the value of the total RSU awards at the grant date based on the closing price of the Company's common stock.

The Company recorded stock-based compensation expense related to RSUs of \$2.5 million and \$2.8 million for the three-month period ended March 31, 2010 and 2009, respectively. As of March 31, 2010 \$6.9 million of compensation cost associated with unvested restricted stock awards attributable to future service had not yet been recognized. This amount will be recognized as expense over a weighted-average period of 1.9 years.

Performance Stock Awards

From time to time, the Company issues performance stock unit awards (PSUs) to certain executives. PSUs are similar to RSUs, but vesting is based on performance or market conditions.

PSUs issued in early 2008 vest based on a performance condition tied to the Company achieving a specified pretax margin over a three-year period ending December 31, 2010. PSUs issued in 2010 vest based on a market condition tied to the Company's total shareholder return as defined in the plan relative to an airline peer group measured over the three-year period commencing January 1, 2010. The total grant-date fair value of the PSUs issued in 2010 was \$2.5 million.

The Company recorded \$0.6 million of compensation expense related to PSUs in the first quarter of 2010. No expense was recorded in the first quarter of 2009.

Employee Stock Purchase Plan

Compensation expense recognized under the Employee Stock Purchase Plan was \$0.1 million and \$0.3 million for the three months ended March 31, 2010 and 2009, respectively.

Summary of Stock-Based Compensation

The table below summarizes the components of total stock-based compensation for the three months ended March 31, 2010 and 2009 (in millions):

	2010	2009
Stock options	\$ 1.8	\$ 2.3
Restricted stock units	2.5	2.8
Performance stock awards	0.6	--
Employee stock purchase plan	0.1	0.3
Total stock-based compensation	<u>\$ 5.0</u>	<u>\$ 5.4</u>

NOTE 10. FLEET TRANSITION

Horizon Transition to All-Q400 Fleet

Horizon's long-term goal is to transition to an all-Q400 fleet. During 2009, Horizon had either terminated its remaining Q200 leases or subleased Q200 aircraft to a third party. The total charge associated with removing

these aircraft from operation in the first quarter of 2009 was \$4.8 million. This charge represented the estimated loss under potential disposal transactions.

Horizon has 16 Q200 aircraft that are subleased to a third-party carrier, for which an accrual for the estimated sublease loss has been recorded. The Company is evaluating alternatives to the existing sublease arrangements for these aircraft. The Company may be required to record a charge if the original lease or sublease arrangements are modified in the future. However, the nature, timing or amount of any such charge cannot be reasonably estimated at this time.

Horizon operates 18 CRJ-700 aircraft, which the Company plans to remove from its fleet in the future. Market conditions have hindered the remarketing efforts for these CRJ-700 aircraft resulting in a delay of the fleet transition plan. Depending on the ultimate disposition of the CRJ-700 aircraft, there may be further associated exit charges. The Company expects to remove between one and three of these CRJ-700 aircraft from operations in the second quarter of 2010 and sublease them to a third party. At this time, management expects the loss on the sublease to be approximately \$5 million per aircraft. The nature, timing or amount of any potential gain or loss on any future potential transactions on the remaining aircraft cannot be reasonably estimated at this time. Horizon also subleases two CRJ-700 aircraft to a third-party carrier.

NOTE 11. OPERATING SEGMENT INFORMATION

Operating segment information for Alaska and Horizon for the three months ended March 31 was as follows (in millions):

	Three Months Ended March 31,	
	2010	2009
Operating revenues:		
Alaska – mainline (1)	\$ 661.1	\$ 591.3
Alaska – purchased capacity (1)	76.5	61.8
<i>Total Alaska</i>	<i>737.6</i>	<i>653.1</i>
Horizon – brand flying	92.0	89.0
Horizon – capacity purchase arrangement with Alaska	66.4	57.8
<i>Total Horizon</i>	<i>158.4</i>	<i>146.8</i>
Other (2)	0.3	0.3
Elimination of intercompany revenues	(66.4)	(57.8)
Consolidated	<u>\$ 829.9</u>	<u>\$ 742.4</u>
Income (loss) before income tax:		
Alaska – mainline	\$ 13.2	\$ (17.4)
Alaska – purchased capacity	4.0	(0.9)
<i>Total Alaska</i>	<i>17.2</i>	<i>(18.3)</i>
Horizon	(6.2)	(10.5)
Other (2)	(0.8)	(0.8)
Consolidated	<u>\$ 10.2</u>	<u>\$ (29.6)</u>

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Total assets at end of period:		
Alaska	\$ 4,599.5	\$ 4,541.3
Horizon	758.7	724.1
Other (2)	1,075.6	1,052.4
Elimination of intercompany accounts	(1,418.1)	(1,332.8)
Consolidated	<u>\$ 5,015.7</u>	<u>\$ 4,985.0</u>

(1) Alaska mainline revenue represents revenue from passengers aboard Alaska jets, freight and mail revenue, and all other revenue. Purchased capacity revenue represents that revenue earned by Alaska on capacity purchased from and provided by Horizon and a small third party under a capacity purchase arrangement.

(2) Includes the parent company, Alaska Air Group, Inc., including its investments in Alaska and Horizon, which are eliminated in consolidation.

NOTE 12. CONTINGENCIES

Grievance with International Association of Machinists

In June 2005, the International Association of Machinists (IAM) filed a grievance under its Collective Bargaining Agreement (CBA) with Alaska alleging that Alaska violated the CBA by, among other things, subcontracting the ramp service operation in Seattle. The dispute was referred to an arbitrator and hearings on the grievance commenced in January 2007, with a final hearing date in August 2007. In July 2008, the arbitrator issued a final decision regarding liability. In that decision, the arbitrator found that Alaska had violated the CBA and instructed Alaska and the IAM to negotiate a remedy. In February 2010, the arbitrator issued a final decision on the remedy. That decision does not require Alaska to alter the existing subcontracting arrangements for ramp service in Seattle. The award sustains the right to subcontract other operations in the future so long as the requirements of the CBA are met. The award imposed monetary remedies which were paid in the first quarter of 2010. The amount was not material to the Company's financial position, statements of operations or cash flows.

Other items

The Company is a party to routine litigation matters incidental to its business and with respect to which no material liability is expected.

Management believes the ultimate disposition of the matters discussed above is not likely to materially affect the Company's financial position or results of operations. This forward-looking statement is based on management's current understanding of the relevant law and facts, and it is subject to various contingencies, including the potential costs and risks associated with litigation and the actions of arbitrators, judges and juries.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand the Company, our operations and our present business environment. MD&A is provided as a supplement to – and should be read in conjunction with – our condensed consolidated financial statements and the accompanying notes. All statements in the following discussion that are not statements of historical information or descriptions of current accounting policy are forward-looking statements. Please consider our forward-looking statements in light of the risks referred to in this report's introductory cautionary note and the risks mentioned in the Company's filings with the Securities and Exchange Commission including those listed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009. This overview summarizes MD&A, which includes the following sections:

- *First Quarter in Review* – highlights from the first quarter of 2010 outlining some of the major events that happened during the period and how they affected our financial performance.
- *Results of Operations* – an in-depth analysis of the results of operations of Alaska and Horizon for the three months ended March 31, 2010. We believe this analysis will help the reader better understand our condensed consolidated statements of operations. This section also includes forward-looking statements regarding our view of the remainder of 2010.
- *Liquidity and Capital Resources* – an analysis of cash flows, sources and uses of cash, contractual obligations, commitments and off-balance sheet arrangements, an overview of financial position and the impact of inflation and changing prices.

Air Group's filings with the Securities and Exchange Commission, including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are accessible free of charge at www.alaskaair.com. The information contained on our website is not a part of this quarterly report on Form 10-Q.

FIRST QUARTER IN REVIEW

Our consolidated pretax income was \$10.2 million for the first quarter of 2010 compared to a \$29.6 million pretax loss in the first quarter of 2009. The year-over-year improvement was due to an \$87.5 million increase in operating revenues and flat non-fuel operating expenses, partially offset by a \$49.6 million increase in our aircraft fuel costs.

- Consolidated unit revenues increased 11% over the first quarter of 2009, stemming from significant increases in passenger unit revenues that were driven by higher load factors at both Alaska and Horizon. Baggage fees contributed \$22.7 million to the revenue improvement, reflecting the benefit of our first bag fee that was introduced during the third quarter of 2009.
- Economic fuel averaged \$2.25 per gallon in the first quarter of 2010, compared to \$1.91 in 2009. This increase, partially offset by a slight decline in consumption, resulted in a \$27.1 million increase in our economic fuel expense for the quarter.

Other significant developments during the first quarter of 2010 and through the filing of this Form 10-Q are described below.

Operational Performance

Our operational results continue to be among the best in the industry. For the 12 months ended February 2010, Alaska held the No. 1 spot in on-time performance among the 10 largest U.S. airlines. And recently, Horizon was ranked among the world's top five airlines in 2009 on-time performance.

New Lines of Credit

In the first quarter, we established two new \$100 million variable-interest rate credit facilities. These facilities replaced the previous \$185 million credit facility that was terminated in March 2010. Borrowings on one of the \$100 million facilities, which expires in March 2013, are secured by aircraft. Borrowings on the other \$100 million facility, which expires in March 2014, are secured by certain accounts receivable, spare engines, spare parts and ground service equipment. We have no immediate plans to borrow using either of these facilities.

New Markets

In the first quarter, Alaska began daily non-stop service between Sacramento and Maui, non-stop service between San Jose and Maui three times per week, and between San Jose and Kona four times per week.

Alaska also recently announced daily non-stop service between Portland and Honolulu beginning in September 2010, between San Diego and Maui beginning in October 2010, and between San Diego and Puerto Vallarta, Mexico beginning in November 2010; and seasonal service four times weekly between Portland and Kona beginning in November 2010. By the end of the year, Alaska will operate 101 round-trip flights per week to Hawaii – from Seattle, Anchorage, Portland, Oakland, San Jose, Sacramento, and San Diego.

Horizon announced four daily non-stop flights between Los Angeles and San Jose, Calif. beginning in August 2010.

Changes to Certain Fees

We announced that we will begin charging \$20 for each of the first three checked bags. This increases the current service charge for the first bag from \$15, but decreases the charges for the second and third bags. We also announced that we would reduce and simplify fees for unaccompanied minors and eliminate free same-day standby travel and courtesy holds on tickets purchased through Alaska/Horizon reservations or our websites. We expect these changes to provide incremental revenue of approximately \$30 million annually. These changes will be effective beginning June 16, 2010.

On-Board Wi-Fi

In the first quarter of 2010, Alaska announced its selection of Aircell to provide inflight Wi-Fi service, discontinuing its testing with Row 44 satellite-based equipment. Installation of Aircell's equipment began in March and we expect that most of the fleet will be equipped by the end of 2010.

Horizon Maintenance

In the course of business, Horizon periodically evaluates outsourcing certain functions. Management is currently evaluating the potential cost savings related to outsourcing a portion of heavy maintenance work currently performed by Horizon. No final decisions have been made at this time.

Outlook

Given our normal seasonal pattern, we are encouraged that we are starting out the year with a first-quarter profit. We have typically reported a loss in the first quarter.

Looking ahead, advance bookings for May and June are up on average across the Air Group system compared to the same periods in 2009 and early yield trends are encouraging. With the new service described above, we now expect Alaska's mainline capacity to grow by 4% - 5% as compared to 2009. We expect Horizon system-wide capacity to be relatively flat in 2010 as compared to 2009.

RESULTS OF OPERATIONS

COMPARISON OF QUARTER ENDED MARCH 31, 2010 TO QUARTER ENDED MARCH 31, 2009

Our consolidated net income for the first quarter of 2010 was \$5.3 million, or \$0.15 per diluted share, compared to a net loss of \$19.2 million, or \$0.53 per share, in 2009. Both periods include adjustments to reflect the timing of gain or loss recognition resulting from mark-to-market accounting related to our fuel hedge portfolio. In the first quarter of 2010, we recognized net mark-to-market losses of \$12.5 million (\$7.8 million after tax, or \$0.21 per share), compared to gains of \$10.0 million (\$6.2 million after tax, or \$0.17 per share) in the first quarter of 2009.

We believe disclosure of earnings excluding the impact of these individual charges is useful information to investors and other readers because:

- It is consistent with how we present information in our quarterly earnings press releases;
- We believe it is the basis by which we are evaluated by industry analysts;
- Our results excluding these items are most often used in internal management and board reporting and decision-making;
- Our results excluding these adjustments serve as the basis for our various employee incentive plans, thus the information allows investors to better understand the changes in variable incentive pay expense in our condensed consolidated statements of operations; and
- It is useful to monitor performance without these items as it improves a reader's ability to compare our results to those of other airlines.

Although we are presenting these non-GAAP amounts for the reasons above, investors and other readers should not necessarily conclude that these amounts are non-recurring, infrequent, or unusual in nature.

Excluding the mark-to-market adjustments noted above, and as shown in the following table, our consolidated net income for the first quarter of 2010 was \$13.1 million, or \$0.36 per diluted share, compared to an adjusted consolidated net loss of \$25.4 million, or \$0.70 per share, in the first quarter of 2009.

	Three Months Ended March 31,			
	2010		2009	
	Dollars	Diluted EPS	Dollars	Diluted EPS
<i>(in millions except per-share amounts)</i>				
Net income (loss) and diluted EPS, excluding noted items	\$ 13.1	\$ 0.36	\$ (25.4)	\$ (0.70)
Mark-to-market fuel hedge adjustments, net of tax	(7.8)	(0.21)	6.2	0.17
Net income (loss) and diluted EPS as reported	<u>\$ 5.3</u>	<u>\$ 0.15</u>	<u>\$ (19.2)</u>	<u>\$ (0.53)</u>

INDIVIDUAL SUBSIDIARY RESULTS

Our consolidated results are primarily driven by the results of our two operating carriers. Alaska reported pretax income of \$17.2 million and Horizon reported a pretax loss of \$6.2 million in the first quarter of 2010. Financial and statistical data for Alaska and Horizon are shown on pages 22 and 29, respectively. An in-depth discussion of the results of Alaska and Horizon begins on pages 23 and 30, respectively.

Alaska Airlines Financial and Statistical Data (unaudited)

	Three Months Ended March 31		
	2010	2009	% Change
Financial Data (in millions):			
Operating Revenues:			
Passenger	\$ 587.0	\$ 539.8	8.7
Freight and mail	22.0	18.3	20.2
Other - net	52.1	33.2	56.9
<i>Total mainline operating revenues</i>	<i>661.1</i>	<i>591.3</i>	<i>11.8</i>
Passenger - purchased capacity	76.5	61.8	23.8
Total Operating Revenues	737.6	653.1	12.9
Operating Expenses:			
Wages and benefits	191.2	197.4	(3.1)
Variable incentive pay	14.8	7.1	108.5
Aircraft fuel, including hedging gains and losses	171.7	131.9	30.2
Aircraft maintenance	42.1	46.3	(9.1)
Aircraft rent	25.9	26.5	(2.3)
Landing fees and other rentals	41.7	40.8	2.2
Contracted services	30.6	30.5	0.3
Selling expenses	26.7	19.1	39.8
Depreciation and amortization	45.7	43.3	5.5
Food and beverage service	11.8	11.0	7.3
Other	34.8	42.8	(18.7)
Total mainline operating expenses	637.0	596.7	6.8
Purchased capacity costs	72.5	62.7	15.6
Total Operating Expenses	709.5	659.4	7.6
Operating Income (Loss)	28.1	(6.3)	NM
Interest income	8.6	10.1	
Interest expense	(22.1)	(23.9)	
Interest capitalized	1.7	2.5	
Other - net	0.9	(0.7)	
	(10.9)	(12.0)	
Income (Loss) Before Income Tax	\$ 17.2	\$ (18.3)	NM
Mainline Operating Statistics:			
Revenue passengers (000)	3,641	3,573	1.9
RPMs (000,000) "traffic"	4,472	4,179	7.0
ASMs (000,000) "capacity"	5,541	5,520	0.4
Passenger load factor	80.7%	75.7%	5.0pts
Yield per passenger mile	13.13¢	12.92¢	1.6
Operating revenue per ASM	11.93¢	10.71¢	11.4
Passenger revenue per ASM	10.59¢	9.78¢	8.3
Operating expenses per ASM	11.50¢	10.81¢	6.4
Operating expenses per ASM, excluding fuel	8.40¢	8.42¢	(0.2)
Aircraft fuel cost per gallon	\$ 2.38	\$ 1.80	32.3
Economic fuel cost per gallon	\$ 2.25	\$ 1.91	17.8
Fuel gallons (000,000)	72.3	73.3	(1.4)
Average number of full-time equivalent employees	8,537	9,021	(5.4)
Aircraft utilization (blk hrs/day)	9.3	9.9	(6.1)
Average aircraft stage length (miles)	1,068	1,016	5.1
Operating fleet at period-end	112	112	-
Purchased Capacity Operating Statistics:			
RPMs (000,000)	271	215	26.0
ASMs (000,000)	369	316	16.8
Passenger load factor	73.4%	68.0%	5.4pts
Yield per passenger mile	28.23¢	28.74¢	(1.8)
Operating revenue per ASM	20.73¢	19.56¢	6.0
Operating expenses per ASM	19.65¢	19.84¢	(1.0)

ALASKA AIRLINES

Alaska reported income before income taxes of \$17.2 million during the first quarter of 2010 compared to an \$18.3 million pretax loss in the first quarter of 2009.

Excluding the mark-to-market adjustments in each period as noted in the table below, Alaska would have reported pretax income of \$26.5 million in the first quarter of 2010, compared to a pretax loss of \$26.6 million in the same period of 2009.

(in millions)	Three Months Ended March 31	
	2010	2009
Income (loss) before income taxes, excluding items below	\$ 26.5	\$ (26.6)
Mark-to-market fuel hedge adjustments	(9.3)	8.3
Income (loss) before income taxes as reported	\$ 17.2	\$ (18.3)

The discussion below outlines significant variances between the two periods.

ALASKA REVENUES

Total operating revenues increased \$84.5 million, or 12.9%, during the first quarter of 2010 as compared to the same period in 2009. The components of Alaska's revenue are summarized in the following table:

(in millions)	Three Months Ended March 31		
	2010	2009	% Change
Passenger revenue - mainline	\$ 587.0	\$ 539.8	8.7
Freight and mail	22.0	18.3	20.2
Other - net	52.1	33.2	56.9
Total mainline operating revenues	\$ 661.1	\$ 591.3	11.8
Passenger revenue - purchased capacity	76.5	61.8	23.8
Total Operating Revenues	\$ 737.6	\$ 653.1	12.9

Operating Revenue – Mainline

Mainline passenger revenue increased 8.7% on an 8.3% increase in passenger revenue per available seat mile (PRASM) on relatively flat capacity. The increase in PRASM was driven by a five-point increase in load factor and a 1.6% increase in yields compared to the first quarter of 2009.

Our load factor in April 2010 was 82.9%, compared to 78.9% in April 2009. Our advance bookings currently suggest that load factors will be up about four points in May and 3 ½ points in June compared to the prior year.

Ancillary revenues included in passenger revenue increased from \$24.3 million in the first quarter of 2009 to \$38.0 million in the first quarter of 2010. The increase is primarily due to the implementation of a first checked bag service charge in the third quarter of 2009. Revenue from the first bag service charge for mainline operations was \$16.6 million in the first quarter of 2010. Without the first bag service charge revenue, yields would have declined by 1.3% compared to the first quarter of 2009.

Freight and mail revenue increased by \$3.7 million, or 20.2%, primarily as a result of higher volumes and yields and higher fuel surcharges.

Other – net revenues increased \$18.9 million, or 56.9%. Mileage Plan revenues increased by \$17.5 million primarily because of an increase in the rate paid to us by our credit card partner under the affinity card agreement. This agreement was finalized in the second quarter of 2009.

Passenger Revenue – Purchased Capacity

Passenger revenue – purchased capacity increased by \$14.7 million to \$76.5 million because of a 16.8% increase in capacity and a 6.0% increase in unit revenues compared to the prior year. Unit revenues have increased as a result of a 5.4-point increase in load factors, partially offset by a 1.8% decline in yields. The decline in yields was tempered by \$2.8 million revenue from the first bag service charge.

ALASKA EXPENSES

For the quarter, total operating expenses increased \$50.1 million compared to the same period in 2009 mostly as a result of an increase in fuel expense. We believe it is useful to summarize operating expenses as follows, which is consistent with the way expenses are reported internally and evaluated by management:

<i>(in millions)</i>	Three Months Ended March 31		
	2010	2009	% Change
Mainline fuel expense	\$ 171.7	\$ 131.9	30.2
Mainline non-fuel expenses	465.3	464.8	0.1
<i>Mainline operating expenses</i>	637.0	596.7	6.8
Purchased capacity costs	72.5	62.7	15.6
Total Operating Expenses	<u>\$ 709.5</u>	<u>\$ 659.4</u>	<u>7.6</u>

Mainline Operating Expenses

Total mainline operating expenses increased \$40.3 million from the first quarter of 2009. The increase was primarily due to the \$39.8 million increase in aircraft fuel expense compared to the first quarter of 2009 and relatively flat non-fuel operating expenses. Significant individual expense variances from the first quarter of 2009 are described more fully below.

Wages and Benefits

Wages and benefits declined \$6.2 million, or 3.1%, compared to the first quarter of 2009. The components of wages and benefits are shown in the following table:

<i>(in millions)</i>	Three Months Ended March 31		
	2010	2009	% Change
Wages	\$ 133.8	\$ 134.6	(0.6)
Pension and defined-contribution retirement benefits	21.2	29.1	(27.1)
Medical benefits	21.7	18.9	14.8
Other benefits and payroll taxes	14.5	14.8	(2.0)
Total wages and benefits	<u>\$ 191.2</u>	<u>\$ 197.4</u>	<u>(3.1)</u>

Wages were relatively flat on a 5.4% reduction in full-time equivalent employees (FTE) compared to the first quarter of 2009. Wages have not declined in step with the FTE reduction because of higher wage rates for the pilot group in connection with their new contract (which was effective April 1, 2009), and higher average wage rates for other employees following 2009 furloughs, which are generally seniority-based.

The 27.1% decline in pension and other retirement-related benefits is primarily due to an \$11.3 million decline in our defined-benefit pension cost driven by the improved funded status at the end of 2009 as compared to the previous year and the closing of the defined-benefit pension plan to new pilot entrants effective with their new contract in 2009. The defined-benefit pension plan is now closed to all new entrants.

Medical benefits increased 14.8% from the prior-year period primarily as a result of higher post-retirement medical cost for the pilot group in connection with their new contract effective April 2009 and generally higher costs of medical and dental services.

We expect wages and benefits to be lower in 2010 than in 2009 because of the same reasons discussed above.

Variable Incentive Pay

Variable incentive pay increased from \$7.1 million in the first quarter of 2009 to \$14.8 million in the first quarter of 2010. Pilots, flight attendants, mechanics, and ramp service agents were all added to the Performance-Based Pay (PBP) incentive plan throughout 2009. These groups, other than the flight attendants, were not included in the PBP plan in the first quarter of 2009. The increase also reflects our expectations for the full year as of the end of the first quarter this year compared to where our expectations were at the end of the first quarter of 2009. For the full year of 2010, we currently expect incentive pay to be approximately \$60 million compared to the \$61.6 million we ultimately recorded in 2009.

Aircraft Fuel

Aircraft fuel expense includes both *raw fuel expense* (as defined below) plus the effect of mark-to-market adjustments to our fuel hedge portfolio included in our condensed consolidated statement of operations as the value of that portfolio increases and decreases. Our aircraft fuel expense is very volatile, even between quarters, because it includes these gains or losses in the value of the underlying instrument as crude oil prices and refining margins increase or decrease. *Raw fuel expense* is defined as the price that we generally pay at the airport, or the “into-plane” price, including taxes and fees. Raw fuel prices are impacted by world oil prices and refining costs, which can vary by region in the U.S. *Raw fuel expense* approximates cash paid to suppliers and does not reflect the effect of our fuel hedges.

Aircraft fuel expense increased \$39.8 million, or 30.2%, compared to the first quarter of 2009. The elements of the change are illustrated in the following table:

	Three Months Ended March 31		
	2010	2009	% Change
<i>(in millions, except per-gallon amounts)</i>			
Fuel gallons consumed	72.3	73.3	(1.4)
Raw price per gallon	\$ 2.25	\$ 1.62	38.9
Total raw fuel expense	\$ 162.7	\$ 118.8	37.0
Net impact on fuel expense from losses arising from fuel-hedging activities	9.0	13.1	NM
Aircraft fuel expense	\$ 171.7	\$ 131.9	30.2

NM = Not meaningful

Fuel gallons consumed decreased by 1.4% primarily as a result of a longer average aircraft stage length as we continue to add more capacity to long-haul routes such as Hawaii.

The raw fuel price per gallon increased by 38.9% as a result of higher West Coast jet fuel prices that were primarily due to an increase in crude oil costs.

We also evaluate *economic fuel expense*, which we define as *raw fuel expense* less the cash we receive from hedge counterparties for hedges that settle during the period, offset by the premium expense that we paid for those contracts. A key difference between *aircraft fuel expense* and *economic fuel expense* is the timing of gain or loss recognition on our hedge portfolio. When we refer to *economic fuel expense*, we include gains and losses only when they are realized for those contracts that were settled during the period based on their original contract terms. We believe this is the best measure of the effect that fuel prices are currently having on our business because it most closely approximates the net cash outflow associated with purchasing fuel for our operations. Accordingly, many industry analysts evaluate our results using this measure, and it is the basis for most internal management reporting and incentive pay plans.

Our *economic fuel expense* is calculated as follows:

(in millions, except per-gallon amounts)	Three Months Ended March 31		
	2010	2009	% Change
Raw fuel expense	\$ 162.7	\$ 118.8	37.0
Plus or minus: net of cash received from settled hedges and premium expense recognized	(0.3)	21.4	NM
Economic fuel expense	\$ 162.4	\$ 140.2	15.8
Fuel gallons consumed	72.3	73.3	(1.4)
Economic fuel cost per gallon	\$ 2.25	\$ 1.91	17.8

NM = Not meaningful

As noted in the above table, the total net benefit recognized for hedges that settled during the period was \$0.3 million in the first quarter of 2010, compared to net expense of \$21.4 million in the same period of 2009. These amounts represent the net of the premium expense recognized for those hedges and any cash received or paid upon settlement.

Aircraft Maintenance

Aircraft maintenance declined by \$4.2 million, or 9.1%, compared to the prior-year quarter because of fewer airframe maintenance events during the period and lower component costs. The number of events is mostly due to timing and we expect that the full-year maintenance cost will be relatively flat as compared to 2009.

Selling Expenses

Selling expenses increased by \$7.6 million, or 39.8%, compared to the first quarter of 2009 as a result of higher credit card and travel agency commissions and ticket distribution costs resulting from the increase in passenger traffic and average fares. We expect selling expense to be higher than 2009 levels for these same reasons.

Other Operating Expenses

Other operating expenses decreased by \$8.0 million, or 18.7%, from the first quarter of 2009 because of a decline in professional services, lower de-icing costs stemming from a milder winter on the West coast, lower personnel non-wage costs such as hotels, a decline in passenger inconvenience costs as a result of the improvement in operational reliability, and lower legal costs.

Mainline Unit Costs per Available Seat Mile

Our mainline operating costs per ASM are summarized below:

	Three Months Ended March 31		
	2010	2009	% Change
Total mainline operating expenses per ASM (CASM)	11.50¢	10.81¢	6.4
Less the following components:			
Aircraft fuel cost per ASM	3.10¢	2.39¢	29.7
CASM, excluding fuel	8.40¢	8.42¢	(0.2)

We have listed separately in the above table our fuel costs per ASM and our unit costs, excluding fuel. These amounts are included in CASM, but for internal purposes we consistently use unit cost metrics that exclude fuel and certain special items to measure our cost-reduction progress. We believe that such analysis may be important to investors and other readers of these financial statements for the following reasons:

- By eliminating fuel expense and certain special items from our unit cost metrics, we believe that we have better visibility into the results of our non-fuel cost-reduction initiatives. Our industry is highly competitive and is characterized by high fixed costs, so even a small reduction in non-fuel operating costs can result in a significant improvement in operating results. In addition, we believe that all domestic carriers are similarly impacted by changes in jet fuel costs over the long run, so it is important for management (and thus investors) to understand the impact of (and trends in) company-specific cost drivers such as labor rates and productivity, airport costs, maintenance costs, etc., which are more controllable by management.
- Cost per ASM excluding fuel and certain special items is one of the most important measures used by management of both Alaska and Horizon and by the Board of Directors in assessing quarterly and annual cost performance. For Alaska Airlines, these decision-makers evaluate operating results of the “mainline” operation, which includes the operation of the B737 fleet branded in Alaska Airlines livery. The revenue and expenses associated with purchased capacity are evaluated separately.
- Cost per ASM excluding fuel (and other items as specified in our plan documents) is an important metric for the employee incentive plan that covers the majority of our employees.
- Cost per ASM excluding fuel and certain special items is a measure commonly used by industry analysts, and we believe it is the basis by which they compare our airlines to others in the industry. The measure is also the subject of frequent questions from investors.
- Although we disclose our “mainline” passenger unit revenues for Alaska, we do not (nor are we able to) evaluate mainline unit revenues excluding the impact that changes in fuel costs have had on ticket prices. Fuel expense represents a large percentage of our total mainline operating expenses. Fluctuations in fuel prices often drive changes in unit revenues in the mid-to-long term. Although we believe it is useful to evaluate non-fuel unit costs for the reasons noted above, we would caution readers of these financial statements not to place undue reliance on unit costs excluding fuel as a measure or predictor of future profitability because of the significant impact of fuel costs on our business.

We currently forecast our mainline costs per ASM excluding fuel and other special items for the second quarter and full year of 2010 to be down approximately 4% - 5% and 3% - 4%, respectively, compared to 2009.

Purchased Capacity Costs

Purchased capacity costs increased \$9.8 million, or 15.6%, compared to the first quarter of 2009 to \$72.5 million. Of the total, \$66.4 million was paid to Horizon under the CPA for 353 million ASMs, a capacity increase of 18.1% from the first quarter of 2009. This expense is eliminated in consolidation.

Horizon Air Financial and Statistical Data (unaudited)

	Three Months Ended March 31		
	2010	2009	% Change
Financial Data (in millions):			
Operating Revenues:			
Passenger - brand flying	\$ 89.3	\$ 86.6	3.1
Passenger - Alaska capacity purchase arrangement	66.4	57.8	14.9
Total passenger revenue	155.7	144.4	7.8
Freight and mail	0.6	0.7	(14.3)
Other - net	2.1	1.7	23.5
Total Operating Revenues	158.4	146.8	7.9
Operating Expenses:			
Wages and benefits	45.4	46.4	(2.2)
Variable incentive pay	3.1	2.2	40.9
Aircraft fuel, including hedging gains and losses	35.6	25.8	38.0
Aircraft maintenance	14.9	13.4	11.2
Aircraft rent	11.1	11.5	(3.5)
Landing fees and other rentals	14.5	13.7	5.8
Contracted services	8.3	7.5	10.7
Selling expenses	6.9	5.9	16.9
Depreciation and amortization	10.2	9.2	10.9
Food and beverage service	0.5	0.6	(16.7)
Other	9.5	11.0	(13.6)
Fleet transition costs - Q200	-	4.8	NM
Total Operating Expenses	160.0	152.0	5.3
Operating Loss	(1.6)	(5.2)	NM
Interest income	0.5	0.4	
Interest expense	(5.1)	(6.0)	
Interest capitalized	-	0.3	
	(4.6)	(5.3)	
Loss Before Income Tax	\$ (6.2)	\$ (10.5)	NM
Operating Statistics:			
Revenue passengers (000)	1,584	1,546	2.5
RPMs (000,000) "traffic"	566	524	8.0
ASMs (000,000) "capacity"	793	787	0.8
Passenger load factor	71.4%	66.6%	4.8pts
Yield per passenger mile	27.51¢	27.56¢	(0.2)
Operating revenue per ASM	19.97¢	18.65¢	7.1
Passenger revenue per ASM	19.63¢	18.35¢	7.0
Operating expenses per ASM	20.18¢	19.31¢	4.5
Operating expenses per ASM, excluding fuel	15.69¢	16.04¢	(2.2)
Q200 fleet transition costs per ASM	0.00¢	0.61¢	NM
Aircraft fuel cost per gallon	\$ 2.51	\$ 1.78	41.0
Economic fuel cost per gallon	\$ 2.28	\$ 1.90	20.0
Fuel gallons (000,000)	14.2	14.5	(2.1)
Average number of full-time equivalent employees	3,161	3,382	(6.5)
Aircraft utilization (blk hrs/day)	7.6	8.3	(8.4)
Average aircraft stage length (miles)	326	315	3.5
Operating fleet at period-end	58	55	3a/c

NM = Not Meaningful

HORIZON AIR

Horizon reported a loss before income taxes of \$6.2 million during the first quarter of 2010 compared to \$10.5 million in the same period of 2009. The improvement is primarily due to higher operating revenues, relatively flat non-fuel expenses, and the absence this year of Q200 fleet transition costs, partially offset by a 38.0% increase in fuel costs.

Excluding the mark-to-market adjustments in each period as noted in the table below, Horizon would have reported a pretax loss of \$3.0 million in the first quarter of 2010, compared to a pretax loss of \$12.2 million in the same period of 2009.

(in millions)	Three Months Ended March 31,	
	2010	2009
Loss before income taxes, excluding items below	\$ (3.0)	\$ (12.2)
Mark-to-market fuel hedge adjustments	(3.2)	1.7
Loss before income taxes as reported	<u>\$ (6.2)</u>	<u>\$ (10.5)</u>

The discussion below outlines significant variances between the two periods.

HORIZON REVENUES

For the first quarter of 2010, operating revenues increased \$11.6 million, or 7.9%, compared to 2009. Horizon's passenger revenues are summarized in the table below:

(dollars in millions)	Three Months Ended March 31			
	2010		2009	
	Revenues	% ASMs	Revenues	% ASMs
Passenger revenue from Horizon "brand" flying	\$ 89.3	55	\$ 86.6	62
Revenue from CPA with Alaska	66.4	45	57.8	38
Total passenger revenue and % of ASMs	<u>\$ 155.7</u>	<u>100</u>	<u>\$ 144.4</u>	<u>100</u>

Line-of-business information is presented in the table below. In the CPA arrangement, Alaska assumes the market revenue risk and pays Horizon an agreed-upon rate based on capacity. As a result, yield and load factor information for the CPA arrangement are not presented.

	Three Months Ended March 31, 2010							
	Capacity and Mix			Load Factor		Yield		RASM
	2010 Actual (in millions)	Change Y-O-Y	Current % Total	Actual	Point Change Y-O-Y	Actual	Change Y-O-Y	Actual
Brand Flying	440	(9.8%)	55	69.3%	3.8 pts	29.27¢	8.0%	20.90¢
Alaska CPA	353	18.1%	45	NM	NM	NM	NM	NM
System Total	<u>793</u>	<u>0.8%</u>	<u>100</u>	<u>71.4%</u>	<u>4.8 pts</u>	<u>27.51¢</u>	<u>(0.2%)</u>	<u>19.97¢</u>

NM = Not meaningful

Horizon brand flying includes those routes in the Horizon system not included in the Alaska CPA. Horizon has the inventory and revenue risk in those markets. Passenger revenue from Horizon brand flying increased \$2.7 million or 3.1% on a 14.3% increase in passenger unit revenues, partially offset by a nearly 10% decline in brand capacity. The increase in unit revenues is primarily due to a 3.8-point increase in brand load factor and an 8% improvement in yield in those markets.

Revenue from the CPA flying performed on behalf of Alaska totaled \$66.4 million during the first quarter of 2010 compared to \$57.8 million in the first quarter of 2009. The increase is primarily due to an 18.1% increase in capacity provided under this arrangement. Under the CPA, the fee paid by Alaska is based on an agreed-upon capacity rate, which we expect to be adjusted in the future as we move to closer to market rates. This revenue is eliminated in consolidation.

HORIZON EXPENSES

Total operating expenses increased \$8.0 million, or 5.3%, as compared to the same period in 2009. Significant period-over-period changes in the components of operating expenses are as follows:

Wages and Benefits

Wages and benefits decreased \$1.0 million, or 2.2%, compared to the first quarter of 2009. The primary components of wages and benefits are shown in the following table:

(in millions)	Three Months Ended March 31		
	2010	2009	% Change
Wages	\$ 33.4	\$ 34.2	(2.3)

Medical benefits	5.6	4.8	16.7
Other benefits and payroll taxes	6.4	7.4	(13.5)
Total wages and benefits	<u>\$ 45.4</u>	<u>\$ 46.4</u>	<u>(2.2)</u>

Wages declined 2.3% primarily as a result of a 6.5% decline in full-time equivalent employees, offset by slightly higher wages per employee. The increase in average wages per employee is due to a higher average employee seniority level as recent furloughs have involved less senior employees.

We expect that wages and benefits will be lower for the full year when compared to 2009 for these same reasons.

Aircraft Fuel

Aircraft fuel increased \$9.8 million, or 38.0%, compared to the first quarter of 2009. The elements of the change are illustrated in the following table:

<i>(in millions, except per-gallon amounts)</i>	Three Months Ended March 31		
	2010	2009	% Change
Fuel gallons consumed	14.2	14.5	(2.1)
Raw price per gallon	\$ 2.29	\$ 1.59	44.0
Total raw fuel expense	\$ 32.5	\$ 23.1	40.7
Impact on fuel expense from (gains) and losses arising from fuel-hedging activities	3.1	2.7	NM
Aircraft fuel expense	<u>\$ 35.6</u>	<u>\$ 25.8</u>	<u>38.0</u>

NM = Not meaningful

The raw fuel price per gallon increased by 44% as a result of higher West Coast jet fuel prices. Based on the current price of jet fuel, we expect that the raw price per gallon in 2010 will be higher than in 2009.

Our *economic fuel expense* is calculated as follows:

<i>(in millions, except per-gallon amounts)</i>	Three Months Ended March 31		
	2010	2009	% Change
Raw fuel expense	\$ 32.5	\$ 23.1	40.7
Plus or minus: net of cash received from settled hedges and premium expense recognized	(0.1)	4.4	NM
Economic fuel expense	\$ 32.4	\$ 27.5	17.8
Fuel gallons consumed	14.2	14.5	(2.1)
Economic fuel cost per gallon	\$ 2.28	\$ 1.90	20.0

NM = Not meaningful

The total net benefit recognized for hedges that settled during the period was \$0.1 million in the first quarter of 2010 compared to net expense of \$4.4 million in the first quarter of 2009. These amounts represent the premium expense recognized hedges that settle during the reported period net of any cash received or paid upon settlement.

Fleet Transition Costs

Fleet transition costs associated with the sublease of Q200 aircraft were \$4.8 million during the first quarter of 2009, compared to none this year. The first quarter 2009 charge represents the estimated lease termination cost associated with the final six Q200 aircraft that were completely removed from operation in that quarter.

Operating Costs per Available Seat Mile (CASM)

Our operating costs per ASM are summarized below:

	Three Months Ended March 31		
	2010	2009	% Change
Total operating expenses per ASM (CASM)	20.18¢	19.31¢	4.5
Less the following components:			
Aircraft fuel cost per ASM	4.49¢	3.27¢	37.3
CASM, excluding fuel	15.69¢	16.04¢	(2.2)
Fleet transition costs per ASM	0.00¢	0.61¢	NM
CASM, excluding fuel and fleet transition costs	15.69¢	15.43¢	1.7

NM = Not meaningful

We currently expect our costs per ASM excluding fuel to be flat in the second quarter and down 2% - 3% for the full year of 2010 compared to 2009.

Consolidated Nonoperating Income (Expense)

Net nonoperating expense was \$15.8 million in the first quarter of 2010 compared to \$17.7 million in the first quarter of 2009. Interest expense declined \$2.2 million primarily resulting from lower interest rates on our variable-rate debt. Capitalized interest was \$1.1 million lower than in the first quarter of 2009 because of lower advance aircraft purchase deposits.

Consolidated Income Tax Expense (Benefit)

We provide for income taxes each quarter based on either our estimate of the effective tax rate for the full year or the actual year-to-date effective tax rate if it is our best estimate of our annual rate. For the first quarter of 2010, we used the actual year-to-date effective tax rate, as we believe it to be our best estimate of the full-year rate at this time because of the difficulty in estimating the full-year pretax income or loss and our resulting effective tax rate. Our effective income tax rate on pretax earnings for the first quarter of 2010 was 48.0%, compared to 35.1% in the first quarter of 2009. In arriving at this rate, we considered a variety of factors, including year-to-date pretax results, the U.S. federal rate of 35%, estimated nondeductible expenses and estimated state income taxes.

We evaluate our tax rate each quarter and make adjustments when necessary. Our final effective tax rate for the full year is highly dependent on the level of pretax income or loss and the magnitude of any nondeductible expenses in relation to that pretax amount.

Critical Accounting Estimates

For information on our critical accounting estimates, see Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2009.

Health Care Legislation

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Act of 2010 (the Acts) became law. Based on our preliminary review, the Acts do not appear to create any substantial, immediate costs. Because we do not provide retirees with medical coverage once they have reached Medicare eligibility, the elimination of the tax deduction related to the Medicare Part D subsidy in the Patient Protection and Affordable Care Act will not impact our financial statements. We are continuing to evaluate the impact, if any, of the Acts on our financial position and results of operations. Given the scope and complexity of the legislation and the fact that extensive implementing regulations remain to be finalized, it is difficult to predict future impacts of this legislation.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are our existing cash and marketable securities balance of \$1.2 billion (which represents 34% of trailing twelve months revenue) and our expected cash flow from operations. We also have other sources of liquidity such as the ability to finance unencumbered aircraft, our combined \$200 million bank line-of-credit facilities, and a “forward sale” of mileage credits to our affinity card bank partner. Because of the severe economic uncertainty in 2009 and the volatility of fuel prices in recent years, we intentionally increased our balance of cash and marketable securities to current levels. As the economic climate stabilizes, we plan to reduce our cash and marketable securities to 25% to 30% of revenues over the next two years, through debt repayment, further share repurchases, pension funding, or a combination thereof. We will continue to focus on preserving a strong liquidity position and evaluate our cash needs as conditions change.

We believe that our current cash and marketable securities balance of \$1.2 billion combined with future cash flows from operations and other sources of liquidity will be more than adequate to fund our operations, meet our capital commitments and debt obligations for at least the next 12 months and would continue to be sufficient if we reduce our cash balance as described above.

In our cash and marketable securities portfolio, we generally invest only in U.S. government securities, asset-backed obligations and corporate debt securities. We do not generally invest in equities and we do not invest in auction-rate securities. As of March 31, 2010, we had a \$15.7 million net unrealized gain associated with our cash and marketable securities balance.

Our overall investment strategy for our marketable securities portfolio has a primary goal of maintaining and securing the investment principal. Our investment portfolio is managed by reputable financial institutions and continually reviewed to ensure that the investments are aligned with our strategy. The table below presents the major indicators of financial condition and liquidity.

	<u>March 31, 2010</u>	<u>December 31, 2009</u>	<u>Change</u>
<i>(dollars in millions)</i>			
Cash and marketable securities	\$ 1,171.2	\$ 1,192.1	\$ (20.9)
Cash and marketable securities as a percentage of last twelve months revenue	34%	35%	(1)pt
Long-term debt, net of current portion	\$ 1,657.2	\$ 1,699.2	\$ (42.0)
Shareholders' equity	\$ 885.4	\$ 872.1	\$ 13.3
Long-term debt-to-capital assuming aircraft operating leases are capitalized at seven times annualized rent	75%: 25%	76%:24%	NA

The following discussion summarizes the primary drivers of the decrease in our cash and marketable securities balance and our expectation of future cash requirements.

ANALYSIS OF OUR CASH FLOWS

Cash Provided by Operating Activities

During the first quarter of 2010, net cash provided by operating activities was \$54.5 million, compared to \$10.1 million generated in the first quarter of 2009. The increase in operating cash flow was primarily due to the improvement in earnings and increase of cash inflows for advance ticket sales as compared to the first quarter of 2009. These increases were partially offset by the payment of 2009 incentive pay in the first quarter of 2010, which was significantly larger than the payment of 2008 incentive pay in the first quarter of 2009.

We typically generate positive cash flows from operations and expect to do so in 2010, but historically we have consumed substantially all of that cash plus additional debt proceeds for capital expenditures and debt payments. In 2010, however, we anticipate much lower capital expenditures than in the past several years and may choose to use our operating cash flow to prepay long-term debt, provide more funding to our pension plans, repurchase our common stock, or a combination thereof.

Cash Used in Investing Activities

Cash used in investing activities was \$47.9 million during the first quarter of 2010, compared to \$235.8 million during the same period of 2009. Our capital expenditures were lower in the first quarter of 2010 as we purchased no new aircraft in the first quarter of 2010.

We currently expect total capital expenditures for 2010 to be as follows (in millions):

	<u>Aircraft-related</u>	<u>Non-aircraft</u>	<u>Total</u>
Alaska	\$ 115	\$ 80	\$ 195
Horizon	3	5	8
Total Air Group	<u>\$ 118</u>	<u>\$ 85</u>	<u>\$ 203</u>

A significant portion of the non-aircraft capital expenditures is for Alaska's planned move to Terminal 6 at Los Angeles International Airport. We are working with Los Angeles World Airports (LAWA) on a project management agreement, whereby we may manage and finance a significant portion of the total cost of the project, which will then be reimbursed by LAWA and the Transportation Security Administration. We are currently in negotiations with LAWA to finalize the project management and funding specifics.

Cash Provided by Financing Activities

Net cash used for financing activities was \$53.1 million during the first quarter of 2010 compared to \$179.7 million of cash provided by financing activities during the same period of 2009. The decline is primarily due to the proceeds from the sale-leaseback transaction in the first quarter of 2009 for six B737-800 aircraft and no new issuances of debt in the first quarter of 2010.

Bank Line-of-Credit Facilities

We terminated our previous \$185 million credit facility effective March 30, 2010. That facility was replaced with two new \$100 million credit facilities. Both facilities have variable interest rates based on LIBOR plus a specified margin. Borrowings on one of the \$100 million facilities, which expires in March 2013, are secured by aircraft. Borrowings on the other \$100 million facility, which expires in March 2014, are secured by certain accounts receivable, spare engines, spare parts and ground service equipment. We have no immediate plans to borrow using either of these facilities.

Pre-delivery Payment Facility

Subsequent to the end of the 2010 first quarter, we terminated our pre-delivery payment facility. There were no outstanding borrowings under this facility as of March 31, 2010.

Contractual Obligations, Commitments and Off-Balance-Sheet Arrangements

Aircraft Purchase Commitments

We have firm orders to purchase 23 aircraft requiring future aggregate payments of approximately \$571.5 million, as set forth below. Alaska has options to acquire 40 additional B737s and Horizon has options to acquire 10 Q400s.

The following table summarizes aircraft purchase commitments as of March 31, 2010 and payments by year:

<u>Aircraft</u>	Delivery Period - Firm Orders						Total
	April 1 – December 31, 2010	2011	2012	2013	2014	2015	
Boeing 737-800	4	3	2	2	2	2	15
Bombardier Q400	-	-	4	4	-	-	8
Total	4	3	6	6	2	2	23
Payments (<i>in millions</i>)	\$107.3	\$89.0	\$144.8	\$143.1	\$55.1	\$32.2	\$571.5

The 2010 deliveries of B737-800 aircraft are all expected to occur in the second and third quarters.

We expect to pay for the four B737-800 aircraft deliveries in 2010 with cash on hand. We expect to pay for the firm orders beyond 2010 and the option aircraft, if exercised, through internally generated cash, long-term debt, or operating lease agreements.

Contractual Obligations

The following table provides a summary of our principal payments under current and long-term debt obligations, operating lease commitments, aircraft purchase commitments and other obligations as of March 31, 2010.

	April 1 – Dec.						Beyond	
(in millions)	31,	2010	2011	2012	2013	2014	2014	Total
Current and long-term debt obligations	\$	116.2	\$ 191.5	\$ 236.3	\$ 195.8	\$ 162.6	\$ 913.0	\$ 1,815.4
Operating lease commitments (1)		107.0	195.8	194.6	157.5	139.9	425.2	1,220.0
Aircraft purchase commitments		107.3	89.0	144.8	143.1	55.1	32.2	571.5
Interest obligations (2)		69.0	99.2	88.6	73.3	61.8	184.0	575.9
Other purchase obligations (3)		51.5	51.9	52.2	42.2	54.3	--	252.1
Total	\$	451.0	\$ 627.4	\$ 716.5	\$ 611.9	\$ 473.7	\$ 1,554.4	\$ 4,434.9

(1) Operating lease commitments generally include aircraft operating leases, airport property and hangar leases, office space, and other equipment leases. The aircraft operating leases include lease obligations for two leased MD-80 aircraft and 16 leased Q200 aircraft, all of which are no longer in our operating fleets. We have accrued for these lease commitments based on their discounted future cash flows and we remain obligated under the existing lease contracts on these aircraft.

(2) For variable-rate debt, future obligations are shown above using interest rates in effect as of March 31, 2010.

(3) Includes minimum obligations under our long-term power-by-the-hour maintenance agreements for all B737 engines other than the B737-800.

Pension Obligations

The “Contractual Obligations” table above excludes contributions to our various defined-benefit pension plans, which could be approximately \$45 million to \$75 million per year based on our historical funding practice. There is no minimum required contribution in 2010, although the company does plan to contribute approximately \$45 million to the plans in 2010.

Effect of Inflation

Inflation and price changes other than for aircraft fuel and passenger fares do not have a significant effect on our operating revenues, operating expenses and operating income.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in Item 7A “Quantitative and Qualitative Disclosure About Market Risk” in our 2009 10-K except as follows:

Market Risk – Aircraft Fuel

Currently, our fuel-hedging portfolio consists almost exclusively of crude oil call options and jet fuel refining margin swap contracts. We utilize the contracts in our portfolio as hedges to decrease our exposure to the volatility of jet fuel prices. Call options are designed to effectively cap our cost of the crude oil component of fuel prices, allowing us to limit our exposure to increasing fuel prices. With these call option contracts, we still benefit from the decline in crude oil prices, as there is no downward exposure other than the premiums that we pay to enter into the contracts. We believe there is risk in not hedging against the possibility of fuel price increases. We estimate that a 10% increase or decrease in crude oil prices as of March 31, 2010 would increase or decrease the fair value of our \$106.1 million crude oil hedge portfolio by approximately \$44.1 million and \$37.5 million, respectively.

We continue to believe that our fuel hedge program is an important part of our strategy to reduce our exposure to volatile fuel prices. We expect to continue to enter into these types of contracts prospectively, although significant changes in market conditions could affect our decisions. For more discussion, see Note 3 to our condensed consolidated financial statements.

Financial Market Risk

In this current economic environment, significant volatility in market values and interest rates is common. We have exposure to market risk associated with changes in interest rates related primarily to our debt obligations and short-term investment portfolio. Our debt obligations include variable-rate instruments, which have exposure to changes in interest rates. This exposure is somewhat mitigated through our variable-rate investment portfolio. We have investments in marketable securities, which are exposed to market risk associated with changes in interest rates and market values. We generally invest only in government and corporate bond obligations. We do not invest in auction-rate securities.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of March 31, 2010, an evaluation was performed under the supervision and with the participation of our management, including our chief executive officer and chief financial officer (collectively, our “certifying officers”), of the effectiveness of the design and operation of our disclosure controls and procedures. These disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in our periodic reports filed with or submitted to the Securities and Exchange Commission (the SEC) is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms, and includes, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to our management, including our certifying officers, as appropriate to allow timely decisions regarding required disclosure. Our certifying officers concluded, based on their evaluation, that disclosure controls and procedures were effective as of March 31, 2010.

Changes in Internal Control over Financial Reporting

We made no changes in our internal control over financial reporting during the quarter ended March 31, 2010, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are a party to routine litigation matters incidental to our business and with respect to which no material liability is expected.

Management believes the ultimate disposition of these matters is not likely to materially affect our financial position or results of operations. This forward-looking statement is based on management’s current understanding of the relevant law and facts; and it is subject to various contingencies, including the potential costs and risks associated with litigation and the actions of judges and juries.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2009, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

	Total number of shares purchased	Average price paid per share	Maximum approximate remaining dollar value of shares that can be repurchased under the plan (1)
February 11, 2010 – February 28, 2010 (1)	72,000	\$ 34.39	
March 1, 2010 – March 31, 2010 (1)	206,900	38.76	
Total	278,900	\$ 37.64	\$ 15,737,628

- (1) Purchased pursuant to a \$50 million repurchase plan authorized by the Board of Directors in June 2009. The plan expires after twelve months. Additional purchases have been made subsequent to March 31, 2010.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See Exhibit Index on page 39.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALASKA AIR GROUP, INC.
Registrant

Date: May 5, 2010

By: /s/ Brandon S. Pedersen
Brandon S. Pedersen
Vice President/Finance and Controller (Principal Accounting Officer)

By: /s/ Glenn S. Johnson
Glenn S. Johnson
Executive Vice President/Finance and Chief Financial Officer (Principal Financial Officer)

EXHIBIT INDEX

Pursuant to Item 601(a)(2) of Regulation S-K, this Exhibit Index immediately precedes the exhibits.

The following exhibits are numbered in accordance with Item 601 of Regulation S-K.

Exhibit No.	Description
<u>10.1 *#</u>	<u>Credit Agreement, dated March 31, 2010, among Alaska Airlines, Inc., as borrower, Wells Fargo Capital Finance, LLC as agent, U.S. Bank National Association as documentation agent, and other lenders (Wells Fargo Credit Agreement)</u>
<u>10.2 *#</u>	<u>Credit Agreement, dated March 31, 2010, among Alaska Airlines, Inc., as borrower, Citibank, N.A., as administrative agent, Bank of America, N.A. as syndication agent, and other lenders (Citibank Credit Agreement)</u>
<u>31.1 *</u>	<u>Section 302 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350</u>
<u>31.2 *</u>	<u>Section 302 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350</u>
<u>32.1 *</u>	<u>Section 906 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 (furnished, not filed.)</u>
<u>32.2 *</u>	<u>Section 906 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 (furnished, not filed.)</u>

Exhibits 32.1 and 32.2 are being furnished pursuant to 18 U.S.C. Section 1350 and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (“Exchange Act”), or otherwise subject to the liability of that section. Such exhibits shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

* Filed herewith.

Pursuant to 17 CFR 240.24b-2, confidential information has been omitted and filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

FOIA CONFIDENTIAL TREATMENT REQUESTED

CREDIT AGREEMENT

by and among

ALASKA AIRLINES, INC.

as Borrower,

THE LENDERS THAT ARE SIGNATORIES HERETO

as the Lenders,

WELLS FARGO CAPITAL FINANCE, LLC

as Agent, as Co-Lead Arranger, and as Joint Bookrunner,

and

U.S. BANK NATIONAL ASSOCIATION

as Documentation Agent, as Co-Lead Arranger, and as Joint Bookrunner

Dated as of March 31, 2010

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this “Agreement”), is entered into as of March 31, 2010 by and among the lenders identified on the signature pages hereof (each of such lenders, together with their respective successors and permitted assigns, are referred to hereinafter as a “Lender”, as that term is hereinafter further defined), **WELLS FARGO CAPITAL FINANCE, LLC**, a Delaware limited liability company, as agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, “Agent”), as co-lead arranger, and as joint bookrunner, **U.S. BANK NATIONAL ASSOCIATION** (“US Bank”), as documentation agent, as co-lead arranger, and as joint bookrunner, and **ALASKA AIRLINES, INC.**, an Alaska corporation (“Borrower”).

The parties agree as follows:

1. DEFINITIONS AND CONSTRUCTION.

1.1 **Definitions.** Capitalized terms used in this Agreement shall have the meanings specified therefor on Schedule 1.1.

1.2 **Accounting Terms.** All accounting terms not specifically defined herein shall be construed in accordance with GAAP; provided, however, that if Borrower notifies Agent that Borrower requests an amendment to any provision hereof to eliminate the effect of any Accounting Change occurring after the Closing Date or in the application thereof on the operation of such provision (or if Agent notifies Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such Accounting Change or in the application thereof, then Agent and Borrower agree that they will negotiate in good faith amendments to the provisions of this Agreement that are directly affected by such Accounting Change with the intent of having the respective positions of the Lenders and Borrower after such Accounting Change conform as nearly as possible to their respective positions as of the date of this Agreement and, until any such amendments have been agreed upon, the provisions in this Agreement shall be calculated as if no such Accounting Change had occurred. When used herein, the term “financial statements” shall include the notes and schedules thereto. Whenever the term “Borrower” is used in respect of a financial covenant or a related definition, it shall be understood to mean Borrower, on an unconsolidated basis, unless the context clearly requires otherwise.

1.3 **Code.** Any terms used in this Agreement that are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein; provided, however, that to the extent that the Code is used to define any term herein and such term is defined differently in different Articles of the Code, the definition of such term contained in Article 9 of the Code shall govern.

1.4 **Construction.** Unless the context of this Agreement or any other Loan Document clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms “includes” and “including” are not limiting, and the term “or” has, except where otherwise indicated, the inclusive meaning represented by the phrase “and/or.” The words “hereof,” “herein,” “hereby,” “hereunder,” and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document, as the case may be. Section, subsection, clause, schedule, and exhibit references herein are to this Agreement unless otherwise specified. Any reference in this Agreement or in any other Loan Document to any agreement, instrument, or document shall include all written alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). The words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all

tangible and intangible assets and properties, including cash, securities, accounts, and contract rights. Any reference herein or in any other Loan Document to the satisfaction, repayment, or payment in full of the Obligations shall mean the repayment in Dollars in full in cash or immediately available funds of all of the Obligations other than unasserted contingent indemnification Obligations. Any reference herein to any Person shall be construed to include such Person's successors and assigns. Any requirement of a writing contained herein or in any other Loan Document shall be satisfied by the transmission of a Record.

1.5 **Schedules and Exhibits.** All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

2. **LOANS AND TERMS OF PAYMENT.**

2.1 **Revolver Advances.**

(a) Subject to the terms and conditions of this Agreement, and during the term of this Agreement, each Lender with a Commitment agrees (severally, not jointly or jointly and severally) to make revolving loans ("Advances") to Borrower in an amount at any one time outstanding not to exceed the *lesser of*:

(i) such Lender's Commitment, or

(ii) such Lender's Pro Rata Share of an amount equal to *the lesser of*:

(A) the Maximum Revolver Amount *less* the principal amount of Swing Loans outstanding at such time, and

(B) the Borrowing Base at such time *less* the principal amount of Swing Loans outstanding at such time.

(b) Amounts borrowed pursuant to this Section 2.1 may be repaid and, subject to the terms and conditions of this Agreement, reborrowed at any time during the term of this Agreement. The outstanding principal amount of the Advances, together with interest accrued thereon, shall be due and payable on the Maturity Date or, if earlier, on the date on which they are declared due and payable pursuant to the terms of this Agreement.

(c) Anything to the contrary in this Section 2.1 notwithstanding, Agent shall have the right (but not the obligation) to establish, increase, reduce, eliminate, or otherwise adjust reserves from time to time against the Borrowing Base or the Maximum Revolver Amount in such amounts, and with respect to such matters, as Agent in its Permitted Discretion shall deem necessary or appropriate, including reserves with respect to (i) sums that Borrower is required to pay under any Section of this Agreement or any other Loan Document (such as taxes, assessments, insurance premiums, or, in the case of leased assets, rents or other amounts payable under such leases) and has failed to pay, and (ii) amounts owing by Borrower to any Person to the extent secured by a Lien on, or trust over, any of the Collateral (other than a Permitted Lien which is a purchase money Lien or the interest of a lessor under a Capital Lease), which Lien or trust, in the Permitted Discretion of Agent likely would have a priority superior to Agent's Liens (such as Liens or trusts in favor of landlords, warehousemen, carriers, mechanics, materialmen, laborers, or suppliers, or Liens or trusts for *ad valorem*, excise, sales, or other taxes where given priority under applicable law) in and to such item of the Collateral. Agent shall endeavor to notify Borrower at or before the time any such reserve is to be established or increased, but a non-willful failure of Agent to so notify Borrower shall not be a breach of this Agreement and shall not cause such establishment or increase of a reserve to be ineffective.

2.2 **[Intentionally Omitted].**

2.3 **Borrowing Procedures and Settlements.**

(a) **Procedure for Borrowing.** Each Borrowing shall be made by a written request by an Authorized Person delivered to Agent. Unless Swing Lender is not obligated to make a Swing Loan pursuant to Section 2.3(b) below, such notice must be received by Agent no later than 10:00 a.m. (California time) on the Business Day that is the requested Funding Date specifying (i) the amount of such Borrowing, and (ii) the requested Funding Date, which shall be a Business Day; provided, however, that if Swing Lender is not obligated to make a Swing Loan as to a requested Borrowing, such notice must be received by Agent no later than 10:00 a.m. (California time) on the Business Day prior to the date that is the requested Funding Date. At Agent's election, in lieu of delivering the above-described written request, any Authorized Person may give Agent telephonic notice of such request by the required time. In such circumstances, Borrower agrees that any such telephonic notice will be confirmed in writing within 24 hours of the giving of such telephonic notice, but the failure to provide such written confirmation shall not affect the validity of the request.

(b) **Making of Swing Loans.** In the case of a request for an Advance and so long as either (i) the aggregate amount of Swing Loans made since the last Settlement Date, minus the amount of Collections or payments applied to Swing Loans since the last Settlement Date, plus the amount of the requested Advance does not exceed \$25,000,000, or (ii) Swing Lender, in its sole discretion, shall agree to make a Swing Loan notwithstanding the foregoing limitation, Swing Lender shall make an Advance in the amount of such requested Borrowing (any such Advance made solely by Swing Lender pursuant to this Section 2.3(b) being referred to as a "Swing Loan" and such Advances being referred to collectively as "Swing Loans") available to Borrower on the Funding Date applicable thereto by transferring immediately available funds to the Designated Account. Anything contained herein to the contrary notwithstanding, the Swing Lender may, but shall not be obligated to, make Swing Loans at any time that one or more of the Lenders is a Defaulting Lender. Each Swing Loan shall be deemed to be an Advance hereunder and shall be subject to all the terms and conditions (including Section 3) applicable to other Advances, except that all payments on any Swing Loan shall be payable to Swing Lender solely for its own account. Subject to the provisions of Section 2.3(d)(ii), Swing Lender shall not make and shall not be obligated to make any Swing Loan if Swing Lender has actual knowledge that (i) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Borrowing, or (ii) the requested Borrowing would exceed the Availability on such Funding Date. Swing Lender shall not otherwise be required to determine whether the applicable conditions precedent set forth in Section 3 have been satisfied on the Funding Date applicable thereto prior to making any Swing Loan. The Swing Loans shall be secured by Agent's Liens, constitute Advances and Obligations hereunder, and bear interest at the rate applicable from time to time to Advances that are Base Rate Loans.

(c) **Making of Loans.**

(i) In the event that Swing Lender is not obligated to make a Swing Loan, then promptly after receipt of a request for a Borrowing pursuant to Section 2.3(a), Agent shall notify the Lenders, not later than 1:00 p.m. (California time) on the Business Day immediately preceding the Funding Date applicable thereto, by telecopy, telephone, or other similar form of transmission, of the requested Borrowing. Each Lender shall make the amount of such Lender's Pro Rata Share of the requested Borrowing available to Agent in immediately available funds, to Agent's Account, not later than 10:00 a.m. (California time) on the Funding Date applicable thereto. After Agent's receipt of the proceeds of such Advances, Agent shall make the proceeds thereof available to Borrower on the applicable Funding Date by transferring immediately available funds equal to such proceeds received by Agent to the Designated Account; provided, however, that, subject to the provisions of Section 2.3(d)(ii), Agent shall not request any Lender to make, and no Lender shall have the obligation to make, any Advance if (1) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Borrowing unless such condition has been waived, or (2) the requested Borrowing would exceed the Availability on such Funding Date.

(ii) Unless Agent receives notice from a Lender prior to 9:00 a.m. (California time) on the date of a Borrowing, that such Lender will not make available as and when required hereunder to Agent for the account of Borrower the amount of that Lender's Pro Rata Share of the Borrowing, Agent may assume that each Lender has made or will make such amount available to Agent in immediately available funds on the Funding Date and Agent may (but shall not be so required), in reliance upon such assumption, make available to Borrower on such date a corresponding amount. If any Lender shall not have made its full amount available to Agent in immediately available funds and if Agent in such circumstances has made available to Borrower such amount, that Lender shall on the Business Day following such Funding Date make such amount available to Agent, together with interest at the Defaulting Lender Rate for each day during such period. A notice submitted by Agent to any Lender with respect to amounts owing under this Section 2.3(c)(ii) shall be conclusive, absent manifest error. If such amount is so made available, such payment to Agent shall constitute such Lender's Advance on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to Agent on the Business Day following the Funding Date, Agent will notify Borrower of such failure to fund and, upon demand by Agent, Borrower shall pay such amount to Agent for Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Advances composing such Borrowing.

(d) **Protective Advances and Optional Overadvances.**

(i) Any contrary provision of this Agreement or any other Loan Document notwithstanding, Agent hereby is authorized by Borrower and the Lenders, from time to time in Agent's sole discretion, (A) after the occurrence and during the continuance of a Default (if the Threshold Usage Amount exists) or an Event of Default, or (B) at any time that any of the other applicable conditions precedent set forth in Section 3 are not satisfied (if the Threshold Usage Amount exists), to make Advances to, or for the benefit of, Borrower on behalf of the Lenders that Agent, in its Permitted Discretion, deems necessary or desirable (1) to preserve or protect the Collateral, or any portion thereof, or (2) to enhance the likelihood of repayment of the Obligations (any of the Advances described in this Section 2.3(d)(i) shall be referred to as "Protective Advances").

(ii) Any contrary provision of this Agreement or any other Loan Document notwithstanding, the Lenders hereby authorize Agent or Swing Lender, as applicable, and either Agent or Swing Lender, as applicable, may, but is not obligated to, knowingly and intentionally, continue to make Advances (including Swing Loans) to Borrower notwithstanding that an Overadvance exists or thereby would be created, so long as (A) after giving effect to such Advances, the outstanding Revolver Usage does not exceed the Borrowing Base by more than \$10,000,000, and (B) after giving effect to such Advances, the outstanding Revolver Usage (except for and excluding amounts charged to the Loan Account for interest, fees, or Lender Group Expenses) does not exceed the Maximum Revolver Amount. In the event Agent obtains actual knowledge that the Revolver Usage exceeds the amounts permitted by the immediately foregoing provisions, regardless of the amount of, or reason for, such excess, Agent shall notify the Lenders as soon as practicable (and prior to making any (or any additional) intentional Overadvances (except for and excluding amounts charged to the Loan Account for interest, fees, or Lender Group Expenses) unless Agent determines that prior notice would result in imminent harm to the Collateral or its value, in which case Agent may make such Overadvances and provide notice as promptly as practicable thereafter), and the Lenders with Commitments thereupon shall, together with Agent, jointly determine the terms of arrangements that shall be implemented with Borrower intended to reduce, within a reasonable time, the outstanding principal amount of the Advances to Borrower to an amount permitted by the preceding sentence. In such circumstances, if any Lender with a Commitment objects to the proposed terms of reduction or repayment of any Overadvance, the terms of reduction or repayment thereof shall be implemented according to the determination of the Required Lenders. The foregoing provisions are meant for the benefit of the Lenders and Agent and are not meant for the benefit of Borrower, which shall continue

to be bound by the provisions of Section 2.5. Each Lender with a Commitment shall be obligated to settle with Agent as provided in Section 2.3(e) (or Section 2.3(g), as applicable) for the amount of such Lender's Pro Rata Share of any unintentional Overadvances by Agent reported to such Lender, any intentional Overadvances made as permitted under this Section 2.3(d)(ii), and any Overadvances resulting from the charging to the Loan Account of interest, fees, or Lender Group Expenses.

(iii) Each Protective Advance and each Overadvance shall be deemed to be an Advance hereunder, except that no Protective Advance or Overadvance shall be eligible to be a LIBOR Rate Loan and, prior to Settlement therefor, all payments on the Protective Advances shall be payable to Agent solely for its own account. The Protective Advances and Overadvances shall be repayable on demand, secured by Agent's Liens, constitute Obligations hereunder, and bear interest at the rate applicable from time to time to Advances that are Base Rate Loans. The ability of Agent to make Protective Advances is separate and distinct from its ability to make Overadvances and its ability to make Overadvances is separate and distinct from its ability to make Protective Advances. For the avoidance of doubt, the limitations on Agent's ability to make Protective Advances do not apply to Overadvances and the limitations on Agent's ability to make Overadvances do not apply to Protective Advances. The provisions of this Section 2.3(d) are for the exclusive benefit of Agent, Swing Lender, and the Lenders and are not intended to benefit Borrower in any way.

(e) **Settlement.** It is agreed that each Lender's funded portion of the Advances is intended by the Lenders to equal, at all times, such Lender's Pro Rata Share of the outstanding Advances. Such agreement notwithstanding, Agent, Swing Lender, and the other Lenders agree (which agreement shall not be for the benefit of Borrower) that in order to facilitate the administration of this Agreement and the other Loan Documents, settlement among the Lenders as to the Advances, the Swing Loans, and the Protective Advances shall take place on a periodic basis in accordance with the following provisions:

(i) Agent shall request settlement ("Settlement") with the Lenders on a weekly basis, or on a more frequent basis if so determined by Agent (1) on behalf of Swing Lender, with respect to the outstanding Swing Loans, (2) for itself, with respect to the outstanding Protective Advances, and (3) with respect to Borrower's Collections or payments received, as to each by notifying the Lenders by telecopy, telephone, or other similar form of transmission, of such requested Settlement, no later than 2:00 p.m. (California time) on the Business Day immediately prior to the date of such requested Settlement (the date of such requested Settlement being the "Settlement Date"). Such notice of a Settlement Date shall include a summary statement of the amount of outstanding Advances, Swing Loans, and Protective Advances for the period since the prior Settlement Date. Subject to the terms and conditions contained herein (including Section 2.3(g)): (y) if the amount of the Advances (including Swing Loans and Protective Advances) made by a Lender that is not a Defaulting Lender exceeds such Lender's Pro Rata Share of the Advances (including Swing Loans and Protective Advances) as of a Settlement Date, then Agent shall, by no later than 12:00 p.m. (California time) on the Settlement Date, transfer in immediately available funds to a Deposit Account of such Lender (as such Lender may designate), an amount such that each such Lender shall, upon receipt of such amount, have as of the Settlement Date, its Pro Rata Share of the Advances (including Swing Loans and Protective Advances), and (z) if the amount of the Advances (including Swing Loans and Protective Advances) made by a Lender is less than such Lender's Pro Rata Share of the Advances (including Swing Loans and Protective Advances) as of a Settlement Date, such Lender shall no later than 12:00 p.m. (California time) on the Settlement Date transfer in immediately available funds to Agent's Account, an amount such that each such Lender shall, upon transfer of such amount, have as of the Settlement Date, its Pro Rata Share of the Advances (including Swing Loans and Protective Advances). Such amounts made available to Agent under clause (z) of the immediately preceding sentence shall be applied against the amounts of the applicable Swing Loans or Protective Advances and, together with the portion of such Swing Loans or Protective Advances representing Swing Lender's Pro Rata Share thereof, shall constitute Advances of such Lenders. If any such

amount is not made available to Agent by any Lender on the Settlement Date applicable thereto to the extent required by the terms hereof, Agent shall be entitled to recover for its account such amount on demand from such Lender together with interest thereon at the Defaulting Lender Rate.

(ii) In determining whether a Lender's balance of the Advances, Swing Loans, and Protective Advances is less than, equal to, or greater than such Lender's Pro Rata Share of the Advances, Swing Loans, and Protective Advances as of a Settlement Date, Agent shall, as part of the relevant Settlement, apply to such balance the portion of payments actually received in good funds by Agent with respect to principal, interest, fees payable by Borrower and allocable to the Lenders hereunder, and proceeds of Collateral.

(iii) Between Settlement Dates, Agent, to the extent Protective Advances or Swing Loans are outstanding, may pay over to Agent or Swing Lender, as applicable, any Collections or payments received by Agent, that in accordance with the terms of this Agreement would be applied to the reduction of the Advances, for application to the Protective Advances or Swing Loans. Between Settlement Dates, Agent, to the extent no Protective Advances or Swing Loans are outstanding, may pay over to Swing Lender any Collections or payments received by Agent, that in accordance with the terms of this Agreement would be applied to the reduction of the Advances, for application to Swing Lender's Pro Rata Share of the Advances. If, as of any Settlement Date, Collections or payments of Borrower received since the then immediately preceding Settlement Date have been applied to Swing Lender's Pro Rata Share of the Advances other than to Swing Loans, as provided for in the previous sentence, Swing Lender shall pay to Agent for the accounts of the Lenders, and Agent shall pay to the Lenders (other than a Defaulting Lender if Agent has implemented the provisions of Section 2.3(g)), to be applied to the outstanding Advances of such Lenders, an amount such that each such Lender shall, upon receipt of such amount, have, as of such Settlement Date, its Pro Rata Share of the Advances. During the period between Settlement Dates, Swing Lender with respect to Swing Loans, Agent with respect to Protective Advances, and each Lender (subject to the effect of agreements between Agent and individual Lenders) with respect to the Advances other than Swing Loans and Protective Advances, shall be entitled to interest at the applicable rate or rates payable under this Agreement on the daily amount of funds employed by Swing Lender, Agent, or the Lenders, as applicable.

(iv) Anything in this Section 2.3(e) to the contrary notwithstanding, in the event that a Lender is a Defaulting Lender, Agent shall be entitled to refrain from remitting settlement amounts to the Defaulting Lender and, instead, shall be entitled to elect to implement the provisions set forth in Section 2.3(g).

(f) **Notation.** Agent, as a non-fiduciary agent for Borrower, shall maintain a register showing the principal amount of the Advances owing to each Lender, including the Swing Loans owing to Swing Lender, and Protective Advances owing to Agent, and the interests therein of each Lender, from time to time and such register shall, absent manifest error, conclusively be presumed to be correct and accurate.

(g) **Defaulting Lenders.** Agent shall not be obligated to transfer to a Defaulting Lender any payments made by Borrower to Agent for the Defaulting Lender's benefit or any Collections or proceeds of Collateral that would otherwise be remitted hereunder to the Defaulting Lender, and, in the absence of such transfer to the Defaulting Lender, Agent shall transfer any such payments (A) first, to Swing Lender to the extent of any Swing Loans that were made by Swing Lender and that were required to be, but were not, repaid by the Defaulting Lender, (B) second, to each non-Defaulting Lender ratably in accordance with their Commitments (but, in each case, only to the extent that such Defaulting Lender's portion of an Advance (or other funding obligation) was funded by such other non-Defaulting Lender), (C) to a suspense account maintained by Agent, the proceeds of which shall be retained by Agent and may

be made available to be re-advanced to or for the benefit of Borrower as if such Defaulting Lender had made its portion of Advances (or other funding obligations) hereunder, and (D) from and after the date on which all other Obligations have been paid in full, to such Defaulting Lender in accordance with tier (L) of Section 2.4(b)(ii). Subject to the foregoing, Agent may hold and, in its Permitted Discretion, re-lend to Borrower for the account of such Defaulting Lender the amount of all such payments received and retained by Agent for the account of such Defaulting Lender. Solely for the purposes of voting or consenting to matters with respect to the Loan Documents (including the calculation of Pro Rata Share in connection therewith) and for the purpose of calculating the fee payable under Section 2.10(b), such Defaulting Lender shall be deemed not to be a “Lender” and such Lender’s Commitment shall be deemed to be zero. The provisions of this Section 2.3(g) shall remain effective with respect to such Defaulting Lender until the earlier of (y) the date on which the non-Defaulting Lenders, Agent, and Borrower shall have waived, in writing, the application of this Section 2.3(g) to such Defaulting Lender, or (z) the date on which such Defaulting Lender makes payment of all amounts that it was obligated to fund hereunder, pays to Agent all amounts owing by Defaulting Lender in respect of the amounts that it was obligated to fund hereunder, and, if requested by Agent, provides adequate assurance of its ability to perform its future obligations hereunder. The operation of this Section 2.3(g) shall not be construed to increase or otherwise affect the Commitment of any Lender, to relieve or excuse the performance by such Defaulting Lender or any other Lender of its duties and obligations hereunder, or to relieve or excuse the performance by Borrower of its duties and obligations hereunder to Agent or to the Lenders other than such Defaulting Lender. Any failure by a Defaulting Lender to fund amounts that it was obligated to fund hereunder shall constitute a material breach by such Defaulting Lender of this Agreement and shall entitle Borrower, at its option, upon written notice to Agent, to arrange for a substitute Lender to assume the Commitment of such Defaulting Lender, such substitute Lender to be reasonably acceptable to Agent. In connection with the arrangement of such a substitute Lender, the Defaulting Lender shall have no right to refuse to be replaced hereunder, and agrees to execute and deliver a completed form of Assignment and Acceptance in favor of the substitute Lender (and agrees that it shall be deemed to have executed and delivered such document if it fails to do so) subject only to being repaid its share of the outstanding Obligations; provided, however, that any such assumption of the Commitment of such Defaulting Lender shall not be deemed to constitute a waiver of any of the Lender Groups’ or Borrower’s rights or remedies against any such Defaulting Lender arising out of or in relation to such failure to fund. In the event of a direct conflict between the priority provisions of this Section 2.3(g) and any other provision contained in this Agreement or any other Loan Document, it is the intention of the parties hereto that such provisions be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, the terms and provisions of this Section 2.3(g) shall control and govern.

(h) **Independent Obligations.** All Advances (other than Swing Loans and Protective Advances) shall be made by the Lenders contemporaneously and in accordance with their Pro Rata Shares. It is understood that (i) no Lender shall be responsible for any failure by any other Lender to perform its obligation to make any Advance (or other extension of credit) hereunder, nor shall any Commitment of any Lender be increased or decreased as a result of any failure by any other Lender to perform its obligations hereunder, and (ii) no failure by any Lender to perform its obligations hereunder shall excuse any other Lender from its obligations hereunder.

2.4 Payments; Reductions of Commitments; Prepayments.

(a) Payments by Borrower.

(i) Except as otherwise expressly provided herein, all payments by Borrower shall be made to Agent’s Account for the account of the Lender Group and shall be made in immediately available funds, no later than 11:00 a.m. (California time) on the date specified herein. Any payment received by Agent later than 11:00 a.m. (California time) shall be deemed to have been

received on the following Business Day and any applicable interest or fee shall continue to accrue until such following Business Day.

(ii) Unless Agent receives notice from Borrower prior to the date on which any payment is due to the Lenders that Borrower will not make such payment in full as and when required, Agent may assume that Borrower has made (or will make) such payment in full to Agent on such date in immediately available funds and Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent Borrower does not make such payment in full to Agent on the date when due, each Lender severally shall repay to Agent on demand such amount distributed to such Lender, together with interest thereon at the Defaulting Lender Rate for each day from the date such amount is distributed to such Lender until the date repaid.

(b) **Apportionment and Application.**

(i) So long as no Application Event has occurred and is continuing and except as otherwise provided herein with respect to Defaulting Lenders, all principal and interest payments received by Agent shall be apportioned ratably among the Lenders (according to the unpaid principal balance of the Obligations to which such payments relate held by each Lender) and all payments of fees and expenses received by Agent (other than fees or expenses that are for Agent's separate account) shall be apportioned ratably among the Lenders having a Pro Rata Share of the type of Commitment or Obligation to which a particular fee or expense relates. All payments to be made hereunder by Borrower shall be remitted to Agent and all (subject to [Section 2.4\(b\)\(iv\)](#), [Section 2.4\(d\)\(ii\)](#), and [Section 2.4\(e\)](#)) such payments, and all proceeds of Collateral received by Agent, shall be applied, so long as no Application Event has occurred and is continuing, to reduce the balance of the Advances outstanding and, thereafter, to Borrower (to be wired to the Designated Account) or such other Person entitled thereto under applicable law.

(ii) At any time that an Application Event has occurred and is continuing and except as otherwise provided herein with respect to Defaulting Lenders, all payments remitted to Agent and all proceeds of Collateral received by Agent shall be applied as follows:

(A) first, to pay any Lender Group Expenses (including cost or expense reimbursements) or indemnities then due to Agent under the Loan Documents, until paid in full,

(B) second, to pay any fees or premiums then due to Agent under the Loan Documents until paid in full,

(C) third, to pay interest due in respect of all Protective Advances until paid in full,

(D) fourth, to pay the principal of all Protective Advances until paid in full,

(E) fifth, ratably, to pay any Lender Group Expenses (including cost or expense reimbursements) or indemnities then due to any of the Lenders under the Loan Documents, until paid in full,

(F) sixth, ratably, to pay any fees or premiums then due to any of the Lenders under the Loan Documents until paid in full,

(G) seventh, to pay interest accrued in respect of the Swing Loans until paid in full,

(H) eighth, to pay the principal of all Swing Loans until paid in full,
full,
(I) ninth, ratably, to pay interest accrued in respect of the Advances (other than Protective Advances) until paid in
(J) tenth, ratably, to pay the principal of all Advances until paid in full,
(K) eleventh, to pay any other Obligations other than Obligations owed to Defaulting Lenders,
(L) twelfth, ratably to pay any Obligations owed to Defaulting Lenders; and
(M) thirteenth, to Borrower (to be wired to the Designated Account) or such other Person entitled thereto under
applicable law.

(iii) Agent promptly shall distribute to each Lender, pursuant to the applicable wire instructions received from each Lender in writing, such funds as it may be entitled to receive, subject to a Settlement delay as provided in Section 2.3(e).

(iv) In each instance, so long as no Application Event has occurred and is continuing, Section 2.4(b)(i) shall not apply to any payment made by Borrower to Agent and specified by Borrower to be for the payment of specific Obligations then due and payable (or prepayable) under any provision of this Agreement or any other Loan Document.

(v) For purposes of Section 2.4(b)(ii), “paid in full” of a type of Obligation means payment in cash or immediately available funds of all amounts owing on account of such type of Obligation, including interest accrued after the commencement of any Insolvency Proceeding, default interest, interest on interest, and expense reimbursements, irrespective of whether any of the foregoing would be or is allowed or disallowed in whole or in part in any Insolvency Proceeding.

(vi) In the event of a direct conflict between the priority provisions of this Section 2.4 and any other provision contained in this Agreement or any other Loan Document, it is the intention of the parties hereto that such provisions be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, if the conflict relates to the provisions of Section 2.3(g) and this Section 2.4, then the provisions of Section 2.3(g) shall control and govern, and if otherwise, then the terms and provisions of this Section 2.4 shall control and govern.

(c) **Reduction of Commitments.**

(i) **Commitments.** The Commitments shall terminate on the Maturity Date. Borrower may reduce the Commitments, without premium or penalty, to an amount (which may be zero) not less than the sum of (A) the Revolver Usage as of such date, plus (B) the principal amount of all Advances not yet made as to which a request has been given by Borrower under Section 2.3(a). Each such reduction shall be in an amount which is not less than \$10,000,000 (unless the Commitments are being reduced to zero and the amount of the Commitments in effect immediately prior to such reduction are less than \$10,000,000), shall be made by providing not less than 5 Business Days prior written notice to Agent and shall be irrevocable. Once reduced, the Commitments may not be increased. Each such reduction of the Commitments shall reduce the Commitments of each Lender proportionately in accordance with its Pro Rata Share thereof.

(ii) **[Intentionally Omitted].**

(d) **Optional Prepayments.**

(i) **Advances.** Borrower may prepay the principal of any Advance at any time in whole or in part, without premium or penalty.

(ii) **[Intentionally Omitted].**

(e) **Mandatory Prepayments.**

(i) **Borrowing Base.** If, at any time, (A) the Revolver Usage on such date exceeds (B) the Borrowing Base (such excess being referred to as the “Borrowing Base Excess”), then Borrower shall immediately prepay the Obligations in accordance with Section 2.4(f)(i) in an aggregate amount equal to the Borrowing Base Excess.

(ii) **[Intentionally Omitted].**

(iii) **[Intentionally Omitted].**

(iv) **[Intentionally Omitted].**

(v) **[Intentionally Omitted].**

(vi) **[Intentionally Omitted].**

(f) **Application of Payments.**

(i) Each prepayment pursuant to Section 2.4(e)(i) shall, (A) so long as no Application Event shall have occurred and be continuing, be applied, to the outstanding principal amount of the Advances until paid in full, and (B) if an Application Event shall have occurred and be continuing, be applied in the manner set forth in Section 2.4(b)(ii).

(ii) **[Intentionally Omitted].**

2.5 **Overadvances.** If, at any time or for any reason, the amount of Obligations owed by Borrower to the Lender Group pursuant to Section 2.1 is greater than any of the limitations set forth in Section 2.1 (an “Overadvance”), Borrower shall immediately pay to Agent, in cash, the amount of such excess, which amount shall be used by Agent to reduce the Obligations in accordance with the priorities set forth in Section 2.4(b). Borrower promises to pay the Obligations (including principal, interest, fees, costs, and expenses) in full on the Maturity Date or, if earlier, on the date on which the Obligations become due and payable pursuant to the terms of this Agreement.

2.6 **Interest Rates: Rates, Payments, and Calculations.**

(a) **Interest Rates.** Except as provided in Section 2.6(c), all Obligations that have been charged to the Loan Account pursuant to the terms hereof shall bear interest on the Daily Balance thereof as follows:

(i) if the relevant Obligation is a LIBOR Rate Loan, at a per annum rate equal to the LIBOR Rate plus the LIBOR Rate Margin, and

(ii) otherwise, at a per annum rate equal to the Base Rate plus the Base Rate Margin.

(b) **[Intentionally Omitted].**

(c) **Default Rate.** Upon the occurrence and during the continuation of an Event of Default and at the election of the Required Lenders, all Obligations that have been charged to the Loan Account pursuant to the terms hereof shall bear interest on the Daily Balance thereof at a per annum rate equal to 2 percentage points above the per annum rate otherwise applicable thereunder.

(d) **Payment.** Except to the extent provided to the contrary in Section 2.10 or Section 2.12(a), all interest, all fees payable hereunder or under any of the other Loan Documents, and all costs, expenses, Lender Group Expenses, or other amounts payable hereunder or under any of the other Loan Documents shall be due and payable, in arrears, on the first day of each month. Borrower hereby authorizes Agent, from time to time without prior notice to Borrower, (i) if Borrower does not pay any interest or scheduled fees (including the fee provided for in Section 2.10(b)) due and payable hereunder or under any other Loan Document within 3 Business Days of the date of Borrower's receipt of written notice thereof (which notice shall be sent by Agent no earlier than the date on which any such amount first becomes due and payable and shall be sent to the email addresses for the individuals set forth on Schedule 2.6(d) hereto), to charge to the Loan Account all such interest and scheduled fees, and (ii) if Borrower does not pay any unscheduled fees, costs, expenses, Lender Group Expenses, or other amounts due and payable hereunder or under any other Loan Document within 30 days of the date of Borrower's receipt of written notice thereof (which notice shall be sent by Agent no earlier than the date on which any such amount first becomes due and payable and shall be sent to the email addresses for the individuals set forth on Schedule 2.6(d) hereto), to charge to the Loan Account all such unscheduled fees, costs, expenses, Lender Group Expenses, or other amounts; provided, however, that if such amounts are not paid and, instead, are charged to the Loan Account they shall be charged thereto as of the day on which the item was first due and payable without regard to the applicable delay and such amounts shall accrue interest from such original date; provided further, however, that the applicable delays set forth in the foregoing clauses (i) and (ii) shall not be applicable (and Agent shall be entitled to immediately charge to the Loan Account) at any time that an Event of Default has occurred and is continuing and, if such an Event of Default has occurred and is continuing, Agent shall be entitled to charge such amounts to the Loan Account on the date when due and payable hereunder or under any other Loan Document. Any interest, fees, costs, expenses, Lender Group Expenses, or other amounts payable hereunder or under any other Loan Document that are charged to the Loan Account shall be compounded (by being charged to the Loan Account) and shall thereafter constitute Advances hereunder and shall initially accrue interest at the rate then applicable to Advances that are Base Rate Loans.

(e) **Computation.** All interest and fees chargeable under the Loan Documents shall be computed on the basis of a 360 day year, in each case, for the actual number of days elapsed in the period during which the interest or fees accrue. In the event the Base Rate is changed from time to time hereafter, the rates of interest hereunder based upon the Base Rate automatically and immediately shall be increased or decreased by an amount equal to such change in the Base Rate.

(f) **Intent to Limit Charges to Maximum Lawful Rate.** In no event shall the interest rate or rates payable under this Agreement, plus any other amounts paid in connection herewith, exceed the highest rate permissible under any law applicable hereto. Borrower and the Lender Group, in executing and delivering this Agreement, intend legally to agree upon the rate or rates of interest and manner of payment stated within it; provided, however, that, anything contained herein to the contrary notwithstanding, if said rate or rates of interest or manner of payment exceeds the maximum allowable under applicable law, then, *ipso facto*, as of the date of this Agreement, Borrower is and shall be liable only for the payment of such maximum as allowed by law, and payment received from Borrower in excess of such legal maximum, whenever received, shall be applied to reduce the principal balance of the Obligations to the extent of such excess.

2.7 Crediting Payments.

(a) The receipt of any payment item by Agent shall not be considered a payment on account unless such payment item is a wire transfer of immediately available federal funds made to Agent's Account or unless and until such payment item is honored when presented for payment. Should any payment item not be honored when presented for payment, then Borrower shall be deemed not to have made such payment and interest shall be calculated accordingly. Anything to the contrary contained herein notwithstanding, any payment item shall be deemed received by Agent only if it is received into Agent's Account on a Business Day on or before 11:00 a.m. (California time). If any payment item is received into Agent's Account on a non-Business Day or after 11:00 a.m. (California time) on a Business Day, it shall be deemed to have been received by Agent as of the opening of business on the immediately following Business Day.

(b) [Intentionally Omitted].

2.8 **Designated Account.** Agent is authorized to make the Advances under this Agreement based upon telephonic or other instructions received from anyone purporting to be an Authorized Person or, without instructions, if pursuant to Section 2.6(d). Borrower agrees to establish and maintain the Designated Account with the Designated Account Bank for the purpose of receiving the proceeds of the Advances requested by Borrower and made by Agent or the Lenders hereunder. Unless otherwise agreed by Agent and Borrower, any Advance or Swing Loan requested by Borrower and made by Agent or the Lenders hereunder shall be made to the Designated Account.

2.9 **Maintenance of Loan Account; Statements of Obligations.** Agent shall maintain an account on its books in the name of Borrower (the "Loan Account") on which Borrower shall be charged with the amount of all Advances (including Protective Advances and Swing Loans) made by Agent, Swing Lender, or the Lenders to Borrower or for Borrower's account and, subject to the delays set forth in clauses (a) and (b) below (if applicable), with all other payment Obligations hereunder or under the other Loan Documents. If (a) Borrower does not pay any interest or scheduled fees (including the fee provided for in Section 2.10(b)) due and payable hereunder or under any other Loan Document within 3 Business Days of the date of Borrower's receipt of written notice thereof (which notice shall be sent by Agent no earlier than the date on which any such amount first becomes due and payable and shall be sent to the email addresses for the individuals set forth on Schedule 2.6(d) hereto), Agent shall be entitled to charge such amounts to the Loan Account, and (b) Borrower does not pay any unscheduled fees, costs, expenses, Lender Group Expenses, or other amounts due and payable hereunder or under any other Loan Document within 30 days of the date of Borrower's receipt of written notice thereof (which notice shall be sent by Agent no earlier than the date on which any such amount first becomes due and payable and shall be sent to the email addresses for the individuals set forth on Schedule 2.6(d) hereto), Agent shall be entitled to charge such amounts to the Loan Account; provided, however, that if such amounts are not paid and, instead, are charged to the Loan Account they shall be charged thereto as of the day on which the item was first due and payable without regard to the applicable delay and such amounts shall accrue interest from such original date; provided further, however, that the applicable delays set forth in the foregoing clauses (a) and (b) shall not be applicable (and Agent shall be entitled to immediately charge to the Loan Account) at any time that an Event of Default has occurred and is continuing and, if such an Event of Default has occurred and is continuing, Agent shall be entitled to charge such amounts to the Loan Account on the date when due and payable hereunder or under any other Loan Document. In accordance with Section 2.7, the Loan Account will be credited with all payments received by Agent from Borrower or for Borrower's account. Agent shall render statements regarding the Loan Account to Borrower, including principal, interest, fees, and including an itemization of all charges and expenses constituting Lender Group Expenses owing (and, if requested by Borrower with respect to, and after receipt of, a particular statement, reasonable supporting detail), and such statements, absent manifest error, shall be conclusively presumed to be correct and accurate and constitute an account stated between Borrower and the Lender Group unless, within 60 days after receipt thereof by Borrower, Borrower shall deliver to Agent written objection thereto describing the error or errors contained in any such statements or the lack of any requested supporting detail.

2.10 **Fees.** Borrower shall pay to Agent,

(a) for the account of Agent, as and when due and payable under the terms of the Fee Letter, the fees set forth in the Fee Letter.

(b) for the ratable account of those Lenders with Commitments, on the first day of each month from and after the date of this Agreement up to the first day of the month prior to the Payoff Date and on the Payoff Date, an unused line fee in an amount equal to [***].

2.11 **[Intentionally Omitted]**.

2.12 **LIBOR Option.**

(a) **Interest and Interest Payment Dates.** In lieu of having interest charged at the rate based upon the Base Rate, Borrower shall have the option, subject to Section 2.12(b) below (the "LIBOR Option") to have interest on all or a portion of the Advances be charged (whether at the time when made (unless otherwise provided herein), upon conversion from a Base Rate Loan to a LIBOR Rate Loan, or upon continuation of a LIBOR Rate Loan as a LIBOR Rate Loan) at a rate of interest based upon the LIBOR Rate. Interest on LIBOR Rate Loans shall be payable on the earliest of (i) the last day of the Interest Period applicable thereto; (ii) the date on which all or any portion of the Obligations become due and payable pursuant to the terms hereof, or (iii) the date on which this Agreement is terminated pursuant to the terms hereof. On the last day of each applicable Interest Period, unless Borrower properly has exercised the LIBOR Option with respect thereto to elect an Interest Period of a different duration or unless the LIBOR Option is no longer available to Borrower, the interest rate applicable to such LIBOR Rate Loan automatically shall convert to a LIBOR Rate Loan having an Interest Period of 1 month. At any time that an Event of Default has occurred and is continuing, at the written election of the Required Lenders, Advances shall no longer bear interest at, and Borrower no longer shall have the option to request that Advances bear interest at, a rate based upon the LIBOR Rate.

(b) **LIBOR Election.**

(i) Borrower may, at any time and from time to time, so long as Borrower has not received a notice from Agent, after the occurrence and during the continuance of an Event of Default, of the election of the Required Lenders to terminate the right of Borrower to exercise the LIBOR Option during the continuance of such Event of Default, elect to exercise the LIBOR Option by notifying Agent prior to 11:00 a.m. (California time) at least 3 Business Days prior to the commencement of the proposed Interest Period (the "LIBOR Deadline"). Notice of Borrower's election of the LIBOR Option for a permitted portion of the Advances and an Interest Period pursuant to this Section shall be made by delivery to Agent of a LIBOR Notice received by Agent before the LIBOR Deadline, or by telephonic notice received by Agent before the LIBOR Deadline (to be confirmed by delivery to Agent of a LIBOR Notice received by Agent prior to 5:00 p.m. (California time) on the same day). Promptly upon its receipt of each such LIBOR Notice, Agent shall provide a copy thereof to each of the affected Lenders.

(ii) Each LIBOR Notice shall be irrevocable and binding on Borrower. In connection with each LIBOR Rate Loan, Borrower shall indemnify, defend, and hold Agent and the Lenders harmless against any loss, cost, or expense actually incurred by Agent or any Lender as a result of (A) the payment of any principal of any LIBOR Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (B) the conversion of any LIBOR Rate Loan other than on the last day of the Interest Period applicable thereto, or (C) the failure to borrow, convert, continue or prepay any LIBOR Rate Loan on the date specified in any

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

LIBOR Notice delivered pursuant hereto (such losses, costs, or expenses, “Funding Losses”). A certificate of Agent or a Lender delivered to Borrower setting forth in reasonable detail any amount or amounts that Agent or such Lender is entitled to receive pursuant to this Section 2.12 shall be conclusive absent manifest error. Borrower shall pay such amount to Agent or the Lender, as applicable, within 30 days of the date of its receipt of such certificate.

(iii) Borrower shall have not more than 5 LIBOR Rate Loans in effect at any given time. Borrower only may exercise the LIBOR Option for proposed LIBOR Rate Loans of at least \$1,000,000.

(c) **Conversion.** Borrower may convert LIBOR Rate Loans to Base Rate Loans at any time; provided, however, that in the event that LIBOR Rate Loans are converted or prepaid on any date that is not the last day of the Interest Period applicable thereto, including as a result of any automatic prepayment through the required application by Agent of proceeds of Borrower’s Collections in accordance with Section 2.4(b) or for any other reason, including early termination of the term of this Agreement or acceleration of all or any portion of the Obligations pursuant to the terms hereof, Borrower shall indemnify, defend, and hold Agent and the Lenders and their Participants harmless against any and all Funding Losses in accordance with Section 2.12 (b)(ii).

(d) **Special Provisions Applicable to LIBOR Rate.**

(i) The LIBOR Rate may be adjusted by Agent with respect to any Lender on a prospective basis to take into account any additional or increased costs to such Lender of maintaining or obtaining any eurodollar deposits or increased costs, in each case, due to changes in applicable law occurring subsequent to the commencement of the then applicable Interest Period, including changes in tax laws (except changes of general applicability in corporate income tax laws) and changes in the reserve requirements imposed by the Board of Governors of the Federal Reserve System (or any successor), excluding the Reserve Percentage, which additional or increased costs would increase the cost of funding or maintaining loans bearing interest at the LIBOR Rate. In any such event, the affected Lender shall give Borrower and Agent notice of such a determination and adjustment and Agent promptly shall transmit the notice to each other Lender and, upon its receipt of the notice from the affected Lender, Borrower may, by notice to such affected Lender (y) require such Lender to furnish to Borrower a statement setting forth the basis for adjusting such LIBOR Rate and the method for determining the amount of such adjustment, or (z) repay the LIBOR Rate Loans with respect to which such adjustment is made (together with any amounts due under Section 2.12(b)(ii)).

(ii) In the event that any change in market conditions or any law, regulation, treaty, or directive, or any change therein or in the interpretation or application thereof, shall at any time after the date hereof, in the reasonable opinion of any Lender, make it unlawful or impractical for such Lender to fund or maintain LIBOR Rate Loans or to continue such funding or maintaining, or to determine or charge interest rates at the LIBOR Rate, such Lender shall give notice of such changed circumstances to Agent and Borrower and Agent promptly shall transmit the notice to each other Lender and (y) in the case of any LIBOR Rate Loans of such Lender that are outstanding, the Business Day specified in such Lender’s notice shall be deemed to be the last day of the Interest Period of such LIBOR Rate Loans, and interest upon the LIBOR Rate Loans of such Lender thereafter shall accrue interest at the rate then applicable to Base Rate Loans, and (z) Borrower shall not be entitled to elect the LIBOR Option until such Lender determines that it would no longer be unlawful or impractical to do so.

(e) **No Requirement of Matched Funding.** Anything to the contrary contained herein notwithstanding, neither Agent, nor any Lender, nor any of their Participants, is required actually to acquire eurodollar deposits to fund or otherwise match fund any Obligation as to which interest accrues at the LIBOR Rate.

2.13 Capital Requirements.

(a) If, after the date hereof, any Lender determines that (i) the adoption of or change in any law, rule, regulation or guideline regarding capital or reserve requirements for banks or bank holding companies, or any change in the interpretation, implementation, or application thereof by any Governmental Authority charged with the administration thereof, or (ii) compliance by such Lender or its parent bank holding company with any guideline, request or directive of any such entity regarding capital adequacy (whether or not having the force of law), has the effect of reducing the return on such Lender's or such holding company's capital as a consequence of such Lender's Commitments hereunder to a level below that which such Lender or such holding company could have achieved but for such adoption, change, or compliance (taking into consideration such Lender's or such holding company's then existing policies with respect to capital adequacy and assuming the full utilization of such entity's capital) by any amount deemed by such Lender to be material, then such Lender may notify Borrower and Agent thereof. Following receipt of such notice, Borrower agrees to pay such Lender on demand the amount of such reduction of return of capital as and when such reduction is determined, payable within 30 days after presentation by such Lender of a statement in the amount and setting forth in reasonable detail such Lender's calculation thereof and the assumptions upon which such calculation was based (which statement shall be deemed true and correct absent manifest error). In determining such amount, such Lender may use any reasonable averaging and attribution methods. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that Borrower shall not be required to compensate a Lender pursuant to this Section for any reductions in return incurred more than 30 days prior to the date that such Lender notifies Borrower of such law, rule, regulation or guideline giving rise to such reductions and of such Lender's intention to claim compensation therefor; provided further that if such claim arises by reason of the adoption of or change in any law, rule, regulation or guideline that is retroactive, then the 30-day period referred to above shall be extended to include the period of retroactive effect thereof.

(b) If any Lender requests additional or increased costs referred to in Section 2.12(d)(i) or amounts under Section 2.13(a) (any such Lender, an "Affected Lender"), then such Affected Lender shall use reasonable efforts to promptly designate a different one of its lending offices or to assign its rights and obligations hereunder to another of its offices or branches, if (i) in the reasonable judgment of such Affected Lender, such designation or assignment would eliminate or reduce amounts payable pursuant to Section 2.12(d)(i) or Section 2.13(a), as applicable, and (ii) in the reasonable judgment of such Affected Lender, such designation or assignment would not subject it to any material unreimbursed cost or expense and would not otherwise be materially disadvantageous to it. Borrower agrees to pay all reasonable out-of-pocket costs and expenses incurred by such Affected Lender in connection with any such designation or assignment. If, after such reasonable efforts, such Affected Lender does not so designate a different one of its lending offices or assign its rights to another of its offices or branches so as to eliminate Borrower's obligation to pay any future amounts to such Affected Lender pursuant to Section 2.12(d)(i) or Section 2.13(a), as applicable, then Borrower (without prejudice to any amounts then due to such Affected Lender under Section 2.12(d)(i) or Section 2.13(a), as applicable) may, unless prior to the effective date of any such assignment the Affected Lender withdraws its request for such additional amounts under Section 2.12(d)(i) or Section 2.13(a), as applicable, may seek a substitute Lender reasonably acceptable to Agent to purchase the Obligations owed to such Affected Lender and such Affected Lender's Commitments hereunder (a "Replacement Lender"), and if such Replacement Lender agrees to such purchase, such Affected Lender shall assign to the Replacement Lender its Obligations and Commitments, pursuant to an Assignment and Acceptance Agreement, and upon such purchase by the Replacement Lender, such Replacement Lender shall be deemed to be a "Lender" for purposes of this Agreement and such Affected Lender shall cease to be a "Lender" for purposes of this Agreement.

3. CONDITIONS; TERM OF AGREEMENT.

3.1 **Conditions Precedent to the Initial Extension of Credit.** The obligation of each Lender to make its initial extension of credit provided for hereunder is subject to the fulfillment, to the satisfaction of Agent and each Lender, of each of the conditions precedent set forth on Schedule 3.1 (the making of such initial extension of credit by a Lender being conclusively deemed to be its satisfaction or waiver of the conditions precedent).

3.2 **Conditions Precedent to all Extensions of Credit.** The obligation of the Lender Group (or any member thereof) to make any Advances hereunder (or to extend any other credit hereunder) at any time shall be subject to the following conditions precedent:

(a) the representations and warranties of Borrower contained in this Agreement or in the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date of such extension of credit, as though made on and as of such date (except to the extent that such representations and warranties relate to an earlier date); and

(b) no Default or Event of Default shall have occurred and be continuing on the date of such extension of credit, nor shall either result from the making thereof.

3.3 **Maturity.** This Agreement shall continue in full force and effect for a term ending on March 31, 2014 (the "Maturity Date"). The foregoing notwithstanding, the Lender Group, upon the election of the Required Lenders, shall have the right to terminate its obligations under this Agreement immediately and without notice upon the occurrence and during the continuation of an Event of Default.

3.4 **Effect of Maturity.** On the Maturity Date, all commitments of the Lender Group to provide additional credit hereunder shall automatically be terminated and all of the Obligations immediately shall become due and payable without notice or demand and Borrower shall be required to repay all of the Obligations in full. No termination of the obligations of the Lender Group (other than payment in full of the Obligations and termination of the Commitments) shall relieve or discharge Borrower of its duties, obligations, or covenants hereunder or under any other Loan Document and Agent's Liens in the Collateral shall continue to secure the Obligations and shall remain in effect until all Obligations have been paid in full and the Commitments have been terminated. When all of the Obligations have been paid in full and the Lender Group's obligations to provide additional credit under the Loan Documents have been terminated irrevocably, Agent will, at Borrower's sole expense, execute and deliver any termination statements, lien releases, discharges of security interests, and other similar discharge or release documents (and, if applicable, in recordable form) as are reasonably necessary to release, as of record, Agent's Liens and all notices of security interests and liens previously filed by Agent.

3.5 **Early Termination by Borrower.** Borrower has the option, at any time upon 5 Business Days prior written notice to Agent, to terminate this Agreement and terminate the Commitments hereunder by repaying to Agent all of the Obligations in full.

4. REPRESENTATIONS AND WARRANTIES.

In order to induce the Lender Group to enter into this Agreement, Borrower makes the following representations and warranties to the Lender Group which shall be true, correct, and complete, in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), as of the Closing Date, and shall be true, correct, and complete, in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text

thereof), as of the date of the making of each Advance (or other extension of credit) made thereafter, as though made on and as of the date of such Advance (or other extension of credit) (except to the extent that such representations and warranties relate solely to an earlier date) and such representations and warranties shall survive the execution and delivery of this Agreement:

4.1 **Due Organization and Qualification; No Subsidiaries.**

(a) Borrower (i) is duly organized and existing and in good standing under the laws of the jurisdiction of its organization, (ii) is qualified to do business in any state where the failure to be so qualified could reasonably be expected to result in a Material Adverse Change, and (iii) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into the Loan Documents to which it is a party and to carry out the transactions contemplated thereby.

(b) Borrower is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital Stock or any security convertible into or exchangeable for any of its capital Stock.

(c) Borrower has no Subsidiaries.

4.2 **Due Authorization; No Conflict.**

(a) The execution, delivery, and performance by Borrower of the Loan Documents to which it is a party have been duly authorized by all necessary action on the part of Borrower.

(b) The execution, delivery, and performance by Borrower of the Loan Documents to which it is a party do not and will not (i) violate any material provision of federal, state, or local law or regulation applicable to Borrower, the Governing Documents of Borrower, or any order, judgment, or decree of any court or other Governmental Authority binding on Borrower, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any Material Contract of Borrower except to the extent that any such conflict, breach or default could not individually or in the aggregate reasonably be expected to have a Material Adverse Change, (iii) result in or require the creation or imposition of any Lien of any nature whatsoever upon any assets of Borrower, other than Permitted Liens, or (iv) require any approval of Borrower's interestholders or any approval or consent of any Person under any Material Contract of Borrower, other than consents or approvals that have been obtained and that are still in force and effect and except, in the case of Material Contracts, for consents or approvals, the failure to obtain could not individually or in the aggregate reasonably be expected to cause a Material Adverse Change.

4.3 **Governmental Consents.** The execution, delivery, and performance by Borrower of the Loan Documents to which Borrower is a party and the consummation of the transactions contemplated by the Loan Documents do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any Governmental Authority, other than registrations, consents, approvals, notices, or other actions that have been obtained and that are still in force and effect and except for filings and recordings with respect to the Collateral to be made, or otherwise delivered to Agent for filing or recordation, as of the Closing Date.

4.4 **Binding Obligations; Perfected Liens.**

(a) Each Loan Document has been duly executed and delivered by Borrower that is a party thereto and is the legally valid and binding obligation of Borrower, enforceable against Borrower in accordance with its respective terms, except as enforcement may be limited by equitable principles or

by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

(b) Agent's Liens are validly created, perfected (other than (i) in respect of motor vehicles that are subject to a certificate of title and as to which Agent has not caused its Lien to be noted on the applicable certificate of title, and (ii) any Deposit Accounts and Securities Accounts not subject to a Control Agreement as permitted by Section 6.11, and subject only to the filing of financing statements in the appropriate filing offices and the recordation of the Engine and Spare Parts Security Agreement with the FAA), and first priority Liens, subject only to Permitted Liens which by operation of law or contract would have priority over the Liens securing the Obligations.

4.5 **Title to Assets; No Encumbrances.** Borrower has good and marketable title to all of its personal property assets that constitute Collateral and that are reflected in the most recent financial statements delivered pursuant to Section 5.1, in each case except for assets disposed of since the date of such financial statements to the extent permitted hereby.

4.6 **Jurisdiction of Organization; Location of Chief Executive Office; Organizational Identification Number; Commercial Tort Claims.**

(a) The name of (within the meaning of Section 9-503 of the Code) and jurisdiction of organization of Borrower is set forth on Schedule 4.6 (as such Schedule may be updated from time to time to reflect changes resulting from transactions permitted under this Agreement).

(b) The chief executive office of Borrower is located at the address indicated on Schedule 4.6 (as such Schedule may be updated from time to time to reflect changes resulting from transactions permitted under this Agreement).

(c) Borrower's tax identification number and organizational identification number, if any, are identified on Schedule 4.6 (as such Schedule may be updated from time to time to reflect changes resulting from transactions permitted under this Agreement).

4.7 **Litigation.**

(a) There are no actions, suits, or proceedings pending or, to the knowledge of Borrower, after due inquiry, threatened in writing against Borrower that either individually or in the aggregate could reasonably be expected to result in a Material Adverse Change.

(b) Schedule 4.7(b) sets forth a complete and accurate description, with respect to each of the actions, suits, or proceedings with asserted liabilities in excess of, or that could reasonably be expected to result in liabilities in excess of, [***] that, as of the Closing Date, is pending or, to the knowledge of Borrower, after due inquiry, threatened against Borrower, of (i) the parties to such actions, suits, or proceedings, (ii) the nature of the dispute that is the subject of such actions, suits, or proceedings, (iii) the status, as of the Closing Date, with respect to such actions, suits, or proceedings, and (iv) whether any liability of Borrower in connection with such actions, suits, or proceedings is covered by insurance.

4.8 **Compliance with Laws.** Borrower (a) is not in violation of any applicable laws, rules, regulations, executive orders, or codes (including Environmental Laws) that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change, or (b) is not subject to or in default with respect to any final judgments, writs, injunctions, decrees, rules or regulations of any court or any federal,

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change.

4.9 **No Material Adverse Change.** All historical financial statements relating to Borrower that have been delivered by Borrower to Agent have been prepared in accordance with GAAP (except, in the case of unaudited financial statements, for the lack of footnotes and being subject to year-end audit adjustments) and present fairly in all material respects, Borrower's financial condition as of the date thereof and results of operations for the period then ended. Since September 30, 2009, no event, circumstance, or change has occurred that has or could reasonably be expected to result in a Material Adverse Change with respect to Borrower.

4.10 **Fraudulent Transfer.**

(a) Borrower is Solvent.

(b) No transfer of property is being made by Borrower and no obligation is being incurred by Borrower in connection with the transactions contemplated by this Agreement or the other Loan Documents with the intent to hinder, delay, or defraud either present or future creditors of Borrower.

4.11 **Employee Benefits; Benefit Arrangements.**

(a) **Employee Benefits.** Borrower and its ERISA Affiliates do not maintain, sponsor, contribute to, administer, or have any liability with respect to any Foreign Pension Plan or Multiemployer Plan. Schedule 4.11 sets forth each Benefit Plan of Borrower or its ERISA Affiliates. Except as otherwise set forth in Schedule 4.11, (i) each Benefit Plan (and each related trust, insurance contract, or fund) is and has at all times been operated and maintained in material compliance with its terms and with all applicable laws, including ERISA and the IRC, (ii) each Benefit Plan (and each related trust, if any) has received a determination letter from the Internal Revenue Service to the effect that it meets the requirements of Sections 401(a) and 501(a) of the IRC, (iii) no ERISA Event has occurred that could reasonably be expected to result in liabilities in excess of [***], (iv) no Benefit Plan has an Unfunded Benefit Liability in an amount that could reasonably be expected to result in a Material Adverse Change, (iv) except as otherwise required by the termination and funding requirements of ERISA and the IRC and by any applicable collective bargaining agreements, Borrower and each of its ERISA Affiliates may, at any time and without material liability, terminate or cease making contributions to any "employee benefit plan," within the meaning of Section 3(3) of ERISA, to which such Person maintains or makes (or has any liability to make) contributions, or with respect to which such Person has any liability and (v) each group health plan (as defined in Section 607(l) of ERISA or Section 4980B(g)(2) of the IRC) that covers or has covered employees or former employees of Borrower or any of its ERISA Affiliates has at all times been operated in material compliance with the provisions of Part 6 of subtitle B of Title I of ERISA and Section 4980B of the IRC.

(b) **Benefit Arrangements.**

(i) All liabilities under the Benefit Arrangements are (A) funded to at least the minimum level required by applicable law including, but not limited to, ERISA and the IRC or, if higher, to the level required by the terms of any applicable collective-bargaining agreements, (B) insured with a reputable insurance company, (C) provided for or recognized in the financial statements most recently delivered to Agent pursuant to Section 5.1 hereof, or (D) estimated in the formal notes to the financial statements most recently delivered to Agent pursuant to Section 5.1 hereof, where such failure to fund, insure, provide for, recognize or estimate the liabilities arising under such arrangements could reasonably be expected to result in a Material Adverse Change.

(ii) There are no circumstances that may give rise to a liability in relation to the Benefit Arrangements that are not funded, insured, provided for, recognized or estimated in the manner described in clause (i) above that could reasonably be expected to result in a Material Adverse Change.

(iii) Borrower and each of its ERISA Affiliates is in compliance with all applicable laws, trust documentation and contracts relating to the Benefit Arrangements (and each related trust, insurance contract, or fund), except to the extent that the non-compliance therewith could not reasonably be expected to result in a Material Adverse Change.

4.12 **Environmental Condition.** Except as set forth on Schedule 4.12, (a) to Borrower's knowledge, neither Borrower's properties or assets has ever been used by Borrower or by previous owners or operators in the disposal of, or to produce, store, handle, treat, release, or transport, any Hazardous Materials, where such disposal, production, storage, handling, treatment, release or transport was in material violation of any applicable Environmental Law, (b) to Borrower's knowledge, after due inquiry, Borrower's properties or assets has not ever been designated or identified in any manner pursuant to any environmental protection statute as a Hazardous Materials disposal site, (c) Borrower has not received notice that a Lien arising under any Environmental Law has attached to any revenues or to any Real Property owned or operated by Borrower, and (d) neither Borrower nor any of its facilities or operations is subject to any outstanding written order, consent decree, or settlement agreement with any Person relating to any Environmental Law or Environmental Liability that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change.

4.13 **Intellectual Property.** To Borrower's knowledge, Borrower owns, or hold licenses in, all trademarks, trade names, copyrights, patents, and licenses that are necessary to the conduct of its business as currently conducted.

4.14 **Leases.** Borrower enjoys peaceful and undisturbed possession under all leases material to its business and to which it is a party or under which it is operating, and, subject to Permitted Protests, all of such material leases are valid and subsisting and, to Borrower's knowledge, no material default by Borrower exists under any of them.

4.15 **Deposit Accounts and Securities Accounts.** Set forth on Schedule 4.15 (as updated pursuant to the provisions of the Security Agreement from time to time) is a listing of all of Borrower's Deposit Accounts into which the proceeds of Accounts that constitute so-called "corporate receivables", so-called "general traffic receivables", so-called "service sales receivables" or so-called "travel agent receivables" or Interline Receivables or Mileage Plan Receivables are deposited (or are expected to be deposited) (excluding, in each case, any Excluded Accounts), including, with respect to each bank (a) the name and address of such bank, and (b) the account numbers of such Deposit Accounts maintained with bank. No proceeds of Borrower's Accounts that constitute so-called "corporate receivables", so-called "general traffic receivables", so-called "service sales receivables" or so-called "travel agent receivables" or Interline Receivables or Mileage Plan Receivables are deposited (or are expected to be deposited) (excluding, in each case, any Excluded Accounts) into any Securities Account.

4.16 **Complete Disclosure.** All factual information taken as a whole (other than forward-looking information and projections and information of a general economic nature and general information about Borrower's industry) furnished by or on behalf of Borrower in writing to Agent or any Lender (including all information contained in the Schedules hereto or in the other Loan Documents) for purposes of or in connection with this Agreement or the other Loan Documents, and all other such factual information taken as a whole (other than forward-looking information and projections and information of a general economic nature

and general information about Borrower's industry) hereafter furnished by or on behalf of Borrower in writing to Agent or any Lender will be, true and accurate, in all material respects, on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was provided. The Projections delivered to Agent on November 17, 2009 represent, and as of the date on which any other Projections are delivered to Agent, such additional Projections represent, Borrower's good faith estimate, on the date such Projections are delivered, of Borrower's future performance for the periods covered thereby based upon assumptions believed by Borrower to be reasonable at the time of the delivery thereof to Agent (it being understood that such Projections are subject to uncertainties and contingencies, many of which are beyond the control of Borrower, that no assurances can be given that such Projections will be realized, and that actual results may differ in a material manner from such Projections).

4.17 **Material Contracts.** Set forth on Schedule 4.17 (as such Schedule shall automatically be deemed updated from time to time when new or amended Material Contracts are filed with the SEC) is a reasonably detailed description of the Material Contracts of Borrower as of the most recent date on which Borrower provided its Compliance Certificate pursuant to Section 5.1.

4.18 **Patriot Act.** To the extent applicable, Borrower is in compliance, in all material respects, with the (a) Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (b) Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act of 2001) (the "**Patriot Act**"). No part of the proceeds of the loans made hereunder will be used by Borrower or any of its Affiliates, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

4.19 **Indebtedness.** Set forth on Schedule 4.19 is a true and complete list of all Indebtedness of Borrower outstanding immediately prior to the Closing Date that is to remain outstanding immediately after giving effect to the closing hereunder on the Closing Date and such Schedule accurately sets forth the aggregate principal amount of such Indebtedness as of the Closing Date. The Chattel Mortgage dated as of May 1, 1962 between Borrower, as mortgagor, and Home Life Insurance Company and State Mutual Life Assurance Company of America, jointly as mortgagees, which was recorded by the Federal Aviation Administration on May 17, 1962 and assigned Conveyance No. A198036, as supplemented (the "Chattel Mortgage"), is no longer of any force or effect. Borrower is not indebted to Home Life Insurance Company, State Mutual Life Assurance Company, or either of their respective successors or assigns under such Chattel Mortgage.

4.20 **Payment of Taxes.** Except as otherwise permitted under Section 5.5, all tax returns and reports of Borrower required to be filed by it have been timely filed, and all taxes shown on such tax returns to be due and payable and all assessments, fees and other governmental charges upon Borrower or upon its assets, income, businesses and franchises that are due and payable have been paid when due and payable. Borrower has made adequate provision in accordance with GAAP for all taxes not yet due and payable. Borrower knows of no proposed tax assessment against Borrower that is not being actively contested by Borrower diligently, in good faith, and by appropriate proceedings; provided such reserves or other appropriate provisions, if any, as shall be required in conformity with GAAP shall have been made or provided therefor.

4.21 **Margin Stock.** Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No part of the proceeds of the loans made to Borrower will be used to purchase or carry any such Margin Stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock or for any purpose that violates the provisions of Regulation T, U or X of the Board of Governors of the United States Federal Reserve.

4.22 **Governmental Regulation.** Borrower is not subject to regulation under the Federal Power Act or the Investment Company Act of 1940 or under any other federal or state statute or regulation which may limit its ability to incur Indebtedness or which may otherwise render all or any portion of the Obligations unenforceable. Borrower is not a “registered investment company” or a company “controlled” by a “registered investment company” or a “principal underwriter” of a “registered investment company” as such terms are defined in the Investment Company Act of 1940.

4.23 **OFAC.** Borrower is not in violation of any of the country or list based economic and trade sanctions administered and enforced by OFAC. Borrower (a) is not a Sanctioned Person or a Sanctioned Entity, (b) does not have its assets located in Sanctioned Entities, or (c) does not derive revenues from investments in, or transactions with Sanctioned Persons or Sanctioned Entities. No proceeds of any loan hereunder will be used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity.

4.24 **Employee and Labor Matters.** Except as set forth on Schedule 4.24, there is (i) no unfair labor practice complaint pending or, to the knowledge of Borrower, threatened against Borrower before any Governmental Authority and no grievance or arbitration proceeding pending or threatened against Borrower which arises out of or under any collective bargaining agreement and that could reasonably be expected to result in a material liability, (ii) no strike, labor dispute, slowdown, stoppage or similar action or grievance pending or threatened in writing against Borrower that could reasonably be expected to result in a material liability, or (iii) to the knowledge of Borrower, after due inquiry, no union representation question existing with respect to the employees of Borrower and no union organizing activity taking place with respect to any of the employees of Borrower. Borrower has not incurred any liability or obligation under the Worker Adjustment and Retraining Notification Act or similar state law, which remains unpaid or unsatisfied. The hours worked and payments made to employees of Borrower have not been in violation of the Fair Labor Standards Act or any other applicable legal requirements, except to the extent such violations could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. All material payments due from Borrower on account of wages and employee health and welfare insurance and other benefits have been paid or accrued as a liability on the books of Borrower, except where the failure to do so could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change.

4.25 **PDP Facility and Bank Facility Documents.**

(a) As of the Closing Date, Borrower has delivered to Agent a complete and correct copy of the Bank Facility Documents, including all schedules and exhibits thereto. Borrower is not in default in the performance or compliance with any provisions of the Bank Facility Documents.

(b) As of the Closing Date, Borrower has made available to Agent a complete and correct copy of the PDP Facility Documents, including all schedules and exhibits thereto. Borrower is not in default in the performance or compliance with any provisions of the PDP Facility Documents.

(c) To Borrower’s knowledge, the Bank Facility Documents comply in all material respects with all applicable laws. The Bank Facility Documents are in full force and effect as of the Closing Date and have not been terminated, rescinded or withdrawn as of such date.

(d) To Borrower’s knowledge, the PDP Facility Documents comply in all material respects with all applicable laws. The PDP Facility Documents are in full force and effect as of the Closing Date and have not been terminated, rescinded or withdrawn as of such date.

4.26 **Eligible Accounts.** As to each Receivable that is identified by Borrower as an Eligible Account in a Borrowing Base Certificate submitted to Agent, such Receivable is (a) a bona fide existing

payment obligation of the applicable Account Debtor created by the rendition of services to such Account Debtor or the sale of mileage awards, miles, or credits, in each case, in the ordinary course of Borrower's business, (b) owed to Borrower without any known defenses, disputes, offsets, counterclaims, or rights of return or cancellation, and (c) not excluded as ineligible by virtue of one or more of the excluding criteria (other than Agent-discretionary criteria) set forth in the definition of Eligible Accounts.

4.27 **Spare Parts.**

(a) Borrower keeps correct and accurate records itemizing and describing the type, serviceability, and quantity of its Spare Parts. In the case of Spare Parts identified by Borrower as an Eligible Extendable or Eligible Replaceable Spare Part, as applicable, in the most recent Borrowing Base Certificate submitted to Agent, Borrower has full legal and beneficial ownership to such Spare Parts (other than those disposed of since such date to the extent permitted hereunder), free and clear of all Liens (other than non-consensual Permitted Liens).

(b) Each Spare Part that is identified by Borrower as an Eligible Expendable or Eligible Replaceable Spare Part, as applicable, in the most recent Borrowing Base Certificate submitted to Agent is, as of the date of such Borrowing Base Certificate (i) of good and merchantable quality, free from material defects, serviceable in accordance with the Maintenance Program, in good operating condition and ready for immediate use or operation in accordance with the Maintenance Program and has all required FAA serviceability tags or records applicable thereto and, if required by the FAA or the Maintenance Program, back to birth records and all other documents required by the Maintenance Program, (ii) not excluded as ineligible by virtue of one or more of the excluding criteria set forth in the definition of Eligible Expendables or Eligible Replaceable Spare Parts, as applicable, and (iii) accurately described in such Borrowing Base Certificate (including by manufacturer's serial number or manufacturer's part number, as applicable, if a serialized Spare Part that Borrower customarily tracks by serial number, and location).

(c) Except to the extent permitted by Section 5.17(b), the Spare Parts of Borrower are in the possession and control of Borrower, used or held for use in Borrower's business, and only located at the locations identified on Schedule 4.27 (as such Schedule may be updated pursuant to Section 5.17(b)).

(d) Schedule 1.1(S) of the Engine and Spare Parts Security Agreement contains a true and complete summary description by type and location of all of the Spare Parts owned by Borrower that are located in the United States (other than Spare Parts that are specifically excluded from Schedule 1.1(S) pursuant to the terms of the Engine and Spare Parts Security Agreement) as of each date that this representation and warranty is given. The Spare Parts located in the United States are primarily maintained for the purposes of installing such Spare Parts on Aircraft, Engines, or Appliances operated by Borrower.

(e) Borrower possesses all necessary certificates, permits, rights, authorizations and concessions and consents which are material to the repair, refurbishment, or overhaul of any of the Spare Parts (to the extent Borrower performs any of such actions) or to the maintenance, use, operation, or sale of any of the Spare Parts.

(f) Borrower uses, stores, maintains, overhauls, repairs, and refurbishes (or causes a duly authorized FAA repair station or overhaul vendor to maintain, overhaul, repair, and refurbish) all Spare Parts and maintains books and records with respect thereto in compliance with the material requirements of applicable law (including the provision of all required FAA serviceability tags or records where applicable) and with the Maintenance Program, except for such requirements of applicable law the validity or applicability of which are being protested by Borrower so long as (i) such protest is instituted promptly and prosecuted diligently by Borrower in good faith, (ii) there is no material risk of any sale,

forfeiture, or loss of any Spare Part or diminution in value of any Spare Part as a result of such contest, (iii) there is no risk of any criminal liability, or any material civil liability, for Borrower, Agent, or any of the Lenders as a result of such contest, (iv) Agent is satisfied that while such contest is pending, there is no impairment of the enforceability, validity, or priority of any of the Agent's Liens on the Spare Parts, and (v) there is no material risk of any adverse effect on the ownership interest of Borrower in such Spare Part.

4.28 **Ground Service Equipment and Engines.**

(a) Borrower keeps correct and accurate records itemizing and describing the type and quantity of its Ground Service Equipment and the Designated Engines. In the case of Ground Service Equipment and Engines identified by Borrower as an item of Eligible Ground Service Equipment or an Eligible Engine, as applicable, in the most recent Borrowing Base Certificate submitted to Agent, Borrower has full legal and beneficial ownership to such Ground Service Equipment and Engines (other than assets that have been disposed of since the date of such Borrowing Base Certificate if and so long as the disposition of such assets was not prohibited hereby), free and clear of all Liens (other than non-consensual Permitted Liens).

(b) Each item of Ground Service Equipment that is identified by Borrower as an item of Eligible Ground Service Equipment in the most recent Borrowing Base Certificate submitted to Agent is, as of the date of such Borrowing Base Certificate (i) of good and merchantable quality and in good operating condition (except for those items of Eligible Ground Service Equipment that are being repaired so long as the applicable repairs are routine repairs that are not expected to take more than a normal service period to complete), (ii) not excluded as ineligible by virtue of one or more of the excluding criteria set forth in the definition of Eligible Ground Service Equipment, and (iii) accurately described in such Borrowing Base Certificate (including by manufacturer's serial number or manufacturer's part number, as applicable, if a serialized item of Ground Service Equipment that Borrower customarily tracks by serial number, location, and, to the knowledge of a Responsible Officer of Borrower, whether the subject of a certificate of title).

(c) Each Engine that is identified by Borrower as an Eligible Engine in the most recent Borrowing Base Certificate submitted to Agent is, as of the date of such Borrowing Base Certificate (i) either (A) of good and merchantable quality, free from defects, serviceable in accordance with the Maintenance Program, in good operating condition and ready for immediate use or operation in accordance with the Maintenance Program and has all required FAA serviceability tags or records applicable thereto and, if required by the FAA or the Maintenance Program, back to birth records and all other documents required by the Maintenance Program or (B) following customary repairs that are not expected to take more than a normal service period to complete, will be of good and merchantable quality, free from defects, serviceable in accordance with the Maintenance Program, in good operating condition and ready for immediate use or operation in accordance with the Maintenance Program and has all required FAA serviceability tags or records applicable thereto and, if required by the FAA or the Maintenance Program, back to birth records and all other documents required by the Maintenance Program, (ii) not excluded as ineligible by virtue of one or more of the excluding criteria set forth in the definition of Eligible Engines, and (iii) accurately described in such Borrowing Base Certificate (including by manufacturer's serial number).

(d) Except to the extent permitted by Section 5.18, the Ground Service Equipment is in the possession and control of Borrower, is used or held for use in Borrower's business, and is stored at the locations identified on Schedule 4.28(d) (as such Schedule may be updated pursuant to Section 5.18).

(e) Except to the extent permitted by Section 5.18, the Designated Engines are in the possession and control of Borrower, are used or held for use in Borrower's business, and are stored at the locations identified on Schedule 4.28(e) (as such Schedule may be updated pursuant to Section 5.18).

(f) Except for those Designated Engines that have been sold, leased, or disposed of pursuant to a Permitted Exchange, Schedule D-2 contains a true and complete summary description by type and serial number of the Designated Engines and, unless such Designated Engines have been sold, leased, or disposed of pursuant to a Permitted Lease or a Permitted Exchange, unless such Designated Engines are attached to an Aircraft owned or leased by Borrower pursuant to a Permitted Engine Installation, or unless such Designated Engines are out for repair, such Engines are located at the locations identified on Schedule 4.28(e)

(g) Borrower possesses all necessary certificates, permits, rights, authorizations and concessions and consents which are material to the repair, refurbishment, or overhaul of any of the Designated Engines (to the extent Borrower performs any of such actions) or to the maintenance, use, operation, or sale of any of such Engines.

(h) Borrower uses, stores, maintains, overhauls, repairs, and refurbishes (or causes a duly authorized FAA repair station to maintain, overhaul, repair, and refurbish) all of the Designated Engines and maintains books and records with respect thereto in compliance with the material requirements of applicable law (including the provision of all required FAA serviceability tags or records where applicable) and with the Maintenance Program, except for such requirements of applicable law the validity or applicability of which are being protested by Borrower so long as (i) such protest is instituted promptly and prosecuted diligently by Borrower in good faith, (ii) there is no material risk of any sale, forfeiture, or loss of any such Engine or diminution in value of any such Engine as a result of such contest, (iii) there is no risk of any criminal liability, or any material civil liability, for Borrower, Agent, or any of the Lenders as a result of such contest, (iv) Agent is satisfied that while such contest is pending, there is no impairment of the enforceability, validity, or priority of any of the Agent's Liens on such Engines, and (v) there is no material risk of any adverse affect on the ownership interest of Borrower in such Engines.

4.29 **Air Carrier.** Borrower is a Certificated Air Carrier. Borrower possesses all other necessary certificates, franchises, air carrier and other licenses, permits, rights, authorizations and concessions and consents which are material to the operation of Aircraft operated by it and routes flown by it and the conduct of its business and operations as currently conducted.

5. **AFFIRMATIVE COVENANTS.**

Borrower covenants and agrees that, until termination of all of the Commitments and payment in full of the Obligations, Borrower shall comply with each of the following:

5.1 **Financial Statements, Reports, Certificates.** Deliver to Agent, with copies to each Lender, each of the financial statements, reports, and other items set forth on Schedule 5.1 no later than the times specified therein. In addition, Borrower agrees to maintain a system of accounting that enables Borrower to produce financial statements in accordance with GAAP. Borrower shall also (a) keep a reporting system that shows all additions, sales, claims, returns, and allowances with respect to its sales, and (b) maintain its billing systems/practices as approved by Agent prior to the Closing Date and shall only make material modifications thereto if such modifications comply with GAAP and are not materially adverse to the interests of the Lenders or if such modifications are required to comply with Accounting Changes or applicable law (including the rules and regulations of the SEC).

5.2 **Collateral Reporting.** Provide Agent (and if so requested by Agent, with copies for each Lender) with each of the reports set forth on Schedule 5.2 at the times specified therein. In addition, Borrower agrees to use commercially reasonable efforts in cooperation with Agent to facilitate and implement a system of electronic collateral reporting in order to provide electronic reporting of each of the items set forth on such Schedule.

5.3 **Existence.** Except as otherwise permitted under Section 6.3 or Section 6.4, at all times maintain and preserve in full force and effect its existence (including being in good standing in its jurisdiction of organization) and all rights and franchises, licenses and permits material to its business; provided, however, that Borrower shall not be required to preserve any such right or franchise, licenses or permits if Borrower's Responsible Officers determine that the preservation thereof is no longer desirable in the conduct of the business of Borrower and that the loss thereof is not disadvantageous in any material respect to Borrower or to the Lenders.

5.4 **Maintenance of Properties.** Maintain and preserve all of its assets that are necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear, tear, and casualty excepted and Permitted Dispositions excepted, and comply with the material provisions of all material leases to which it is a party as lessee, so as to prevent the loss or forfeiture thereof, unless such provisions are the subject of a Permitted Protest.

5.5 **Taxes.** Cause all assessments and taxes imposed, levied, or assessed against Borrower or any of its assets or in respect of any of its income, businesses, or franchises to be paid in full, before delinquency or before the expiration of any extension period, except to the extent (a) the validity of such assessment or tax shall be the subject of a Permitted Protest or (b) such assessments or taxes do not exceed \$250,000 in the aggregate at any one time. Borrower will make timely payment or deposit of all tax payments and withholding taxes required of it and them by applicable laws, including those laws concerning F.I.C.A., F.U.T.A., state disability, and local, state, and federal income taxes.

5.6 **Insurance.** At Borrower's expense, maintain insurance respecting Borrower's assets wherever located, covering loss or damage by fire, theft, explosion, and all other hazards and risks as ordinarily are insured against by other Persons engaged in the same or similar businesses (including all-risk ground coverage of Borrower's Spare Parts, Designated Engines, and Ground Service Equipment). Borrower also shall maintain general liability, aircraft public liability insurance (including (i) passenger legal liability, and (ii) if such insurance is then generally carried by major United States air carriers, aircraft war risk and allied perils insurance in accordance with London form AVN52E (as in effect on the date hereof or in accordance with the FAA's Chapter 443 Aviation Insurance Policy as in effect on the date hereof) or its equivalent form), cargo liability insurance, and war risk and allied perils hull (including confiscation, expropriation, nationalization and seizure by a government other than the United States), terrorist and hijacking insurance, product liability insurance, director's and officer's liability insurance, fiduciary liability insurance, and employment practices liability insurance, as well as insurance against larceny, embezzlement, and criminal misappropriation. All such policies of insurance shall be with creditworthy, responsible and reputable insurance companies and in such amounts as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated and located (it being understood that the insurance coverage reflected on the certificates of insurance delivered to Agent on the Closing Date is acceptable to Agent. All deductibles shall be in an amount reasonably satisfactory to Agent (it being understood that the deductibles reflected on the certificates of insurance delivered to Agent on the Closing Date are acceptable to Agent). All property insurance policies covering the Collateral are to be made payable to Agent for the benefit of Agent and the Lenders, as their interests may appear, in case of loss, pursuant to a standard loss payable endorsement with a standard non-contributory "lender" or "secured party" clause and are to contain such other provisions as Agent may reasonably require to fully protect the Lenders' interest in the Collateral and to any payments to be made under such policies; provided, however, that if insurance proceeds are paid to Agent pursuant to such clauses or endorsements, then (a) so long as at the time the proceeds are received (i) no Default or Event of Default has occurred and is continuing and so long as no Overadvance exists, and (ii) the Threshold Usage Amount does not exist, then such amounts received by Agent shall be promptly remitted by Agent to Borrower, and (b) otherwise, such amounts received by Agent shall be promptly applied by Agent to the repayment of the Obligations in accordance with Section 2.4(b) (with Borrower being relieved of any obligation to make payment of any Funding Losses that may be incurred as a result of

such repayment of the Obligations); provided further, however, that if, at the time that a claim for such amounts is first made by Borrower under its insurance policies, no Default or Event of Default has occurred and is continuing, no Overadvance exists, and the Threshold Usage Amount does not exist, Borrower may request that Agent notify Borrower's insurance broker to remit (or cause to be remitted) the applicable payment directly to Borrower (instead of to Agent) and, if it receives such a request and if the requisite conditions are satisfied, Agent shall promptly notify such broker to remit (or cause to be remitted) the applicable payment directly to Borrower. All certificates of property and general liability insurance are to be delivered to Agent, with the loss payable (but only in respect of Collateral) and additional insured endorsements in favor of Agent and shall provide (except any policy of insurance placed with the FAA) for not less than 30 days (10 days in the case of non-payment and 7 days in the case of war risk and allied perils coverage if and to the extent available) prior written notice to Agent of the exercise of any right of cancellation. If Borrower fails to maintain such insurance, Agent may arrange for such insurance, but at Borrower's expense and without any responsibility on Agent's part for obtaining the insurance, the solvency of the insurance companies, the adequacy of the coverage, or the collection of claims. Borrower shall give Agent prompt notice of (i) any loss exceeding \$5,000,000 covered by its casualty insurance, and (ii) any cancellation of any policy of insurance. Upon the occurrence and during the continuance of an Event of Default and so long as the Threshold Usage Amount exists, Agent shall have the sole right to file claims under any property and general liability insurance policies in respect of the Collateral, to receive, receipt and give acquittance for any payments that may be payable thereunder, and to execute any and all endorsements, receipts, releases, assignments, reassignments or other documents that may be necessary to effect the collection, compromise or settlement of any claims under any such insurance policies.

5.7 **Inspection.** Permit Agent and each of its duly authorized representatives or agents to visit any of its properties and inspect any of its assets or books and records, to conduct appraisals and valuations, to examine and make copies of its books and records, and to discuss its affairs, finances, and accounts with, and to be advised as to the same by, its officers and employees at such reasonable times and intervals as Agent may designate and, so long as no Default or Event of Default exists, with reasonable prior notice to Borrower; provided, however, that so long as no Event of Default shall have occurred and be continuing, Borrower shall not be obligated to reimburse Agent for more than 2 audits during any calendar year, more than 1 appraisal of the Collateral during any calendar year, or more than 1 business valuation during any calendar year; provided further, however, if no Advances have been made in any calendar year and no Event of Default shall have occurred and be continuing, Borrower shall not be obligated to reimburse Agent for more than 1 audit during any calendar year.

5.8 **Compliance with Laws.** Comply with the requirements of all applicable laws, rules, regulations, and orders of any Governmental Authority, other than laws, rules, regulations, and orders the non-compliance with which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Change.

5.9 **Environmental.**

(a) Keep any property either owned or operated by Borrower free of any Environmental Liens or post bonds or other financial assurances sufficient to satisfy the obligations or liability evidenced by such Environmental Liens,

(b) Comply, in all material respects, with Environmental Laws and provide to Agent documentation of such compliance when and if Agent reasonably requests,

(c) Promptly notify Agent of any release of which a Responsible Officer of Borrower has knowledge of a Hazardous Material in any reportable quantity from or onto property owned

or operated by Borrower and take any Remedial Actions required to abate said release or otherwise to come into compliance, in all material respects, with applicable Environmental Law, and

(d) Promptly, but in any event within 5 Business Days of receipt thereof by a Responsible Officer, provide Agent with written notice of any of the following: (i) notice that an Environmental Lien has been filed against any of the real or personal property of Borrower, (ii) commencement of any Environmental Action or written notice that an Environmental Action will be filed against Borrower, and (iii) written notice of a violation, citation, or other administrative order from a Governmental Authority; provided that, in each case, the event, individually or when added to all other such events, is reasonably expected to involve \$1,000,000 or more in remediation costs; provided, however, that Borrower shall not be required to provide such written notice relative to individual violations, citations, or other administrative orders that are reasonably expected to involve, individually or as part of a series of related events, less than \$100,000 in remediation costs.

5.10 **Disclosure Updates.** Promptly and in no event later than 5 Business Days after a Responsible Officer obtains knowledge thereof, notify Agent if any written information, exhibit, or report furnished to Agent or the Lenders contained, at the time it was furnished, any untrue statement of a material fact or omitted to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances in which made. The foregoing notwithstanding, any notification pursuant to the foregoing provision will not cure or remedy the effect of the prior untrue statement of a material fact or omission of any material fact nor shall any such notification have the effect of amending or modifying this Agreement or any of the Schedules hereto.

5.11 **[Intentionally omitted].**

5.12 **Further Assurances.** At any time upon the reasonable request of Agent, execute or deliver to Agent any and all financing statements, fixture filings, security agreements, pledges, assignments, endorsements of certificates of title (provided, however, that certificates of title shall only be required to be endorsed to reflect Agent's security interest in the subject vehicles if Borrower elects so as to include the vehicles in the Borrowing Base or if an Event of Default has occurred and is continuing), and all other documents (collectively, the "Additional Documents") that Agent may reasonably request to create, perfect, and continue perfected or to better perfect Agent's Liens in the collateral described in the Security Agreement or the Engine and Spare Parts Security Agreement of Borrower (whether now owned or hereafter arising or acquired, tangible or intangible) and in order to fully consummate all of the transactions contemplated hereby and under the other Loan Documents. To the maximum extent permitted by applicable law, if Borrower refuses or fails to execute or deliver any reasonably requested Additional Documents within a reasonable period of time following the request to do so, Borrower hereby authorizes Agent to execute any such Additional Documents in Borrower's name, as applicable, and authorizes Agent to file such executed Additional Documents in any appropriate filing office.

5.13 **Lender Meetings.** Within 120 days after the close of each fiscal year of Borrower, at the request of Agent or of the Required Lenders and upon reasonable prior notice, hold a meeting (at a mutually agreeable location and time or, at the option of Agent or Borrower, by conference call) with all Lenders who choose to attend such meeting, at which meeting shall be reviewed the financial results of the previous fiscal year and the financial condition of Borrower and the projections presented for the current fiscal year of Borrower.

5.14 **Material Contracts.** Make available to Agent (including by virtue of the filing thereof with the SEC), contemporaneously with the filing thereof with the SEC, copies of (a) each Material Contract entered into since the Closing Date or, after the Closing Date, since the previous delivery pursuant to this Section, and (b) each material amendment or modification of any Material Contract entered into since the Closing Date or, after the Closing Date, since the previous delivery pursuant to this Section.

5.15 **[Intentionally Omitted].**

5.16 **[Intentionally Omitted].**

5.17 **Spare Parts.**

(a) Store all Eligible Expendables and Eligible Replaceable Spare Parts only at the locations set forth on Schedule 4.27 and not permit any Eligible Expendables or Eligible Replaceable Spare Parts to be located at the premises of or otherwise put into the possession or control of any bailee, warehouseman, FAA repair station, servicer, mechanic, vendor, supplier, or other Person); provided however, that Borrower may amend Schedule 4.27 to add additional locations so long as (i) such amendment occurs by written notice received by Agent not less than 20 days prior to the date on which such Spare Parts are moved to such new location, (ii) at least 5 Business Days prior to the date on which such Spare Parts are moved to such new location, Borrower executes, delivers, and records any amendment or supplement to the Engine and Spare Parts Security Agreement that Agent reasonably requests in order to reflect such new location as a permitted location and in order to perfect and continue perfected Agent's security interest in the Spare Parts to be located at such new location, and (iii) such new location is within the United States (exclusive of its territories and possessions); provided further, however, that so long as such transit is in the ordinary course of Borrower's business, (A) Borrower may move Eligible Expendables and Eligible Replaceable Spare Parts to the location of Aircraft operated by Borrower or Engines for the purpose of completing a Permitted Spare Parts Installation, and (B) Borrower may move Eligible Expendables and Eligible Replaceable Spare Parts from any location in the United States identified on Schedule 4.27 to any other location in the United States identified on Schedule 4.27.

(b) Store all Spare Parts of Borrower not designated as Eligible Expendables or Eligible Replaceable Spare Parts only at the locations identified on Schedule 4.27 (and not permit any Spare Parts to be located at the premises of or otherwise put into the possession or control of any bailee, warehouseman, FAA repair station, servicer, mechanic, vendor, supplier, or other Person); provided however, that (i) any Spare Part that is not an Eligible Expendable or Eligible Replaceable Spare Part may be transported to or from, or in the possession of or under the control of a bailee, warehouseman, FAA repair station, overhaul or maintenance servicer, mechanic, or similar Person for purposes of repair in the ordinary course of Borrower's business and any Spare Parts that are in the possession or control of such Persons shall immediately cease to be Eligible Expendables or Eligible Replaceable Spare Parts, as applicable, (ii) so long as such transit is in the ordinary course of Borrower's business, Borrower may move Spare Parts from any location in the United States identified on Schedule 4.27 to any other location in the United States identified on Schedule 4.27; (iii) so long as (A) no Event of Default has occurred and is continuing or would result therefrom, (B) such transit is in the ordinary course of Borrower's business, and (C) the aggregate value of all Spare Parts moved to all such foreign locations, in the aggregate, does not exceed [***], Borrower may move Spare Parts that are not Eligible Expendables or Eligible Replaceable Spare Parts from any location in the United States identified on Schedule 4.27 to any location outside the United States or to locations at territories or possessions of the United States; (iv) so long as such transit is in the ordinary course of Borrower's business, Borrower may move Spare Parts that are not Eligible Expendables or Eligible Replaceable Spare Parts from any location outside the United States (including locations at territories or possessions of the United States) to any other location outside the United States (including locations at territories or possessions of the United States), and (v) so long as in the ordinary course of Borrower's business, Borrower may lend Spare Parts to, or exchange Spare Parts with, other airlines.

(c) Maintain in effect the Spare Parts Tracking System.

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(d) Maintain, with respect to Spare Parts, all records, logs, serviceability tags and other documents and materials required by applicable law, including the FARs, or by the Maintenance Program.

(e) Except for Permitted Dispositions or Permitted Spare Parts Installations, not permit any Spare Parts to be leased, sold, exchanged, disposed of, or affixed, attached or installed to or on any Aircraft, Engine, or other Equipment.

5.18 **Ground Service Equipment and Engines.**

(a) Unless an item of Eligible Ground Service Equipment is out for repair, store the Eligible Ground Service Equipment only at the locations set forth on Schedule 4.28(d); provided, however that so long as such transit is in the ordinary course of Borrower's business, Eligible Ground Service Equipment may be in transit between the locations on Schedule 4.28(d); provided further, however, that (i) Borrower may amend Schedule 4.28(d) to add additional locations so long as (A) such amendment occurs by written notice received by Agent not less than 20 days prior to the date on which such Ground Service Equipment is moved to such new location, and (B) such new location is within the United States (exclusive of its territories and possessions).

(b) Unless a Designated Engine is attached to one of the Aircraft operated by Borrower as a result of a Permitted Engine Installation, is the subject of a Permitted Lease, or is out for repair, store the Designated Engines only at the locations identified on Schedule 4.28(e); provided, however that so long as such transit is in the ordinary course of Borrower's business, such Engines may be (i) in transit between the locations on Schedule 4.28(e), and (ii) moved to the location of an Aircraft operated by Borrower for the purpose of completing a Permitted Engine Installation; provided further, however, that (i) Borrower may amend Schedule 4.28(e) to add additional locations so long as (A) such amendment occurs by written notice received by Agent not less than 20 days prior to the date on which such Designated Engines are moved to such new location, and (B) such new location is within the United States (exclusive of its territories and possessions).

(c) Except for Permitted Dispositions, not permit any Eligible Ground Service Equipment to be leased, sold, exchanged, or otherwise disposed of.

(d) Unless a Designated Engine is attached to one of the Aircraft operated by Borrower as a result of a Permitted Engine Installation, is the subject of a Permitted Lease, or has been the subject of a Permitted Disposition, not permit any Designated Engine to be leased, sold, exchanged, disposed of, or affixed, attached or installed to or on any Aircraft.

5.19 **Benefit Plans.**

(a) A Responsible Officer of Borrower shall provide (or cause to be provided) to Agent promptly and in any event within 5 Business Days (if the Threshold Usage Amount exists) or within 20 Business Days (if the Threshold Usage Amount does not exist) after (i) Borrower or any of its ERISA Affiliates knows or has reason to know that, with respect to any Benefit Plan, any ERISA Event that could reasonably be expected to result in liabilities in excess of [***] has occurred or is likely to occur within the following 30 days or that any of the covenants set forth in Section 5.19(b), (c), (d), or (e), below are untrue or are likely to be untrue within the following 30 days, a statement of Responsible Officer of Borrower setting forth the details of such occurrence or the likelihood of such occurrence and the action, if any, which the Borrower or ERISA Affiliate proposes to take with respect thereto, (ii) written request from

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Agent, copies of the most-recent annual report and all schedules and attachments thereto filed with the Internal Revenue Service or the U.S. Department of Labor, (iii) written request from Agent, copies of the most recently-prepared actuarial reports in relation to the Benefit Plans and the Benefit Arrangements and such other information concerning any Benefit Plan or Benefit Arrangement as may be reasonably requested by Agent, and (iv) written request from Agent, a certificate of a Responsible Officer certifying that each required contribution with respect to a Benefit Plan was timely made,

(b) With respect to years before the effective date of the Pension Act as it applies to each Benefit Plan, no accumulated funding deficiency (as defined in ERISA Section 302 and IRC Section 412), whether or not waived, exists with respect to any Benefit Plan,

(c) The minimum funding standards under the Pension Funding Rules with respect to each Benefit Plan have been satisfied and will be satisfied at all times.

(d) Neither the Borrower nor any ERISA Affiliate will maintain, sponsor, contribute to, administer, or have any liability with respect to any Foreign Pension Plan or Multiemployer plan.

(e) No liability to the PBGC has been incurred or will be incurred by the Borrower or any ERISA Affiliate with respect to any Benefit Plan.

6. **NEGATIVE COVENANTS.**

Borrower covenants and agrees that, until termination of all of the Commitments and payment in full of the Obligations, Borrower will not do any of the following:

6.1 **Indebtedness.** Create, incur, assume, suffer to exist, guarantee, or otherwise become or remain, directly or indirectly, liable with respect to any Indebtedness, except for Permitted Indebtedness.

6.2 **Liens.** Create, incur, assume, or suffer to exist, directly or indirectly, any Lien on or with respect to any of its assets, of any kind, whether now owned or hereafter acquired, or any income or profits therefrom, except for Permitted Liens.

6.3 **Restrictions on Fundamental Changes.**

(a) Other than in order to consummate a Permitted Acquisition, enter into any merger, consolidation, reorganization, or recapitalization, or reclassify its Stock,

(b) Liquidate, wind up, or dissolve itself (or suffer any liquidation or dissolution), or

(c) Suspend or go out of a substantial portion of its business, except in connection with the transactions permitted pursuant to Section 6.4.

6.4 **Disposal of Assets.** Other than Permitted Dispositions, Permitted Investments, or transactions expressly permitted by Sections 6.3 and 6.11, convey, sell, lease, license, assign, transfer, or otherwise dispose of (or enter into an agreement to convey, sell, lease, license, assign, transfer, or otherwise dispose of) any of Borrower's assets.

6.5 **Change Name.** Change Borrower's name, organizational identification number, state of organization or organizational identity; provided, however, that Borrower may change its name upon at least 10 days prior written notice to Agent of such change.

6.6 **Nature of Business.** Make any change in the nature of its business as described in Schedule 6.6 or acquire any properties or assets that are not reasonably related to the conduct of such business activities;

provided, however, that the foregoing shall not prevent Borrower from engaging in any business that is reasonably related or ancillary to its business.

6.7 **Prepayments and Amendments.**

- (a) Except in connection with Refinancing Indebtedness permitted by Section 6.1,
 - (i) if by doing so Borrower's Liquidity would drop below that required by Section 7, optionally prepay, redeem, defease, purchase, or otherwise acquire any Indebtedness of Borrower, other than the Obligations in accordance with this Agreement,
 - (ii) make any payment on account of Indebtedness that has been contractually subordinated in right of payment if such payment is not permitted at such time under the subordination terms and conditions, or
- (b) Directly or indirectly, amend, modify, or change any of the terms or provisions of
 - (i) any agreement, instrument, document, indenture, or other writing evidencing or concerning Permitted Indebtedness other than (A) the Obligations in accordance with this Agreement, (B) [intentionally omitted], (C) Indebtedness permitted under the definition of Permitted Indebtedness (other than Indebtedness permitted under clauses (g) or (h) of the definition of Permitted Indebtedness), and (D) Indebtedness permitted under clauses (g) or (h) of the definition of Permitted Indebtedness so long as such amendment, modification, or change (x) could not, individually or in the aggregate, reasonably be expected to be materially adverse to the interests of the Lenders, and (y) would not otherwise cause Borrower to breach any of the provisions of this Agreement,
 - (ii) any Material Contract except to the extent that such amendment, modification, or change could not, individually or in the aggregate, reasonably be expected to be materially adverse to the interests of the Lenders, or
 - (iii) the Governing Documents of Borrower if the effect thereof, either individually or in the aggregate, could reasonably be expected to be materially adverse to the interests of the Lenders.

6.8 **Change of Control.** Cause, permit, or suffer, directly or indirectly, any Change of Control.

6.9 **Restricted Junior Payments.** Make any Restricted Junior Payment; provided, however, that, so long as it is permitted by law, and so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom,

- (a) Borrower may make distributions to former employees, officers, or directors of Borrower (or any spouses, ex-spouses, or estates of any of the foregoing) on account of redemptions of Stock of Group held by such Persons, provided, however, that the aggregate amount of such redemptions made by Borrower during the term of this Agreement plus the amount of Indebtedness outstanding under clause (l) of the definition of Permitted Indebtedness, does not exceed [***] in the aggregate,
- (b) Borrower may make distributions to former employees, officers, or directors of Borrower (or any spouses, ex-spouses, or estates of any of the foregoing), solely in the form of forgiveness of Indebtedness of such Persons owing to Borrower on account of repurchases of the Stock of Group held by such Persons; provided that such Indebtedness was incurred by such Persons solely to acquire Stock of Group,

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) Borrower may declare and pay dividends or make distributions to Group, the proceeds of which shall be used by Group solely to pay (i) (y) franchise taxes (other than income taxes) and other fees, taxes and expenses required to maintain its corporate existence or arising as a result of its ownership of Borrower, and (z) federal, state and local income taxes, to the extent such income taxes are attributable to the income of Borrower; provided that the amount of such payments in any fiscal year does not exceed the amount that Borrower would be required to pay in respect of federal, state and local taxes for such fiscal year were Borrower to pay such taxes separately from Group, and (ii) ordinary course operating and corporate overhead expenses and administrative and similar expenses related to its existence and ownership of Borrower, and

(d) Borrower may declare and pay dividends or make distributions to Group so long as (i) no Event of Default has occurred and is continuing or would result therefrom and (i) Borrower has Liquidity of \$600,000,000, or greater, before and immediately after giving effect thereto.

6.10 **Accounting Methods.** Modify or change its fiscal year or its method of accounting (other than changes to its method of accounting if such changes comply with GAAP and are not materially adverse to the interests of the Lenders or if such changes are required to comply with Accounting Changes or applicable law (including the rules and regulations of the SEC)).

6.11 **Investments; Controlled Investments .**

(a) Except for Permitted Investments, directly or indirectly, make or acquire any Investment or incur any liabilities (including contingent obligations) for or in connection with any Investment.

(b) Establish or maintain any Deposit Account in to which proceeds of Borrower's Accounts that constitute so-called "corporate receivables", so-called "general traffic receivables", so-called "service sales receivables" or so-called "travel agent receivables" or Interline Receivables or Mileage Plan Receivables are deposited (or are expected to be deposited) (excluding, in each case, any Excluded Accounts) unless Borrower and the applicable bank have entered into a Control Agreement with Agent governing such Deposit Account in order to perfect (and further establish) Agent's Liens in such Deposit Accounts.

(c) Establish or maintain any Deposit Account in to which proceeds of Borrower's Accounts that constitute so-called "corporate receivables", so-called "general traffic receivables", so-called "service sales receivables" or so-called "travel agent receivables" or Interline Receivables or Mileage Plan Receivables are deposited (or are expected to be deposited) (excluding, in each case, any Excluded Accounts) other than the Deposit Accounts that are identified on Schedule 4.15.

(d) Establish or maintain any Securities Account in to which proceeds of Borrower's Accounts that constitute so-called "corporate receivables", so-called "general traffic receivables", so-called "service sales receivables" or so-called "travel agent receivables" or Interline Receivables or Mileage Plan Receivables are deposited (or are expected to be deposited) (excluding, in each case, any Excluded Accounts).

6.12 **Transactions with Affiliates.** Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower unless such transaction, taken as a whole, is substantially as favorable to Borrower as would be obtainable by Borrower in a comparable arm's length transaction with a Person other than an Affiliate, except for:

(a) so long as it has been approved by Borrower's board of directors (or comparable governing body) in accordance with applicable law, any indemnity provided for the benefit of directors (or comparable managers) of Borrower, and

(b) transactions permitted by Section 6.3 or Section 6.9.

6.13 **Use of Proceeds.** Use the proceeds of the Advances for any purpose other than, consistent with the terms and conditions hereof, for its lawful and permitted purposes (including that no part of the proceeds of the loans made to Borrower will be used to purchase or carry any such Margin Stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock or for any purpose that violates the provisions of Regulation T, U or X of the Board of Governors of the United States Federal Reserve).

6.14 **Limitation on Issuance of Stock.** Except for the issuance or sale of common stock or Permitted Preferred Stock by Borrower, issue or sell or enter into any agreement or arrangement for the issuance and sale of any of its Stock.

6.15 **Equipment with Bailees.** Store the Equipment of Borrower that constitutes a portion of the Collateral at any time now or hereafter with a bailee, warehouseman, or similar party except as expressly permitted pursuant to Section 5.17 or Section 5.18.

7. **FINANCIAL COVENANT.** Borrower covenants and agrees that, until termination of all of the Commitments and payment in full of the Obligations, Borrower shall have Liquidity of at least \$500,000,000 at all times.

8. **EVENTS OF DEFAULT.**

Any one or more of the following events shall constitute an event of default (each, an "Event of Default") under this Agreement:

8.1 If Borrower fails to pay when due and payable, or when declared due and payable, (a) all or any portion of the Obligations consisting of interest or scheduled fees (including any portion thereof that accrues after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding) and such failure continues for a period of 3 Business Days after the date of Borrower's receipt of written notice thereof (which notice shall have been sent by Agent to the email addresses for the individuals set forth on Schedule 2.6(d) hereto), or (b) all or any portion of the Obligations consisting of unscheduled fees or charges due the Lender Group, reimbursement of Lender Group Expenses, or other amounts (other than any portion thereof constituting principal, interest, or scheduled fees) constituting Obligations (including any portion thereof that accrues after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding) and such failure continues for a period of 30 days after the date of Borrower's receipt of written notice thereof (which notice shall have been sent by Agent to the email addresses for the individuals set forth on Schedule 2.6(d) hereto), or (c) all or any portion of the principal of the Obligations;

8.2 If Borrower:

(a) fails to perform or observe any covenant or other agreement contained in any of Sections 5.6 or 7 (any of which such failures shall not be an Event of Default if no Threshold Usage Amount exists unless such failures continue for a period of 1 Business Days after the earlier of (i) the date on which such failure shall first become known to any Responsible Officer of Borrower or (ii) the date on which written notice thereof is given to Borrower by Agent);

(b) fails to perform or observe any covenant or other agreement contained in any of (i) Sections 5.1, 5.2, 5.3, 5.4, 5.5, 5.7, 5.8, 5.10, 5.12, 5.13, 5.14, 5.17, 5.18, or 5.19 of this Agreement, (ii) Sections 6.1 through 6.15 of this Agreement, (iii) Section 6 of the Security Agreement, or (iv) Section 4 of the Engine and Spare Parts Security Agreement, and any such failure continues for a period of 10 Business Days after the earlier of (i) the date on which such failure shall first become known to any Responsible Officer of Borrower or (ii) the date on which written notice thereof is given to Borrower by Agent; or

(c) fails to perform or observe any covenant or other agreement contained in this Agreement, or in any of the other Loan Documents, in each case, other than any such covenant or agreement that is the subject of another provision of this Section 8 (in which event such other provision of this Section 8 shall govern), and such failure continues for a period of 30 days after the earlier of (i) the date on which such failure shall first become known to any Responsible Officer of Borrower or (ii) the date on which written notice thereof is given to Borrower by Agent;

8.3 If one or more judgments, orders, or awards for the payment of money involving an aggregate amount of \$30,000,000, or more (except to the extent fully covered (other than to the extent of customary deductibles) by insurance pursuant to which the insurer has not denied coverage) is entered or filed against Borrower or any of its assets, and either (a) there is a period of 30 consecutive days at any time after the entry of any such judgment, order, or award during which (i) the same is not discharged, satisfied, vacated, or bonded pending appeal, or (ii) a stay of enforcement thereof is not in effect, or (b) enforcement proceedings are commenced upon such judgment, order, or award;

8.4 If an Insolvency Proceeding is commenced by Borrower;

8.5 If an Insolvency Proceeding is commenced against Borrower and any of the following events occur: (a) Borrower consents to the institution of such Insolvency Proceeding against it, (b) the petition commencing the Insolvency Proceeding is not timely controverted, (c) the petition commencing the Insolvency Proceeding is not dismissed within 60 calendar days of the date of the filing thereof, (d) an interim trustee is appointed to take possession of all or any substantial portion of the properties or assets of, or to operate all or any substantial portion of the business of, Borrower, or (e) an order for relief shall have been issued or entered therein;

8.6 If Borrower is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of the business affairs of Borrower;

8.7 If there is a default in one or more agreements to which Borrower is a party with one or more third Persons relative to Borrower's Indebtedness involving an aggregate amount of \$30,000,000 or more, and such default (a) occurs at the final maturity of the obligations thereunder, or (b) results in a right by such third Person, irrespective of whether exercised, to accelerate the maturity of Borrower's obligations thereunder;

8.8 If any warranty, representation, certificate, statement, or Record (each, a "Representation") made herein or in any other Loan Document or delivered in writing to Agent or any Lender in connection with this Agreement or any other Loan Document proves to be untrue in any material respect (except that such materiality qualifier shall not be applicable to any Representations that already are qualified or modified by materiality in the text thereof) as of the date of issuance or making or deemed making thereof and if (a) at the

time when issued, made, or deemed made, such untrue Representation was made with knowledge that it was untrue or with reckless disregard of the truth, or (b) such Representation is not capable of being cured, or (c) at the time when issued, made, or deemed made, such Representation was not made with knowledge that it was untrue or with reckless disregard of the truth, such Representation is capable of being cured, and such Representation is not cured within 10 Business Days after the earlier of (i) the date on which such untrue Representation first became known to any Responsible Officer of Borrower or (ii) the date on which written notice thereof is given to Borrower by Agent;

8.9 [Intentionally Omitted];

8.10 If the Security Agreement, the Engine and Spare Parts Security Agreement, or any other Loan Document that purports to create a Lien, shall, for any reason, fail or cease to create a valid and perfected and, except to the extent of Permitted Liens which by operation of law or contract would have priority, first priority Lien on the Collateral covered thereby, except (a) as a result of a disposition of the applicable Collateral in a transaction permitted under this Agreement, or (b) as the result of an action or failure to act on the part of Agent;

8.11 The validity or enforceability of any Loan Document shall at any time for any reason (other than solely as the result of an action or failure to act on the part of Agent) be declared to be null and void, or a proceeding shall be commenced by Borrower seeking to establish the invalidity or unenforceability thereof, or Borrower shall deny that Borrower has any liability or obligation purported to be created under any Loan Document; or

8.12 If any of the following events occur and such events continue in existence for a period of 15 Business Days after the earlier of (i) the date on which such failure shall first become known to any Responsible Officer of Borrower or (ii) the date on which written notice thereof is given to Borrower by Agent:

(a) If Borrower or any of its ERISA Affiliates shall have made a complete or partial withdrawal from a Multiemployer Plan, and, as a result of such complete or partial withdrawal, any of them incurs a withdrawal liability in a total amount that is or exceeds an amount that could reasonably be expected to result in a Material Adverse Change; or if a Multiemployer Plan enters reorganization status under Section 4241 of ERISA, and, as a result thereof, Borrower's or any of its ERISA Affiliate's total contribution requirement with respect to such Multiemployer Plan is or exceeds an amount that could reasonably be expected to result in a Material Adverse Change; or

(b) One or more ERISA Events has occurred with respect to a Benefit Plan that has resulted or could reasonably be expected to result in liability of Borrower or any of its ERISA Affiliates in an aggregate amount that could reasonably be expected to result in a Material Adverse Change; or

(c) (i) There shall exist an amount of Unfunded Benefit Liabilities, individually or in the aggregate, in an amount that could reasonably be expected to result in a Material Adverse Change, or (ii) the total projected benefit obligation of Borrower and its ERISA Affiliates, determined as of the close of any fiscal year of Borrower and in accordance with Financial Accounting Standards Board Statement No. 106 (without regard to continuation coverage required under Part 6 of subtitle B of Title I of ERISA or Section 4980B of the IRC), for any post-employment or retiree health benefits, life insurance coverage, or any other welfare benefits could reasonably be expected to result in a Material Adverse Change.

9. **RIGHTS AND REMEDIES.**

9.1 **Rights and Remedies.** Upon the occurrence and during the continuation of an Event of Default, Agent may, and, at the instruction of the Required Lenders, shall (in the case of clauses (a) and (b), by written notice to Borrower), in addition to any other rights or remedies provided for hereunder or under any other Loan Document or by applicable law, do any one or more of the following on behalf of the Lender Group:

(a) declare the Obligations, whether evidenced by this Agreement or by any of the other Loan Documents immediately due and payable, whereupon the same shall become and be immediately due and payable and Borrower shall be obligated to repay all of such Obligations in full, without presentment, demand, protest, or further notice or other requirements of any kind, all of which are hereby expressly waived by Borrower; and

(b) declare the Commitments terminated, whereupon the Commitments shall immediately be terminated together with (i) any obligation of any Lender hereunder to make Advances, and (ii) the obligation of the Swing Lender to make Swing Loans; and

(c) exercise all other rights and remedies available to it or the Lenders under the Loan Documents or under applicable law.

The foregoing to the contrary notwithstanding, upon the occurrence of any Event of Default described in Section 8.4 or Section 8.5, in addition to the remedies set forth above, without any notice to Borrower or any other Person or any act by the Lender Group, the Commitments shall automatically terminate and the Obligations, inclusive of all accrued and unpaid interest thereon and all fees and all other amounts owing under this Agreement or under any of the other Loan Documents, shall automatically and immediately become due and payable and Borrower shall be obligated to repay all of such Obligations in full, without presentment, demand, protest, or notice of any kind, all of which are expressly waived by Borrower.

9.2 **Remedies Cumulative.** The rights and remedies of the Lender Group under this Agreement, the other Loan Documents, and all other agreements shall be cumulative. The Lender Group shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by the Lender Group of one right or remedy shall be deemed an election, and no waiver by the Lender Group of any Event of Default shall be deemed a continuing waiver. No delay by the Lender Group shall constitute a waiver, election, or acquiescence by it.

10. **WAIVERS; INDEMNIFICATION.**

10.1 **Demand; Protest; etc.** Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, nonpayment at maturity, release, compromise, settlement, extension, or renewal of documents, instruments, chattel paper, and guarantees at any time held by the Lender Group on which Borrower may in any way be liable.

10.2 **The Lender Group's Liability for Collateral.** Borrower hereby agrees that: (a) so long as Agent complies with its obligations, if any, under the Code, the Lender Group shall not in any way or manner be liable or responsible for: (i) the safekeeping of the Collateral, (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause, (iii) any diminution in the value thereof, or (iv) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other Person, and (b) all risk of loss, damage, or destruction of the Collateral shall be borne by Borrower.

10.3 **Indemnification.** Borrower shall pay, indemnify, defend, and hold the Agent-Related Persons, and the Lender-Related Persons (each, an "Indemnified Person") harmless (to the fullest extent permitted by law) from and against any and all claims, demands, suits, actions, investigations, proceedings, liabilities, fines, costs, penalties, and damages, and all reasonable fees and disbursements of attorneys, experts, or consultants and all other costs and expenses actually incurred in connection therewith or in connection with the enforcement of this indemnification (as and when they are incurred and irrespective of whether suit is brought), at any time asserted against, imposed upon, or incurred by any of them (a) in connection with or as a result of or related to the execution and delivery (provided that Borrower shall not be liable for costs and

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expenses (including attorneys fees) of any Lender (other than WFCF) incurred in advising, structuring, drafting, reviewing, administering or syndicating the Loan Documents), enforcement, performance, or administration (including any restructuring or workout with respect hereto) of this Agreement, any of the other Loan Documents, or the transactions contemplated hereby or thereby or the monitoring of Borrower's compliance with the terms of the Loan Documents (provided, however, that the indemnification in this clause (a) shall not extend to (i) disputes solely between or among the Lenders or (ii) disputes solely between or among the Lenders and their respective Affiliates; it being understood and agreed that the indemnification in this clause (a) shall extend to disputes between or among Agent on the one hand, and one or more Lenders, or one or more of their Affiliates, on the other hand), (b) with respect to any investigation, litigation, or proceeding related to this Agreement, any other Loan Document, or the use of the proceeds of the credit provided hereunder (irrespective of whether any Indemnified Person is a party thereto), or any act, omission, event, or circumstance in any manner related thereto, and (c) in connection with or arising out of any presence or release of Hazardous Materials at, on, under, to or from any assets or properties owned, leased or operated by Borrower or any Environmental Actions, Environmental Liabilities or Remedial Actions related in any way to any such assets or properties of Borrower (each and all of the foregoing, the "Indemnified Liabilities"), in all cases, whether or not caused by or arising, in whole or in part, out of the comparative or contributory negligence of the Indemnified Person. The foregoing to the contrary notwithstanding, Borrower shall have no obligation to any Indemnified Person under this Section 10.3 with respect to any Indemnified Liability resulting from (1) the gross negligence or willful misconduct of such Indemnified Person or its officers, directors, employees, attorneys, or agents, or (2) the negligence of such Indemnified Person or its officers, directors, employees, attorneys, or agents if such negligence relates solely to the handling of funds of Borrower on deposit with such Indemnified Person. This provision shall survive the termination of this Agreement and the repayment of the Obligations. If any Indemnified Person makes any payment to any other Indemnified Person with respect to an Indemnified Liability as to which Borrower was required to indemnify the Indemnified Person receiving such payment, the Indemnified Person making such payment is entitled to be indemnified and reimbursed by Borrower with respect thereto. **EXCEPT AS EXPRESSLY STATED ABOVE, THE FOREGOING INDEMNITY SHALL APPLY TO EACH INDEMNIFIED PERSON WITH RESPECT TO INDEMNIFIED LIABILITIES WHICH ARE CAUSED BY OR ARISE OUT OF ANY NEGLIGENT ACT OR OMISSION OF SUCH INDEMNIFIED PERSON OR OF ANY OTHER PERSON.**

11. NOTICES.

Unless otherwise provided in this Agreement, all notices or demands relating to this Agreement or any other Loan Document shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail (postage prepaid, return receipt requested), overnight courier, electronic mail (at such email addresses as a party may designate in accordance herewith), or facsimile. In the case of notices or demands to Borrower or Agent, as the case may be, they shall be sent to the respective address set forth below:

If to Borrower:

ALASKA AIRLINES, INC.
19300 International Blvd.
Seattle, WA 98188
Attn: Vice President Finance
Fax No. [***]

with copies to:

ALASKA AIRLINES, INC.
19300 International Blvd.
Seattle, WA 98188
Attn: General Counsel
Fax No. [***]

If to Agent:

WELLS FARGO CAPITAL FINANCE, LLC
2450 Colorado Avenue
Suite 3000 West
Santa Monica, California 90404
Attn: Business Finance Division Manager
Fax No.: [***]

with copies to:

PAUL, HASTINGS, JANOFSKY & WALKER LLP
515 S. Flower Street
Twenty-fifth Floor
Los Angeles, California 90071
Attn: [***]

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Any party hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other party. All notices or demands sent in accordance with this Section 11, shall be deemed received on the earlier of the date of actual receipt or 3 Business Days after the deposit thereof in the mail; provided, that (a) notices sent by overnight courier service shall be deemed to have been given when received, (b) notices by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient) and (c) notices by electronic mail shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgment).

12. **CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.**

(a) **THE VALIDITY OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (UNLESS EXPRESSLY PROVIDED TO THE CONTRARY IN ANOTHER LOAN DOCUMENT IN RESPECT OF SUCH OTHER LOAN DOCUMENT), THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, AND THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.**

(b) **THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS LOCATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. BORROWER AND EACH MEMBER OF THE LENDER GROUP WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 12(b).**

(c) **TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND EACH MEMBER OF THE LENDER GROUP HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED**

UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. BORROWER AND EACH MEMBER OF THE LENDER GROUP REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

13. **ASSIGNMENTS AND PARTICIPATIONS; SUCCESSORS.**

13.1 **Assignments and Participations.**

(a) With the prior written consent of Agent, which consent of Agent shall not be unreasonably withheld, delayed or conditioned, and shall not be required in connection with an assignment to a Person that is a Lender or an Affiliate (other than individuals) of a Lender, any Lender may assign and delegate to one or more assignees (each, an “Assignee”; provided, however, that neither Borrower nor an Affiliate of Borrower shall be permitted to become an Assignee) all or any portion of the Obligations, the Commitments and the other rights and obligations of such Lender hereunder and under the other Loan Documents, in a minimum amount (unless waived by Agent) of \$5,000,000 (except such minimum amount shall not apply to (x) an assignment or delegation by any Lender to any other Lender or an Affiliate of any Lender or (y) a group of new Lenders, each of which is an Affiliate of each other or a Related Fund of such new Lender to the extent that the aggregate amount to be assigned to all such new Lenders is at least \$5,000,000); provided, however, that Borrower and Agent may continue to deal solely and directly with such Lender in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses, and related information with respect to the Assignee, have been given to Borrower and Agent by such Lender and the Assignee, (ii) such Lender and its Assignee have delivered to Borrower and Agent an Assignment and Acceptance and Agent has notified the assigning Lender of its receipt thereof in accordance with Section 13.1(b), and (iii) unless waived by Agent, the assigning Lender or Assignee has paid to Agent for Agent’s separate account a processing fee in the amount of \$3,500 (except such processing fee shall not be payable in connection with an assignment or delegation by any Lender to any of its Affiliates).

(b) From and after the date that Agent notifies the assigning Lender (with a copy to Borrower) that it has received an executed Assignment and Acceptance and, if applicable, payment of the required processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall be a “Lender” and shall have the rights and obligations of a Lender under the Loan Documents, and (ii) the assigning Lender shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (except with respect to Section 10.3) and be released from any future obligations under this Agreement (and in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender’s rights and obligations under this Agreement and the other Loan Documents, such Lender shall cease to be a party hereto and thereto); provided, however, that nothing contained herein shall release any assigning Lender from obligations that survive the termination of this Agreement, including such assigning Lender’s obligations under Section 15 and Section 17.8(a).

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the Assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document

furnished pursuant hereto, (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower or the performance or observance by Borrower of any of its obligations under this Agreement or any other Loan Document furnished pursuant hereto, (iii) such Assignee confirms that it has received a copy of this Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance, (iv) such Assignee will, independently and without reliance upon Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, (v) such Assignee appoints and authorizes Agent to take such actions and to exercise such powers under this Agreement and the other Loan Documents as are delegated to Agent, by the terms hereof and thereof, together with such powers as are reasonably incidental thereto, and (vi) such Assignee agrees that it will perform all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) Immediately upon Agent's receipt of the required processing fee, if applicable, and delivery of notice to the assigning Lender pursuant to Section 13.1(b), this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Lender *pro tanto*.

(e) Any Lender may at any time sell to one or more commercial banks, financial institutions, or other Persons (a "Participant") participating interests in all or any portion of its Obligations, its Commitment, and the other rights and interests of that Lender (the "Originating Lender") hereunder and under the other Loan Documents; provided, however, that (i) the Originating Lender shall remain a "Lender" for all purposes of this Agreement and the other Loan Documents and the Participant receiving the participating interest in the Obligations, the Commitments, and the other rights and interests of the Originating Lender hereunder shall not constitute a "Lender" hereunder or under the other Loan Documents and the Originating Lender's obligations under this Agreement shall remain unchanged, (ii) the Originating Lender shall remain solely responsible for the performance of such obligations, (iii) Borrower, Agent, and the Lenders shall continue to deal solely and directly with the Originating Lender in connection with the Originating Lender's rights and obligations under this Agreement and the other Loan Documents, (iv) no Lender shall transfer or grant any participating interest under which the Participant has the right to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment to, or consent or waiver with respect to this Agreement or of any other Loan Document would (A) extend the final maturity date of the Obligations hereunder in which such Participant is participating, (B) reduce the interest rate applicable to the Obligations hereunder in which such Participant is participating, (C) release all or substantially all of the Collateral or guaranties (except to the extent expressly provided herein or in any of the Loan Documents) supporting the Obligations hereunder in which such Participant is participating, (D) postpone the payment of, or reduce the amount of, the interest or fees payable to such Participant through such Lender (other than a waiver of default interest), or (E) change the amount or due dates of scheduled principal repayments or prepayments or premiums, and (v) all amounts payable by Borrower hereunder shall be determined as if such Lender had not sold such participation, except that, if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement. The rights of any Participant only shall be derivative through the Originating Lender with whom such Participant participates and no Participant shall have any rights under this Agreement or the other Loan Documents or any direct rights as to the other Lenders, Agent, Borrower, the Collections of Borrower, the Collateral, or otherwise in respect of the Obligations. No Participant shall have the right to participate directly in the making of decisions by the Lenders among themselves.

(f) In connection with any such assignment or participation or proposed assignment or participation or any grant of a security interest in, or pledge of, its rights under and interest in this Agreement, a Lender may, subject to the provisions of Section 17.8, disclose all documents and information which it now or hereafter may have relating to Borrower and its business.

(g) Any other provision in this Agreement notwithstanding, any Lender may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Bank or U.S. Treasury Regulation 31 CFR §203.24, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

13.2 **Successors.** This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, that Borrower may not assign this Agreement or any rights or duties hereunder without the Lenders' prior written consent and any prohibited assignment shall be absolutely void *ab initio*. No consent to assignment by the Lenders shall release Borrower from its Obligations. A Lender may assign this Agreement and the other Loan Documents and its rights and duties hereunder and thereunder pursuant to Section 13.1 and, except as expressly required pursuant to Section 13.1, no consent or approval by Borrower is required in connection with any such assignment.

14. **AMENDMENTS; WAIVERS.**

14.1 **Amendments and Waivers.**

(a) No amendment, waiver or other modification of any provision of this Agreement or any other Loan Document (other than the Fee Letter), and no consent with respect to any departure by Borrower therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders (or by Agent at the written request of the Required Lenders) and Borrower that are party thereto and then any such waiver or consent shall be effective, but only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in writing and signed by all of the Lenders directly affected thereby and Borrower, do any of the following:

(i) increase the amount of or extend the expiration date of any Commitment of any Lender or amend, modify, or eliminate the last sentence of Section 2.4(c)(i),

(ii) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees, or other amounts due hereunder or under any other Loan Document,

(iii) reduce the principal of, or the rate of interest on, any loan or other extension of credit hereunder, or reduce any fees or other amounts payable hereunder or under any other Loan Document (except (y) in connection with the waiver of applicability of Section 2.6(c) (which waiver shall be effective with the written consent of the Required Lenders), and (z) that any amendment or modification of defined terms used in the financial covenants in this Agreement shall not constitute a reduction in the rate of interest or a reduction of fees for purposes of this clause (iii)),

(iv) amend, modify, or eliminate this Section or any provision of this Agreement providing for consent or other action by all Lenders,

(v) other than as permitted by Section 15.11, release Agent's Lien in and to any of the Collateral,

(vi) amend, modify, or eliminate the definition of "Required Lenders" or "Pro Rata Share",

- (vii) contractually subordinate any of Agent's Liens,
- (viii) release Borrower from any obligation for the payment of money or consent to the assignment or transfer by Borrower of any of its rights or duties under this Agreement or the other Loan Documents,
- (ix) amend, modify, or eliminate the definition of "Application Event" or any of the provisions of Section 2.4(b)(i) or (ii),
- (x) amend, modify, or eliminate any of the provisions of Section 13.1(a) to permit Borrower or an Affiliate of Borrower to be permitted to become an Assignee,
- (xi) amend, modify, or eliminate any of the provisions of Section 14.3(c), or
- (xii) amend, modify, or eliminate the definition of Borrowing Base or any of the defined terms that are used in such definition to the extent that any such change results in more credit being made available to Borrower based upon the Borrowing Base, but not otherwise, or the definition of Maximum Revolver Amount, or change Section 2.1(c).

(b) No amendment, waiver, modification, elimination, or consent shall amend, modify, or waive (i) the definition of, or any of the terms or provisions of, the Fee Letter, without the written consent of Agent and Borrower (and shall not require the written consent of any of the Lenders), and (ii) any provision of Section 15 pertaining to Agent, or any other rights or duties of Agent under this Agreement or the other Loan Documents, without the written consent of Agent, Borrower, and the Required Lenders,

(c) [Intentionally Omitted].

(d) No amendment, waiver, modification, elimination, or consent shall amend, modify, or waive any provision of this Agreement or the other Loan Documents pertaining to Swing Lender, or any other rights or duties of Swing Lender under this Agreement or the other Loan Documents, without the written consent of Swing Lender, Agent, Borrower, and the Required Lenders,

(e) Anything in this Section 14.1 to the contrary notwithstanding, (i) any amendment, modification, elimination, waiver, consent, termination, or release of, or with respect to, any provision of this Agreement or any other Loan Document that relates only to the relationship of the Lender Group among themselves, and that does not affect the rights or obligations of Borrower, shall not require consent by or the agreement of Borrower, and (ii) any amendment, waiver, modification, elimination, or consent of or with respect to any provision of this Agreement or any other Loan Document may be entered into without the consent of, or over the objection of, any Defaulting Lender.

14.2 **Replacement of Certain Lenders.**

(a) If (i) any action to be taken by the Lender Group or Agent hereunder requires the consent, authorization, or agreement of all Lenders or all Lenders affected thereby and if such action has received the consent, authorization, or agreement of the Required Lenders but not of all Lenders or all Lenders affected thereby, or (ii) any Lender makes a claim for compensation under Section 16, then Borrower or Agent, upon at least 5 Business Days prior irrevocable notice, may permanently replace any Lender that failed to give its consent, authorization, or agreement (a "Holdout Lender") or any Lender that made a claim for compensation (a "Tax Lender") with one or more Replacement Lenders, and the Holdout Lender or Tax Lender, as applicable, shall have no right to refuse to be replaced hereunder. Such notice to replace the Holdout Lender or Tax Lender, as applicable, shall specify an effective date for such replacement, which date shall not be later than 15 Business Days after the date such notice is given.

(b) Prior to the effective date of such replacement, the Holdout Lender or Tax Lender, as applicable, and each Replacement Lender shall execute and deliver an Assignment and Acceptance, subject only to the Holdout Lender or Tax Lender, as applicable, being repaid in full its share of the outstanding Obligations (without any premium or penalty of any kind whatsoever, but including all interest, fees and other amounts that may be due in payable in respect thereof). If the Holdout Lender or Tax Lender, as applicable, shall refuse or fail to execute and deliver any such Assignment and Acceptance prior to the effective date of such replacement, Agent may, but shall not be required to, execute and deliver such Assignment and Acceptance in the name or on behalf of the Holdout Lender or Tax Lender, as applicable, and irrespective of whether Agent executes and delivers such Assignment and Acceptance, the Holdout Lender or Tax Lender, as applicable, shall be deemed to have executed and delivered such Assignment and Acceptance. The replacement of any Holdout Lender or Tax Lender, as applicable, shall be made in accordance with the terms of Section 13.1. Until such time as one or more Replacement Lenders shall have acquired all of the Obligations, the Commitments, and the other rights and obligations of the Holdout Lender or Tax Lender, as applicable, hereunder and under the other Loan Documents, the Holdout Lender or Tax Lender, as applicable, shall remain obligated to make the Holdout Lender's or Tax Lender's, as applicable, Pro Rata Share of Advances.

14.3 **Removal of Tax Lenders.**

(a) Subject to the condition specified in Section 14.3(d), if any Tax Lender makes a claim for compensation under Section 16, then Borrower, upon at least 5 Business Days prior irrevocable notice, may permanently terminate the Commitments of such Lender and remove such Tax Lender hereunder and the Tax Lender shall have no right to refuse to be removed hereunder. Such notice to remove the Tax Lender, as applicable, shall specify an effective date for such termination and removal, which date shall not be later than 15 Business Days after the date such notice is given.

(b) Prior to the effective date of such termination and removal, the Tax Lender and Borrower shall execute and deliver a removal agreement in form and substance reasonably satisfactory to Borrower, subject only to the Tax Lender being repaid in full its share of the outstanding Obligations (without any premium or penalty of any kind whatsoever, but including all interest, fees and other amounts that may be due in payable in respect thereof) by Borrower. If the Tax Lender shall refuse or fail to execute and deliver any such removal agreement prior to the effective date of such removal, the termination of the Commitments of such Tax Lender and the removal of such Tax Lender shall nonetheless occur on the effective date originally specified by Borrower.

(c) Anything contained in this Agreement to the contrary notwithstanding, any payment made under this Section 14.3 to a Tax Lender that is being removed need not be a pro-rata payment to all Lenders and the Obligations due to the Tax Lender may be satisfied while leaving remaining Obligations outstanding.

(d) Borrower shall only be entitled to terminate the Commitments of a Tax Lender and remove such Tax Lender if and only if no Event of Default has occurred and is continuing.

(e) Once a termination and removal of a Tax Lender is effectuated under this Section 14.3, the term Maximum Revolver Amount shall automatically be deemed reduced by the amount of the terminated Commitment of such removed Tax Lender and all of the provisions of this Agreement (other than Section 10.3) and the other Loan Documents, including the determination of Required Lenders and Pro Rata Share, shall be interpreted and determined without regard to such terminated Commitment and without regard to the removed Tax Lender.

(f) The termination of the Commitment of a Tax Lender and the removal of such Tax Lender pursuant to this Section 14.3 shall not eliminate or affect such Tax Lender's rights under Section 10.3, which rights shall survive any such termination and removal.

14.4 **No Waivers; Cumulative Remedies.** No failure by Agent or any Lender to exercise any right, remedy, or option under this Agreement or any other Loan Document, or delay by Agent or any Lender in exercising the same, will operate as a waiver thereof. No waiver by Agent or any Lender will be effective unless it is in writing, and then only to the extent specifically stated. No waiver by Agent or any Lender on any occasion shall affect or diminish Agent's and each Lender's rights thereafter to require strict performance by Borrower of any provision of this Agreement. Agent's and each Lender's rights under this Agreement and the other Loan Documents will be cumulative and not exclusive of any other right or remedy that Agent or any Lender may have.

15. **AGENT; THE LENDER GROUP.**

15.1 **Appointment and Authorization of Agent.** Each Lender hereby designates and appoints WFCF as its agent under this Agreement and the other Loan Documents and each Lender hereby irrevocably authorizes Agent to execute and deliver each of the other Loan Documents on its behalf and to take such other action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to Agent by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Agent agrees to act as agent for and on behalf of the Lenders on the conditions contained in this Section 15. Any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document notwithstanding, Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Loan Documents, nor shall Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Agent. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement or the other Loan Documents with reference to Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only a representative relationship between independent contracting parties. Each Lender hereby further authorizes Agent to act as the secured party under each of the Loan Documents that create a Lien on any item of Collateral. Except as expressly otherwise provided in this Agreement, Agent shall have and may use its sole discretion with respect to exercising or refraining from exercising any discretionary rights or taking or refraining from taking any actions that Agent expressly is entitled to take or assert under or pursuant to this Agreement and the other Loan Documents. Without limiting the generality of the foregoing, or of any other provision of the Loan Documents that provides rights or powers to Agent, Lenders agree that Agent shall have the right to exercise the following powers as long as this Agreement remains in effect: (a) maintain, in accordance with its customary business practices, ledgers and records reflecting the status of the Obligations, the Collateral, the Collections of Borrower, and related matters, (b) execute or file any and all financing or similar statements or notices, amendments, renewals, supplements, documents, instruments, proofs of claim, notices and other written agreements with respect to the Loan Documents, (c) make Advances, for itself or on behalf of Lenders, as provided in the Loan Documents, (d) exclusively receive, apply, and distribute the Collections of Borrower as provided in the Loan Documents, (e) open and maintain such bank accounts and cash management arrangements as Agent deems necessary and appropriate in accordance with the Loan Documents for the foregoing purposes with respect to the Collateral and the Collections of Borrower, (f) perform, exercise, and enforce any and all other rights and remedies of the Lender Group with respect to Borrower, the Obligations, the Collateral, the Collections of Borrower, or otherwise related to any of same as provided in the Loan Documents, and (g) incur and pay such Lender Group Expenses as Agent may deem necessary or appropriate for the performance and fulfillment of its functions and powers pursuant to the Loan Documents.

15.2 **Delegation of Duties.** Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys in fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Agent shall not be responsible for the negligence or misconduct of any agent or attorney in fact that it selects as long as such selection was made without gross negligence or willful misconduct.

15.3 **Liability of Agent.** None of the Agent-Related Persons shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (b) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by Borrower or any of its Affiliates, or any officer or director thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lenders to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the books and records or properties of Borrower.

15.4 **Reliance by Agent.** Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile or other electronic method of transmission, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent, or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrower or counsel to any Lender), independent accountants and other experts selected by Agent. Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless Agent shall first receive such advice or concurrence of the Lenders as it deems appropriate and until such instructions are received, Agent shall act, or refrain from acting, as it deems advisable. If Agent so requests, it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the requisite Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

15.5 **Notice of Default or Event of Default.** Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest, fees, and expenses required to be paid to Agent for the account of the Lenders and, except with respect to Events of Default of which Agent has actual knowledge, unless Agent shall have received written notice from a Lender or Borrower referring to this Agreement, describing such Default or Event of Default, and stating that such notice is a “notice of default.” Agent promptly will notify the Lenders of its receipt of any such notice or of any Event of Default of which Agent has actual knowledge. If any Lender obtains actual knowledge of any Event of Default, such Lender promptly shall notify the other Lenders and Agent of such Event of Default. Each Lender shall be solely responsible for giving any notices to its Participants, if any. Subject to Section 15.4, Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Lenders in accordance with Section 9; provided, however, that unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable.

15.6 **Credit Decision.** Each Lender acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by Agent hereinafter taken, including any review of the affairs of Borrower or its Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender represents to Agent that it has, independently and without reliance upon any Agent-Related Person and based on such due diligence, documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower or any other Person party to a Loan Document, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to Borrower. Each Lender also represents and warrants that it will, independently and without reliance upon any Agent-Related Person and based on

such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower or any other Person party to a Loan Document. Except for notices, reports, and other documents expressly herein required to be furnished to the Lenders by Agent, Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Borrower or any other Person party to a Loan Document that may come into the possession of any of the Agent-Related Persons. Each Lender acknowledges that Agent does not have any duty or responsibility, either initially or on a continuing basis (except to the extent, if any, that is expressly specified herein) to provide such Lender with any credit or other information with respect to Borrower, its Affiliates or any of their respective business, legal, financial or other affairs, and irrespective of whether such information came into Agent's or its Affiliates' or representatives' possession before or after the date on which such Lender became a party to this Agreement.

15.7 **Costs and Expenses; Indemnification.** Agent may incur and pay Lender Group Expenses to the extent Agent reasonably deems necessary or appropriate for the performance and fulfillment of its functions, powers, and obligations pursuant to the Loan Documents, including court costs, attorneys fees and expenses, fees and expenses of financial accountants, advisors, consultants, and appraisers, costs of collection by outside collection agencies, auctioneer fees and expenses, and costs of security guards or insurance premiums paid to maintain the Collateral, whether or not Borrower is obligated to reimburse Agent or Lenders for such expenses pursuant to this Agreement or otherwise. Agent is authorized and directed to deduct and retain sufficient amounts from the Collections of Borrower received by Agent to reimburse Agent for such out-of-pocket costs and expenses prior to the distribution of any amounts to Lenders. In the event Agent is not reimbursed for such costs and expenses by Borrower, each Lender hereby agrees that it is and shall be obligated to pay to Agent such Lender's ratable thereof. Whether or not the transactions contemplated hereby are consummated, each of the Lenders, on a ratable basis, shall indemnify and defend the Agent-Related Persons (to the extent not reimbursed by or on behalf of Borrower and without limiting the obligation of Borrower to do so) from and against any and all Indemnified Liabilities; provided, however, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct nor shall any Lender be liable for the obligations of any Defaulting Lender in failing to make an Advance or other extension of credit hereunder. Without limitation of the foregoing, each Lender shall reimburse Agent upon demand for such Lender's ratable share of any costs or out of pocket expenses (including attorneys, accountants, advisors, and consultants fees and expenses) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any other Loan Document to the extent that Agent is not reimbursed for such expenses by or on behalf of Borrower. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of Agent.

15.8 **Agent in Individual Capacity.** WFCF and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, provide financial products or services, acquire equity interests in, and generally engage in any kind of banking, trust, financial advisory, underwriting, or other business with Borrower and its Affiliates and any other Person party to any Loan Document as though WFCF were not Agent hereunder, and, in each case, without notice to or consent of the other members of the Lender Group. The other members of the Lender Group acknowledge that, pursuant to such activities, WFCF or its Affiliates may receive information regarding Borrower or its Affiliates or any other Person party to any Loan Documents that is subject to confidentiality obligations in favor of Borrower or such other Person and that prohibit the disclosure of such information to the Lenders, and the Lenders acknowledge that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver Agent will use its reasonable best efforts to obtain), Agent shall not be under any obligation to provide such information to them. The terms "Lender" and "Lenders" include WFCF in its individual capacity.

15.9 **Successor Agent.** Agent may resign as Agent upon 30 days prior written notice to the Lenders (unless such notice is waived by the Required Lenders) and Borrower (unless such notice is waived by Borrower). If Agent resigns under this Agreement, the Required Lenders shall be entitled, with (so long as no Event of Default has occurred and is continuing) the consent of Borrower (such consent not to be unreasonably withheld, delayed, or conditioned), appoint a successor Agent for the Lenders. If, at the time that Agent's resignation is effective, it is acting as the Swing Lender, such resignation shall also operate to effectuate its resignation as the Swing Lender, and it shall automatically be relieved of any further obligation to make Swing Loans. If no successor Agent is appointed prior to the effective date of the resignation of Agent, Agent may appoint, after consulting with the Lenders and Borrower, a successor Agent. If Agent has materially breached or failed to perform any material provision of this Agreement or of applicable law, the Required Lenders may agree in writing to remove and replace Agent with a successor Agent from among the Lenders with (so long as no Event of Default has occurred and is continuing) the consent of Borrower (such consent not to be unreasonably withheld, delayed, or conditioned). In any such event, upon the acceptance of its appointment as successor Agent hereunder, such successor Agent shall succeed to all the rights, powers, and duties of the retiring Agent and the term "Agent" shall mean such successor Agent and the retiring Agent's appointment, powers, and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 15 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If no successor Agent has accepted appointment as Agent by the date which is 30 days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of Agent hereunder until such time, if any, as the Lenders appoint a successor Agent as provided for above.

15.10 **Lender in Individual Capacity.**

(a) Any Lender and its respective Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, provide financial products or services to, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting, or other business with Borrower and its Affiliates and any other Person party to any Loan Documents as though such Lender were not a Lender hereunder without notice to or consent of the other members of the Lender Group. The other members of the Lender Group acknowledge that, pursuant to such activities, such Lender and its respective Affiliates may receive information regarding Borrower or its Affiliates or any other Person party to any Loan Documents that is subject to confidentiality obligations in favor of Borrower or such other Person and that prohibit the disclosure of such information to the Lenders, and the Lenders acknowledge that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver such Lender will use its reasonable best efforts to obtain), such Lender shall not be under any obligation to provide such information to them.

(b) WFCF and US Bank, in their respective capacities as "co-lead arrangers" and "joint bookrunners", and US Bank, in its capacity as "documentation agent", shall not have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to them in their capacities as Lenders or, in the case of WFCF, in its capacity as Agent. Without limiting the foregoing, WFCF and US Bank, in their respective capacities as "co-lead arrangers" and "joint bookrunners", and US Bank, in its capacity as "documentation agent", shall not have or be deemed to have any fiduciary relationship with Borrower or with any Lender. Each Lender acknowledges that it has not relied upon, and will not rely upon, WFCF or US Bank in deciding to enter into this Agreement or in taking or not taking action hereunder.

15.11 **Collateral Matters.**

(a) The Lenders hereby irrevocably authorize Agent to release any Lien on any Collateral (i) upon the termination of the Commitments and payment and satisfaction in full by Borrower of all of the Obligations, (ii) constituting property being sold, leased, licensed, or otherwise disposed of, if a release is required or desirable in connection therewith and if Borrower certifies to Agent that the sale,

lease, license, or other disposition is permitted under Section 6.4 (and Agent may rely conclusively on any such certificate, without further inquiry), (iii) constituting property which is the subject of a Permitted Spare Parts Installation (exclusive of any installation of Spare Parts of Borrower into other Spare Parts of Borrower, the installation of Spare Parts of Borrower into the Designated Engines, or the installation of Spare Parts of Borrower into any Ground Service Equipment of Borrower), (iv) so long as in the ordinary course of Borrower's business, the exchange of Spare Parts of Borrower with other airlines, (v) constituting property in which Borrower owned no interest at the time Agent's Lien was granted nor at any time thereafter, or (vi) constituting property leased to Borrower under a lease that has expired or is terminated in a transaction permitted under this Agreement. Borrower and the Lenders hereby irrevocably authorize Agent, based upon the instruction of the Required Lenders, to credit bid and purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral at any sale thereof conducted by Agent under the provisions of the Code, including pursuant to Sections 9-610 or 9-620 of the Code, at any sale thereof conducted under the provisions of the Bankruptcy Code, including Section 363 of the Bankruptcy Code, or at any sale or foreclosure conducted by Agent (whether by judicial action or otherwise) in accordance with applicable law. Except as provided above, Agent will not execute and deliver a release of any Lien on any Collateral without the prior written authorization of (y) if the release is of all or substantially all of the Collateral, all of the Lenders, or (z) otherwise, the Required Lenders. Upon request by Agent or Borrower at any time, the Lenders will confirm in writing Agent's authority to release any such Liens on particular types or items of Collateral pursuant to this Section 15.11; provided, however, that (1) Agent shall not be required to execute any document necessary to evidence such release on terms that, in Agent's opinion, would expose Agent to liability or create any obligation or entail any consequence other than the release of such Lien without recourse, representation, or warranty, and (2) such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of Borrower in respect of) all interests retained by Borrower, including, the proceeds of any sale, all of which shall continue to constitute part of the Collateral. The Lenders further hereby irrevocably authorize Agent, at its option and in its sole discretion, to subordinate any Lien granted to or held by Agent under any Loan Document to the holder of any Permitted Lien on such property if such Permitted Lien secures Permitted Purchase Money Indebtedness.

(b) Agent shall have no obligation whatsoever to any of the Lenders to assure that the Collateral exists or is owned by Borrower or is cared for, protected, or insured or has been encumbered, or that Agent's Liens have been properly or sufficiently or lawfully created, perfected, protected, or enforced or are entitled to any particular priority, or that any particular items of Collateral meet the eligibility criteria applicable in respect thereof or whether to impose, maintain, reduce, or eliminate any particular reserve hereunder or whether the amount of any such reserve is appropriate or not, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission, or event related thereto, subject to the terms and conditions contained herein, Agent may act in any manner it may deem appropriate, in its sole discretion given Agent's own interest in the Collateral in its capacity as one of the Lenders and that Agent shall have no other duty or liability whatsoever to any Lender as to any of the foregoing, except as otherwise provided herein.

15.12 Restrictions on Actions by Lenders; Sharing of Payments.

(a) Each of the Lenders agrees that it shall not, without the express written consent of Agent, and that it shall, to the extent it is lawfully entitled to do so, upon the written request of Agent, set off against the Obligations, any amounts owing by such Lender to Borrower or any deposit accounts of Borrower now or hereafter maintained with such Lender. Each of the Lenders further agrees that it shall not, unless specifically requested to do so in writing by Agent, take or cause to be taken any action, including, the commencement of any legal or equitable proceedings to enforce any Loan Document against Borrower or to foreclose any Lien on, or otherwise enforce any security interest in, any of the Collateral.

(b) If, at any time or times any Lender shall receive (i) by payment, foreclosure, setoff, or otherwise, any proceeds of Collateral or any payments with respect to the Obligations, except for any such proceeds or payments received by such Lender from Agent pursuant to the terms of this Agreement, or (ii) payments from Agent in excess of such Lender's Pro Rata Share of all such distributions by Agent, such Lender promptly shall (A) turn the same over to Agent, in kind, and with such endorsements as may be required to negotiate the same to Agent, or in immediately available funds, as applicable, for the account of all of the Lenders and for application to the Obligations in accordance with the applicable provisions of this Agreement, or (B) purchase, without recourse or warranty, an undivided interest and participation in the Obligations owed to the other Lenders so that such excess payment received shall be applied ratably as among the Lenders in accordance with their Pro Rata Shares; provided, however, that to the extent that such excess payment received by the purchasing party is thereafter recovered from it, those purchases of participations shall be rescinded in whole or in part, as applicable, and the applicable portion of the purchase price paid therefor shall be returned to such purchasing party, but without interest except to the extent that such purchasing party is required to pay interest in connection with the recovery of the excess payment.

15.13 **Agency for Perfection.** Agent hereby appoints each other Lender as its agent (and each Lender hereby accepts for the purpose of perfecting Agent's Liens in assets which, in accordance with Article 8 or Article 9, as applicable, of the Code can be perfected by possession or control. Should any Lender obtain possession or control of any such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor shall deliver possession or control of such Collateral to Agent or in accordance with Agent's instructions.

15.14 **Payments by Agent to the Lenders.** All payments to be made by Agent to the Lenders shall be made by bank wire transfer of immediately available funds pursuant to such wire transfer instructions as each party may designate for itself by written notice to Agent. Concurrently with each such payment, Agent shall identify whether such payment (or any portion thereof) represents principal, premium, fees, or interest of the Obligations.

15.15 **Concerning the Collateral and Related Loan Documents.** Each member of the Lender Group authorizes and directs Agent to enter into this Agreement and the other Loan Documents. Each member of the Lender Group agrees that any action taken by Agent in accordance with the terms of this Agreement or the other Loan Documents relating to the Collateral and the exercise by Agent of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders.

15.16 **Audits and Examination Reports; Confidentiality; Disclaimers by Lenders; Other Reports and Information.** By becoming a party to this Agreement, each Lender:

(a) is deemed to have requested that Agent furnish such Lender, promptly after it becomes available, a copy of each field audit or examination report respecting Borrower and a copy of any document Agent receives pursuant to Section 5.10 (each a "Report" and collectively, "Reports") prepared by or at the request of Agent, and Agent shall so furnish each Lender with such Reports,

(b) expressly agrees and acknowledges that Agent does not (i) make any representation or warranty as to the accuracy of any Report, and (ii) shall not be liable for any information contained in any Report,

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that Agent or other party performing any audit or examination will inspect only specific information regarding Borrower and will rely significantly upon Borrower's books and records, as well as on representations of Borrower's personnel,

(d) agrees to keep all Reports and other material, non-public information regarding Borrower and its operations, assets, and existing and contemplated business plans in a confidential manner in accordance with Section 17.8, and

(e) without limiting the generality of any other indemnification provision contained in this Agreement, agrees: (i) to hold Agent and any other Lender preparing a Report harmless from any action the indemnifying Lender may take or fail to take or any conclusion the indemnifying Lender may reach or draw from any Report in connection with any loans or other credit accommodations that the indemnifying Lender has made or may make to Borrower, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a loan or loans of Borrower, and (ii) to pay and protect, and indemnify, defend and hold Agent, and any such other Lender preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including, attorneys fees and costs) incurred by Agent and any such other Lender preparing a Report as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

In addition to the foregoing: (x) any Lender may from time to time request of Agent in writing that Agent provide to such Lender a copy of any report or document provided by Borrower to Agent that has not been contemporaneously provided by Borrower to such Lender, and, upon receipt of such request, Agent promptly shall provide a copy of same to such Lender, (y) to the extent that Agent is entitled, under any provision of the Loan Documents, to request additional reports or information from Borrower, any Lender may, from time to time, reasonably request Agent to exercise such right as specified in such Lender's notice to Agent, whereupon Agent promptly shall request of Borrower the additional reports or information reasonably specified by such Lender, and, upon receipt thereof from Borrower, Agent promptly shall provide a copy of same to such Lender, and (z) any time that Agent renders to Borrower a statement regarding the Loan Account, Agent shall send a copy of such statement to each Lender.

15.17 **Several Obligations; No Liability.** Notwithstanding that certain of the Loan Documents now or hereafter may have been or will be executed only by or in favor of Agent in its capacity as such, and not by or in favor of the Lenders, any and all obligations on the part of Agent (if any) to make any credit available hereunder shall constitute the several (and not joint) obligations of the respective Lenders on a ratable basis, according to their respective Commitments, to make an amount of such credit not to exceed, in principal amount, at any one time outstanding, the amount of their respective Commitments. Nothing contained herein shall confer upon any Lender any interest in, or subject any Lender to any liability for, or in respect of, the business, assets, profits, losses, or liabilities of any other Lender. Each Lender shall be solely responsible for notifying its Participants of any matters relating to the Loan Documents to the extent any such notice may be required, and no Lender shall have any obligation, duty, or liability to any Participant of any other Lender. Except as provided in Section 15.7, no member of the Lender Group shall have any liability for the acts of any other member of the Lender Group. No Lender shall be responsible to Borrower or any other Person for any failure by any other Lender to fulfill its obligations to make credit available hereunder, nor to advance for such Lender or on its behalf, nor to take any other action on behalf of such Lender hereunder or in connection with the financing contemplated herein.

16. **WITHHOLDING TAXES.**

(a) All payments made by Borrower hereunder or under any note or other Loan Document will be made without setoff, counterclaim, or other defense. In addition, all such payments will be made free and clear of, and without deduction or withholding for, any present or future Indemnified Taxes, and in the event any deduction or withholding of Indemnified Taxes is required, Borrower shall

comply with the next sentence of this Section 16(a). If any Indemnified Taxes are so levied or imposed, Borrower agrees to pay the full amount of such Indemnified Taxes and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement, any note, or Loan Document, including any amount paid pursuant to this Section 16(a) after withholding or deduction for or on account of any Indemnified Taxes, will not be less than the amount provided for herein; provided, however, that Borrower shall not be required to increase any such amounts if the increase in such amount payable results from Agent's or such Lender's own willful misconduct or gross negligence (as finally determined by a court of competent jurisdiction). Borrower will furnish to Agent as promptly as possible after the date the payment of any Tax is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by Borrower.

(b) Borrower agrees to pay any present or future stamp, value added or documentary taxes or any other excise or property taxes, charges, or similar levies that arise from any payment made hereunder or from the execution, delivery, performance, recordation, or filing of, or otherwise with respect to this Agreement or any other Loan Document.

(c) If a Lender or Participant is entitled to claim an exemption or reduction from United States withholding tax, such Lender or Participant agrees with and in favor of Agent, to deliver to Agent (or, in the case of a Participant, to the Lender granting the participation only) one of the following before receiving its first payment under this Agreement:

(i) if such Lender or Participant is entitled to claim an exemption from United States withholding tax pursuant to the portfolio interest exception, (A) a statement of the Lender or Participant, signed under penalty of perjury, that it is not a (I) a "bank" as described in Section 881(c)(3)(A) of the IRC, (II) a 10% shareholder of Borrower (within the meaning of Section 871(h)(3)(B) of the IRC), or (III) a controlled foreign corporation related to Borrower within the meaning of Section 864(d)(4) of the IRC, and (B) a properly completed and executed IRS Form W-8BEN or Form W-8IMY (with proper attachments);

(ii) if such Lender or Participant is entitled to claim an exemption from, or a reduction of, withholding tax under a United States tax treaty, a properly completed and executed copy of IRS Form W-8BEN;

(iii) if such Lender or Participant is entitled to claim that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Lender, a properly completed and executed copy of IRS Form W-8ECI;

(iv) if such Lender or Participant is entitled to claim that interest paid under this Agreement is exempt from United States withholding tax because such Lender or Participant serves as an intermediary, a properly completed and executed copy of IRS Form W-8IMY (with proper attachments); or

(v) a properly completed and executed copy of any other form or forms, including IRS Form W-9, as may be required under the IRC or other laws of the United States as a condition to exemption from, or reduction of, United States withholding or backup withholding tax.

Each Lender or Participant shall provide new forms (or successor forms) upon the expiration or obsolescence of any previously delivered forms and to promptly notify Agent (or, in the case of a Participant, to the Lender granting the participation only) of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(d) If a Lender or Participant claims an exemption from withholding tax in a jurisdiction other than the United States, such Lender or such Participant agrees with and in favor of Agent, to deliver to Agent (or, in the case of a Participant, to the Lender granting the participation only) any such form or forms, as may be required under the laws of such jurisdiction as a condition to exemption from, or reduction of, foreign withholding or backup withholding tax before receiving its first payment under this Agreement, but only if such Lender or such Participant is legally able to deliver such forms, provided, however, that nothing in this Section 16(d) shall require a Lender or Participant to disclose any information that it deems to be confidential (including without limitation, its tax returns). Each Lender and each Participant shall provide new forms (or successor forms) upon the expiration or obsolescence of any previously delivered forms and to promptly notify Agent (or, in the case of a Participant, to the Lender granting the participation only) of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(e) If a Lender or Participant claims exemption from, or reduction of, withholding tax and such Lender or Participant sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of Borrower to such Lender or Participant, such Lender or Participant agrees to notify Agent (or, in the case of a sale of a participation interest, to the Lender granting the participation only) of the percentage amount in which it is no longer the beneficial owner of Obligations of Borrower to such Lender or Participant. To the extent of such percentage amount, Agent will treat such Lender's or such Participant's documentation provided pursuant to Section 16(c) or 16(d) as no longer valid. With respect to such percentage amount, such Participant or Assignee may provide new documentation, pursuant to Section 16(c) or 16(d), if applicable. Borrower agrees that each Participant shall be entitled to the benefits of this Section 16 with respect to its participation in any portion of the Commitments and the Obligations so long as such Participant complies with the obligations set forth in this Section 16 with respect thereto.

(f) If a Lender or a Participant is entitled to a reduction in the applicable withholding tax, Agent (or, in the case of a Participant, to the Lender granting the participation) may withhold from any interest payment to such Lender or such Participant an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by Section 16(c) or 16(d) are not delivered to Agent (or, in the case of a Participant, to the Lender granting the participation), then Agent (or, in the case of a Participant, to the Lender granting the participation) may withhold from any interest payment to such Lender or such Participant not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(g) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that Agent (or, in the case of a Participant, to the Lender granting the participation) or Borrower did not properly withhold tax from amounts paid to or for the account of any Lender or any Participant due to a failure on the part of the Lender or such Participant (because the wrong form was delivered, the form was incorrectly filled out or executed, or because such Lender failed to notify Agent (or such Participant failed to notify the Lender granting the participation) of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective), such Lender shall indemnify and hold Agent or Borrower harmless (or, in the case of a Participant, such Participant shall indemnify and hold the Lender granting the participation harmless) for all amounts paid, directly or indirectly, by Agent or Borrower (or, in the case of a Participant, to the Lender granting the participation), as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to Agent or Borrower (or, in the case of a Participant, to the Lender granting the participation only) under this Section 16, together with all costs and expenses (including attorneys fees and expenses). The obligation of the Lenders and the Participants under this subsection shall survive the payment of all Obligations and the resignation or replacement of Agent.

(h) If Agent or a Lender determines, in its reasonable discretion, that it has received a refund or credit of any Indemnified Taxes as to which it has been indemnified by Borrower or with

respect to which Borrower has paid additional amounts pursuant to this Section 16, so long as no Default or Event of Default has occurred and is continuing, it shall pay over such refund or credit to Borrower (but only to the extent of payments made, or additional amounts paid, by Borrower under this Section 16 with respect to Indemnified Taxes giving rise to such a refund or credit), net of all out-of-pocket expenses of Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such a refund or credit); provided, that Borrower, upon the request of Agent or such Lender, agrees to repay the amount paid over to Borrower (plus any penalties, interest or other charges, imposed by the relevant Governmental Authority, other than such penalties, interest or other charges imposed as a result of the willful misconduct or gross negligence of Agent hereunder) to Agent or such Lender in the event Agent or such Lender is required to repay such refund or credit to such Governmental Authority. Notwithstanding anything in this Agreement to the contrary, this Section 16 shall not be construed to require Agent or any Lender to make available its tax returns (or any other information which it deems confidential) to Borrower or any other Person.

(i) If a change in circumstances requires a Borrower to pay Lender additional amounts pursuant to this Section 16, such Lender shall use reasonable efforts to designate a different one of its lending offices or assign its rights and obligations hereunder to another of its offices or branches if (i) such designation or assignment would reduce or eliminate the obligation to pay additional amounts and (ii) would not, in the sole discretion of the Lender, be materially disadvantageous to such Lender. Borrowers agree to pay all reasonable out-of-pocket costs and expenses incurred by such Lender in connection with such designation or assignment.

17. **GENERAL PROVISIONS.**

17.1 **Effectiveness.** This Agreement shall be binding and deemed effective when executed by Borrower, Agent, and each Lender whose signature is provided for on the signature pages hereof.

17.2 **Section Headings.** Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Section applies equally to this entire Agreement.

17.3 **Interpretation.** Neither this Agreement nor any uncertainty or ambiguity herein shall be construed against the Lender Group or Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of all parties hereto.

17.4 **Severability of Provisions.** Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

17.5 **Debtor-Creditor Relationship.** The relationship between the Lenders and Agent, on the one hand, and Borrower, on the other hand, is solely that of creditor and debtor. No member of the Lender Group has (or shall be deemed to have) any fiduciary relationship or duty to Borrower arising out of or in connection with the Loan Documents or the transactions contemplated thereby, and there is no agency or joint venture relationship between the members of the Lender Group, on the one hand, and Borrower, on the other hand, by virtue of any Loan Document or any transaction contemplated therein.

17.6 **Counterparts; Electronic Execution.** This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by facsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by facsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. The foregoing shall apply to each other Loan Document *mutatis mutandis*.

17.7 **Revival and Reinstatement of Obligations.** If the incurrence or payment of the Obligations by Borrower or the transfer to the Lender Group of any property should for any reason subsequently be asserted, or declared, to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the Bankruptcy Code relating to fraudulent conveyances, preferences, or other voidable or recoverable payments of money or transfers of property (each, a "Voidable Transfer"), and if the Lender Group is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that the Lender Group is required or elects to repay or restore, and as to all reasonable costs, expenses, and attorneys fees of the Lender Group related thereto, the liability of Borrower automatically shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.

17.8 **Confidentiality.**

(a) Agent and Lenders each individually (and not jointly or jointly and severally) agree that material, non-public information regarding Borrower and its operations, assets, and existing and contemplated business plans ("Confidential Information") shall be treated by Agent and the Lenders in a confidential manner, and shall not be disclosed by Agent and the Lenders to Persons who are not parties to this Agreement, except: (i) to attorneys for and other advisors, accountants, auditors, and consultants to any member of the Lender Group ("Lender Group Representatives"), (ii) to Subsidiaries and Affiliates of any member of the Lender Group, provided that any such Subsidiary or Affiliate shall have agreed to receive such information hereunder subject to the terms of this Section 17.8, (iii) as may be required by regulatory authorities so long as such authorities are informed of the confidential nature of such information, (iv) as may be required by statute, decision, or judicial or administrative order, rule, or regulation; provided that (x) prior to any disclosure under this clause (iv), the disclosing party agrees to provide Borrower with prior notice thereof, to the extent that it is practicable to do so and to the extent that the disclosing party is permitted to provide such prior notice to Borrower pursuant to the terms of the applicable statute, decision, or judicial or administrative order, rule, or regulation and (y) any disclosure under this clause (iv) shall be limited to the portion of the Confidential Information as may be required by such statute, decision, or judicial or administrative order, rule, or regulation, (v) as may be agreed to in advance by Borrower or as requested or required by any Governmental Authority pursuant to any subpoena or other legal process, provided, that, (x) prior to any disclosure under this clause (v) the disclosing party agrees to provide Borrower with prior notice thereof, to the extent that it is practicable to do so and to the extent that the disclosing party is permitted to provide such prior notice to Borrower pursuant to the terms of the subpoena or other legal process and (y) any disclosure under this clause (v) shall be limited to the portion of the Confidential Information as may be required by such governmental authority pursuant to such subpoena or other legal process, (vi) as to any such information that is or becomes generally available to the public (other than as a result of prohibited disclosure by Agent or the Lenders or the Lender Group Representatives), (vii) in connection with any assignment, participation or pledge of any Lender's interest under this Agreement, provided that any such assignee, participant, or pledgee shall have agreed in writing to receive such information hereunder subject to the terms of this Section, (viii) in connection with any litigation or other adversary proceeding involving parties hereto which such litigation or adversary proceeding involves claims related to the rights or duties of such parties under this Agreement or the other Loan Documents; provided, that, prior to any disclosure to any Person (other than Borrower, Agent, any Lender, any of their respective Affiliates, or their respective counsel) under this clause (viii) with respect to litigation involving any Person (other than Borrower, Agent, any Lender, any of their respective Affiliates, or their respective counsel), the disclosing party agrees to provide Borrower with prior notice thereof, and, if Borrower is not a party to such litigation or other adversary proceeding, taking such reasonable steps to limit disclosure as may be requested in writing by Borrower (including seeking a protective order); provided, however, that the disclosing party shall not be obligated to take such steps unless and until Borrower agrees to indemnify and hold the disclosing party harmless from and against any and all costs and expenses (including reasonable attorneys fees) incurred by the disclosing party in seeking to limit disclosure in accordance with the request of Borrower, and (ix) in connection with, and to the extent reasonably necessary for, the exercise of any secured creditor remedy under this Agreement or under any other Loan Document.

(b) Anything in this Agreement to the contrary notwithstanding, Agent may provide information concerning the terms and conditions of this Agreement and the other Loan Documents to loan syndication and pricing reporting services.

17.9 **Lender Group Expenses.** Borrower agrees to pay any and all Lender Group Expenses (a) if no Event of Default has occurred and is continuing, within 30 days of the date of Borrower's receipt of written notice thereof (which notice shall be sent by Agent to the email addresses for the individuals set forth on Schedule 2.6(d) hereto), and (b) if an Event of Default has occurred and is continuing, immediately upon demand therefor and agrees that its obligations contained in this Section 17.9 shall survive payment or satisfaction in full of all other Obligations.

17.10 **Survival.** All representations and warranties made by Borrower in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that Agent or any Lender may have had notice or knowledge of any Default or Event of Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any loan or any fee or any other amount payable under this Agreement is outstanding and so long as the Commitments have not expired or terminated.

17.11 **USA PATRIOT Act** Each Lender that is subject to the requirements of the Patriot Act hereby notifies Borrower that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow such Lender to identify Borrower in accordance with the Patriot Act.

17.12 **Integration.** This Agreement, together with the other Loan Documents, reflects the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by any other agreement, oral or written, before the date hereof.

[Signature pages to follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

ALASKA AIRLINES, INC., an Alaska corporation, as Borrower

By: /s/ John F. Schaefer, Jr.
Name: John F. Schaefer, Jr.
Title: Vice President Finance & Treasurer_____

WELLS FARGO CAPITAL FINANCE, LLC,

a Delaware limited liability company,

as Agent, as Co-Lead arranger, as Joint Bookrunner, and as a Lender

By: /s/ David R. Klages

Name: David R. Klages

Title: Vice President _____

U.S. BANK NATIONAL ASSOCIATION,

as Documentation Agent, as Co-Lead arranger, as Joint Bookrunner, and as a Lender

By: /s/ Jeffrey S. Gruender

Name: Jeffrey S. Gruender

Title: Vice President

BANK SINOPAC, as a Lender

By: /s/ Alton Wang
Name: Alton Wang
Title: First Vice President, General Manager

EXHIBIT A-1

FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT

This **ASSIGNMENT AND ACCEPTANCE AGREEMENT** ("Assignment Agreement") is entered into as of between ("Assignor") and ("Assignee"). Reference is made to the Credit Agreement described in Annex I hereto (the "Credit Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement.

I. In accordance with the terms and conditions of Section 13 of the Credit Agreement, the Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, that interest in and to the Assignor's rights and obligations under the Loan Documents as of the date hereof with respect to the Obligations owing to the Assignor, and Assignor's portion of the Commitments, all to the extent specified on Annex I.

II. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim and (ii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment Agreement and to consummate the transactions contemplated hereby; (b) makes no representation or warranty and assumes no responsibility with respect to (i) any statements, representations or warranties made in or in connection with the Loan Documents, or (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any other instrument or document furnished pursuant thereto; (c) makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower or the performance or observance by Borrower of any of its obligations under the Loan Documents or any other instrument or document furnished pursuant thereto, and (d) represents and warrants that the amount set forth as the Purchase Price on Annex I represents the amount owed by Borrower to Assignor with respect to Assignor's share of the Advances assigned hereunder, as reflected on Assignor's books and records.

III. The Assignee (a) confirms that it has received copies of the Credit Agreement and the other Loan Documents, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment Agreement; (b) agrees that it will, independently and without reliance upon Agent, Assignor, or any other Lender, based upon such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under the Loan Documents; (c) appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (d) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender; [and (e) attaches the forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee's status for purposes of determining complete exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement (or if not a complete exemption, information describing the nature of the withholding tax exemption or lack thereof).]

IV. Following the execution of this Assignment Agreement by the Assignor and Assignee, the Assignor will deliver this Assignment Agreement to Agent for recording by Agent. The effective date of this Assignment (the "Settlement Date") shall be the latest to occur of (a) the date of the execution and delivery hereof by the Assignor and the Assignee, (b) the receipt by Agent for its sole and separate account a processing fee in the amount of \$3,500 (if required by the Credit Agreement), (c) the receipt of any required consent of the Agent, (d) the date Assignor and Assignee have delivered to Borrower and

Agent an executed copy of this Assignment Agreement and Agent has notified Assignor (with a copy to Borrower) of its receipt thereof and, if applicable, payment of the required processing fee, and (e) the date specified in Annex I.

V. As of the Settlement Date (a) the Assignee shall be a party to the Credit Agreement and, to the extent of the interest assigned pursuant to this Assignment Agreement, have the rights and obligations of a Lender thereunder and under the other Loan Documents, and (b) the Assignor shall, to the extent that rights and obligations under the Credit Agreement and under the other Loan Documents have been assigned by Assignor pursuant to this Assignment Agreement, relinquish its rights (except with respect to Section 10.3 of the Credit Agreement) and be released from any future obligations under the Credit Agreement and the other Loan Documents (and if Assignor is assigning all or the remaining portion of its rights and obligations under the Credit Agreement and the other Loan Documents, Assignor shall cease to be a party to the Credit Agreement and the other Loan Documents), provided, however, that nothing contained herein shall release Assignor from obligations that survive the termination of this Agreement, including such assigning Lender's obligations under Article 15 and Section 17.8(a) of the Credit Agreement.

VI. Upon the Settlement Date, Assignee shall pay to Assignor the Purchase Price (as set forth in Annex 1). From and after the Settlement Date, Agent shall make all payments that are due and payable to the holder of the interest assigned hereunder (including payments of principal, interest, fees and other amounts) to Assignor for amounts which have accrued up to but excluding the Settlement Date and to Assignee for amounts which have accrued from and after the Settlement Date. On the Settlement Date, Assignor shall pay to Assignee an amount equal to the portion of any interest, fee, or any other charge that was paid to Assignor prior to the Settlement Date on account of the interest assigned hereunder and that are due and payable to Assignee with respect thereto, to the extent that such interest, fee or other charge relates to the period of time from and after the Settlement Date.

VII. This Assignment Agreement may be executed in counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. This Assignment Agreement may be executed and delivered by facsimile or other electronic method of transmission all with the same force and effect as if the same were a fully executed and delivered original manual counterpart.

VIII. THE VALIDITY OF THIS ASSIGNMENT AGREEMENT, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment Agreement and Annex I hereto to be executed by their respective officers, as of the first date written above.

[NAME OF ASSIGNOR]

as Assignor

By
Name:
Title:

[NAME OF ASSIGNEE]

as Assignee

By:
Name:
Title:

[ACCEPTED THIS ____ DAY OF

WELLS FARGO CAPITAL FINANCE, LLC,
a Delaware limited liability company, as Agent

By:
Name:
Title:¹

¹ Include to the extent required by Section 13.1(a) of the Credit Agreement.

ANNEX FOR ASSIGNMENT AND ACCEPTANCE AGREEMENT

ANNEX 1

1. Borrower: Alaska Airlines, Inc., an Alaska corporation

2. Name and Date of Credit Agreement:

Credit Agreement, dated as of March 31, 2010, by and among Borrower, the lenders from time to time party thereto (the "Lenders"), Wells Fargo Capital Finance, LLC, a Delaware limited liability company, as agent for the Lenders, as co-lead arranger, and as joint bookrunner, and U.S. Bank National Association, as documentation agent, as co-lead arranger, and as joint bookrunner

3. Date of Assignment Agreement:

4. Amounts:

(i) Assigned Amount of Commitment \$

b. Assigned Amount of Advances \$

5. Settlement Date:

6. Purchase Price \$ _____

7. Notice and Payment Instructions, etc.

Assignee:

Assignor:

EXHIBIT B-1

FORM OF BORROWING BASE CERTIFICATE

Wells Fargo Capital Finance, LLC, as Agent
under the below referenced Credit Agreement
2450 Colorado Avenue
Suite 3000 West
Santa Monica, California 90404
Attn: Business Finance Division Manager

The undersigned, Alaska Airlines, Inc., an Alaska corporation (“Borrower”), pursuant to Schedule 5.2 of that certain Credit Agreement dated as of March 31, 2010 (as amended, restated, modified, supplemented, refinanced, renewed, or extended from time to time, the “Credit Agreement”), entered into among Borrower, the lenders identified on the signature pages thereof (such lenders, together with their respective successors and permitted assigns, are referred to collectively as the “Lenders”), Wells Fargo Capital Finance, LLC, a Delaware limited liability company, as agent for the Lenders (in such capacity, together with its successors and assigns, if any, in such capacity, “Agent”), as co-lead arranger, and as joint bookrunner, and U.S. Bank National Association, as documentation agent, as co-lead arranger, and as joint bookrunner, hereby certifies to Agent that the following items, calculated in accordance with the terms and definitions set forth in the Credit Agreement for such items are true and correct, and that Borrower is in compliance with and, after giving effect to any currently requested Advances, will be in compliance with, the terms, conditions, and provisions of the Credit Agreement.

All initially capitalized terms used in this Borrowing Base Certificate have the meanings set forth in the Credit Agreement unless specifically defined herein.

[Remainder of page intentionally left blank.]

Effective Date of Calculation:

1.1 Borrowing Base Calculation

(a)Eligible Accounts

- | | | |
|---|----|----|
| (i)85% of Eligible Accounts ² | \$ | |
| (ii)the amount, if any, of the Dilution Reserve | \$ | |
| (iii)Item 1.a.. minus Item 1.b. | | \$ |

(b)Eligible Expendables

- | | | |
|---|----|----|
| (i)\$10,000,000 | \$ | |
| (ii)50% of the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Expendables ³ | \$ | |
| (iii)85% <i>times</i> the most recently determined Net Liquidation Percentage <i>times</i> the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Expendables | \$ | |
| (iv)The lowest of Items 2.a., 2.b. and 2.c. | | \$ |

(c)Eligible Replaceable Spare Parts

- | | | |
|---|----|----|
| (i)\$45,000,000 | \$ | |
| (ii)50% of the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Replaceable Spare Parts ⁴ | \$ | |
| (iii)85% <i>times</i> the most recently determined Net Liquidation Percentage <i>times</i> the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Replaceable Spare Parts | \$ | |
| (iv)The lowest of Items 3.a., 3.b. and 3.c. | | \$ |

(d)Eligible Engines

- | | | |
|---|----|----|
| (i)\$40,000,000 | \$ | |
| (ii)50% of the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Engines ⁵ | \$ | |
| (iii)85% <i>times</i> the most recently determined Net Liquidation Percentage <i>times</i> the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Engines | \$ | |
| (iv)The lowest of Items 4.a., 4.b. and 4.c. | | \$ |

(e)Eligible Ground Equipment

- | | | |
|--|----|----|
| (i)\$25,000,000 | \$ | |
| (ii)50% of the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Ground Service Equipment ⁶ | \$ | |
| (iii)85% <i>times</i> the most recently determined Net Liquidation Percentage <i>times</i> the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Ground Service Equipment | \$ | |
| (iv)The lowest of Items 5.a., 5.b. and 5.c. | | \$ |

(f)a.

- | | | |
|---|----|----|
| 3 times the amount of credit availability created by <i>Item 1.c.</i> | \$ | |
| b. <i>Sum of Items 2.d., 3.d., 4.d., and 5.d.</i> | \$ | |
| c. The lowest of Items 6.a. and 6.b. | | \$ |

(g)

Reserves

- | | | |
|---|----|--|
| (i)the sum of the aggregate amount of reserves, if any, established by Agent under Section 2.1(c) of the Credit Agreement | \$ | |
|---|----|--|
-

(h)Borrowing Base (<i>Sum of Items 1.c. and 6.c. minus Item 7.a.</i>)		\$
(i)Availability Calculation		
(i)(a)Maximum Revolver Amount	\$	
(B)outstanding Advances	\$	
(C)outstanding Swing Loans	\$	
(D) <i>Item 9.a.(i) minus Item 9.a.(ii) minus Item 9.a.(iii)</i>	\$	
(ii)(b)Borrowing Base (Item 8)	\$	
(B)outstanding Advances	\$	
(C)outstanding Swing Loans	\$	
(D) <i>Item 9.b.(i) minus Item 9.b.(ii) minus Item 9.b.(iii)</i>	\$	
(iii)lesser of Item 9.a. and 9.b.		\$

2 See Annex A

3 See Annex B

4 See Annex C

5 See Annex D

6 See Annex E

Additionally, the undersigned hereby certifies and represents and warrants to the Lender Group on behalf of Borrower that (i) as of the date hereof, each representation or warranty contained in or pursuant to any Loan Document, any agreement, instrument, certificate, document or other writing furnished at any time under or in connection with any Loan Document, and as of the effective date of any advance, continuation or conversion requested above is true and correct in all material respects (except to the extent that such representation or warranty relates solely to an earlier date), (ii) each of the covenants and agreements contained in any Loan Document have been performed (to the extent required to be performed on or before the date hereof or each such effective date), (iii) no Default or Event of Default has occurred and is continuing on the date hereof, nor will any thereof occur after giving effect to the request above, and (iv) all of the foregoing is true and correct as of the effective date of the calculations set forth above and that such calculations have been made in accordance with the requirements of the Credit Agreement.

ALASKA AIRLINES, INC.,
an Alaska corporation, as Borrower

By:
Name:
Title:

Annex A

Receivables created by Borrower in the ordinary course of its business, that arise out of Borrower's rendition of services or the sale of mileage plan awards, that comply with each of the representations and warranties respecting Eligible Accounts made in the Loan Documents	\$
Less (without duplication)	
Receivables that the Account Debtor has failed to pay within 90 days of original invoice date, that are more than 60 days past due, or have selling terms of more than 45 days	\$
Receivables owed by an Account Debtor (or its Affiliates) where 50% or more of all Receivables owed by that Account Debtor (or its Affiliates) are deemed ineligible under the immediately preceding clause	\$
Receivables with respect to which the Account Debtor is an Affiliate of Borrower or an employee or agent of Borrower or any Affiliate of Borrower	\$
Receivables that are Excluded Accounts	\$
Receivables arising in a transaction involving terms or conditions by reason of which the payment by the Account Debtor may be conditional	\$
Receivables that are not payable in Dollars	\$
Receivables with respect to which the Account Debtor either (i) does not maintain its chief executive office in the United States, or (ii) is not organized under the laws of the United States or any state thereof, or (iii) is the government of any foreign country or sovereign state, or of any state, province, municipality, or other political subdivision thereof, or of any department, agency, public corporation, or other instrumentality thereof, unless (y) the Receivable is supported by an irrevocable letter of credit satisfactory to Agent (as to form, substance, and issuer or domestic confirming bank) that has been delivered to Agent and is directly drawable by Agent, or (z) the Receivable is covered by credit insurance in form, substance, and amount, and by an insurer, reasonably satisfactory to Agent	\$
Receivables with respect to which the Account Debtor is either (i) the United States or any department, agency, or instrumentality of the United States (exclusive, however, of Receivables with respect to which Borrower has complied, to the reasonable satisfaction of Agent, with the Assignment of Claims Act, 31 USC § 3727), or (ii) any state of the United States	\$
Receivables with respect to which the Account Debtor is a creditor of Borrower, has or has asserted a right of setoff, or has disputed its obligation to pay all or any portion of the Receivable, to the extent of such claim, right of setoff, or dispute	\$
(i) Receivables owed by Bank of America, N.A. or its Affiliates to the extent of the obligations owing by such Account Debtor in excess of 50% of all Eligible Accounts (such percentage being subject to reduction by Agent in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates), and (ii) Receivables with respect to any other Account Debtor whose total obligations owing to Borrower exceed 10% (such percentage as applied to a particular Account Debtor being subject to reduction by Agent in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates) of all Eligible Accounts, to the extent of the obligations owing by such Account Debtor in excess of such percentage; provided, however, that, in each case, the amount of Eligible Accounts that are excluded because they exceed the foregoing percentage shall be determined by Agent based on all of the otherwise Eligible Accounts prior to giving effect to any eliminations based upon the foregoing concentration limit	\$
Receivables with respect to which the Account Debtor is subject to an Insolvency Proceeding, is not Solvent, has gone out of business, or as to which Borrower has received notice of an imminent Insolvency Proceeding or a material impairment of the financial condition of such Account Debtor	\$
Receivables, the collection of which, Agent, in its Permitted Discretion, believes to be doubtful by reason of the Account Debtor's financial condition	\$
Receivables that are not subject to a valid and perfected first priority Agent's Lien	\$
Receivables with respect to which (i) the mileage awards or miles giving rise to such Receivable have not been transferred to and the Receivable billed to the Account Debtor, or (ii) the services giving rise to such Receivable have not been performed and billed to the Account Debtor	\$
Receivables with respect to which the Account Debtor is a Sanctioned Person or Sanctioned Entity	\$
Receivables that represent the right to receive progress payments or other advance billings that are due prior to the completion of performance by Borrower of the subject contract	\$
Other	\$
Total Excluded Receivables	\$
Eligible Accounts (Total Receivables less Total Excluded Receivables):	\$

Annex B

Expendables of Borrower, maintained in conformity with the Maintenance Program, that comply with each of the representations and warranties respecting Eligible Expendables made in the Loan Documents (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP)

\$

less (without duplication)

Expendables that Borrower does not have good, valid, and marketable title to \$

Expendables that are not located at one of the locations identified on Schedule 4.27 to the Credit Agreement \$

Expendables that are in the possession or control of a bailee, warehouseman, FAA repair station, overhaul or maintenance servicer, mechanic, or other third Person \$

Expendables that are located at a location at which less than \$100,000 of otherwise Eligible Expendables, Eligible Ground Service Equipment, or Eligible Replaceable Spare Parts are located \$

Expendables that are located on Real Property leased by Borrower or in a contract warehouse, in each case, (i) unless it is subject to a Collateral Access Agreement executed by the lessor or warehouseman, as the case may be (provided, however, that, (x) during the 90-day period immediately following the Closing Date, such leased Real Property or contract warehouse need not be subject to a Collateral Access Agreement, and (y) during all times thereafter, either such leased Real Property or contract warehouse must be subject to a Collateral Access Agreement, or if such leased Real Property or contract warehouse is not subject to a Collateral Access Agreement, the failure to have a Collateral Access Agreement will not, in and of itself, render the Eligible Expendables ineligible, but Agent may, at its election, establish a reserve against the Borrowing Base and the Maximum Revolver Amount in an aggregate amount equal to 3 months rent under the lease for each location (or, if applicable, 3 months of storage fees under the warehouse agreement for each contract warehouse) that is not subject to a Collateral Access Agreement), and (ii) unless it is segregated or otherwise separately identifiable from Spare Parts of others, if any, stored on the premises \$

Expendables that are not subject to a valid and perfected first priority Agent's Lien or are not free and clear of all Liens (other than a valid and perfected first priority Agent's Lien and Permitted Liens that are junior in priority to Agent's Lien) \$

Expendables that are the subject of any warehouse receipt or other document of title, unless such receipt or other document of title is delivered to Agent with all necessary endorsements \$

Expendables that are beyond economic repair, obsolete, or unserviceable, are not unused, have not been maintained in accordance with the FARs or Borrower's Maintenance Program, or are not in a condition for immediate use by Borrower in its Certificated Air Carrier operations in compliance with the FARs or the Maintenance Program \$

Expendables that do not have (i) all required FAA serviceability tags or records (or, if applicable, full back-to-birth traceability), or (ii) all manuals, documents, and records required by the FARs or the Maintenance Program \$

Expendables that have been installed on any Aircraft, Engine, other Spare Part, or any other item of Equipment or otherwise become an accession, or are the subject of a pooling, exchange, borrowing, leasing, consignment, or other similar arrangement \$

Expendables that do not conform in all material respects to all applicable airworthiness directives or limits imposed by any Governmental Authority which has regulatory authority over such Expendables or their use \$

Other \$

Total Excluded Expendables

\$

Eligible Expendables (Total Expendables *less* Total Excluded Expendables):

\$

Annex C

Replaceable Spare Parts of Borrower, manufactured and refurbished, as the case may be, in conformity with the Maintenance Program, in conformity with the Maintenance Program, that comply with each of the representations and warranties respecting Eligible Replaceable Spare Parts made in the Loan Documents (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP)

\$

less (without duplication)

Replaceable Spare Parts that Borrower does not have good, valid, and marketable title to \$

Replaceable Spare Parts that are not located at one of the locations identified on Schedule 4.27 to the Credit Agreement \$

Replaceable Spare Parts that are in the possession or control of a bailee, warehouseman, FAA repair station, overhaul or maintenance servicer, mechanic, or other third Person \$

Replaceable Spare Parts that are located at a location at which less than \$100,000 of otherwise Eligible Expendables, Eligible Ground Service Equipment, or Eligible Replaceable Spare Parts are located \$

Replaceable Spare Parts that are located on Real Property leased by Borrower or in a contract warehouse, in each case, (i) unless it is subject to a Collateral Access Agreement executed by the lessor or warehouseman, as the case may be (provided, however, that, (x) during the 90-day period immediately following the Closing Date, such leased Real Property or contract warehouse need not be subject to a Collateral Access Agreement, and (y) during all times thereafter, either such leased Real Property or contract warehouse must be subject to a Collateral Access Agreement, or if such leased Real Property or contract warehouse is not subject to a Collateral Access Agreement, the failure to have a Collateral Access Agreement will not, in and of itself, render the Eligible Replacement Spare Parts ineligible, but Agent may, at its election, establish a reserve against the Borrowing Base and the Maximum Revolver Amount in an aggregate amount equal to 3 months rent under the lease for each location (or, if applicable, 3 months of storage fees under the warehouse agreement for each contract warehouse) that is not subject to a Collateral Access Agreement), and (ii) unless it is segregated or otherwise separately identifiable from Spare Parts of others, if any, stored on the premises \$

Replaceable Spare Parts that are not subject to a valid and perfected first priority Agent's Lien or are not free and clear of all Liens (other than a valid and perfected first priority Agent's Lien and Permitted Liens that are junior in priority to Agent's Lien) \$

Replaceable Spare Parts that are the subject of any warehouse receipt or other document of title, unless such receipt or other document of title is delivered to Agent with all necessary endorsements \$

Replaceable Spare Parts that are beyond economic repair, obsolete, or unserviceable, are not either unused or have not been rehabilitated to a fully serviceable condition, have not been maintained in accordance with the FARs or the Maintenance Program, or are not in a condition for immediate use by Borrower in its Certificated Air Carrier operations in compliance with the FARs or the Maintenance Program \$

Replaceable Spare Parts that do not have (i) all required FAA serviceability tags or records (or, if applicable, full back-to-birth traceability), or (ii) all manuals, documents, and records required by the FARs or the Maintenance Program \$

Replaceable Spare Parts that are installed on any Aircraft, Engine, or other Spare Part (other than an Eligible Replaceable Spare Part) or otherwise become an accession, or are the subject of a pooling, exchange, borrowing, leasing, consignment, or other similar arrangement \$

Replaceable Spare Parts that do not conform in all material respects to all applicable airworthiness directives or limits imposed by any Governmental Authority which has regulatory authority over such Rotables or their use or by the manufacturer of such Replaceable Spare Part or its use \$

Other \$

Total Excluded Replaceable Spare Parts

\$

Eligible Replaceable Spare Parts (Total Replaceable Spare Parts less Total Excluded Replaceable Spare Parts):

\$

Annex D

Designated Engines of Borrower so long as they have been maintained in conformity with the Maintenance Program, and comply with each of the representations and warranties respecting Eligible Engines made in the Loan Documents (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP)	\$
less (without duplication)	
Engines that are not Designated Engines	\$
Engines that Borrower does not have good, valid, and marketable title to	\$
Unless such Engine is attached to one of the Aircraft operated by Borrower as a result of a Permitted Engine Installation, or is the subject of a Permitted Lease, or is out for customary repairs that are not expected to take more than a normal service period to complete, Engines that are not located at one of the locations identified on Schedule 4.28(e) to the Credit Agreement	\$
Unless such Engine is out for repair for customary repairs that are not expected to take more than a normal service period to complete, Engines that are in the possession or control of a bailee, warehouseman, FAA repair station, overhaul or maintenance servicer, mechanic, or other third Person	\$
Engines that are located on Real Property leased by Borrower or in a contract warehouse, in each case, (i) unless it is subject to a Collateral Access Agreement executed by the lessor or warehouseman, as the case may be (provided, however, that, (x) during the 90-day period immediately following the Closing Date, such leased Real Property or contract warehouse need not be subject to a Collateral Access Agreement, and (y) during all times thereafter, either such leased Real Property or contract warehouse must be subject to a Collateral Access Agreement, or if such leased Real Property or contract warehouse is not subject to a Collateral Access Agreement, the failure to have a Collateral Access Agreement will not, in and of itself, render the Engine ineligible, but Agent may, at its election, establish a reserve against the Borrowing Base and the Maximum Revolver Amount in an aggregate amount equal to 3 months rent under the lease for each location (or, if applicable, 3 months of storage fees under the warehouse agreement for each contract warehouse) that is not subject to a Collateral Access Agreement), and (ii) unless it is segregated or otherwise separately identifiable from Engines of others, if any, stored on the premises	\$
Engines not subject to a valid and perfected first priority Agent's Lien or is not free and clear of all Liens (other than a valid and perfected first priority Agent's Lien and Permitted Liens that are junior in priority to Agent's Lien)	\$
Engines that are the subject of any warehouse receipt or other document of title, unless such receipt or other document of title is delivered to Agent with all necessary endorsements	\$
Engines that are beyond economic repair or obsolete, have not been maintained in accordance with the FARs or the Maintenance Program	\$
Engines that are not either (i) of good and merchantable quality, free from defects, in good operating condition and ready for immediate use or operation in accordance with the Maintenance Program, or (ii) following customary repairs that are not expected to take more than a normal service period to complete, will be of good and merchantable quality, free from defects, in good operating condition and ready for immediate use or operation in accordance with the Maintenance Program	\$
Engines that do not have (i) all required FAA serviceability tags (if serviceable) or record (or, if applicable, full back-to-birth traceability), or (ii) all manuals, documents, and records required by the FARs or the Maintenance Program	\$
Unless such Engine is attached to one of the Aircraft operated by Borrower as a result of a Permitted Engine Installation, or is the subject of a Permitted Lease, Engines that have been installed on any Aircraft or any other item of Equipment or otherwise become an accession, or are the subject of a pooling, exchange, borrowing, leasing, consignment, or other similar arrangement	\$
Other	\$
Total Excluded Engines	\$
Eligible Engines (Total Designated Engines less Total Excluded Engines):	\$

Annex E

Ground Service Equipment (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP)	\$
less (without duplication)	
Ground Service Equipment that Borrower does not have good, valid, and marketable title to	\$
Ground Service Equipment that is not located at one of the locations identified on Schedule 4.28(d) to the Credit Agreement	\$
Ground Service Equipment that is in the possession or control of a bailee, warehouseman, FAA repair station, overhaul or maintenance servicer, mechanic, or other third Person	\$
Ground Service Equipment that is located at a location at which less than \$100,000 of otherwise Eligible Ground Service Equipment is located	\$
Ground Service Equipment that is stored on Real Property leased by Borrower unless such leased Real Property is subject to a Collateral Access Agreement executed by the lessor (provided, however, that, (i) during the 90-day period immediately following the Closing Date, such leased Real Property need not be subject to a Collateral Access Agreement, and (ii) during all times thereafter, either such leased Real Property must be subject to a Collateral Access Agreement or, if such Real Property is not subject to a Collateral Access Agreement, the failure to have a Collateral Access Agreement will not, in and of itself, render the Eligible Ground Service Equipment ineligible, but Agent may, at its election, establish a reserve against the Borrowing Base and the Maximum Revolver Amount in an aggregate amount equal to 3 months rent under the lease for each Real Property that is not subject to a Collateral Access Agreement)	\$
Ground Service Equipment that is "subject to" (within the meaning of Section 9-311 of the Code) any certificate of title (or comparable) statute	\$
Ground Service Equipment that is not subject to a valid and perfected first priority Agent's Lien or is not free and clear of all Liens (other than a valid and perfected first priority Agent's Lien and Permitted Liens that are junior in priority to Agent's Lien)	\$
Other	\$
Total Excluded Ground Service Equipment	\$
Eligible Ground Service Equipment (Total Ground Service Equipment less Total Excluded Ground Service Equipment):	\$

EXHIBIT C-1

FORM OF COMPLIANCE CERTIFICATE

[on Borrower's letterhead]

To: Wells Fargo Capital Finance, LLC, as Agent
under the below referenced Credit Agreement
2450 Colorado Avenue
Suite 3000 West
Santa Monica, California 90404
Attn: Business Finance Division Manager

Re: Compliance Certificate dated

Ladies and Gentlemen:

Reference is made to that certain **CREDIT AGREEMENT** (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement") dated as of March 31, 2010, by and among the lenders identified on the signature pages thereof (such lenders, together with their respective successors and permitted assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), **WELLS FARGO CAPITAL FINANCE, LLC**, a Delaware limited liability company, as agent for the Lenders (in such capacity, together with its successors and assigns, if any, in such capacity, "Agent"), as co-lead arranger, and as joint bookrunner, **U.S. BANK NATIONAL ASSOCIATION**, as documentation agent, as co-lead arranger, and as joint bookrunner, and **ALASKA AIRLINES, INC.**, an Alaska corporation ("Borrower"). Capitalized terms used in this Compliance Certificate have the meanings set forth in the Credit Agreement unless specifically defined herein.

Pursuant to Schedule 5.1 of the Credit Agreement, the undersigned officer of Borrower hereby certifies that:

1. The financial statements of Group and its Subsidiaries furnished in Schedule 1 attached hereto, have been prepared in accordance with GAAP (except for year-end adjustments and the lack of footnotes), and fairly present the financial condition of Group and its Subsidiaries.
 2. Such officer has reviewed in reasonable detail, or caused to be reviewed under his/her supervision, the transactions and condition of Borrower during the accounting period covered by the financial statements delivered pursuant to Schedule 5.1 of the Credit Agreement.
 3. On and as of the date hereof, the undersigned does not have knowledge of the existence of any event or condition that constitutes a Default or Event of Default, except for such conditions or events listed on Schedule 2 attached hereto, specifying the nature and period of existence thereof and what action Borrower has taken, is taking, or proposes to take with respect thereto.
 4. The representations and warranties of Borrower set forth in the Credit Agreement and the other Loan Documents are true and correct in all material respects on and as of the date hereof (except to the extent they relate to a specified date), except as set forth on Schedule 3 attached hereto.
 5. Borrower is in compliance with the applicable covenants contained in Section 7 of the Credit Agreement as demonstrated on Schedule 4 attached hereto.
-

IN WITNESS WHEREOF, this Compliance Certificate is executed by the undersigned this ____ day of _____, _____.

ALASKA AIRLINES, INC., an Alaska corporation

By:
Name:
Title:

SCHEDULE 1

Financial Statements

SCHEDULE 2

Default or Event of Default

SCHEDULE 3

Representations and Warranties

SCHEDULE 4

Financial Covenant

Minimum Liquidity.

Borrower's Liquidity as of _____, _____ is \$ _____, which amount **[is/is not]** greater than or equal to the amount set forth in Section 7 of the Credit Agreement for the corresponding period.

EXHIBIT L-1

FORM OF LIBOR NOTICE

Wells Fargo Capital Finance, LLC, as Agent
under the below referenced Credit Agreement
2450 Colorado Avenue
Suite 3000 West
Santa Monica, California 90404

Ladies and Gentlemen:

Reference hereby is made to that certain Credit Agreement, dated as of March 31, 2010 (the "Credit Agreement"), by and among Alaska Airlines, Inc., an Alaska corporation ("Borrower"), the lenders identified on the signature pages thereof (such lenders, together with their respective successors and permitted assigns, are referred to collectively as the "Lenders"), Wells Fargo Capital Finance, LLC, a Delaware limited liability company, as agent for the Lenders ("Agent"), as co-lead arranger, and as joint bookrunner, and U.S. Bank National Association, as documentation agent, as co-lead arranger, and as joint bookrunner. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

This LIBOR Notice represents Borrower's request to elect the LIBOR Option with respect to all or a portion of the outstanding Advances in the amount of \$_____ (the "LIBOR Rate Advance"), and is a written confirmation of the telephonic notice of such election given to Agent].

The LIBOR Rate Advance will have an Interest Period of [1][2][3] month(s) commencing on _____.

This LIBOR Notice further confirms Borrower's acceptance, for purposes of determining the rate of interest based on the LIBOR Rate under the Credit Agreement, of the LIBOR Rate as determined pursuant to the Credit Agreement.

Borrower represents and warrants that no Default or Event of Default has occurred and is continuing on the date hereof, nor will any thereof occur as a result of giving effect to the request above.

Dated:

ALASKA AIRLINES, INC., an Alaska corporation, as Borrower

By:

Name:

Title:

Acknowledged by:

WELLS FARGO CAPITAL FINANCE, LLC,
a Delaware limited liability company, as Agent

By:

Name:

Title:

Schedule A-1
Agent's Account

An account at a bank in the United States designated by Agent from time to time as the account into which Borrower shall make all payments to Agent for the benefit of the Lender Group and into which the Lender Group shall make all payments to Agent under this Agreement and the other Loan Documents. Until Agent notifies Borrower and the Lender Group to the contrary, Agent's Account shall be that certain deposit account bearing account number [***].

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule A-2
Authorized Persons

Glenn S. Johnson
Executive Vice President, Finance & Chief Financial Officer
19300 International Boulevard
Seattle, Washington 98188
[***]

John F. Schaefer, Jr.
Vice President, Finance & Treasurer
19300 International Boulevard
Seattle, Washington 98188
[***]

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule C-1

Commitments

Lender	Commitment	Total Commitment
Wells Fargo Capital Finance, LLC	***	***
U.S. Bank National Association	***	***
Bank SinoPac	***	***
All Lenders	\$100,000,000	\$100,000,000

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule D-1

Designated Account

[***] of Borrower maintained with Borrower's Designated Account Bank, or such other deposit account of Borrower (located within the United States) that has been designated as such, in writing, by Borrower to Agent.

"Designated Account Bank" means [***].

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule D-2
Designated Engines

	Serial Numbers
Model CFM56-3C	856774
	857962
	856994
	858683
	858857
Model CFM56-7B	874853
	888192
	890424
	890919
	896998
	802109
	896963
	896275

Schedule P-1
Permitted Investments

None.

Schedule P-2
Permitted Liens

None.

Schedule 1.1

As used in the Agreement, the following terms shall have the following definitions:

“Account” means an account (as that term is defined in the Code).

“Account Debtor” means any Person who is obligated on an Account, chattel paper, or a general intangible (including a Mileage Plan Receivable).

“Accounting Changes” means changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or successor thereto or any agency with similar functions).

“Acquisition” means (a) the purchase or other acquisition by a Person of all or substantially all of the assets of (or any division or business line of) any other Person, or (b) the purchase or other acquisition (whether by means of a merger, consolidation, or otherwise) by a Person of all or substantially all of the Stock of any other Person.

“Additional Documents” has the meaning specified therefor in Section 5.12 of the Agreement.

“Advances” has the meaning specified therefor in Section 2.1(a) of the Agreement.

“Affected Lender” has the meaning specified therefor in Section 2.13(b) of the Agreement.

“Affiliate” means, as applied to any Person, any other Person who controls, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” means the possession, directly or indirectly through one or more intermediaries, of the power to direct the management and policies of a Person, whether through the ownership of Stock, by contract, or otherwise; provided, however, that, for purposes of the definition of Eligible Accounts and Section 6.12 of the Agreement: (a) any Person which owns directly or indirectly 10% or more of the Stock having ordinary voting power for the election of directors or other members of the governing body of a Person or 10% or more of the partnership or other ownership interests of a Person (other than as a limited partner of such Person) shall be deemed an Affiliate of such Person, (b) each director (or comparable manager) of a Person shall be deemed to be an Affiliate of such Person, and (c) each partnership in which a Person is a general partner shall be deemed an Affiliate of such Person.

“Agent” has the meaning specified therefor in the preamble to the Agreement.

“Agent-Related Persons” means Agent, together with its Affiliates, officers, directors, employees, attorneys, and agents.

“Agent’s Account” means the Deposit Account of Agent identified on Schedule A-1.

“Agent’s Liens” means the Liens granted by Borrower to Agent under the Loan Documents.

“Agreement” means the Credit Agreement to which this Schedule 1.1 is attached.

“Aircraft” means any “aircraft” as defined in Section 40102 of the Federal Aviation Act.

“Appliances” means any “appliance” as defined in Section 40102 of the Federal Aviation Act.

"Application Event" means the occurrence of (a) a failure by Borrower to repay all of the Obligations in full on the Maturity Date, or (b) an Event of Default and the election by Agent or the Required Lenders to require that payments and proceeds of Collateral be applied pursuant to Section 2.4(b)(ii) of the Agreement.

"Assignee" has the meaning specified therefor in Section 13.1(a) of the Agreement.

"Assignment and Acceptance" means an Assignment and Acceptance Agreement substantially in the form of Exhibit A-1.

"
notice from Borrower to Agent.

"Availability" means, as of any date of determination, the amount that Borrower is entitled to borrow as Advances under Section 2.1 of the Agreement (after giving effect to all then outstanding Obligations).

"Bank Facility" means that certain \$100,000,000 loan facility provided by a syndicate of lenders and agent by Citibank, N.A.

"Bank Facility Documents" means the loan and security documents related to the Bank Facility or executed in connection therewith.

"Bankruptcy Code" means title 11 of the United States Code, as in effect from time to time.

"Base Rate" means the greatest of (a) the Federal Funds Rate plus ½%, (b) the LIBOR Rate (which rate shall be calculated based upon an Interest Period of 3 months and shall be determined on a daily basis), plus 1 percentage point, and (c) the rate of interest announced, from time to time, within Wells Fargo at its principal office in San Francisco as its "prime rate", with the understanding that the "prime rate" is one of Wells Fargo's base rates (not necessarily the lowest of such rates) and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto and is evidenced by the recording thereof after its announcement in such internal publications as Wells Fargo may designate.

"Base Rate Loan" means each portion of the Advances that bears interest at a rate determined by reference to the Base Rate.

"Base Rate Margin" means [***].

"Benefit Arrangement" means in any jurisdiction the benefit schemes or arrangements in respect of any employees or past employees operated, maintained or contributed to by Borrower or any of its ERISA Affiliates, with respect to which any of them have any liability and which provide benefits on retirement, ill-health, injury, death or voluntary withdrawal from or termination of employment, including termination indemnity payments and life assurance and post-retirement medical benefits, other than Benefit Plans and Foreign Pension Plans.

"Benefit Plan" means a "defined benefit plan" (as defined in Section 3(35) of ERISA) for which Borrower or any of its ERISA Affiliates has been an "employer" (as defined in Section 3(5) of ERISA) within the past six years.

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

“Board of Directors” means the board of directors (or comparable managers) of Group or any committee thereof duly authorized to act on behalf of the board of directors (or comparable managers).

“Borrower” has the meaning specified therefor in the preamble to the Agreement.

“Borrowing” means a borrowing consisting of Advances made on the same day by the Lenders (or Agent on behalf thereof), or by Swing Lender in the case of a Swing Loan, or by Agent in the case of a Protective Advance.

“Borrowing Base” means, as of any date of determination, the result of:

(a) 85% of the amount of Eligible Accounts, *less* the amount, if any, of the Dilution Reserve, *plus*

(b) *the lesser of:*

(i) 3 times the amount of credit availability created by clause (a) above, and

(ii) *the sum of*

(A) *the least of*

(1) \$10,000,000,

(2) 50% of the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Expendables, and

(3) 85% *times* the most recently determined Net Liquidation Percentage *times* the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Expendables, *plus*

(B) *the least of*

(1) \$45,000,000,

(2) 50% of the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Replaceable Spare Parts, and

(3) 85% *times* the most recently determined Net Liquidation Percentage *times* the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Replaceable Spare Parts, *plus*

(C) *the least of*

(1) \$40,000,000,

(2) 50% of the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Engines, and

(3) 85% *times* the most recently determined Net Liquidation Percentage *times* the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Engines, *plus*

(D) *the least of*

(1) \$25,000,000,

(2) 50% of the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Ground Service Equipment, and

(3) 85% *times* the most recently determined Net Liquidation Percentage *times* the value (calculated at cost minus accumulated depreciation that is calculated in accordance with GAAP) of Eligible Ground Service Equipment, *minus*

(c) the aggregate amount of reserves, if any, established by Agent under Section 2.1(c) of the Agreement.

“Borrowing Base Certificate” means a certificate in the form of Exhibit B-1.

“Borrowing Base Excess Amount” has the meaning set forth in Section 2.4(e)(i).

“Business Day” means any day that is not a Saturday, Sunday, or other day on which banks are authorized or required to close in the state of California, except that, if a determination of a Business Day shall relate to a LIBOR Rate Loan, the term “Business Day” also shall exclude any day on which banks are closed for dealings in Dollar deposits in the London interbank market.

“Capitalized Lease Obligation” means that portion of the obligations under a Capital Lease that is required to be capitalized in accordance with GAAP.

“Capital Lease” means a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

“Cash Equivalents” has the meaning specified therefor under GAAP.

“Cash Management Services” means any cash management or related services including treasury, depository, return items, overdraft, controlled disbursement, merchant store value cards, e-payables services, electronic funds transfer, interstate depository network, automatic clearing house transfer (including the Automated Clearing House processing of electronic funds transfers through the direct Federal Reserve Fedline system) and other cash management arrangements.

“Certificated Air Carrier” means an “air carrier” as defined in Section 40102 of the Federal Aviation Act that holds an air carrier operating certificate issued pursuant to chapter 447 of the Federal Aviation Act for aircraft capable of carrying 10 or more individuals or 6,000 pounds or more of cargo and is certificated for scheduled passenger operations in interstate commerce using commercial jet aircraft under Part 121 of the FARs.

“CFC” means a controlled foreign corporation (as that term is defined in the IRC).

“Change of Control” means that (a) Group fails to own and control, directly or indirectly, all of the Stock of Borrower having the right to vote for the election of members of their respective board of directors, (b) any “person” or “group” (within the meaning of Sections 13(d) and 14(d) of the Exchange Act) becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of [***], or more, of the Stock of Group having the right to vote for the election of members of the Board of Directors, or (c) a majority of the members of the Board of Directors do not constitute Continuing Directors.

“Change in Tax Law” means any change in law, rule, regulation, order or other decision by any Governmental Authority that would result in the imposition of additional United States federal withholding taxes relative to a Foreign Lender.

“Closing Date” means the date of the making of the initial Advance (or other extension of credit) hereunder or the date on which Agent notifies Borrower that each of the conditions precedent set forth on Schedule 3.1 either have been satisfied or have been waived.

“Code” means the California Uniform Commercial Code, as in effect from time to time.

“Collateral” means all assets and interests in assets and proceeds thereof now owned or hereafter acquired by Borrower in or upon which a Lien is granted by Borrower in favor of Agent or the Lenders under the Security Agreement, the Engine and Spare Parts Security Agreement, or under any other agreement that constitutes a Loan Document and pursuant to which a Lien is granted by Borrower in favor of Agent or the Lenders.

“Collateral Access Agreement” means a landlord waiver, bailee letter, or acknowledgement agreement of any lessor, warehouseman, processor, consignee, or other Person in possession of, having a Lien upon, or having rights or interests in Borrower’s books and records or Equipment, in each case, in form and substance reasonably satisfactory to Agent.

“Collections” means *all* cash, checks, notes, instruments, and other items of payment (including insurance proceeds, cash proceeds of asset sales, rental proceeds, and tax refunds).

“Commitment” means, with respect to each Lender, its Commitment, and, with respect to all Lenders, their Commitments, in each case as such Dollar amounts are set forth beside such Lender’s name under the applicable heading on Schedule C-1 or in the Assignment and Acceptance pursuant to which such Lender became a Lender under the Agreement, as such amounts may be reduced or increased from time to time pursuant to assignments made in accordance with the provisions of Section 13.1 of the Agreement.

“Compliance Certificate” means a certificate substantially in the form of Exhibit C-1 delivered by the chief financial officer or other Responsible Officer of Borrower to Agent.

“Confidential Information” has the meaning specified therefor in Section 17.8(a) of the Agreement.

“Continuing Director” means (a) any member of the Board of Directors who was a director (or comparable manager) of Group on the Closing Date, and (b) any individual who becomes a member of the Board of Directors after the Closing Date if such individual was approved, appointed or nominated for election to the Board of Directors by a majority of the Continuing Directors, but excluding any such individual

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

originally proposed for election in opposition to the Board of Directors in office at the Closing Date in an actual or threatened election contest relating to the election of the directors (or comparable managers) of Group and whose initial assumption of office resulted from such contest or the settlement thereof.

“Control Agreement” means a control agreement, in form and substance reasonably satisfactory to Agent, executed and delivered by Borrower, Agent, and the applicable securities intermediary (with respect to a Securities Account) or bank (with respect to a Deposit Account).

“Controlled Account Agreement” has the meaning specified therefor in the Security Agreement.

“Daily Balance” means, as of any date of determination and with respect to any Obligation, the amount of such Obligation owed at the end of such day.

“Default” means an event, condition, or default that, with the giving of notice, the passage of time, or both, would be an Event of Default.

“Defaulting Lender” means any Lender that (a) has failed to fund any amounts required to be funded by it under the Agreement (including the failure to make available to Agent amounts required pursuant to a Settlement), (b) notified Borrower, Agent, or any Lender in writing that it does not intend to comply with all or any portion of its funding obligations under the Agreement, (c) has made a public statement to the effect that it does not intend to comply with its funding obligations under the Agreement or under other agreements generally (as reasonably determined by Agent) under which it has committed to extend credit, (d) failed, within 1 Business Day after written request by Agent, to confirm that it will comply with the terms of the Agreement relating to its obligations to fund any amounts required to be funded by it under the Agreement, (e) otherwise failed to pay over to Agent or any other Lender any other amount required to be paid by it under the Agreement, or (f) (i) becomes or is insolvent or has a parent company that has become or is insolvent, or (ii) becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, or custodian or appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment.

“Defaulting Lender Rate” means (a) for the first 3 days from and after the date the relevant payment is due, the Base Rate, and (b) thereafter, the interest rate then applicable to Advances that are Base Rate Loans (inclusive of the Base Rate Margin applicable thereto).

“Deposit Account” means any deposit account (as that term is defined in the Code).

“Designated Account” means the Deposit Account of Borrower identified on Schedule D-1.

“Designated Account Bank” has the meaning specified therefor in Schedule D-1.

“Designated Engines” means the Engines owned by Borrower that are identified on Schedule D-2.

“Dilution” means, as of any date of determination, a percentage, based upon the experience of the immediately prior 90 consecutive days, that is the result of dividing the Dollar amount of (a) bad debt write-downs, discounts, advertising allowances, credits, or other dilutive items with respect to Borrower’s Accounts and Mileage Plan Receivables (of the type that are eligible to be included as Eligible Accounts) during such period, by (b) Borrower’s billings with respect to Accounts and Mileage Plan Receivables (of the type that are eligible to be included as Eligible Accounts) during such period.

“Dilution Reserve” means, as of any date of determination, an amount sufficient to reduce the advance rate against Eligible Accounts by 1 percentage point for each percentage point by which Dilution is in excess of 5%.

“Dollars” or “\$” means United States dollars.

“Eligible Accounts” means those Receivables created by Borrower in the ordinary course of its business, that arise out of Borrower’s rendition of services or the sale of mileage plan awards, that comply with each of the representations and warranties respecting Eligible Accounts made in the Loan Documents, and that are not excluded as ineligible by virtue of one or more of the excluding criteria set forth below; provided, however, that such criteria may be revised from time to time by Agent in Agent’s Permitted Discretion to address the results of any audit performed by Agent from time to time after the Closing Date. In determining the amount to be included, Eligible Accounts shall be calculated net of customer deposits and unapplied cash. Eligible Accounts shall not include the following:

(a) (i) Accounts (other than Interline Receivables or Mileage Plan Receivables) that the Account Debtor has failed to pay within 90 days of original invoice date, that are more than 60 days past due, or that have selling terms of more than 45 days or (ii) Interline Receivables or Mileage Plan Receivables that the Account Debtor has failed to pay within 45 days of original invoice date, that are more than 30 days past due, or that have selling terms of more than 45 days,

(b) Receivables owed by an Account Debtor (or its Affiliates) where 50% or more of all Receivables owed by that Account Debtor (or its Affiliates) are deemed ineligible under clause (a) above,

(c) Receivables with respect to which the Account Debtor is an Affiliate of Borrower or an employee or agent of Borrower or any Affiliate of Borrower,

(d) Receivables that are Excluded Accounts,

(e) Receivables arising in a transaction involving terms or conditions by reason of which the payment by the Account Debtor may be conditional,

(f) Receivables that are not payable in Dollars,

(g) Receivables with respect to which the Account Debtor either (i) does not maintain its chief executive office in the United States, or (ii) is not organized under the laws of the United States or any state thereof, or (iii) is the government of any foreign country or sovereign state, or of any state, province, municipality, or other political subdivision thereof, or of any department, agency, public corporation, or other instrumentality thereof, unless (y) the Receivable is supported by an irrevocable letter of credit reasonably satisfactory to Agent (as to form, substance, and issuer or domestic confirming bank) that has been delivered to Agent and is directly drawable by Agent, or (z) the Receivable is covered by credit insurance in form, substance, and amount, and by an insurer, reasonably satisfactory to Agent,

(h) Receivables with respect to which the Account Debtor is either (i) the United States or any department, agency, or instrumentality of the United States (exclusive, however, of Receivables with respect to which Borrower has complied, to the reasonable satisfaction of Agent, with the Assignment of Claims Act, 31 USC §3727), or (ii) any state of the United States,

(i) Receivables with respect to which the Account Debtor is a creditor of Borrower, has or has asserted a right of setoff, or has disputed its obligation to pay all or any portion of the Receivable, to the extent of such claim, right of setoff, or dispute,

(j) (i) Receivables owed by Bank of America, N.A. or its Affiliates to the extent of the obligations owing by such Account Debtor in excess of 50% of all Eligible Accounts (such percentage being subject to reduction by Agent in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates), and (ii) Receivables with respect to any other Account Debtor whose total obligations owing to Borrower exceed 10% (such percentage as applied to a particular Account Debtor being subject to reduction by Agent in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates) of all Eligible Accounts, to the extent of the obligations owing by such Account Debtor in excess of such percentage; provided, however, that, in each case, the amount of Eligible Accounts that are excluded because they exceed the foregoing percentage shall be determined by Agent based on all of the otherwise Eligible Accounts prior to giving effect to any eliminations based upon the foregoing concentration limit,

(k) Receivables with respect to which the Account Debtor is subject to an Insolvency Proceeding, is not Solvent, has gone out of business, or as to which Borrower has received notice of an imminent Insolvency Proceeding or a material impairment of the financial condition of such Account Debtor,

(l) Receivables, the collection of which, Agent, in its Permitted Discretion, believes to be doubtful by reason of the Account Debtor's financial condition,

(m) Receivables that are not subject to a valid and perfected first priority Agent's Lien,

(n) Receivables with respect to which (i) the miles or mileage awards giving rise to such Receivable have not been transferred to and the Receivable billed to the Account Debtor, or (ii) the services giving rise to such Receivable have not been performed and billed to the Account Debtor,

(o) Receivables with respect to which the Account Debtor is a Sanctioned Person or Sanctioned Entity, or

(p) Receivables that represent the right to receive progress payments or other advance billings that are due prior to the completion of performance by Borrower of the subject contract.

"Eligible Engines" means the Designated Engines of Borrower so long as they have been maintained in conformity with the Maintenance Program, comply with each of the representations and warranties respecting Eligible Engines made in the Loan Documents, and are not excluded as ineligible by virtue of one or more of the excluding criteria set forth below; provided, however, that such criteria may be revised from time to time by Agent in Agent's Permitted Discretion to address the results of any audit or appraisal performed by Agent from time to time after the Closing Date. In determining the amount to be so included, Engines shall be valued at the lower of cost or market on a basis consistent with Borrower's historical accounting practices. An Engine shall not be included in Eligible Engines if:

(a) it is not a Designated Engine,

(b) Borrower does not have good, valid, and marketable title thereto,

(c) unless such Engine is attached to one of the Aircraft operated by Borrower as a result of a Permitted Engine Installation, or is the subject of a Permitted Lease, or is out for customary repairs that are not expected to take more than a normal service period to complete, it is not located at one of the locations identified on Schedule 4.28(e),

(d) unless such Engine is out for repair for customary repairs that are not expected to take more than a normal service period to complete, it is in the possession or control of a bailee, warehouseman, FAA repair station, overhaul or maintenance servicer, mechanic, or other third Person,

(e) it is located on Real Property leased by Borrower or in a contract warehouse, in each case, (i) unless it is subject to a Collateral Access Agreement executed by the lessor or warehouseman, as the case may be (provided, however, that, (x) during the 90-day period immediately following the Closing Date, such leased Real Property or contract warehouse need not be subject to a Collateral Access Agreement, and (y) during all times thereafter, either such leased Real Property or contract warehouse must be subject to a Collateral Access Agreement, or if such leased Real Property or contract warehouse is not subject to a Collateral Access Agreement, the failure to have a Collateral Access Agreement will not, in and of itself, render the Engine ineligible, but Agent may, at its election, establish a reserve against the Borrowing Base and the Maximum Revolver Amount in an aggregate amount equal to 3 months rent under the lease for each location (or, if applicable, 3 months of storage fees under the warehouse agreement for each contract warehouse) that is not subject to a Collateral Access Agreement), and (ii) unless it is segregated or otherwise separately identifiable from Engines of others, if any, stored on the premises,

(f) is not subject to a valid and perfected first priority Agent's Lien or is not free and clear of all Liens (other than a valid and perfected first priority Agent's Lien and Permitted Liens that are junior in priority to Agent's Lien),

(g) it is the subject of any warehouse receipt or other document of title, unless such receipt or other document of title is delivered to Agent with all necessary endorsements,

(h) it is beyond economic repair or obsolete, has not been maintained in accordance with the FARs or the Maintenance Program,

(j) it is either (i) not of good and merchantable quality, free from defects, in good operating condition and ready for immediate use or operation in accordance with the Maintenance Program, or (ii) following customary repairs that are not expected to take more than a normal service period to complete, will not be of good and merchantable quality, free from defects, in good operating condition and ready for immediate use or operation in accordance with the Maintenance Program,

(k) it does not have (i) all required FAA serviceability tags (if serviceable) or record (or, if applicable, full back-to-birth traceability), or (ii) all manuals, documents, and records required by the FARs or the Maintenance Program, or

(l) unless such Engine is attached to one of the Aircraft operated by Borrower as a result of a Permitted Engine Installation, or is the subject of a Permitted Lease, it has been installed on any Aircraft or any other item of Equipment or otherwise become an accession, or is the subject of a pooling, exchange, borrowing, leasing, consignment, or other similar arrangement.

"Eligible Expendables" means Expendables of Borrower, maintained in conformity with the Maintenance Program, that comply with each of the representations and warranties respecting Eligible Expendables made in the Loan Documents, and that are not excluded as ineligible by virtue of one or more of the excluding criteria set forth below; provided, however, that such criteria may be revised from time to time by Agent in Agent's Permitted Discretion to address the results of any audit or appraisal performed by Agent from time to time after the Closing Date. In determining the amount to be so included, Expendables shall be valued at the lower of cost or market on a basis consistent with Borrower's historical accounting practices. An Expendable shall not be included in Eligible Expendables if:

(a) Borrower does not have good, valid, and marketable title thereto,

(b) it is not located at one of the locations identified on Schedule 4.27,

(c) it is in the possession or control of a bailee, warehouseman, FAA repair station, overhaul or maintenance servicer, mechanic, or other third Person,

(d) it is located at a location at which less than [***] of otherwise Eligible Expendables, Eligible Ground Service Equipment, or Eligible Replaceable Spare Parts are located,

(e) it is located on Real Property leased by Borrower or in a contract warehouse, in each case, (i) unless it is subject to a Collateral Access Agreement executed by the lessor or warehouseman, as the case may be (provided, however, that, (x) during the 90-day period immediately following the Closing Date, such leased Real Property or contract warehouse need not be subject to a Collateral Access Agreement, and (y) during all times thereafter, either such leased Real Property or contract warehouse must be subject to a Collateral Access Agreement, or if such leased Real Property or contract warehouse is not subject to a Collateral Access Agreement, the failure to have a Collateral Access Agreement will not, in and of itself, render the Eligible Expendables ineligible, but Agent may, at its election, establish a reserve against the Borrowing Base and the Maximum Revolver Amount in an aggregate amount equal to 3 months rent under the lease for each location (or, if applicable, 3 months of storage fees under the warehouse agreement for each contract warehouse) that is not subject to a Collateral Access Agreement), and (ii) unless it is segregated or otherwise separately identifiable from Spare Parts of others, if any, stored on the premises,

(f) it is not subject to a valid and perfected first priority Agent's Lien or is not free and clear of all Liens (other than a valid and perfected first priority Agent's Lien and Permitted Liens that are junior in priority to Agent's Lien),

(g) it is the subject of any warehouse receipt or other document of title, unless such receipt or other document of title is delivered to Agent with all necessary endorsements,

(h) it is beyond economic repair, obsolete, or unserviceable, is not unused, has not been maintained in accordance with the FARs or the Maintenance Program, or is not in a condition for immediate use by Borrower in its Certificated Air Carrier operations in compliance with the FARs or the Maintenance Program,

(i) it does not have (i) all required FAA serviceability tags or records (or, if applicable, full back-to-birth traceability), or (ii) all manuals, documents, and records required by the FARs or the Maintenance Program,

(j) it has been installed on any Aircraft, Engine, other Spare Part, or any other item of Equipment or otherwise become an accession, or is the subject of a pooling, exchange, borrowing, leasing, consignment, or other similar arrangement, or

(k) such Expendable does not conform in all material respects to all applicable airworthiness directives or limits imposed by any Governmental Authority which has regulatory authority over such Expendable or its use.

"Eligible Ground Service Equipment" means Ground Service Equipment that is not excluded as ineligible by virtue of one or more of the excluding criteria set forth below; provided, however, that such criteria may be revised from time to time by Agent in Agent's Permitted Discretion to address the results of any audit or appraisal performed by Agent from time to time after the Closing Date. Ground Service Equipment shall not be included in Eligible Ground Service Equipment if:

(a) Borrower does not have good, valid, and marketable title thereto,

(b) it is not located at one of the locations identified on Schedule 4.28(d),

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) it is in the possession or control of a bailee, warehouseman, FAA repair station, overhaul or maintenance servicer, mechanic, or other third Person,

(d) it is located at a location at which less than [***] of otherwise Eligible Ground Service Equipment is located,

(e) it is stored on Real Property leased by Borrower unless such leased Real Property is subject to a Collateral Access Agreement executed by the lessor (provided, however, that, (i) during the 90-day period immediately following the Closing Date, such leased Real Property need not be subject to a Collateral Access Agreement, and (ii) during all times thereafter, either such leased Real Property must be subject to a Collateral Access Agreement or, if such Real Property is not subject to a Collateral Access Agreement, the failure to have a Collateral Access Agreement will not, in and of itself, render the Eligible Ground Service Equipment ineligible, but Agent may, at its election, establish a reserve against the Borrowing Base and the Maximum Revolver Amount in an aggregate amount equal to 3 months rent under the lease for each Real Property that is not subject to a Collateral Access Agreement),

(f) it is "subject to" (within the meaning of Section 9-311 of the Code) any certificate of title (or comparable) statute, or

(g) it is not subject to a valid and perfected first priority Agent's Lien or is not free and clear of all Liens (other than a valid and perfected first priority Agent's Lien and Permitted Liens that are junior in priority to Agent's Lien).

"Eligible Replaceable Spare Parts" means Replaceable Spare Parts of Borrower, manufactured and refurbished, as the case may be, in conformity with the Maintenance Program, that comply with each of the representations and warranties respecting Eligible Replaceable Spare Parts made in the Loan Documents, and that is not excluded as ineligible by virtue of one or more of the excluding criteria set forth below; provided, however, that such criteria may be revised from time to time by Agent in Agent's Permitted Discretion to address the results of any audit or appraisal performed by Agent from time to time after the Closing Date. In determining the amount to be so included, Replaceable Spare Parts shall be valued at the lower of cost or market on a basis consistent with Borrower's historical accounting practices. A Replaceable Spare Part shall not be included in Eligible Replaceable Spare Parts if:

(a) Borrower does not have good, valid, and marketable title thereto,

(b) it is not located at one of the locations identified on Schedule 4.27,

(c) it is in the possession or control of a bailee, warehouseman, FAA repair station, overhaul or maintenance servicer, mechanic, or other third Person,

(d) it is located at a location at which less than [***] of otherwise Eligible Expendables, Eligible Ground Service Equipment, or Eligible Replaceable Spare Parts are located,

(e) it is located on Real Property leased by Borrower or in a contract warehouse, in each case, (i) unless it is subject to a Collateral Access Agreement executed by the lessor or warehouseman, as the case may be (provided, however, that, (x) during the 90-day period immediately following the Closing Date, such leased Real Property or contract warehouse need not be subject to a Collateral Access Agreement, and (y)

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during all times thereafter, either such leased Real Property or contract warehouse must be subject to a Collateral Access Agreement, or if such leased Real Property or contract warehouse is not subject to a Collateral Access Agreement, the failure to have a Collateral Access Agreement will not, in and of itself, render the Eligible Replaceable Spare Parts ineligible, but Agent may, at its election, establish a reserve against the Borrowing Base and the Maximum Revolver Amount in an aggregate amount equal to 3 months rent under the lease for each location (or, if applicable, 3 months of storage fees under the warehouse agreement for each contract warehouse) that is not subject to a Collateral Access Agreement), and (ii) unless it is segregated or otherwise separately identifiable from Spare Parts of others, if any, stored on the premises,

(f) it is not subject to a valid and perfected first priority Agent's Lien or is not free and clear of all Liens (other than a valid and perfected first priority Agent's Lien and Permitted Liens that are junior in priority to Agent's Lien),

(g) it is the subject of any warehouse receipt or other document of title, unless such receipt or other document of title is delivered to Agent with all necessary endorsements,

(h) it is beyond economic repair, obsolete, or unserviceable, is not either unused or has not been rehabilitated to a fully serviceable condition, has not been maintained in accordance with the FARs or the Maintenance Program, or is not in a condition for immediate use by Borrower in its Certificated Air Carrier operations in compliance with the FARs or the Maintenance Program,

(i) it does not have (i) all required FAA serviceability tags or records (or, if applicable, full back-to-birth traceability), or (ii) all manuals, documents, and records required by the FARs or the Maintenance Program,

(j) it is installed on any Aircraft, Engine, or other Spare Part (other than an Eligible Replaceable Spare Part) or otherwise become an accession, or is the subject of a pooling, exchange, borrowing, leasing, consignment, or other similar arrangement, or

(k) such Replaceable Spare Part does not conform in all material respects to all applicable airworthiness directives or limits imposed by any Governmental Authority which has regulatory authority over such Replaceable Spare Part or its use.

"Engine" means an "aircraft engine" as defined in Section 40102 of the Federal Aviation Act.

"Engine and Spare Parts Security Agreement" means an engine and spare parts security agreement executed and delivered by Borrower in favor of Agent recorded with the FAA, in form and substance reasonably satisfactory to Agent.

"Environmental Action" means any written complaint, summons, citation, notice, directive, order, claim, litigation, investigation, judicial or administrative proceeding, judgment, letter, or other written communication from any Governmental Authority, or any third party involving violations of Environmental Laws or releases of Hazardous Materials (a) from any assets, properties, or businesses of Borrower or any of its predecessors in interest, (b) from adjoining properties or businesses, or (c) from or onto any facilities which received Hazardous Materials generated by Borrower or any of its predecessors in interest.

"Environmental Law" means any applicable federal, state, provincial, foreign or local statute, law, rule, regulation, ordinance, code, binding and enforceable guideline, binding and enforceable written policy, or rule of common law now or hereafter in effect and in each case as amended, or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, in each case, to the extent binding on Borrower, relating to the environment, the effect of the environment on employee health, or Hazardous Materials, in each case as amended from time to time.

“Environmental Liabilities” means all liabilities, monetary obligations, losses, damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts, or consultants, and costs of investigation and feasibility studies), fines, penalties, sanctions, and interest incurred as a result of any claim or demand, or Remedial Action required, by any Governmental Authority or any third party, and which relate to any Environmental Action.

“Environmental Lien” means any Lien in favor of any Governmental Authority for Environmental Liabilities.

“Equipment” means equipment (as that term is defined in the Code).

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto and the rules and regulations promulgated under such statutes.

“ERISA Affiliate” means (a) any Person subject to ERISA whose employees are treated as employed by the same employer as the employees of Borrower under IRC Section 414(b), (b) any trade or business subject to ERISA whose employees are treated as employed by the same employer as the employees of Borrower under IRC Section 414(c), (c) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any organization subject to ERISA that is a member of an affiliated service group of which Borrower is a member under IRC Section 414(m), or (d) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any Person subject to ERISA that is a party to an arrangement with Borrower and whose employees are aggregated with the employees of Borrower under IRC Section 414(o); or (e) any Person that is under “common control” with Borrower within the meaning of Section 4001(a)(14) of ERISA.

“ERISA Event” means (a) the occurrence of a Reportable Event, (b) the withdrawal of Borrower or any of its ERISA Affiliates from a Benefit Plan during a plan year in which it was a “substantial employer” (as defined in Section 4001(a)(2) of ERISA), (c) the providing of notice of intent to terminate a Benefit Plan in a distress termination (as described in Section 4041(c) of ERISA), (d) the institution by the PBGC of proceedings to terminate a Benefit Plan or the appointment of a trustee by the PBGC to administer any Benefit Plan, (e) any event or condition that provides a basis under Section 4042(a)(1), (2), or (3) of ERISA for the termination of, or the appointment of a trustee to administer, any Benefit Plan, (f) the providing of any security to any Benefit Plan under the IRC by Borrower or any of its ERISA Affiliates, (g) failure to meet the minimum funding standards under the Pension Funding Rules with respect to any Benefit Plan or the application for a waiver or modification of the minimum funding standards under the Pension Funding Rules or for the extension of any amortization period under the IRC, (h) the requirements of Section 4043(b) of ERISA apply with respect to a contributing sponsor (as defined in Section 4001(a)(13) of ERISA) of any Benefit Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Benefit Plan within the following 30 days, (i) the assertion or threat of a material claim, action, suit, proceeding, hearing, audit or investigation (other than routine claims for benefits) against any Benefit Plan or the assets thereof or against Borrower or any of its ERISA Affiliates in connection with any Benefit Plan that could reasonably be expected to result in a liability in excess of [***], (j) the receipt by Borrower or any of its ERISA Affiliates from the United States Internal Revenue Service of notice of the failure of any Benefit Plan (or any other employee benefit plan intended to be qualified under Section 401(a) of the IRC) to qualify under Section 401(a) of the IRC, or the failure of any trust forming part of any Benefit Plan or other employee benefit plan to qualify for exemption from taxation under Section 501(a) of the IRC, (k) the imposition of a Lien under the IRC or ERISA on the assets of Borrower or any of its ERISA Affiliates, (l) the establishment or amendment by Borrower or any of its ERISA Affiliates of any “employee benefit plan” within the meaning of Section 3(3) of ERISA, including a Benefit Plan or a Benefit Arrangement,

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or the existence of any facts with respect to any employee benefit plan or Benefit Arrangement, individually or in the aggregate, that would reasonably be expected to result in a Material Adverse Change.

“Event of Default” has the meaning specified therefor in Section 8 of the Agreement.

“Excess Availability” means, as of any date of determination, the amount equal to Availability *minus* the aggregate amount, if any, of all trade payables of Borrower aged in excess of historical levels with respect thereto and all book overdrafts of Borrower in excess of historical practices with respect thereto, in each case as determined by Agent in its Permitted Discretion.

“Exchange Act” means the Securities Exchange Act of 1934, as in effect from time to time.

“Excluded Accounts” means Accounts of Borrower that meet all of the following criteria: (i) they are due from a credit card or debit card issuer, (ii) they arise from the sale of goods or rendition of services by Borrower directly to a consumer customer of Borrower for such customer’s personal, family, or household purposes, (iii) they arise in the ordinary course of Borrower’s business, and (iv) they arise from transactions involving the use of credit cards or debit cards by Borrower’s consumer customers.

“Excluded Taxes” means (i) any tax imposed on the net income or net profits of any Lender or any Participant (including any branch profits taxes), in each case imposed by the jurisdiction (or by any political subdivision or taxing authority thereof) in which such Lender or such Participant is organized or the jurisdiction (or by any political subdivision or taxing authority thereof) in which such Lender’s or such Participant’s principal office is located in each case as a result of a present or former connection between such Lender or such Participant and the jurisdiction or taxing authority imposing the tax (other than any such connection arising solely from such Lender or such Participant having executed, delivered or performed its obligations or received payment under, or enforced its rights or remedies under the Agreement or any other Loan Document); (ii) taxes resulting from a Lender’s or a Participant’s failure to comply with the requirements of Section 16(c) or (d) of the Agreement, and (iii) any withholding taxes that would be imposed on amounts payable to a Foreign Lender based upon the applicable withholding rate in effect at the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office) or that result from a Pending Change in Tax Law that existed as of the date on which such Foreign Lender became a party to the Agreement (or designated a new lending office), except that Taxes shall include (A) any amount that such Foreign Lender (or its assignor, if any) was previously entitled to receive pursuant to Section 16(a) of the Agreement, if any, with respect to such withholding tax at the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office) provided however, that a Replacement Lender who becomes a party to the Agreement pursuant to Section 14.2 shall not be entitled to such amounts, and (B) additional United States federal withholding taxes that may be imposed after the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office), as a result of a Change in Tax Law (other than a Pending Change in Tax Law that existed as of the date such Foreign Lender became a party to the Agreement (or designated a new lending office)).

“Expendables” means those Spare Parts of Borrower for which no FAA or original equipment manufacturer authorized refurbishment procedure exists or for which the cost of repair or refurbishment would normally exceed that of replacement.

“FAA” shall mean the Federal Aviation Administration of the United States Department of Transportation and any subdivision or office thereof, and any successor or replacement administrator, agency or other entity having the same or similar authority and responsibilities.

“FARS” means the rules and regulations of the FAA, including as set forth in Title 14 of the Code of Federal Regulations.

“Federal Aviation Act” shall mean Title 49 of the United States Code, as amended from time to time, together with all rules, regulations, procedures, orders, handbooks, guidelines and interpretations thereunder or related thereto.

“Fee Letter” means that certain fee letter, dated as of even date with the Agreement, among Borrower and Agent, in form and substance reasonably satisfactory to Agent.

“Federal Funds Rate” means, for any period, a fluctuating interest rate per annum equal to, for each day during such period, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Agent from three Federal funds brokers of recognized standing selected by it.

“Foreign Lender” means any Lender or Participant that is not a United States person within the meaning of IRC section 7701(a)(30).

“Foreign Pension Plan” means any plan, fund (including any superannuation fund) or other similar program established or maintained outside the United States by Borrower or any of its ERISA Affiliates primarily for the benefit of employees of such Person residing outside the United States, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the IRC.

“Funding Date” means the date on which a Borrowing occurs.

“Funding Losses” has the meaning specified therefor in Section 2.12(b)(ii) of the Agreement.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States, consistently applied; provided, however, that all calculations relative to liabilities shall be made without giving effect to Statement of Financial Accounting Standards No. 159.

“Governing Documents” means, with respect to any Person, the certificate or articles of incorporation, by-laws, or other organizational documents of such Person.

“Governmental Authority” means any federal, state, local, or other governmental or administrative body, instrumentality, board, department, or agency or any court, tribunal, administrative hearing body, arbitration panel, commission, or other similar dispute-resolving panel or body.

“Ground Service Equipment” means Equipment of Borrower consisting of vehicles, tractors, de-icing Equipment, tug Equipment, air conditioning Equipment, man-lift Equipment, floor sweepers, loading Equipment, ramp Equipment, communications Equipment, and ground service Equipment (including baggage handling equipment, catering equipment, and maintenance equipment), and all support Equipment associated with any of the foregoing.

“Group” means Alaska Air Group, Inc., a Delaware corporation.

“Hazardous Materials” means (a) substances that are defined or listed in, or otherwise classified pursuant to, any applicable laws or regulations as “hazardous substances,” “hazardous materials,” “hazardous wastes,” “toxic substances,” or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity, or “EP toxicity”, (b) oil, petroleum, or petroleum derived substances, natural gas, natural gas liquids, synthetic gas, drilling fluids, produced waters, and other wastes associated with the exploration, development,

or production of crude oil, natural gas, or geothermal resources, (c) any flammable substances or explosives or any radioactive materials, and (d) asbestos in any form or electrical equipment that contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of 50 parts per million.

“Hedge Agreement” means a “swap agreement” as that term is defined in Section 101(53B)(A) of the Bankruptcy Code.

“Holdout Lender” has the meaning specified therefor in Section 14.2(a) of the Agreement.

“Indebtedness” as to any Person means (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations in respect of letters of credit, bankers acceptances, or other financial products, (c) all obligations of such Person as a lessee under Capital Leases, (d) all obligations or liabilities of others secured by a Lien on any asset of such Person, irrespective of whether such obligation or liability is assumed, (e) all obligations of such Person to pay the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business and repayable in accordance with customary trade practices), (f) all obligations of such Person owing under Hedge Agreements (which amount shall be calculated based on the amount that would be payable by such Person if the Hedge Agreement were terminated on the date of determination), (g) any Prohibited Preferred Stock of such Person, and (h) any obligation of such Person guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed, co-made, discounted, or sold with recourse) any obligation of any other Person that constitutes Indebtedness under any of clauses (a) through (g) above. For purposes of this definition, (i) the amount of any Indebtedness represented by a guaranty or other similar instrument shall be the lesser of the principal amount of the obligations guaranteed and still outstanding and the maximum amount for which the guaranteeing Person may be liable pursuant to the terms of the instrument embodying such Indebtedness, and (ii) the amount of any Indebtedness described in clause (d) above shall be the lower of the amount of the obligation and the fair market value of the assets of such Person securing such obligation.

“Indemnified Liabilities” has the meaning specified therefor in Section 10.3 of the Agreement.

“Indemnified Person” has the meaning specified therefor in Section 10.3 of the Agreement.

“Indemnified Taxes” means, any Taxes other than Excluded Taxes.

“Insolvency Proceeding” means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other state or federal bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

“Interest Period” means, with respect to each LIBOR Rate Loan, a period commencing on the date of the making of such LIBOR Rate Loan (or the continuation of a LIBOR Rate Loan or the conversion of a Base Rate Loan to a LIBOR Rate Loan) and ending 1, 2, or 3 months thereafter; provided, however, that (a) interest shall accrue at the applicable rate based upon the LIBOR Rate from and including the first day of each Interest Period to, but excluding, the day on which any Interest Period expires, (b) any Interest Period that would end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day, (c) with respect to an Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period), the Interest Period shall end on the last Business Day of the calendar month that is 1, 2, or 3 months after the date on which the Interest Period began, as applicable, and (d) Borrower may not elect an Interest Period which will end after the Maturity Date.

"Interline Receivables" means any and all of Borrower's rights to payment of a monetary obligation, whether or not earned by performance, owing from airlines (including any such rights to payment that are paid or payable by or through a clearinghouse), including rights to payment of a monetary obligation relative to (i) passenger flight tickets that were or will be issued by such airlines, (ii) baggage handling services, (iii) freight transportation, (iv) transportation related goods and services, such as maintenance, ground handling, catering, and rentals, and (v) Universal Air Travel Plan transactions.

"Inventory" means inventory (as that term is defined in the Code).

"Investment" means, with respect to any Person, any investment by such Person in any other Person (including Affiliates) in the form of loans, guarantees, advances, capital contributions (excluding (a) commission, travel, and similar advances to officers and employees of such Person made in the ordinary course of business, and (b) *bona fide* Accounts arising in the ordinary course of business), or acquisitions of Indebtedness, Stock, or all or substantially all of the assets of such other Person (or of any division or business line of such other Person), and any other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

"IRC" means the Internal Revenue Code of 1986, as in effect from time to time.

"Lender" has the meaning set forth in the preamble to the Agreement, shall include the Swing Lender, and shall also include any other Person made a party to the Agreement pursuant to the provisions of Section 13.1 of the Agreement and "Lenders" means each of the Lenders or any two or more of them.

"Lender Group" means each of the Lenders and Agent, or any one or more of them.

"Lender Group Expenses" means all [***].

"Lender Group Representatives" has the meaning specified therefor in Section 17.8 of the Agreement.

"Lender-Related Person" means, with respect to any Lender, such Lender, together with such Lender's Affiliates, officers, directors, employees, attorneys, and agents.

"LIBOR Deadline" has the meaning specified therefor in Section 2.12(b)(i) of the Agreement.

"LIBOR Notice" means a written notice in the form of Exhibit L-1.

"LIBOR Option" has the meaning specified therefor in Section 2.12(a) of the Agreement.

"LIBOR Rate" means the rate per annum rate appearing on Bloomberg L.P.'s (the "Service") Page BBAM1/(Official BBA USD Dollar Libor Fixings) (or on any successor or substitute page of such Service, or any successor to or substitute for such Service) 2 Business Days prior to the commencement of the requested Interest Period, for a term and in an amount comparable to the Interest Period and the amount of the LIBOR Rate Loan requested (whether as an initial LIBOR Rate Loan or as a continuation of a LIBOR Rate Loan or as a conversion of a Base Rate Loan to a LIBOR Rate Loan) by Borrower in accordance with the Agreement, which determination shall be conclusive in the absence of manifest error.

"LIBOR Rate Loan" means each portion of an Advance that bears interest at a rate determined by reference to the LIBOR Rate.

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

“LIBOR Rate Margin” means [***].

“Lien” means any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, easement, lien (statutory or other), security interest, or other security arrangement and any other preference, priority, or preferential arrangement of any kind or nature whatsoever, including any conditional sale contract or other title retention agreement, the interest of a lessor under a Capital Lease and any synthetic or other financing lease having substantially the same economic effect as any of the foregoing.

“Liquidity” means, as of any date of determination, the sum of, without duplication, (a) the amount on deposit with Deposit Accounts as of such date, plus (b) the amount of unrestricted cash and Cash Equivalents as of such date, plus (c) the amount of unrestricted Marketable Securities as of such date, in each case excluding any such amounts subject to a Lien permitted pursuant to clause (q) of the definition of Permitted Liens.

“Loan Account” has the meaning specified therefor in Section 2.9 of the Agreement.

“Loan Documents” means the Agreement, any Borrowing Base Certificate, the Controlled Account Agreements, the Control Agreements, Engine and Spare Parts Security Agreement, the Fee Letter, the Security Agreement, any note or notes executed by Borrower in connection with the Agreement and payable to any member of the Lender Group, and any other agreement entered into, now or in the future, by Borrower and any member of the Lender Group in connection with the Agreement.

“Maintenance Program” means an FAA approved maintenance program that covers Borrower’s Engines and Spare Parts (which may be the FAA approved maintenance program of a lessee during the term of a lease of a Designated Engine permitted by the Agreement).

“Margin Stock” as defined in Regulation U of the Board of Governors of the Federal Reserve System as in effect from time to time.

“Marketable Securities” means “available for sale securities” as determined in accordance with GAAP.

“Material Adverse Change” means (a) a material adverse change in the business, operations, assets, liabilities or financial condition of Borrower, (b) a material impairment of Borrower’s ability to perform its obligations under the Loan Documents to which it is a party or of the Lender Group’s ability to enforce the Obligations or realize upon the Collateral, or (c) a material impairment of the enforceability or priority of Agent’s Liens with respect to the Collateral as a result of an action or failure to act on the part of Borrower.

“Material Contract” means, with respect to any Person, each contract or agreement to which such Person is a party and that such Person is required to file with the SEC under Item 1.01 of Form 8-K of the SEC.

“Maturity Date” has the meaning specified therefor in Section 3.3 of the Agreement.

“Maximum Revolver Amount” means \$100,000,000, decreased by the amount of reductions in the Commitments made in accordance with Section 2.4(c) of the Agreement.

“Mileage Plan Receivable” means any and all rights of Borrower to payment of a monetary obligation, whether or not earned by performance, for the purchase of miles (currently referred to as “Mileage Plan Miles”) or credits.

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

“Multiemployer Plan” means a “multiemployer plan” (as defined in Section 3(37) or 4001(a)(3) of ERISA) to which Borrower or any of its ERISA Affiliates has contributed, or was obligated to contribute, or with respect to which any of them had any liability at any time.

“Net Liquidation Percentage” means the percentage of the book value of Borrower’s Inventory that is estimated to be recoverable in an orderly liquidation of such Inventory net of all associated costs and expenses of such liquidation, such percentage to be as determined from time to time by an appraisal company selected by Agent.

“Obligations” means all loans (including the Advances), debts, principal, interest (including any interest that accrues after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), premiums, liabilities (including all amounts charged to the Loan Account pursuant to the Agreement), obligations (including indemnification obligations), fees (including the fees provided for in the Fee Letter), Lender Group Expenses (including any fees or expenses that accrue after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), guaranties, covenants, and duties of any kind and description owing by Borrower pursuant to or evidenced by the Agreement or any of the other Loan Documents and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all interest not paid when due and all other expenses or other amounts that Borrower is required to pay or reimburse by the Loan Documents or by law or otherwise in connection with the Loan Documents. Any reference in the Agreement or in the Loan Documents to the Obligations shall include all or any portion thereof and any extensions, modifications, renewals, or alterations thereof, both prior and subsequent to any Insolvency Proceeding.

“OFAC” means The Office of Foreign Assets Control of the U.S. Department of the Treasury.

“Originating Lender” has the meaning specified therefor in Section 13.1(e) of the Agreement.

“Overadvance” has the meaning specified therefor in Section 2.5 of the Agreement.

“Participant” has the meaning specified therefor in Section 13.1(e) of the Agreement.

“Patriot Act” has the meaning specified therefor in Section 4.18 of the Agreement.

“Payoff Date” means the first date on which all of the Obligations are paid in full and the Commitments of the Lenders are terminated.

“PBGC” means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any entity succeeding to any or all of its functions under ERISA.

“PDP Facility” means a loan facility provided to finance the making of advance purchase deposits to The Boeing Company which is secured by Borrower’s contract rights in and to the Aircraft to be purchased from The Boeing Company.

“PDP Facility Documents” means the loan and security documents related to the PDP Facility or executed in connection therewith.

“Pending Change in Tax Law” means any Change in Tax Law (a) that is not in effect at the time a Foreign Lender becomes a party to the Agreement (or designates a new lending office) and (b) as to which a public announcement concerning the enactment of such Change in Tax Law was made at least 5 Business Days prior to the date on which such Foreign Lender becomes a party to the Agreement (or designates a new lending office).

“Pension Act” means the Pension Protection Act of 2006, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“Pension Funding Rules” means the rules of the IRC and ERISA regarding minimum required contributions (including any installment payment thereof) to a Benefit Plan, including those set forth in Section 412 of the IRC and Section 302 of ERISA in effect before the Pension Act with respect to plan years ending before the effective date of the Pension Act as it applies to such Benefit Plan, and with respect to plan years ending after the effective date of the Pension Act to the Benefit Plan, including those set forth in Sections 412 and 430 of the Code and Sections 302 and 303 of ERISA.

“Permitted Acquisition” means any Acquisition so long as:

(a) no Default or Event of Default shall have occurred and be continuing or would result from the consummation of the proposed Acquisition and the proposed Acquisition is consensual,

(b) if prepared, Borrower has provided Agent with its due diligence package relative to the proposed Acquisition,

(c) Borrower shall have Availability plus Liquidity in an amount equal to or greater than \$600,000,000 immediately after giving effect to the consummation of the proposed Acquisition,

(d) Borrower has endeavored to provide Agent with written notice of the proposed Acquisition at least 15 Business Days prior to the anticipated closing date of the proposed Acquisition and, not later than 5 Business Days prior to the anticipated closing date of the proposed Acquisition, copies of the acquisition agreement and other material documents relative to the proposed Acquisition, but a non-willful failure of Borrower to so notify Agent shall not prevent the subject transaction from being a Permitted Acquisition, and

(e) the assets being acquired (other than a *de minimis* amount of assets in relation to Borrower’s total assets), or the Person whose Stock is being acquired, are useful in or engaged in, as applicable, the business of Borrower or a business reasonably related thereto.

“Permitted Discretion” means a determination made in the exercise of reasonable (from the perspective of a secured lender) business judgment.

“Permitted Dispositions” means:

(a) sales, abandonment, or other dispositions of Equipment (other than the Designated Engines and other than any Eligible Ground Service Equipment or Eligible Spare Parts that, in the case of Eligible Ground Service Equipment or Eligible Spare Parts, was included in the Borrowing Base in the most recent Borrowing Base Certificate) that is substantially worn, damaged, no longer useful to Borrower, or obsolete, in each case, in the ordinary course of Borrower’s business,

(b) sales of Inventory to buyers in the ordinary course of business,

(c) so long as in the ordinary course of Borrower’s business, the lending of Spare Parts to, or exchange of Spare Parts with, other airlines,

(d) so long as in the ordinary course of Borrower's business, the sale, lease, or other disposition of Engines that are not Designated Engines that Borrower determines to be no longer useful to the conduct of Borrower's business (including the return of leased Engines),

(e) so long as in the ordinary course of Borrower's business, the sale, lease, or other disposition of Aircraft owned or leased by Borrower that Borrower determines to be no longer useful to the conduct of Borrower's business (including the return of leased Aircraft),

(f) the making of Permitted Spare Parts Installations (exclusive of any installation of Spare Parts of Borrower into other Spare Parts of Borrower, the installation of Spare Parts of Borrower into the Designated Engines, or the installation of Spare Parts of Borrower into any Ground Service Equipment of Borrower),

(g) the making of Permitted Exchanges,

(h) the making of Permitted Leases,

(i) the use or transfer of money or Cash Equivalents in a manner that is not prohibited by the terms of the Agreement or the other Loan Documents,

(j) the licensing, on a non-exclusive basis, of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of Borrower's business,

(k) the granting of Permitted Liens,

(l) the sale or discount, in each case without recourse, of Accounts arising in the ordinary course of business, but only in connection with the compromise or collection thereof,

(m) any involuntary loss, damage or destruction of property,

(n) any involuntary condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, or confiscation or requisition of use of property,

(o) the leasing or subleasing of assets of Borrower (other than the Designated Engines and other than any Eligible Ground Service Equipment or Eligible Spare Parts that, in the case of Eligible Ground Service Equipment or Eligible Spare Parts, was included in the Borrowing Base in the most recent Borrowing Base Certificate) in the ordinary course of business,

(p) the sale or issuance of Stock (other than Prohibited Preferred Stock) of Borrower,

(q) the lapse of registered patents, trademarks and other intellectual property of Borrower to the extent not economically desirable in the conduct of its business,

(r) the making of a Restricted Junior Payment that is expressly permitted to be made pursuant to the Agreement,

(s) the making of a Permitted Investment,

(t) so long as no Event of Default has occurred and is continuing and so long as no Overadvance exists either immediately before or immediately after giving effect thereto, the sale of miles in exchange for a contemporaneous payment of the purchase price therefor,

(u) so long as, at the time of a particular disposition, the Threshold Usage Amount does not exist, dispositions of assets (other than Accounts, Interline Receivables, Mileage Plan Receivables, and miles) not otherwise permitted in clauses (a) through (s) above, so long as such dispositions are made at fair market value and in the ordinary course of Borrower's business, and

(v) if, at the time of a particular disposition, the Threshold Usage Amount does exist, dispositions of assets (other than Accounts, Interline Receivables, Mileage Plan Receivables, and miles) not otherwise permitted in clauses (a) through (s) above, so long as made at fair market value and so long as the aggregate fair market value of all assets (other than real property and related improvements, which shall not be subject to, nor be counted towards, the Dollar limitation) disposed of in all such dispositions during any fiscal year (including the proposed disposition) would not exceed [***]; provided, however, that if any such disposition involves a Designated Engine, Eligible Expendables, Eligible Ground Service Equipment, or Eligible Replaceable Spare Parts, then, as a condition to consummating such disposition, Borrower must prepay the Obligations by an amount sufficient to create borrowing availability of not less than the greater of: (i) the amount of borrowing availability that had been created immediately before giving effect to the proposed disposition by the inclusion of the Designated Engine, Eligible Expendables, Eligible Ground Service Equipment, or Eligible Replaceable Spare Parts in the Borrowing Base, or (ii) the amount of borrowing availability that existed immediately before giving effect to the proposed disposition.

"Permitted Engine Installations" means, so long as in the ordinary course of Borrower's business and so long as no Lien of any Person (other than Agent) would attach to such Engines as a result thereof, the installation of (but not the transfer of ownership of) the Designated Engines to Aircraft operated by Borrower.

"Permitted Exchange" means an exchange (an "Exchange") of a Designated Engine (the "Exchanged Engine") for an Engine (the "Replaced Engine") that is attached to an Aircraft leased by Borrower, which lease will terminate in less than 5 Business Days, which Exchange Borrower is proposing to make because the Replaced Engine does not meet the return requirements specified in the subject lease, if and so long as (a) at the time of the consummation of such Exchange, no Event of Default has occurred and is continuing, (b) no Overadvance exists either immediately before or immediately after giving effect to the Exchange (calculated without regard to value, if any, in the Borrowing Base on account of the Replacement Engine), (c) prior to the consummation of such Exchange, Borrower executes and delivers to Agent, in recordable form, any amendment or supplement to the Engine and Spare Parts Security Agreement that Agent reasonably requests in order to grant Agent a first priority security interest in the Replacement Engine, (d) prior to the consummation of such Exchange, Borrower has given Agent not less than 5 Business Days prior written notice concerning the prospective Exchange, including a reasonable amount of detail regarding the value and condition of the Replacement Engine, and (e) if, at the time of the consummation of the Exchange, the Revolver Usage is [***], or greater, Borrower repays the Obligations by an amount sufficient to create borrowing availability of not less than the greater of: (i) the amount of borrowing availability that had been created immediately before giving effect to the proposed Exchange by the inclusion of the Exchanged Engine in the Borrowing Base, or (ii) the amount of borrowing availability that existed immediately before giving effect to the proposed Exchange.

"Permitted Indebtedness" means:

- (a) Indebtedness evidenced by the Agreement and the other Loan Documents,
- (b) Indebtedness set forth on Schedule 4.19 and any Refinancing Indebtedness in respect of such Indebtedness,

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

- (c) endorsement of instruments or other payment items for deposit,
 - (d) Indebtedness consisting of (i) unsecured guarantees incurred in the ordinary course of business with respect to surety and appeal bonds, performance bonds, bid bonds, completion guarantee and similar obligations; and (ii) unsecured guarantees arising with respect to customary indemnification obligations to purchasers in connection with Permitted Dispositions,
 - (e) Indebtedness incurred in the ordinary course of business under performance, surety, statutory, and appeal bonds,
 - (f) Indebtedness incurred in respect of credit cards, credit card processing services, debit cards, stored value cards, purchase cards (including so-called “procurement cards” or “P-cards”), or Cash Management Services, in each case, incurred in the ordinary course of business,
 - (g) Indebtedness incurred under the Bank Facility in an aggregate outstanding principal amount not to exceed \$100,000,000 and any Refinancing Indebtedness in respect of any such Indebtedness,
 - (h) Indebtedness incurred under the PDP Facility Documents in an aggregate outstanding amount not to exceed \$250,000,000 and any Refinancing Indebtedness in respect of any such Indebtedness,
 - (i) Indebtedness owed to any Person providing property, casualty, liability, or other insurance to Borrower, so long as the amount of such Indebtedness is not in excess of the amount of the unpaid cost of, and shall be incurred only to defer the cost of, such insurance for the year in which such Indebtedness is incurred and such Indebtedness is outstanding only during such year,
 - (j) the incurrence by Borrower of Indebtedness under Hedge Agreements that are incurred for the bona fide purpose of hedging the interest rate, foreign currency or commodity risk associated with Borrower’s operations and not for speculative purposes,
 - (k) unsecured Indebtedness incurred in respect of netting services, overdraft protection, and other like services, in each case, incurred in the ordinary course of business,
 - (l) unsecured Indebtedness of Borrower owing to former employees, officers, or directors (or any spouses, ex-spouses, or estates of any of the foregoing) incurred in connection with the repurchase by Borrower of the Stock of Group that has been issued to such Persons, so long as (i) no Event of Default has occurred and is continuing or would result from the incurrence of such Indebtedness, (ii) the aggregate amount of all such Indebtedness outstanding at any one time does not exceed \$1,000,000, and (iii) such Indebtedness is subordinated to the Obligations on terms and conditions reasonably acceptable to Agent,
 - (m) unsecured Indebtedness owing to sellers of assets or Stock to Borrower that is incurred by Borrower in connection with the consummation of one or more Permitted Acquisitions,
 - (n) Indebtedness composing Permitted Investments,
 - (o) Indebtedness incurred to finance Borrower’s purchase or ownership of Aircraft, Engines (other than the Designated Engines), flight simulators, other flight Equipment (other than Expendables, Spare Parts, and Ground Service Equipment), or real property so long as such Indebtedness is underwritten based upon the value of the Equipment or real property that is security for such Indebtedness,
 - (p) unsecured Indebtedness of Borrower evidenced by bonds or debentures, so long as (i) no Event of Default has occurred and is continuing or would result from the incurrence of such Indebtedness, and (ii) the aggregate amount of all such Indebtedness outstanding at any one time does not exceed \$200,000,000,
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(q) Indebtedness in respect of letters of credit obtained in the ordinary course of business, and

(r) Indebtedness incurred in the ordinary course of Borrower's business.

"Permitted Investments" means:

(a) Investments in cash and Cash Equivalents,

(b) Investments in negotiable instruments deposited or to be deposited for collection in the ordinary course of business,

(c) advances made in connection with purchases of goods or services in the ordinary course of business,

(d) Investments received in settlement of amounts due to Borrower effected in the ordinary course of business or owing to Borrower as a result of Insolvency Proceedings involving an Account Debtor or upon the foreclosure or enforcement of any Lien in favor of Borrower,

(e) Investments owned by Borrower on the Closing Date and set forth on Schedule P-1,

(f) guarantees permitted under the definition of Permitted Indebtedness,

(g) so long as no Event of Default has occurred and is continuing or would result therefrom, so long as Borrower has Liquidity of \$600,000,000, or greater, before and immediately after giving effect thereto, and so long as made in the ordinary course of Borrower's business, Investments in Affiliates of Borrower,

(h) Stock or other securities acquired in connection with the satisfaction or enforcement of Indebtedness or claims due or owing to Borrower (in bankruptcy of customers or suppliers or otherwise outside the ordinary course of business) or as security for any such Indebtedness or claims,

(i) deposits of cash made in the ordinary course of business to secure performance of operating leases,

(j) non-cash loans to employees, officers, and directors of Borrower for the purpose of purchasing Stock in Group so long as the proceeds of such loans are used in their entirety to purchase such stock in Group,

(k) Investments resulting from entering into any agreement relative to financial products or services (including Hedge Agreements) that is permitted under the Agreement,

(l) Permitted Acquisitions,

(m) Investments resulting from loans made by Borrower to Group, the proceeds of which shall be used by Group solely to pay (i) (y) franchise taxes (other than income taxes) and other fees, taxes and expenses required to maintain its corporate existence or arising as a result of its ownership of Borrower, and (z) federal, state and local income taxes, to the extent such income taxes are attributable to the income of Borrower; provided that the amount of such loans in any fiscal year does not exceed the amount that Borrower would be required to pay in respect of federal, state and local taxes for such fiscal year were Borrower to pay such taxes separately from Group, and (ii) ordinary course operating and corporate overhead expenses and administrative and similar expenses related to its existence and ownership of Borrower, and

(n) so long as no Event of Default has occurred and is continuing or would result therefrom and so long as Borrower has Liquidity of \$600,000,000, or greater, before and immediately after giving effect thereto, any other Investments in an aggregate amount not to exceed \$250,000,000 during the term of the Agreement.

“Permitted Lease” means the lease of Designated Engines by Borrower to unaffiliated third Persons, if and so long as (a) at the time of the execution and delivery of the subject lease, no Event of Default has occurred and is continuing, (b) at the time of the execution and delivery of the subject lease, the Threshold Usage Amount does not exist, (c) the subject lease is for a term of not more than [***], (d) the enforceability, perfection, or remedial rights (other than in respect of the quiet enjoyment of the lessee) respecting Agent’s Lien on the subject Engines are not impaired, in whole or in part, by the execution and delivery of the subject lease nor by the use, or the permitted locations of use, that the prospective lessee would enjoy under the terms of the prospective lease, (e) Agent retains a perfected security interest in the rights to payment due to Borrower under the subject lease, (f) Borrower has given Agent not less than 5 Business Days prior written notice concerning the prospective lease, including a reasonable amount of detail concern the terms of such lease, (g) the lease rate and other consideration payable by the lessee under the subject lease, in Borrower’s reasonable opinion, represents fair market value for the subject Engines, and (h) no more than [***] Engines are subject to such leases at any one time.

“Permitted Liens” means

- (a) Liens held by Agent to secure the Obligations,
- (b) Liens for unpaid taxes, assessments, or other governmental charges or levies that either (i) are not yet delinquent, or (ii) do not have priority over Agent’s Liens and the underlying taxes, assessments, or charges or levies are the subject of Permitted Protests,
- (c) judgment Liens arising solely as a result of the existence of judgments, orders, or awards that do not constitute an Event of Default under Section 8.3 of the Agreement,
- (d) Liens set forth on Schedule P-2; provided, however, that to qualify as a Permitted Lien, any such Lien described on Schedule P-2 shall only secure the Indebtedness that it secures on the Closing Date and any Refinancing Indebtedness in respect thereof,
- (e) the interests of lessors under operating leases and non-exclusive licensors under license agreements,
- (f) [Intentionally omitted],
- (g) Liens arising by operation of law in favor of warehousemen, landlords, carriers, mechanics, materialmen, laborers, or suppliers, incurred in the ordinary course of business and not in connection with the borrowing of money, and which Liens either (i) are for sums not yet delinquent, or (ii) are the subject of Permitted Protests,
- (h) Liens on amounts deposited to secure Borrower’s obligations in connection with worker’s compensation or other unemployment insurance,
- (i) Liens on amounts deposited to secure Borrower’s obligations in connection with the making or entering into of bids, tenders, or leases in the ordinary course of business and not in connection with the borrowing of money,

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(j) Liens on amounts deposited to secure Borrower's reimbursement obligations with respect to surety or appeal bonds obtained in the ordinary course of business,

(k) with respect to any Real Property, easements, rights of way, and zoning restrictions that do not materially interfere with or impair the use or operation thereof,

(l) non-exclusive licenses of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of business,

(m) Liens that are replacements of Permitted Liens to the extent that the original Indebtedness is the subject of permitted Refinancing Indebtedness and so long as the replacement Liens only encumber those assets that secured the original Indebtedness,

(n) rights of setoff or bankers' liens upon deposits of cash in favor of banks or other depository institutions, solely to the extent incurred in connection with the maintenance of such deposit accounts in the ordinary course of business,

(o) Liens granted in the ordinary course of business on the unearned portion of insurance premiums securing the financing of insurance premiums to the extent the financing is permitted under the definition of Permitted Indebtedness,

(p) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods,

(q) Liens securing Indebtedness permitted pursuant to clause (g) of the definition of Permitted Indebtedness; provided, however, that such Liens shall only extend to pledges of cash by Borrower and the collateral described in the security agreements entered into in connection with the original closing of such facility (including any replacements or proceeds thereof); provided further, however, that in no event shall any of the Liens permitted by this clause (q) include Liens on any Collateral,

(r) Liens on Borrower's contract rights in and to the Aircraft to be purchased from The Boeing Company securing Indebtedness permitted pursuant to clause (h) of the definition of Permitted Indebtedness,

(s) Liens on Borrower's Aircraft, Engines (other than the Designated Engines), flight simulators, other flight Equipment (other than Expendables, Spare Parts, and Ground Service Equipment), or real property securing Indebtedness permitted pursuant to clause (o) of the definition of Permitted Indebtedness,

(t) Liens on amounts deposited to secure Borrower's reimbursement obligations with respect to letters of credit obtained pursuant to clause (q) of the definition of Permitted Indebtedness, and

(u) other Liens (which do not secure Indebtedness for borrowed money (including bonds or debentures), letters of credit, or an item of Permitted Indebtedness that is expressly identified as being unsecured) and as to which the aggregate amount of the obligations secured thereby does not exceed \$25,000,000 at any one time.

"Permitted Preferred Stock" means and refers to any Preferred Stock issued by Borrower that is not Prohibited Preferred Stock.

“Permitted Protest” means the right of Borrower to protest any Lien (other than any Lien that secures the Obligations), taxes (other than payroll taxes or taxes that are the subject of a United States federal tax lien), or rental payment, provided that (a) a reserve with respect to such obligation is established on Borrower’s books and records in such amount as is required under GAAP, (b) any such protest is instituted promptly and prosecuted diligently by Borrower in good faith, and (c) Agent is satisfied that, while any such protest is pending, there will be no impairment of the enforceability, validity, or priority of any of Agent’s Liens.

“Person” means natural persons, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, trusts, land trusts, business trusts, or other organizations, irrespective of whether they are legal entities, and governments and agencies and political subdivisions thereof.

“Permitted Spare Parts Installations” means, so long as in the ordinary course of Borrower’s business, the installation of Spare Parts of Borrower into Aircraft or Engines operated by Borrower or into other Equipment of Borrower.

“Preferred Stock” means, as applied to the Stock of any Person, the Stock of any class or classes (however designated) that is preferred with respect to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Stock of any other class of such Person.

“Prohibited Preferred Stock” means any Preferred Stock that by its terms is mandatorily redeemable or subject to any other payment obligation (including any obligation to pay dividends, other than dividends of shares of Preferred Stock of the same class and series payable in kind or dividends of shares of common stock) on or before a date that is less than 1 year after the Maturity Date, or, on or before the date that is less than 1 year after the Maturity Date, is redeemable at the option of the holder thereof for cash or assets or securities (other than distributions in kind of shares of Preferred Stock of the same class and series or of shares of common stock).

“Projections” means Borrower’s forecasted (a) profit and loss statements, and (b) cash flow statements, all prepared on a basis consistent with Borrower’s historical financial statements, together with appropriate supporting details and a statement of underlying assumptions.

“Pro Rata Share” means, as of any date of determination:

(a) with respect to a Lender’s obligation to make Advances and right to receive payments of principal, interest, fees, costs, and expenses with respect thereto, (i) prior to the Commitments being terminated or reduced to zero, the percentage obtained by dividing (y) such Lender’s Commitment, by (z) the aggregate Commitments of all Lenders, and (ii) from and after the time that the Commitments have been terminated or reduced to zero, the percentage obtained by dividing (y) the outstanding principal amount of such Lender’s Advances by (z) the outstanding principal amount of all Advances,

(b) [Intentionally Omitted].

(c) with respect to all other matters as to a particular Lender (including the indemnification obligations arising under Section 15.7 of the Agreement), (i) prior to the Commitments being terminated or reduced to zero, the percentage obtained by dividing (y) such Lender’s Commitment, by (z) the aggregate amount of Commitments of all Lenders, and (ii) from and after the time that the Commitments have been terminated or reduced to zero, the percentage obtained by dividing (y) the outstanding principal amount of such Lender’s Advances, by (z) the outstanding principal amount of all Advances.

“Protective Advances” has the meaning specified therefor in Section 2.3(d)(i) of the Agreement.

“Qualified Cash” means, as of any date of determination, the amount of unrestricted cash and Cash Equivalents of Borrower that is in Deposit Accounts or in Securities Accounts, or any combination thereof, and which such Deposit Account or Securities Account is the subject of a Control Agreement and is maintained by a branch office of the bank or securities intermediary located within the United States.

“Receivables” means (a) Accounts, (b) Interline Receivables, and (c) Mileage Plan Receivables.

“Record” means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

“Refinancing Indebtedness” means refinancings, renewals, or extensions of Indebtedness so long as:

(a) such refinancings, renewals, or extensions do not result in an increase in the principal amount of the Indebtedness so refinanced, renewed, or extended, other than by the amount of premiums paid thereon and the fees and expenses incurred in connection therewith and by the amount of unfunded commitments with respect thereto,

(b) such refinancings, renewals, or extensions do not result in a shortening of the average weighted maturity (measured as of the refinancing, renewal, or extension) of the Indebtedness so refinanced, renewed, or extended, nor are they on terms or conditions that, taken as a whole, are or could reasonably be expected to be materially adverse to the interests of the Lenders,

(c) if the Indebtedness that is refinanced, renewed, or extended was subordinated in right of payment to the Obligations, then the terms and conditions of the refinancing, renewal, or extension must include subordination terms and conditions that are at least as favorable to the Lender Group as those that were applicable to the refinanced, renewed, or extended Indebtedness, and

(d) the Indebtedness that is refinanced, renewed, or extended is not recourse to any Person that is liable on account of the Obligations other than those Persons which were obligated with respect to the Indebtedness that was refinanced, renewed, or extended.

“Related Fund” means, with respect to any Lender that is an investment fund, any other investment fund that invests in commercial loans and that is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

“Remedial Action” means all actions taken to (a) clean up, remove, remediate, contain, treat, monitor, assess, evaluate, or in any way address Hazardous Materials in the indoor or outdoor environment, (b) prevent or minimize a release or threatened release of Hazardous Materials so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, (c) restore or reclaim natural resources or the environment, (d) perform any pre-remedial studies, investigations, or post-remedial operation and maintenance activities, or (e) conduct any other actions with respect to Hazardous Materials required by Environmental Laws.

“Replacement Lender” has the meaning specified therefor in Section 2.13(b) of the Agreement.

“Report” has the meaning specified therefor in Section 15.16 of the Agreement.

“Replaceable Spare Parts” means those Spare Parts that, in accordance with the FARs and the Maintenance Program, are either (a) rotatable Spare Parts (i.e., Spare Parts that can be repeatedly restored to a serviceable condition) that are maintained by Borrower by serial number, or (b) replaceable Spare Parts that

Borrower does not maintain by serial number, that can be economically restored to a serviceable condition over a period that (i) in the case of replaceable Spare Parts, may have a life shorter than the life of the flight equipment to which they are related, and (ii) in the case of rotatable Spare Parts, approximates or exceeds the life of the flight equipment to which they are related and, in either case, are not treated by Borrower as Expendables.

“Representation” has the meaning specified therefor in Section 8.8 of the Agreement.

“Reportable Event” shall mean an event described in Section 4043(c) of ERISA with respect to a Benefit Plan that is subject to Title IV of ERISA, other than those events as to which the 30-day notice period is waived under subsection .22, .23, .25, .27 or .28 of the PBGC Regulations under Section 4043.

“Required Availability” means that the sum of (a) Excess Availability, *plus* (b) Liquidity of Borrower exceeds \$500,000,000.

“Required Lenders” means, at any time, Lenders whose aggregate Pro Rata Shares (calculated under clause (c) of the definition of Pro Rata Shares) exceed 50%; provided, however, that at any time there are 2 or more Lenders, “Required Lenders” must include at least 2 Lenders.

“Reserve Percentage” means, on any day, for any Lender, the maximum percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor Governmental Authority) for determining the reserve requirements (including any basic, supplemental, marginal, or emergency reserves) that are in effect on such date with respect to eurocurrency funding (currently referred to as “eurocurrency liabilities”) of that Lender, but so long as such Lender is not required or directed under applicable regulations to maintain such reserves, the Reserve Percentage shall be zero.

“Responsible Officer” means any Executive Vice President, Finance & Chief Officer, and Vice President, Finance & Treasurer of Borrower.

“Restricted Junior Payment” means to (a) declare or pay any dividend or make any other payment or distribution on account of Stock issued by Borrower (including any payment in connection with any merger or consolidation involving Borrower) or to the direct or indirect holders of Stock issued by Borrower in their capacity as such (other than dividends or distributions payable in Stock (other than Prohibited Preferred Stock) issued by Borrower, or (b) purchase, redeem, or otherwise acquire or retire for value (including in connection with any merger or consolidation involving Borrower) any Stock issued by Borrower.

“Revolver Usage” means, as of any date of determination, the amount of outstanding Advances.

“Sanctioned Entity” means (a) a country or a government of a country, (b) an agency of the government of a country, (c) an organization directly or indirectly controlled by a country or its government, (d) a Person resident in or determined to be resident in a country, in each case, that is subject to a country sanctions program administered and enforced by OFAC.

“Sanctioned Person” means a person named on the list of Specially Designated Nationals maintained by OFAC.

“SEC” means the United States Securities and Exchange Commission and any successor thereto.

“Securities Account” means a securities account (as that term is defined in the Code).

“Securities Act” means the Securities Act of 1933, as amended from time to time, and any successor statute.

“Security Agreement” means a security agreement, dated as of even date with the Agreement, in form and substance reasonably satisfactory to Agent, executed and delivered by Borrower to Agent.

“Settlement” has the meaning specified therefor in Section 2.3(e)(i) of the Agreement.

“Settlement Date” has the meaning specified therefor in Section 2.3(e)(i) of the Agreement.

“Solvent” means, with respect to any Person on a particular date, that, at fair valuations, the sum of such Person’s assets is greater than all of such Person’s debts.

“Spare Parts” means any “appliance” or “spare part” as defined in Section 40102 of the Federal Aviation Act. Unless the context otherwise requires, the term “Spare Parts” shall refer to Spare Parts owned by Borrower.

“Spare Parts Tracking System” means the computerized spare parts inventory control and tracking system operated by Borrower on the Closing Date as such system may be changed after the Closing Date in a manner that is (a) required by the FAA, (b) deemed desirable by Borrower so long as such changes do not affect the quality or integrity of the data contained therein, or (c) acceptable to Agent.

“Stock” means all shares, options, warrants, interests, participations, or other equivalents (regardless of how designated) of or in a Person, whether voting or nonvoting, including common stock, preferred stock, or any other “equity security” (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the SEC under the Exchange Act).

“Subsidiary” of a Person means a corporation, partnership, limited liability company, or other entity in which that Person directly or indirectly owns or controls the shares of Stock having ordinary voting power to elect a majority of the board of directors (or appoint other comparable managers) of such corporation, partnership, limited liability company, or other entity.

“Swing Lender” means WFCF or any other Lender that, at the request of Borrower and with the consent of Agent agrees, in such Lender’s sole discretion, to become the Swing Lender under Section 2.3(b) of the Agreement.

“Swing Loan” has the meaning specified therefor in Section 2.3(b) of the Agreement.

“Taxes” means any taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments and all interest, penalties or similar liabilities with respect thereto.

“Tax Lender” has the meaning specified therefor in Section 14.2(a) of the Agreement.

“Threshold Usage Amount” means, as of any date of determination, that the Revolver Usage exceeds \$1,000,000.

“Unfunded Benefit Liability” means (i) with respect to each Benefit Plan, the amount (if any) by which the present value of all non-forfeitable benefits under each Benefit Plan exceeds the current value of such Benefit Plan’s assets allocable to such benefits, all determined in accordance with the respective most recent valuations for such Benefit Plan using applicable PBGC plan termination actuarial assumptions (the terms “present value” and “current value” shall have the same meanings specified in Section 3 of ERISA) and

(ii) with respect to each Foreign Pension Plan, the amount (if any) by which the present value of all non-forfeitable benefits under each Foreign Pension Plan exceeds the current value of such Foreign Pension Plan's assets allocable to such benefits, all determined in accordance with the respective most recent valuations for such Foreign Pension Plan using the most recent actuarial assumptions and methods being used by the Foreign Pension Plan's actuaries for financial reporting under applicable accounting and reporting standards.

"United States" means the United States of America.

"US Bank" has the meaning specified therefor in the preamble to the Agreement.

"Voidable Transfer" has the meaning specified therefor in Section 17.7 of the Agreement.

"Wells Fargo" means Wells Fargo Bank, National Association, a national banking association.

"WFCF" means Wells Fargo Capital Finance, LLC, a Delaware limited liability company.

Schedule 2.6(d)
Borrower Representatives

[***]

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule 3.1

The obligation of each Lender to make its initial extension of credit provided for in the Agreement is subject to the fulfillment, to the satisfaction of each Lender (the making of such initial extension of credit by any Lender being conclusively deemed to be its satisfaction or waiver of the following), of each of the following conditions precedent:

- (a) the Closing Date shall occur on or before April 7, 2010;
 - (b) Agent shall have received a letter duly executed by Borrower authorizing Agent to file appropriate financing statements in such office or offices as may be necessary or, in the opinion of Agent, desirable to perfect the security interests to be created by the Loan Documents;
 - (c) Agent shall have received each of the following documents, in form and substance satisfactory to Agent, duly executed, and each such document shall be in full force and effect:
 - (i) the Controlled Account Agreements;
 - (ii) the Control Agreements;
 - (iii) the Engine and Spare Parts Security Agreement, together with (A) evidence that the International Interest (as defined in the Engine and Spare Parts Security Agreement) in each Designated Engine has been registered with the International Registry (as defined in the Engine and Spare Parts Security Agreement) and the Engine and Spare Parts Security Agreement has been registered with the FAA, and (B) an opinion from FAA counsel, in form and substance satisfactory to Agent, to the effect required pursuant to Section 2.3 of the Engine and Spare Parts Security Agreement;
 - (iv) the Fee Letter; and
 - (v) the Security Agreement;
 - (d) Agent shall have received a certificate from the Corporate Secretary of Borrower (i) attesting to the resolutions of Borrower's Board of Directors authorizing its execution, delivery, and performance of this Agreement and the other Loan Documents to which Borrower is a party, (ii) authorizing specific officers of Borrower to execute the same, (iii) attesting to the incumbency and signatures of such specific officers of Borrower, (iv) certifying as to the Governing Documents, as amended, modified, or supplemented to the Closing Date of Borrower, and attaching certified copies of such Governing Documents to the extent available, and (v) certifying as to a certificate of status with respect to Borrower, dated within 10 days of the Closing Date, such certificate to be issued by the appropriate officer of the jurisdiction of incorporation of Borrower, which certificate shall indicate that Borrower is in good standing in such jurisdiction;
 - (e) Agent shall have received certificates of insurance, together with the endorsements thereto, as are required by Section 5.6, the form and substance of which shall be satisfactory to Agent;
 - (f) Agent shall have received an opinion of Borrower's counsel and an opinion of Borrower's FAA counsel, in each case in form and substance satisfactory to Agent;
 - (g) Borrower shall have Liquidity of at least \$500,000,000 after giving effect to the initial extensions of credit under the Agreement and the payment of all fees and expenses required to be paid by Borrower on the Closing Date under the Agreement or the other Loan Documents;
-

(h) Agent shall have completed its business, legal, and collateral due diligence, including, (i) a takeover audit and review of Borrower's books and records and verification of Borrower's representations and warranties to Lender Group, (ii) review of documentation with respect to Borrower's existing credit facilities, and (iii) lien search results (including UCC (certified where available), tax lien, judgment, bankruptcy and FAA lien searches) with respect to Borrower from all appropriate jurisdictions and filing offices, and, in the case of each of (i), (ii), and (iii), the results of which shall be satisfactory to Agent;

(i) Agent shall have received copies of each Material Contract as filed with the SEC;

(j) Agent shall have received a certificate of Borrower executed by the chief financial officer of Borrower certifying as to the solvency of Borrower immediately after giving effect to the transactions contemplated by the Agreement;

(k) Agent shall have received a duly executed Borrowing Base Certificate dated as of the Closing Date;

(l) Agent shall have completed (i) Patriot Act searches, OFAC/PEP searches and customary individual background checks for Borrower and (ii) OFAC/PEP searches and customer individual background searches for Borrower's senior management and key principals, in each case, the results of which shall be satisfactory to Agent;

(m) Borrower shall have paid all Lender Group Expenses incurred in connection with the transactions evidenced by this Agreement;

(n) Borrower shall have received all licenses, approvals or evidence of other actions required by any Governmental Authority in connection with the execution and delivery by Borrower of the Loan Documents or with the consummation of the transactions contemplated thereby;

(o) Agent shall have received evidence satisfactory to Agent that (i) the Credit Agreement dated as of March 25, 2005 ("Existing Credit Facility"), among Borrower, each lender party thereto, Citicorp USA, Inc., as syndication agent, USBankCorp, as documentation agent, and Bank of America, N.A., as administrative agent, has been terminated and any outstanding obligations paid in full in cash and (ii) all of the Liens existing in connection with the Existing Credit Facility in and to the properties and assets of Borrower have been terminated; and

(p) all other documents and legal matters in connection with the transactions contemplated by this Agreement shall have been delivered, executed, or, if applicable, recorded, and shall be in form and substance satisfactory to Agent.

Schedule 4.6
States of Organization, Chief Executive Offices,
Organizational Identification Numbers

Corporate Name:	Alaska Airlines, Inc.
Jurisdiction of Incorporation:	Alaska
Chief Executive Offices:	Alaska Airlines, Inc.
19300 International Boulevard	
Seattle, Washington 98188	
Organizational Identification No./	
Federal Tax ID:	92-0009235

Schedule 4.7(b)
Litigation

[***]

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule 4.11
Benefit Plans

Qualified Plans (PN represents Plan Number for 5500 filings)

Alaska Air Group, Inc., Welfare Benefit Plan (PN 501)	Health & welfare plan: includes medical (HMO, PPO, HSA PPO), dental, and vision programs; Sec 125 plans, HSA, long/short term disability programs, life and AD&D coverage, EE and/or ER paid.
Alaska Air Group, Inc., Retirement Plan for Salaried Employees (PN 001)	Defined benefit pension plan
Alaska Airlines, Inc., Retirement Plan for Clerical, Office & Passenger Service Employees (PN 008)	Defined benefit pension plan
Alaska Airlines, Inc., Retirement Plan for Mechanics & Related Crafts Employees (PN 002)	Defined benefit pension plan
Alaska Airlines, Inc., Fixed Income Retirement Plan for Pilots (PN 003)	Defined benefit pension plan
Alaska Air Group, Inc., Alaskasaver Plan (PN 010)	Defined contribution 401(k) plan
Alaska Airlines, Inc., COPS, MRP & Dispatch 401(k) Plan (013)	Defined contribution 401(k) plan
Alaska Airlines, Inc., Flight Attendant 401(k) Plan (PN 012)	Defined contribution 401(k) plan
Alaska Airlines, Inc., Pilots Investment & Savings Plan (PN 011)	Defined contribution 401(k) plan

Nonqualified Plans

Alaska Air Group, Inc., Nonqualified Deferred Compensation Plan	Nonqualified, DC-like benefit plan
Alaska Air Group, Inc., 1995 Elected Officers Supplementary Retirement Plan	Nonqualified, DB-like benefit plan
Alaska Airlines, Inc., and Alaska Air Group, Inc., Supplementary Retirement Plan for Elected Officers (3 versions: 1981, 1977, 1976)	3 Nonqualified, DB-like benefit plans
Alaska Airlines, Inc., Pilots Excess Disability Plan	Nonqualified supplemental benefit plan for pilots (frozen to new entrants as of 1/1/2010)

Schedule 4.12
Environmental Matters

LOCATION	ACCRUAL BALANCE AS OF	DETAILS
	12/31/09	
Anchorage	***]	Currently monitoring contamination levels. No active plan currently required.
Juneau	***]	Cleanup began in 2004. Project to continue for additional three – five years
Fairbanks	***]	Two sites of contamination. Both locations required long-term monitoring per Alaska Dept. of Environmental Conservation.
Oakland	***]	In negotiations with the Port of Oakland to determine cleanup requirements.

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Schedule 4.15
Deposit Accounts and Securities Accounts

Credit Facility Collateral Account

Alaska Airlines, Inc.

[***]

Account No. [***]

ABA (Wire) [***]

ABA (ACH) [***]

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule 4.17
Material Contracts

Credit Agreement, dated October 19, 2005, among Alaska Airlines, Inc., as borrower, HSH Nordbank AG New York Branch, as security agent, and other loan participants (Filed as Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2005, filed on November 9, 2005).

First Amendment to October 19, 2005 Credit Agreement, dated March 27, 2007 (Filed as Exhibit 10.2.1 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2007, filed on February 20, 2008).

Second Amendment to October 19, 2005 Credit Agreement, dated November 26, 2007 (Filed as Exhibit 10.2.2 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2007, filed on February 20, 2008).

Third Amendment to October 19, 2005 Credit Agreement, dated May 29, 2009 (Filed as Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2009, filed on November 6, 2009).

Aircraft General Terms Agreement, dated June 15, 2005, between the Boeing Company and Alaska Airlines, Inc. (Filed as Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2005, filed on August 5, 2005).

Purchase Agreement No. 2497, dated June 15, 2005, between the Boeing Company and Alaska Airlines, Inc. (Filed as Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2005, filed on August 5, 2005).

Lease Agreement, dated January 22, 1990, between International Lease Finance Corporation and Alaska Airlines, Inc., summaries of 19 substantially identical lease agreements and Letter Agreement #1, dated January 22, 1990 (Filed as Exhibit 10-14 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, filed on April 11, 1991).

Alaska Airlines, Inc. and Alaska Air Group, Inc. Supplementary Retirement Plan for Elected Officers, as amended November 7, 1994 (Filed as Exhibit 10.15 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1997, filed on February 10, 1998).

Separation Agreement between Gregg Saretsky and Alaska Airlines, Inc. dated December 10, 2008 (Filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K, filed on December 10, 2008).

Schedule 4.19
Permitted Indebtedness

		Dollar Amount Outstanding as of	
	Int Rate	Maturity Date	12/31/2009 (in thousands)
Alaska Airlines Senior Secured Aircraft Debt			
N302AS	[***]	3/31/2018	[***]
N303AS	[***]	7/27/2013	[***]
N305AS	[***]	5/15/2013	[***]
N306AS	[***]	12/29/2017	[***]
N307AS	[***]	12/29/2017	[***]
N309AS	[***]	8/27/2013	[***]
N315AS	[***]	1/28/2015	[***]
N317AS	[***]	4/4/2018	[***]
N318AS	[***]	9/29/2015	[***]
N319AS	[***]	1/5/2016	[***]
N320AS	[***]	3/20/2020	[***]
N323AS	[***]	6/29/2016	[***]
N551AS	[***]	2/9/2018	[***]
N552AS	[***]	3/28/2018	[***]
N553AS	[***]	5/12/2018	[***]
N556AS	[***]	7/28/2021	[***]
N558AS	[***]	9/22/2021	[***]
N557AS	[***]	10/4/2018	[***]
N560AS	[***]	10/18/2018	[***]
N559AS	[***]	11/2/2018	[***]
N563AS	[***]	11/22/2018	[***]
N566AS	[***]	1/30/2019	[***]
N568AS	[***]	1/31/2022	[***]
N569AS	[***]	3/22/2019	[***]
N570AS	[***]	3/28/2019	[***]
N577AS	[***]	3/30/2022	[***]
N581AS	[***]	5/29/2019	[***]
N586AS	[***]	2/28/2020	[***]
N588AS	[***]	2/28/2020	[***]
N590AS	[***]	3/26/2020	[***]
N594AS	[***]	5/29/2020	[***]
N583AS	[***]	6/27/2020	[***]
N584AS	[***]	5/29/2020	[***]

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

N585AS		***	8/22/2020	***
N587AS		***	9/25/2020	***
N589AS		***	8/22/2020	***
N596AS		***	7/30/2020	***
N597AS		***	7/30/2020	***
N508AS		***	7/31/2020	***
N517AS		***	3/30/2019	***
N524AS		***	5/1/2019	***
N525AS		***	5/1/2019	***
N518AS		***	6/22/2021	***
N519AS		***	7/23/2019	***
N520AS		***	10/6/2019	***
N607AS		***	11/30/2011	***
N609AS		***	11/23/2015	***
N611AS		***	11/24/2013	***
N612AS		***	11/24/2015	***
N613AS		***	12/3/2015	***
N614AS		***	8/2/2012	***
N615AS		***	8/2/2012	***
N618AS		***	8/25/2012	***
N619AS		***	8/25/2012	***
CP Jr.	N617AS, N622AS, N623AS - JR	***	11/15/2012	***
CP Sr.	N617AS, N622AS, N623AS - SR	***	11/15/2012	***
N624AS		***	12/19/2012	***
N625AS		***	2/22/2013	***
N626AS		***	5/20/2018	***
N627AS		***	6/25/2013	***
N644AS		***	6/27/2018	***
N708AS		***	11/23/2015	***
N709AS		***	11/19/2011	***
N713AS		***	11/30/2011	***
Alaska Airlines Senior Secured Aircraft Debt				<u>1,507,783</u>
Other:				
Total Debt				<u><u>1,507,783</u></u>
Current Portion of Long-Term Debt				(131,169)
Long-Term Debt				<u><u>1,376,613</u></u>

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule 4.24
Employee and Labor Matters

None.

Schedule 4.27
Location of Spare Parts

Adak	***
Anchorage	***
Atlanta	***
Austin	***
Barrow	***
Bellingham	***
Bethel	***
Boise	***
Boston	***
Burbank	***
Chicago	***
Cordova	***
Dallas	***
Denver	***
Dillingham	***
Fairbanks	***
Gustavus	***
Honolulu	***
Houston	***
Juneau	***
Ketchikan	***
King Salmon	***
Kodiak	***
Kona	***
Kotzebue	***
Las Vegas	***
Lihue	***
Long Beach	***
Los Angeles	***
Maui	***
Miami	***
Minneapolis	***
Newark	***
Nome	***
Oakland	***
Ontario	***
Orange County	***
Orlando	***
Palm Springs	***
Petersburg	***
Phoenix	***
Portland	***
Prudhoe Bay	***
Sacramento	***

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

San Diego	***
San Francisco	***
San Jose	***
Seattle	***
Sitka	***
Spokane	***
Tucson	***
Washington, DC	***
Wrangell	***
Yakutat	***

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule 4.28(d)
Location of Ground Service Equipment

Adak	***
Anchorage	***
Atlanta	***
Austin	***
Barrow	***
Bellingham	***
Bethel	***
Boise	***
Boston	***
Burbank	***
Chicago	***
Cordova	***
Dallas	***
Denver	***
Dillingham	***
Fairbanks	***
Gustavus	***
Honolulu	***
Houston	***
Juneau	***
Ketchikan	***
King Salmon	***
Kodiak	***
Kona	***
Kotzebue	***
Las Vegas	***
Lihue	***
Long Beach	***
Los Angeles	***
Maui	***
Miami	***
Minneapolis	***
Newark	***
Nome	***
Oakland	***
Ontario	***
Orange County	***
Orlando	***
Palm Springs	***
Petersburg	***
Phoenix	***
Portland	***
Prudhoe Bay	***
Sacramento	***

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

San Diego	***
San Francisco	***
San Jose	***
Seattle	***
Sitka	***
Spokane	***
Tucson	***
Washington, DC	***
Wrangell	***
Yakutat	***

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule 4.28(e)
Location of Designated Engines

Anchorage	***
Los Angeles	***
Seattle	***

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule 5.1

Deliver to Agent, with copies to each Lender, each of the financial statements, reports, or other items set forth below at the following times in form reasonably satisfactory to Agent:

as soon as available, but in any event within 30 days (45 days in the case of a month that is the end of one of Borrower's fiscal quarters) after the end of each month during each of Borrower's fiscal years	(a)an unaudited consolidated and consolidating balance sheet and income statement and an unaudited consolidated statement of cash flow, in each case covering Group's operations during such period and during the period commencing at the end of the immediately preceding fiscal year and ending with the end of such month, together with a report comparing the figures in the income statement with the figures in Borrower's plan for the corresponding periods and for the corresponding periods of the immediately preceding fiscal year, and (b)a Compliance Certificate.
--	--

as soon as available, but in any event within 120 days after the end of each of Borrower's fiscal years	(c)consolidated and consolidating financial statements of Group for each such fiscal year and, in the case of the consolidated financial statements of Group, audited by independent certified public accountants without any qualifications (including any (A) "going concern" or like qualification or exception, (B) qualification or exception as to the scope of such audit, or (C) qualification which relates to the treatment or classification of any item and which, as a condition to the removal of such qualification, would require an adjustment to such item, the effect of which would be to cause any noncompliance with the provisions of Section 7), by such accountants to have been prepared in accordance with GAAP (such audited financial statements to include a balance sheet, income statement, and statement of cash flow and, if prepared, such accountants' letter to management), and (d)a Compliance Certificate.
---	---

as soon as available, but in any event no later than 30 days after the start of Borrower's fiscal years,	(e)[***].
--	-----------

if and when filed or provided by Group or Borrower,	(f)any information that is provided by Group or Borrower to its shareholders generally.
---	---

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

promptly, but in any event within 5 Business Days after a Responsible Officer of Borrower has knowledge of any event or condition that constitutes a Default or an Event of Default,

(g)notice of such event or condition and a statement of the curative action that Borrower proposes to take with respect thereto.

promptly after the commencement thereof, but in any event within 10 days after the service of process with respect thereto on Borrower (if applicable),

(h)notice of all actions, suits, or proceedings brought by or against Borrower before any Governmental Authority which reasonably could be expected to result in a Material Adverse Change, and
(i)notice of any labor strike.

upon the request of Agent,

(j)any other information reasonably requested relating to the financial condition of Borrower.

Schedule 5.2

Provide Agent (and if so requested by Agent, with copies for each Lender) with each of the documents set forth below at the following times and, with respect to the documents described in clauses (b) – (i) and (k) below, in format substantially consistent with the format provided to Agent during its October of 2009 field examination or as otherwise mutually agreed by Borrower and Agent:

Monthly ((a) if Revolver Usage is in excess of the Threshold Amount as of the first Business Day of any month, within 20 days after the end of such month (or if such month is at the end of one of Borrower's fiscal quarters, within 30 days after the end of such month), and (b) if Revolver Usage is less than or equal to the Threshold Usage Amount as of the first Business Day of any month, within 30 days after the end of such month (or if such month is at the end of one of Borrower's fiscal quarters, within 45 days after the end of such month))	(a) a Borrowing Base Certificate, (b) a detailed aging, by total, of Borrower's Accounts, together with a reconciliation and supporting documentation for any reconciling items noted (delivered electronically in an acceptable format, if Borrower has implemented electronic reporting), (c) a detailed calculation of those Accounts that are not eligible for the Borrowing Base, if Borrower has not implemented electronic reporting, (d) (i) a detailed aging and roll-forward, by total, of the Accounts of Borrower, together with a reconciliation to the general ledger, and (ii) a manual interline settlement sheet of the Accounts of Borrower, (e) a monthly Account roll-forward tied to the beginning and ending Account balances of Borrower's general ledger, (f) a summary aging, by vendor, of Borrower's accounts payable and any book overdraft (delivered electronically in an acceptable format, if Borrower has implemented electronic reporting) and an aging, by vendor, of any held checks, together with a reconciliation to the general ledger, (g) a detailed description by type and location of all of the Replaceable Spare Parts, Engines, Expendables, and Ground Service Equipment owned by Borrower located both in and outside the United States, together with a reconciliation to the general ledger, and (h) a detailed calculation of Replaceable Spare Parts, Engines, Expendables, and Ground Service Equipment that are not eligible for the Borrowing Base, if Borrower has not implemented electronic reporting, and (i) a detailed report regarding any write down or obsolete adjustment of Borrower's Replaceable Spare Parts, Engines, Expendables, or Ground Service Equipment.
Upon request by Agent	(j) such other reports as to the Collateral or the financial condition of Borrower, as Agent may reasonably request in form reasonably acceptable to Agent, and (k) a detailed report regarding Borrower's cash and Cash Equivalents and Marketable Securities.
Promptly, but in any event within 5 Business Days after a Responsible Officer of Borrower has knowledge thereof	(l) notice that Borrower has pledged cash to secure the Indebtedness permitted pursuant to clause (g) of the definition of Permitted Indebtedness and an indication of the amount so pledged.

Schedule 6.6
Nature of Business

Alaska Airlines, Inc. ("Alaska") is a wholly-owned subsidiary of Alaska Air Group, Inc., and is an Alaska corporation that was organized in 1932 and incorporated in 1937. Alaska is a U.S. certificated commercial airline providing passenger and freight services over selected city pairs in North America and between North America and Hawaii, and engages in other air travel related activity.

CREDIT AGREEMENT

Dated as of March 31, 2010

among

ALASKA AIRLINES, INC.,

as Borrower,

CITIBANK, N.A.,

as Administrative Agent,

BANK OF AMERICA, N.A.,

as Syndication Agent,

and

The Other Lenders Party Hereto

CITIGROUP GLOBAL MARKETS INC.,

BANC OF AMERICA SECURITIES LLC,

as Joint-Lead Arrangers and Joint-Book Managers

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B	Form of Note
C	Form of Compliance Certificate
D	Form of Assignment and Assumption
E	Form of Security Agreement
F	Form of Cash Pledge Agreement

CREDIT AGREEMENT

This CREDIT AGREEMENT (this "Agreement") is entered into as of March 31, 2010 among ALASKA AIRLINES, INC., an Alaska corporation ("Borrower"), each lender from time to time party hereto (collectively, "Lenders" and individually, a "Lender"), and CITIBANK, N.A., as Administrative Agent.

RECITALS

A. Borrower, certain lenders identified therein (the "Existing Lenders"), and Bank of America, N.A., as administrative agent, are parties to that certain Credit Agreement dated as of March 25, 2005 (as amended, the "Existing Credit Agreement"), providing for the Existing Lenders to make revolving loans to Borrower.

B. Borrower has requested that Lenders provide a revolving credit facility to replace the revolving credit facility established pursuant to the Existing Credit Agreement, and Lenders are willing to do so on the terms and conditions set forth herein.

C. In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I.

DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms

. As used in this Agreement, the following terms shall have the meanings set forth below:

"ABL Facility" that certain \$100,000,000 loan facility provided by a syndicate of lenders, agented by Wells Fargo Capital Finance, LLC.

"ABL Facility Documents" means the loan and security documents related to the ABL Facility or executed in connection therewith.

"Added Aircraft" has the meaning set forth in Section 6.15(d) hereof.

"Added Engine" has the meaning set forth in Section 6.15(c) hereof.

"Administrative Agent" or "Agent" means Citibank in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

"Administrative Agent's Office" means Agent's address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as Agent may from time to time notify Borrower and Lenders.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by Agent.

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Aircraft” means (a) each of the Airframes together with the Engines, whether or not such Engines are installed on the Airframes or any other airframes; (b) except for Excluded Equipment, all appliances, equipment, instruments, and accessories (including radio and radar) from time to time belonging to, installed in, or appurtenant to such Airframes and Engines; and (c) any and all logs, manuals and other records relating thereto.

“Aircraft Collateral” means all of the Aircraft in which the Security Agreement creates, or purports to create, a security interest.

“Airframe” means (a) any aircraft as specified by United States Registration Number and manufacturer’s serial number in the Security Agreement; (b) any replacement airframe which may from time to time be substituted for such airframe; and (c) in either case, any and all parts which are from time to time incorporated or installed in or attached to such airframe or, so long as such parts are subject to the Security Agreement covering such airframe, after removal from such airframe.

“Agent Fee Letter” has the meaning specified in Section 2.07(b).

“Aggregate Commitments” means the Commitments of all Lenders.

“Agreed Value Amount” means, with respect to any Event of Loss of any Pledged Aircraft, the amount (which shall be no less than the Current Market Value of such Pledged Aircraft), reflected on the then current insurance certificate as the amount that the insurers have agreed with Borrower to pay to the Administrative Agent for the benefit of the Lenders in the event that the Aircraft suffering an Event of Loss suffered such Event of Loss.

“Agreement” means this Credit Agreement.

“Applicable Percentage” means with respect to any Lender at any time, (a) while Commitments are outstanding, the percentage (carried out to the ninth decimal place) of the Aggregate Commitments represented by such Lender’s Commitment at such time and (b) at any other time, the percentage (carried out to the ninth decimal place) of the aggregate amount of all outstanding Loans represented by the Loans held by such Lender at such time. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

“Applicable Rate” means the following percentages per annum: (i) with respect to the Commitment Fee, 0.75%; (ii) with respect to the Eurodollar Rate, 4.00%; and (iii) with respect to the Base Rate, 3.00%.

“Approved Appraiser” means any independent appraisal firm set forth on Schedule 1.01 hereto.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Arrangement Fee Letter” has the meaning specified in Section 2.07(c).

“Assignee Group” means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by Agent, in substantially the form of Exhibit D or any other form approved by Agent.

“Attributable Indebtedness” means, on any date, (a) in respect of any Capital Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a Capital Lease.

“Audited Financial Statements” means the audited consolidated balance sheet of Borrower and its Subsidiaries for the fiscal year ended December 31, 2009, and the related consolidated statements of income or operations, shareholders’ equity and cash flows for such fiscal year of Borrower and its Subsidiaries, including the notes thereto.

“Availability Period” means the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Aggregate Commitments pursuant to Section 2.04, and (c) the date of termination of the commitment of each Lender to make Loans pursuant to Section 8.02.

“Bankruptcy Code” means the Federal Bankruptcy Reform Act of 1978 (11 U.S.C. §101, et seq.).

“Base Rate” means for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest in effect for such day as publicly announced from time to time by Citibank as its “prime rate” and (c) the sum of Eurodollar Rate for each such day based on an Interest Period of one month (but for the avoidance of doubt, not less than two percent (2.00%) per annum) plus 1%. The “prime rate” is a rate set by Citibank based upon various factors including Citibank’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Citibank shall take effect at the opening of business on the day specified in the public announcement of such change, and any change in the Base Rate due to a change in Federal Funds Rate or Eurodollar Rate shall be effective on the effective date of such change in the Federal Funds Rate or Eurodollar Rate for an Interest Period of one month.

“Base Rate Loan” means a Loan that bears interest based on the Base Rate.

“Borrower” has the meaning specified in the introductory paragraph hereto.

“Borrower Materials” has the meaning specified in Section 6.02.

“Borrowing” means a borrowing consisting of simultaneous Loans of the same Type and, in the case of Eurodollar Rate Loans, having the same Interest Period made by each of the Lenders pursuant to Section 2.01.

“Borrowing Base” means, as applicable, as of any date of determination, an amount equal to the sum of: (a) the lesser of (i) thirty percent (30%) of the Borrowing Base at such time and (ii) sixty six and two thirds percent (66⅔%) of the Current Market Value of the Boeing 737-400 type Aircraft Collateral at such time; (b) eighty percent (80%) of the Current Market Value of the Boeing 737-700, 737-800 and 737-900 type Aircraft Collateral at such time; (c) one hundred percent (100%) of the Citibank Cash Collateral at such time; and (d) a Designated Percentage of Other Cash Collateral at such time.

“Business Day” means (i) any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state of Washington or New York; and (ii) if such day relates to any Eurodollar Rate Loan, any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

“Capital Lease” means, with respect to any Person, a lease (or leases) for real or personal property required to be capitalized under GAAP or which is treated as an operating lease under regulations applicable to such Person but which otherwise would be required to be capitalized under GAAP.

“Cash Collateral” means the Citibank Cash Collateral and the Other Cash Collateral.

“Cash Pledge Agreement” means a Cash Pledge Agreement made by the Borrower in favor of the Administrative Agent in substantially the form of Exhibit F.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

“Change of Control” means, with respect to Borrower, an event or series of events by which:

(a) Parent shall cease to own, directly or indirectly, 100% of the equity securities of Borrower entitled to vote for members of the board of directors or equivalent governing body of Borrower on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right);

(b) during any period of 18 consecutive months, a majority of the members of the board of directors or other equivalent governing body of Borrower cease to be composed of

individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors); or

(c) other than Parent, any individual(s) or entity(s) acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation thereof, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of Borrower, or control over the equity securities of Borrower entitled to vote for members of the board of directors or equivalent governing body of Borrower on a fully-diluted basis (and taking into account all such securities that such individual(s) or entity(s) or group has the right to acquire pursuant to any option right) representing 49% or more of the combined voting power of such securities.

“Citibank” means Citibank, N.A. and its successors.

“Citibank Cash Collateral” means cash deposits with Citibank, in its capacity as Administrative Agent, that are pledged as Cash Collateral pursuant to and in accordance with Section 6.15(b)(ii).

“Claim Collateral Period” means, with respect to any Event of Loss of any Pledged Aircraft, the period beginning on the date when such Event of Loss occurs and continuing until the earliest of the date when (a) any proceeds from any insurance claim arising from such Event of Loss have been paid to the Administrative Agent for the benefit of Lenders; (b) any underwriter of the insurance policy covering such Aircraft has denied coverage for such Event of Loss; (c) 60 days have elapsed after the Event of Loss and the Administrative Agent has not received insurance proceeds in respect of such Event of Loss in at least the Agreed Value Amount; (d) the lead insurance underwriter under such policy has become insolvent; or (e) the lead insurance underwriter under such policy has commenced, has had commenced against it, or has otherwise become subject to, a bankruptcy, receivership or other insolvency proceeding.

“Closing Date” means the first date all the conditions precedent in Sections 4.01(a), 4.01(b) and 4.01(c) are satisfied or waived in accordance with Section 10.01.

“Code” means the Internal Revenue Code of 1986, as amended, and all regulations promulgated thereunder.

“Collateral” shall mean any and all assets and rights and interests in or to property of Borrower, whether real or personal, tangible or intangible, in which a Lien is granted or purported to be granted pursuant to the Collateral Documents.

“Collateral Documents” means the Security Agreement, any Cash Pledge Agreement and any other agreements, instruments and documents now or hereafter executed and delivered in connection with this Agreement, pursuant to which Liens are granted or purported to be granted to Agent to secure all or part of the Obligations, each in form and substance satisfactory to Agent.

“Collateral Review Date” has the meaning set forth in Section 6.15(a).

“Collateral Shortfall” means any time when the amount of the Borrowing Base is less than \$50,000,000.

“Commitment” means, as to each Lender, its obligation to make Loans to Borrower pursuant to Section 2.01, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender’s name on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

“Compliance Certificate” means a certificate substantially in the form of Exhibit C.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Current Market Value” means the current market value of an Aircraft, as adjusted for maintenance, as set forth in the applicable Qualified Appraisal; provided that the current market value shall be deemed to be \$0 for each Pledged Aircraft with respect to which there has been a Failure of Security that has not been cured.

“CTT” means the Convention on International Interests in Mobile Equipment and the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment, both signed in Cape Town, South Africa, on November 16, 2001, together with the regulations for the International Registry, the International Registry Procedures, and all other rules, amendments, supplements, and revisions thereto from time to time.

“Debtor Relief Laws” means the Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate, if any, applicable to Base Rate Loans plus (iii) 2% per annum; provided, however, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum.

“Defaulting Lender” means, at any time, a Lender as to which the Administrative Agent has notified the Borrower that (a) such Lender has failed for three Business Days or more to comply with its obligations under this Agreement to make a Loan (a “funding obligation”), or (b) such Lender has notified the Administrative Agent, or has stated publicly, that it will not comply with any such funding obligation, or (c) a Lender Insolvency Event has occurred and is continuing with respect to such Lender. Any determination that a Lender is a Defaulting Lender under clauses (a) through (c) above shall be made by the Administrative Agent in its sole discretion acting in good faith. The Administrative Agent will promptly send to all parties hereto a copy of any notice to the Borrower referred to above.

“Designated Percentage” means the percentage of the value of Other Cash Collateral designated by Lenders for inclusion in the Borrowing Base.

“Disposition” or “Dispose” means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

“Dollar” and “\$” mean lawful money of the United States.

“Eligible Assignee” means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) Agent, and (ii) unless an Event of Default has occurred and is continuing, Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, “Eligible Assignee” shall not include Borrower or any of Borrower’s Affiliates or Subsidiaries.

“Engine” means: (a) any engine listed by manufacturer’s serial numbers in the Security Agreement, whether or not from time to time installed on an Airframe or any other airframe; (b) any replacement engine which from time to time may be substituted for any Engine in accordance with this Agreement; and (c) in either case, any and all parts which are from time to time incorporated or installed in or attached to any such engine or, so long as such parts are subject to the Security Agreement, after removal from any such engine.

“Environmental Laws” means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of Borrower or any of its Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“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 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.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and all regulations promulgated thereunder.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code).

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon Borrower or any ERISA Affiliate, (g) the failure to make any required contribution to any Pension Plan or Multiemployer Plan when due; (h) the imposition of a lien under Section 430(k) of the Code or Section 303(k) or 4068 of ERISA on any property (or rights to property, whether real or personal) of any Borrower or ERISA Affiliate; (i) the failure of a Pension Plan or any trust thereunder intended to qualify for tax exempt status under Section 401 and 501 of the Code to qualify thereunder; or (j) the failure to meet the minimum funding standards under the Pension Funding Rules with respect to any Pension Plan or the application for a waiver or modification of the minimum funding standards under the Code.

“Eurodollar Base Rate” has the meaning specified in the definition of Eurodollar Rate.

“Eurodollar Rate” means for any Interest Period with respect to a Eurodollar Rate Loan, a rate per annum equal to the higher of (a) 2.50% and (b) a rate per annum determined by Agent pursuant to the following formula:

Eurodollar Rate = $\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$

Where,

“Eurodollar Base Rate” means, for such Interest Period the rate per annum equal to the British Bankers Association LIBOR Rate (“BBA LIBOR”), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by Agent from time to time) at approximately 2:00 p.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the “Eurodollar Base Rate” for such Interest Period shall be the rate per annum determined by Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Citibank and with a term equivalent to such Interest Period would be offered by Citibank’s London Branch to major banks in the London interbank eurodollar market at their request at approximately 2:00 p.m. (London time) two Business Days prior to the commencement of such Interest Period.

“Eurodollar Reserve Percentage” means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, carried out to five decimal places) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the Board of Governors of the Federal Reserve System of the United States for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as “Eurocurrency liabilities”). The Eurodollar Rate for each outstanding Eurodollar Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

“Eurodollar Rate Loan” means a Loan that bears interest at a rate based on the Eurodollar Rate.

“Event of Default” has the meaning specified in Section 8.01.

“Event of Loss” has the meaning set forth in the Security Agreement.

“Excluded Equipment” means all appliances, equipment, instruments, and accessories the values of which are not included in the determination of Current Market Value in any Qualified Appraisal.

“Excluded Taxes” means, with respect to Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of Borrower hereunder, (a) Taxes imposed on or measured by its overall net income (however denominated and whether imposed by withholding or otherwise) or its gross receipts, and doing business, value added and franchise taxes that are imposed in lieu of a net income tax), by the United States government or any jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or in which it conducts or is deemed to conduct business (other than solely as a result of the transactions contemplated herein) or, in the case of any Lender, in which its applicable Lending Office is located; (b) any Taxes caused by activities of such Person unrelated to the transactions contemplated herein; (c) any Taxes caused by such Person’s gross negligence or willful misconduct or any breach of such Person’s obligations contained herein; (d) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which Borrower is located; and (e) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 10.13), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or is attributable to such Foreign Lender’s failure or inability (other than as a result of a Change in Law) to comply with Section 3.01(e), except to the extent that such Foreign Lender is organized in and a resident of the same country as the Assignor and the Assignor was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.01(a).

“Existing Credit Agreement” has the meaning specified in Recital A hereto.

“Existing Lenders” has the meaning specified in Recital A hereto.

“FAA Registry” has the meaning set forth in Section 6.15(b)(ii)(B) hereof.

“Failure of Security” means the occurrence of either of the following: any Collateral Document ceases to be in full force and effect, or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any respect; or the Agent shall not have or shall cease to have a valid and perfected Lien of first priority (other than Liens expressly permitted to be prior to such Lien pursuant to Section 7.01) in the Collateral purported to be covered thereby, in each case for any reason other than (i) as provided in such Collateral Document, or (ii) the agreement of all the Lenders or satisfaction in full of all the Obligations secured by such Collateral Document.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business

Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Citibank on such day on such transactions as determined by Agent.

“Foreign Lender” means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

“FRB” means the Board of Governors of the Federal Reserve System of the United States.

“Fund” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

“Funded Debt” means all Indebtedness that appears on the liability side of Borrower’s balance sheet in accordance with GAAP.

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Granting Lender” has the meaning specified in Section 10.06(h).

“Guarantee” means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to

protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith, except that, in the case of Liens referred to in clause (b), the amount of such Guarantee shall not exceed the greater of the book value or the fair market value of the property subject to such Lien unless such Person has assumed or is otherwise liable for the secured obligation. The term "Guarantee" as a verb has a corresponding meaning.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other similar substances or wastes of any nature regulated pursuant to any Environmental Law.

"Horizon" means Horizon Air Industries, Inc., a Washington corporation.

"Indebtedness" means, as to any Person at a particular time, without duplication, all of the following:

- (a) all obligations of such Person for borrowed money, and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;
- (b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments;
- (c) net obligations of such Person under any Swap Contract;
- (d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business and, in each case, not past due for more than 60 days after the date on which such trade account payable was created);
- (e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;
- (f) Capital Leases and Synthetic Lease Obligations;
- (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interest in such Person or any other Person, valued,

in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; and

- (h) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. If the Swap Termination Value with respect to a Swap Contract represents an amount owing to such Person, such amount shall not constitute a reduction in the amount of "Indebtedness" for purposes of this definition but, in accordance with GAAP, may constitute an asset of such Person. The amount of any Capital Lease or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnities" has the meaning specified in Section 10.04(b).

"Intangible Assets" means assets that are considered to be intangible assets as determined in accordance with GAAP, including customer lists, goodwill, computer software, copyrights, trade names, trademarks, patents, franchises, licenses, unamortized deferred charges, unamortized debt discount and capitalized research and development costs less noncontributory and defined benefit pension amounts included as intangible assets incurred after December 31, 2009.

"Interest Payment Date" means, (a) as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan, the last Business Day of each month and the Maturity Date.

"Interest Period" means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by Borrower in its Loan Notice; provided that:

- (i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the immediately succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the immediately preceding Business Day;
- (ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar

month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the Maturity Date.

“Internal Control Event” means a material weakness in, or fraud that involves management or other employees who have a significant role in, the Borrower’s internal controls over financial reporting, in each case as described in the Securities Laws.

“International Registry” means the Cape Town International Registry established under the CTT.

“Invalidity Event” means: (i) any Loan Document or any provision thereof, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; or (ii) Borrower or any other Person contests in any manner the validity or enforceability of any Loan Document or any provision thereof; or (iii) Borrower denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document or any provision thereof.

“IP Rights” has the meaning specified in Section 5.17.

“IRS” means the United States Internal Revenue Service.

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“Lender” has the meaning specified in the introductory paragraph hereto.

“Lender Insolvency Event” means that (i) a Lender or its Parent Company is insolvent or (ii) an event of the kind referred to in clause (f) or clause (g) of Section 8.01 occurs with respect to such Lender or its Parent Company (as if the references in such provisions to the Borrower or its Subsidiaries referred to such Lender or Parent Company).

“Lending Office” means, as to any Lender, the office or offices of such Lender described as such in such Lender’s Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify Borrower and Agent.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale, equipment trust agreement, or other title retention agreement,

any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Loan” means an extension of credit by a Lender to Borrower under Article II.

“Loan Documents” means this Agreement, each Note, the Agent Fee Letter, Arrangement Fee Letter, and each Collateral Document.

“Loan Notice” means a notice of (a) a Borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to Section 2.02(a), which, if in writing, shall be substantially in the form of Exhibit A.

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect upon, the business, assets, properties, liabilities (actual and contingent), operations or financial condition of Borrower and its Subsidiaries, taken as a whole, (b) a material impairment of the ability of Borrower to perform its obligations under any Loan Document or (c) a material adverse effect on the rights and remedies of the Administrative Agent or the Lenders under any Loan Document.

“Material Failure of Security” means a Failure of Security with respect to Collateral whose removal from the Borrowing Base, individually or in the aggregate, causes the Borrowing Base to be less than \$25,000,000.

“Maturity Date” means March 29, 2013.

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

“Non-Defaulting Lender” means, at any time, a Lender that is not a Defaulting Lender.

“Note” means a promissory note made by Borrower in favor of a Lender evidencing Loans made by such Lender, substantially in the form of Exhibit B.

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, Borrower arising under any Loan Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against Borrower or any Subsidiary thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint

venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Other Cash Collateral” means U.S. government securities and other cash equivalents (other than Citibank Cash Collateral) reasonably acceptable to Lenders.

“Other Taxes” means all present or future stamp, intangible or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document; provided, however, that “Other Taxes” shall not include any Excluded Taxes.

“Outstanding Amount” means with respect to Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Loans occurring on such date.

“Over Advance” has the meaning specified in Section 2.03(b).

“Parent” means Alaska Air Group, Inc., a Delaware corporation.

“Parent Company” means, with respect to a Lender, the bank holding company (as defined in Federal Reserve Board Regulation Y), if any, of such Lender, or any Person owning, beneficially or of record, directly or indirectly, a majority of the shares of such Lender.

“Participant” has the meaning specified in Section 10.06(d).

“Patriot Act” has the meaning specified in Section 10.16.

“PBGC” means the Pension Benefit Guaranty Corporation.

“Pension Act” means the Pension Protection Act of 2006, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“Pension Funding Rules” means the rules regarding minimum funding standards for a Pension Plan under Code Section 412 and ERISA Section 302, as in effect before the Pension Act, applicable to the Pension Plan’s years ending before the effective date of the Pension Act, and the rules under Code Sections 412 and 430 and ERISA Sections 302 and 303, as in effect after the Pension Act, applicable to the Pension Plan’s years ending after the effective date of the Pension Act.

“Pension Plan” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by Borrower or any ERISA Affiliate or to which Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple

employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

“Permitted Asset Adjustments” means the write-down in the book value of any flight and non-flight equipment assets owned by Borrower or its Subsidiaries of up to \$50,000,000 in the aggregate occurring after January 1, 2010; *provided, however*, that the maximum amount of the write-down for non-flight assets included in calculating Permitted Asset Adjustments will be \$5,000,000, all determined in accordance with GAAP.

“Permitted Progress Payment Loans” means loans to Borrower from lenders (which may or may not be Lenders hereunder) in an outstanding principal amount not to exceed at any one time Two Hundred Fifty Million (\$250,000,000) to finance Borrower’s progress payments for aircraft purchases from The Boeing Company. Any such progress payment loan shall constitute a “Permitted Progress Payment Loan” only if it is due on or before the first day of the calendar month during which the related aircraft is scheduled and available for delivery (provided that if the aircraft is scheduled but not available for delivery, a delay in payment will not cause such loans to cease to be Permitted Progress Payment Loans so long as such delay is acceptable to the progress payment lenders).

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) established by Borrower or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, any ERISA Affiliate.

“Platform” has the meaning specified in Section 6.02.

“Pledged Aircraft” means each Aircraft in which the Security Agreement creates, or purports to create, a security interest.

“Potential Defaulting Lender” means, at any time, a Lender (i) as to which the Administrative Agent has notified the Borrower that an event of the kind referred to in the definition of “Lender Insolvency Event” has occurred and is continuing in respect of any financial institution affiliate of such Lender, or (ii) as to which the Administrative Agent has in good faith determined and notified the Borrower that such Lender or its Parent Company or a Subsidiary thereof has defaulted on its funding obligations under any other loan agreement or credit agreement or other financing agreement or (iii) that has, or whose Parent Company has, a non-investment grade rating from any nationally recognized rating agency. Any determination that a Lender is a Potential Defaulting Lender under any of clauses (i) through (iii) above shall be made by the Administrative Agent in its sole discretion acting in good faith. The Administrative Agent will promptly send to all parties hereto a copy of any notice to the Borrower referred to above.

“Preferred Stock” means, as applied to the Equity Interest of any Person, the Stock of any class or classes (however designated) that is preferred with respect to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Equity Interest of any other class of such Person.

“Prohibited Preferred Stock” means any Preferred Stock that by its terms is mandatorily redeemable or subject to any other payment obligation (including any obligation to pay dividends, other than dividends of shares of Preferred Stock of the same class and series payable in kind or dividends of shares of common stock) on or before a date that is less than 1 year after the Maturity Date, or, on or before the date that is less than 1 year after the Maturity Date, is redeemable at the option of the holder thereof for cash or assets or securities (other than distributions in kind of shares of Preferred Stock of the same class and series or of shares of common stock).

“Qualified Appraisal” means a desk-top appraisal of the Aircraft Collateral addressed to the Administrative Agent, Lenders and Borrower by an Approved Appraiser. Each such appraisal shall be in a form that is reasonably acceptable to the Administrative Agent and shall be accompanied by a letter stating that the purpose of the appraisal is to provide a report, upon which the Administrative Agent and Lenders may rely, of the value of the Pledged Aircraft as Aircraft Collateral under the Security Agreement. Each such appraisal shall set forth the current market value of each Pledged Aircraft (including any Aircraft being added to the Aircraft Collateral and excluding any Aircraft being removed from the Aircraft Collateral) determined in accordance with the definition of “current market value” promulgated by the International Society of Transport Aircraft Trading, as of the date of such appraisal.

“Public Lender” has the meaning specified in Section 6.02.

“Refinancing Indebtedness” means refinancings, renewals, or extensions of Indebtedness so long as:

(a) such refinancings, renewals, or extensions do not result in an increase in the principal amount of the Indebtedness so refinanced, renewed, or extended, other than by the amount of premiums paid thereon and the fees and expenses incurred in connection therewith and by the amount of unfunded commitments with respect thereto,

(b) such refinancings, renewals, or extensions do not result in a shortening of the average weighted maturity (measured as of the refinancing, renewal, or extension) of the Indebtedness so refinanced, renewed, or extended, nor are they on terms or conditions that, taken as a whole, are or could reasonably be expected to be materially adverse to the interests of the Lenders,

(c) if the Indebtedness that is refinanced, renewed, or extended was subordinated in right of payment to the Obligations, then the terms and conditions of the refinancing, renewal, or extension must include subordination terms and conditions that are at least as favorable to the Lenders as those that were applicable to the refinanced, renewed, or extended Indebtedness, and

(d) the Indebtedness that is refinanced, renewed, or extended is not recourse to any Person that is liable on account of the Obligations other than those Persons which were obligated with respect to the Indebtedness that was refinanced, renewed, or extended.

“Register” has the meaning specified in Section 10.06(c).

“Registered Public Accounting Firm” has the meaning specified in the Securities Laws and shall be independent of the Borrower as prescribed by the Securities Laws.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“Removed Aircraft” has the meaning set forth in Section 6.15(d) hereof.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30-day notice period has been waived.

“Required Lenders” means, as of any date of determination, Lenders having more than 50% of the Aggregate Commitments or, if the commitment of each Lender to make Loans has been terminated, Lenders holding in the aggregate more than 50% of the Outstanding Amount; provided that the Commitment of, and the portion of the Outstanding Amount held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

“Responsible Officer” means the chief executive officer, president, chief financial officer, vice president of finance or treasurer of Borrower. Any document delivered hereunder that is signed by a Responsible Officer of Borrower shall be conclusively presumed to have been authorized by all necessary corporate and/or other action on the part of Borrower and such Responsible Officer shall be conclusively presumed to have acted on behalf of Borrower.

“Restricted Junior Payment” means to (a) declare or pay any dividend or make any other payment or distribution on account of Equity Interest issued by Borrower (including any payment in connection with any merger or consolidation involving Borrower) or to the direct or indirect holders of Equity Interest issued by Borrower in their capacity as such (other than dividends or distributions payable in Equity Interest (other than Prohibited Preferred Stock) issued by Borrower, or (b) purchase, redeem, or otherwise acquire or retire for value (including in connection with any merger or consolidation involving Borrower) any Equity Interest issued by Borrower.

“Restricted Payment” means any cash dividend or distribution with respect to any capital stock or other Equity Interest of Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other Equity Interest or on account of any return of capital to Borrower’s stockholders, partners or members (or the equivalent Person thereof).

“Sarbanes-Oxley” means the Sarbanes-Oxley Act of 2002.

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“Securities Laws” means the Securities Act of 1933, the Securities Exchange Act of 1934, Sarbanes-Oxley and the applicable accounting and auditing principles, rules, standards and

practices promulgated, approved or incorporated by the SEC or the Public Company Accounting Oversight Board, as each of the foregoing may be amended and in effect on any applicable date hereunder.

“Security Agreement” means that certain Aircraft Chattel Mortgage Security Agreement dated as of March 31, 2010 made by Borrower in favor of the Administrative Agent in substantially the form of Exhibit E, including any Security Agreement Supplements.

“Security Agreement Supplement” has the meaning specified in Section 6.15(b)(ii).

“Subordinated Liabilities” means liabilities subordinated to the Obligations in a manner acceptable to Agent in its reasonable discretion.

“SPC” has the meaning specified in Section 10.06(h).

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of Borrower.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Swap Termination Value” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or

other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

“Synthetic Lease Obligation” means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Threshold Amount” means \$10,000,000.

“Total Liabilities” means the sum of current liabilities plus long term liabilities.

“Type” means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

“UCC” has the meaning set forth in the Security Agreement.

“United States” and “U.S.” mean the United States of America.

“U.S. Air Carrier” means any United States air carrier engaged in scheduled air transportation and in all material respects duly qualified and licensed under all applicable Laws to carry on its business as a scheduled airline currently subject to regulation by the Federal Aviation Administration and the Department of Transportation as to which there is in force a certificate issued pursuant to Section 401 of the Federal Aviation Act, 49 U.S.C. § 41101 *et seq.*, and as to which there is in force an air carrier operating certificate issued under Part 121 of the Federal Aviation Regulations, or which may operate as an air carrier by certificate or otherwise under any successor or substitute provisions therefor or in the absence thereof.

“Valuation Date” means, with respect to any Qualified Appraisal, the date as of which the Current Market Value of the Aircraft Collateral is determined according to such appraisal.

1.02 Other Interpretive Provisions

. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or

modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Accounting Terms.

(a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) Changes in GAAP. If, at any time, any change in GAAP or in practices or estimates which are in accordance with GAAP (each, a "Change") would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either Borrower or the Required Lenders shall so request, then Agent, Lenders and Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such Change (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP and such practices and estimates prior to such Change and (ii) Borrower shall provide to Agent and Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such Change.

1.04 Rounding

. Any financial ratios required to be maintained by Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio

is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 Times of Day

- Unless otherwise specified, all references herein to times of day shall be references to New York City time (daylight or standard, as applicable).

ARTICLE II.

THE COMMITMENTS AND CREDIT EXTENSIONS

2.01 Loans

• Subject to the terms and conditions and relying upon the representations and warranties set forth herein, each Lender, severally and not jointly, agrees to make loans (each such loan, a “Loan”) to Borrower from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of such Lender’s Commitment; provided, however, that after giving effect to any Borrowing, (i) the Outstanding Amount shall not exceed the Aggregate Commitments, (ii) the Outstanding Amount of the Loans of any Lender shall not exceed such Lender’s Commitment, and (iii) the Outstanding Amount shall not exceed the Borrowing Base. Within the limits of each Lender’s Commitment, and subject to the other terms and conditions hereof, Borrower may borrow under this Section 2.01, prepay under Section 2.03, and reborrow under this Section 2.01. Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

2.02 Borrowings, Conversions and Continuations of Loans.

(a) Each Borrowing, each conversion of Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon Borrower’s irrevocable notice to Agent, which may be given by telephone. Each such notice must be received by Agent not later than 1:00 p.m. (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Loans, and (ii) on the requested date of any Borrowing of Base Rate Loans. Each telephonic notice by Borrower pursuant to this Section 2.02(a) must be confirmed promptly by delivery to Agent of a written Loan Notice, appropriately completed and signed by a Responsible Officer of Borrower. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof. Each Borrowing of or conversion to Base Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$500,000 in excess thereof. Each Loan Notice (whether telephonic or written) shall specify (i) whether Borrower is requesting a Borrowing, a conversion of Loans from one Type to the other, or a continuation of Eurodollar Rate Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If Borrower fails to specify a Type of Loan in a Loan Notice or if Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If Borrower requests a Borrowing of, conversion to, or continuation of

Eurodollar Rate Loans in any such Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Each Loan Notice submitted by Borrower shall be deemed to be a representation and warranty that (i) since the Closing Date no event or circumstance has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect; (ii) no Default or Collateral Shortfall exists or will exist upon giving effect to the requested Borrowing, conversion or continuation, and (iii) the conditions specified in Section 4.02(a) have been satisfied, on and as of the date of the applicable Borrowing, conversion of Loans from one Type to the other, or continuation of Eurodollar Rate Loans.

(c) Following receipt of a Loan Notice, Agent shall promptly notify each Lender of the amount of its Applicable Percentage of the applicable Loans, and if no timely notice of a conversion or continuation is provided by Borrower, Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in the preceding subsection. In the case of a Borrowing, each Lender shall make the amount of its Loan available to Agent in immediately available funds at Administrative Agent's Office not later than 2:00 p.m. on the Business Day specified in the applicable Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if such Borrowing is the initial Borrowing, Section 4.01), Agent shall make all funds so received available to Borrower in like funds as received by Agent either by (i) crediting the account of Borrower on the books of Citibank with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) Agent by Borrower.

(d) Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Loan. During the existence of a Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Required Lenders. During the existence of an Event of Default, if Agent declares all amounts owing under this Agreement to be immediately due and payable pursuant to Section 8.02, then the Required Lenders may also demand that any or all of the then outstanding Eurodollar Rate Loans be converted immediately to Base Rate Loans and Borrower agrees to pay all amounts due under Section 3.05 in accordance with the terms thereof due to any such conversion.

(e) Agent shall promptly notify Borrower and Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrower and the Lenders of any change in Citibank's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(f) After giving effect to all Borrowings, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than 5 Interest Periods in effect at any one time with respect to Loans.

2.03 Prepayments.

(a) Borrower may, upon notice to Agent, at any time or from time to time voluntarily prepay Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by Agent not later than 1:00 p.m. (A) three Business Days prior to any date of prepayment of Eurodollar Rate Loans and (B) on the date of prepayment of Base Rate Loans; (ii) any prepayment of Eurodollar Rate Loans shall be in a principal amount of at least \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof; and (iii) any prepayment of Base Rate Loans shall be in a principal amount of at least \$1,000,000 or a whole multiple of \$500,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid. Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's Applicable Percentage of such prepayment. If such notice is given by Borrower, Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Each such prepayment shall be applied to the Loans of Lenders in accordance with their respective Applicable Percentages.

(b) If for any reason the Outstanding Amount at any time exceeds the Aggregate Commitments then in effect, Borrower shall immediately prepay Loans in an aggregate amount equal to such excess. If for any reason the Outstanding Amount at any time exceeds the Borrowing Base (an "Over Advance") then in effect, Borrower shall either: (i) immediately prepay Loans in an aggregate amount equal to such Over Advance or (ii) cure such Over Advance by pledging additional Collateral in accordance with Section 6.15(b) within five Business Days.

(c) Upon the occurrence of a Change of Control, Borrower shall, on the date of occurrence of such Change of Control, immediately repay all Loans, together with all accrued but unpaid interest thereon, and all other obligations of the Borrower hereunder, in full, and all Commitments shall be terminated in their entirety on the date of occurrence of such Change of Control.

2.04 Termination or Reduction of Commitments

. Borrower may, upon notice to Agent, terminate the Aggregate Commitments, or from time to time permanently reduce the Aggregate Commitments; provided that (i) any such notice shall be received by Agent not later than 1:00 p.m. five Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of \$5,000,000 or any whole multiple of \$1,000,000 in excess thereof, and (iii) Borrower shall not terminate or reduce the Aggregate Commitments if, after giving effect thereto and to any concurrent prepayments hereunder, the Outstanding Amount would exceed the Aggregate Commitments. Agent will promptly notify the Lenders of any such notice of termination or reduction of the Aggregate Commitments. Any reduction of the Aggregate Commitments shall be applied to the Commitment of each Lender according to its Applicable Percentage. All fees accrued until the effective date of any termination of the Aggregate Commitments shall be paid on the effective date of such termination.

2.05 Repayment of Loans

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Borrower shall repay to Lenders on the Maturity Date the aggregate principal amount of Loans outstanding on such date.

2.06 Interest.

(a) Subject to the provisions of subsection (b) below, (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate; and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate.

(b) (i) If any amount of principal of any Loan is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(ii) If any amount (other than principal of any Loan) payable by Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then upon the request of the Required Lenders, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iii) Upon the request of the Required Lenders (or automatically while any Event of Default under clause (f) or clause (g) of Section 8.01 exists), while any Event of Default exists, Borrower shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iv) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.07 Fees.

(a) Commitment Fee. Borrower shall pay to Agent for the account of each Lender in accordance with its Applicable Percentage, a commitment fee equal to [***]. The commitment fee shall accrue at all times during the Availability Period, including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable quarterly in

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the Maturity Date. The commitment fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Rate during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(b) Agent's Fees. Borrower shall pay to Agent for Agent's own account, fees in the amounts and at the times specified in the letter agreement, dated February 19, 2010 (the "Agent Fee Letter"), between Borrower and Agent. Such fees shall be fully earned when paid and shall be nonrefundable for any reason whatsoever.

(c) Arrangement Fees. Immediately upon the execution and delivery of this Agreement, Borrower shall pay the arrangement fees set forth in, and in accordance with, the letter agreement, dated February 19, 2010 (the "Arrangement Fee Letter"), among Borrower, Citigroup Global Markets Inc. and Banc of America Securities LLC. Such fees shall be fully earned when paid and shall be nonrefundable for any reason whatsoever.

(d) Upfront Fees. Immediately upon the execution and delivery of this Agreement, Borrower shall pay to the Administrative Agent, for the account of each Lender party to this Agreement on the Closing Date, an upfront fee in an amount equal to [***] of each such Lender's Commitment. Such fees shall be fully earned when paid and shall be nonrefundable for any reason whatsoever.

2.08 Computation of Interest and Fees

All computations of interest for Base Rate Loans when the Base Rate is determined by Citibank's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.10(a), bear interest for one day. Each determination by Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.09 Evidence of Debt

The Borrowings made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by Agent in the ordinary course of business. The accounts or records maintained by Agent and each Lender shall be conclusive absent manifest error of the amount of the Borrowings made by Lenders to Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of Agent in respect of such

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

matters, the accounts and records of Agent shall control in the absence of manifest error. Upon the request of any Lender made through Agent, Borrower shall execute and deliver to such Lender (through Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

2.10 Payments Generally; Agent's Clawback.

(a) General. All payments to be made by Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by Borrower hereunder shall be made to Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by Agent after 2:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(b) (i) Funding by Lenders; Presumption by Agent. Unless Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to Agent such Lender's share of such Borrowing, Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 and may, in reliance upon such assumption, make available to Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to Agent, then the applicable Lender and Borrower severally agree to pay to Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to Borrower to but excluding the date of payment to Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by Agent in connection with the foregoing and (B) in the case of a payment to be made by Borrower, the interest rate applicable to Base Rate Loans. If Borrower and such Lender shall pay such interest to Agent for the same or an overlapping period, Agent shall promptly remit to Borrower the amount of such interest paid by Borrower for such period. If such Lender pays its share of the applicable Borrowing to Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by Borrower shall be without prejudice to any claim Borrower may have against a Lender that shall have failed to make such payment to Agent.

(ii) Payments by Borrower; Presumptions by Agent. Unless Agent shall have received notice from Borrower prior to the date on which any payment is due to Agent for the account of the Lenders that Borrower will not make such payment, Agent may assume that Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to Lenders the amount due. In such event, if Borrower has not in fact

made such payment, then each of Lenders severally agrees to repay to Agent forthwith on demand the amount so distributed to such Lender, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it but excluding the date of payment to Agent, at the greater of the Federal Funds Rate and a rate determined by Agent in accordance with banking industry rules on interbank compensation. A notice of Agent to any Lender or Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to Borrower by Agent because the conditions to the applicable Borrowing set forth in Article IV are not satisfied or waived in accordance with the terms hereof, Agent shall return such funds (in like funds as received from such Lender) to such Lender, and Borrower shall pay to each Lender on demand interest on such funds that has accrued until the date such funds are returned to such Lender at the interest rate that would be applicable to such funds had those funds been made available to Borrower.

(d) Obligations of Lenders Several. The obligations of Lenders hereunder to make Loans and to make payments under Section 10.04(c) are several and not joint. The failure of any Lender to make any Loan, to fund any such participation or to make any payment under Section 10.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, purchase its participation or to make its payment under Section 10.04(c):

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.11 Sharing of Payments

If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Loans made by it resulting in such Lender's receiving payment of a proportion of the aggregate amount of such Loans or participations and accrued interest thereon greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided that:

(i) if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to (x) any payment made by Borrower pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to Borrower or any Subsidiary thereof (as to which the provisions of this Section shall apply).

Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of Borrower in the amount of such participation.

2.12 Security

All obligations of Borrower under this Agreement, the Notes and the other Loan Documents shall be secured in accordance with the Collateral Documents.

2.13 Defaulting Lenders

(a) Payments. Any amount paid by Borrower for the account of a Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity payments or other amounts) will not be paid or distributed to such Defaulting Lender, but shall instead be retained by the Administrative Agent in a segregated non-interest bearing escrow account until (subject to Section 2.13(d)) the termination of the Aggregate Commitments and payment in full of all obligations of the Borrower hereunder and will be applied by the Administrative Agent, to the fullest extent permitted by law, to the making of payments from time to time in the following order of priority: first to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent under this Agreement, second to the payment of post-default interest and then current interest due and payable to the Non-Defaulting Lenders hereunder, ratably among them in accordance with the amounts of such interest then due and payable to them, fourth to the payment of fees then due and payable to the Non-Defaulting Lenders hereunder, ratably among them in accordance with the amounts of such fees then due and payable to them, fifth to pay principal then due and payable to the Non-Defaulting Lenders hereunder ratably in accordance with the amounts thereof then due and payable to them, sixth to the ratable payment of other amounts then due and payable to the Non-Defaulting Lenders, and seventh after the termination of the Aggregate Commitments and payment in full of all obligations of the Borrower hereunder, to pay amounts owing under this Agreement to such Defaulting Lender or as a court of competent jurisdiction may otherwise direct.

(b) Fees. Anything herein to the contrary notwithstanding, during such period as a Lender is a Defaulting Lender, such Defaulting Lender shall not be entitled to any fees accruing during such period pursuant to Section 2.07(a) (without prejudice to the rights of the Non-Defaulting Lenders in respect of such fees).

(c) Termination of Defaulting Lender. The Borrower may terminate the unused amount of the Commitment of any Lender that is a Defaulting Lender upon not less than 10 Business Days' prior notice to the Administrative Agent (which shall promptly notify the Lenders thereof), and in such event the provisions of Section 2.13(a) will apply to all amounts

thereafter paid by the Borrower for the account of such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts), provided that (i) no Event of Default shall have occurred and be continuing and (ii) such termination shall not be deemed to be a waiver or release of any claim the Borrower, the Administrative Agent or any Lender may have against such Defaulting Lender.

(d) Cure. If the Borrower and the Administrative Agent agree in writing that a Lender that is a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any amounts then held in the segregated escrow account referred to in Section 2.13(a)), such Lender shall purchase such portions outstanding Loans of the other Lenders, and/or make such other adjustments, as the Administrative Agent may determine to be necessary to cause the Lenders to hold Loans on a pro rata basis in accordance with their respective Commitments, whereupon such Lender shall cease to be a Defaulting Lender and will be a Non-Defaulting Lender; provided that no adjustments shall be made retroactively with respect to fees accrued while such Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Non-Defaulting Lender shall constitute a waiver or release of any claim of any party hereunder arising from such Lender's having been a Defaulting Lender.

(e) Waiver. Provided that Borrower makes all payments required by this Agreement (other than the Defaulting Lender's share of fees as provided in Section 2.13(b)), each Defaulting Lender waives its rights to seek compensation from Borrower for any sums retained by Agent or distributed by Agent as provided in Section 2.13(a).

ARTICLE III.

TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Payments Free of Taxes. Any and all payments by Borrower to or on account of any obligation of Borrower hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes, provided that if Borrower shall be required by any applicable law to deduct any Indemnified Taxes from such payments, then, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), Agent or Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) Borrower shall make such deductions, and (iii) Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by Borrower. Without limiting the provisions of subsection (a) above, Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by Borrower. Borrower shall indemnify Agent and each Lender, within 30 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) paid or incurred by Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to Borrower by a Lender (with a copy to Agent), or by Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes by Borrower to a Governmental Authority, Borrower shall deliver to Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to Agent.

(e) Status of Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

Without limiting the generality of the foregoing, any Foreign Lender shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

- (i) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party,
- (ii) duly completed copies of Internal Revenue Service Form W-8ECI,
- (iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a “bank” within the meaning of section 881(c)(3)(A) of the Code, (B) a “10 percent shareholder” of the Borrower within the meaning of section

881(c)(3)(B) of the Code, or (C) a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code or (D) is otherwise entitled to an exemption from U.S. tax under Section 88(c) on the date it acquires its interest herein, and (y) duly completed copies of Internal Revenue Service Form W-8BEN, or

(iv) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower to determine the withholding or deduction required to be made.

If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that Borrower did not properly withhold tax from amounts paid to or for the account of any Foreign Lender due to a failure on the part of the Foreign Lender (because the appropriate certification form was not delivered, was not properly executed, or fails to establish an exemption from, or reduction of, withholding tax with respect to a particular type of payment, or because such Lender failed to notify Borrower or any other Person of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason), such Foreign Lender shall indemnify and hold Borrower harmless for all amounts paid, directly or indirectly, by Borrower as tax or otherwise, as a result of such failure, including penalties and interest, any taxes imposed by any jurisdiction on the amounts payable to Borrower under this paragraph, and all related costs and expenses (including attorneys fees and expenses). The obligation of the Foreign Lenders under this paragraph shall survive the payment of all Obligations.

(f) Treatment of Certain Refunds. If Agent or any Lender determines, in its sole discretion, that it has received a refund of any Taxes as to which it has been indemnified by Borrower or with respect to which Borrower has paid additional amounts pursuant to this Section, it shall pay to Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by Borrower under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses of Agent or such Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that Borrower, upon the request of Agent or such Lender, agrees to repay the amount paid over to Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to Agent or such Lender in the event Agent or such Lender is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require Agent or any Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

3.02 Illegality

If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to Borrower through Agent, any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans shall be suspended until such Lender notifies

Agent and Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, Borrower shall, upon demand from such Lender (with a copy to Agent), prepay or, if applicable, convert all Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, Borrower shall also pay accrued interest on the amount so prepaid or converted and all amounts due under Section 3.05 in accordance with the terms thereof due to such prepayment or conversion.

3.03 Inability to Determine Rates

If the Required Lenders determine, in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof, that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, (b) adequate and reasonable means do not exist for determining the Eurodollar Base Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or (c) an unusual or extraordinary event or circumstance occurs or exists affecting the applicable offshore Dollar market such that the Eurodollar Base Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, Agent will promptly so notify Borrower and each Lender. Thereafter, the obligation of Lenders to make or maintain Eurodollar Rate Loans shall be suspended until Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

3.04 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the Eurodollar Rate); or

(ii) impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Loans made by such Lender or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan), or to reduce the amount of any sum received or receivable by such Lender (whether of principal, interest or any other amount) then, upon request of such Lender, Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender reasonably determines that any Change in Law affecting such Lender or any Lending Office of such Lender or such Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitment of such Lender or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and, in reasonable detail, the basis for such calculation and delivered to Borrower shall be conclusive absent manifest error. Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof. Such certificate shall also include a statement to the effect that such compensation for additional costs incurred or reduction suffered reflects a good faith and non-discriminatory allocation to this Agreement.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's right to demand such compensation, provided that Borrower shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than 30 days prior to the date that such Lender notifies Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 30-day period referred to above shall be extended to include the period of retroactive effect thereof).

3.05 Compensation for Losses

Upon demand of any Lender (with a copy to Agent) from time to time, Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by Borrower; or

(c) any assignment of a Eurodollar Rate Loan on a day other than the last day of the Interest Period thereof as a result of a request by the Borrower pursuant to Section 10.13.

Borrower's compensation to any Lender under this Section 3.05 is intended to put such Lender in the same financial position it would have been in had the event referred to in clauses (a), (b) or

(c) not occurred, including any loss of anticipated profits. Borrower's compensation to any such Lender will include any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing. For purposes of calculating amounts payable by Borrower to Lenders under this Section 3.05, each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Base Rate used in determining the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

3.06 Mitigation of Obligations; Replacement of Lenders

(a) Designation of Different Lending Office. If any Lender requests compensation under Section 3.04, or Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, the Borrower may replace such Lender in accordance with Section 10.13.

(c) Removal of Tax Lenders.

(i) If the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01 (such Lender being a "Tax Lender"), a replacement Lender under clause (b) above is not available and the last sentence of Section 10.13 does not apply, then, subject to the condition specified in clause (iv) below, Borrower, upon at least 5 Business Days prior irrevocable notice, may pay an amount equal to the outstanding principal of such Tax Lender's Loans, accrued interest thereon, accrued fees and all other amounts payable to such Tax Lender hereunder and under the other Loan Documents (including any amounts under Section 3.05) and thereupon permanently terminate the Commitments of such Lender and remove such Tax Lender hereunder. Such notice to remove the Tax Lender, as applicable, shall specify an effective date for such termination and removal, which date shall not be later than 15 Business Days after the date such notice is given.

(ii) Prior to the effective date of such termination and removal, the Tax Lender and Borrower shall execute and deliver a mutually satisfactory removal agreement, subject only to the Tax Lender being repaid in full as provided in the above clause (i) by Borrower. If the Tax Lender shall refuse or fail to execute and deliver any such removal agreement prior to the effective date of such removal, the termination of the Commitments of such Tax Lender and the removal of such Tax Lender shall nonetheless occur on the effective date originally specified by Borrower upon payment by Borrower to such Tax Lender of all of the amounts referred to in clause (i) above.

(iii) Anything contained in this Agreement to the contrary notwithstanding, including any requirement that payments to Lenders be made on a pro-rata basis or that the Commitments of Lenders be reduced on a pro-rata basis, Borrower may make payments under this clause (c) to a Tax Lender that is being removed, the Commitments of such Tax Lender may be terminated under this clause (c) and the Obligations due to such Tax Lender may be satisfied under this clause (c) while leaving remaining Obligations outstanding.

(iv) Borrower shall only be entitled to terminate the Commitments of a Tax Lender and remove such Tax Lender under this clause (c) if and only if no Event of Default has occurred and is continuing.

(v) Once a termination and removal of a Tax Lender is effectuated under this clause (c), the Aggregate Commitments shall automatically be deemed reduced by the amount of the terminated Commitment of such removed Tax Lender and all of the provisions of this Agreement (other than Section 10.04) and the other Loan Documents, including the determination of Required Lenders and Applicable Percentage, shall be interpreted and determined without regard to such terminated Commitment and without regard to the removed Tax Lender.

(vi) The termination of the Commitment of a Tax Lender and the removal of such Tax Lender pursuant to this clause (c) shall not eliminate or affect such Tax Lender's rights under Section 10.04, which rights shall survive any such termination and removal.

3.07 Survival

All of Borrower's obligations under this Article III shall survive termination of the Aggregate Commitments and repayment of all other Obligations hereunder.

ARTICLE IV.

CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

4.01 Conditions to Effectiveness and Initial Borrowing:

The effectiveness of this Agreement is subject to satisfaction of the conditions precedent set forth in clauses (a), (b) and (c) below and, in addition to the satisfaction of such conditions, the obligation of each Lender to make its initial Loan hereunder is subject to satisfaction of the conditions precedent set forth in clause (d) below :

(a) Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the Borrower, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to Agent and each of the Lenders:

- (i) executed counterparts of this Agreement and all Collateral Documents, sufficient in number for distribution to Agent, each Lender and Borrower;
- (ii) a Note executed by Borrower in favor of each Lender requesting a Note;
- (iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of Borrower as Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents;
- (iv) such documents and certifications as Agent may reasonably require to evidence that Borrower is duly organized or formed, and that Borrower is validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect;
- (v) a favorable opinion(s) of counsel to Borrower acceptable to Agent addressed to Agent and each Lender, as to the matters concerning Borrower, the Loan Documents and the Collateral, including the enforceability of all Loan Documents, compliance with all Laws, the perfection and priority of all security interests purported to be granted and no conflicts with material agreements, in form and substance satisfactory to Agent;
- (vi) a certificate of a Responsible Officer of Borrower either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by Borrower and the validity against Borrower of the Loan Documents (other than certificates, consents and licenses related to operating individual aircraft or its business as a common carrier), and such consents, licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required;
- (vii) a certificate signed by a Responsible Officer of Borrower certifying (A) that the conditions specified in Sections 4.02(a) and (b) have been satisfied, and (B) that there has been no event or circumstance since the date of the Audited Financial Statements that has had or would be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect;
- (viii) evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect and that Administrative Agent and Lenders have been named as loss payees (subject to the last paragraph of Section 3.5(a) of the Security Agreement) to the extent of their interest (the lower of (x) the Current Market Value as reflected on the last Qualified Appraisal or (y) the Obligations outstanding at the

time of payment of insurance proceeds) and additional insured under all policies of casualty insurance and as additional insured under all policies of liability insurance, and certificates of insurance from nationally recognized independent aviation insurance brokers certifying to such insurance coverage (including insurance coverage over all Aircraft Collateral);

(ix) a duly completed Compliance Certificate as of the last day of the fiscal quarter of Borrower most recently ended prior to the Closing Date, signed by a Responsible Officer of Borrower;

(x) acknowledgments of all filings or recordations necessary to perfect its Liens in the Collateral (other than filings and recordations with International Registry), as well as UCC and FAA searches and other evidence satisfactory to Agent that (i) the Security Agreement has created a valid and effective security interest in the Aircraft Collateral, (ii) such security interests have been duly perfected, and (iii) the Aircraft Collateral is free and clear of Liens or options other than such security interests and any Liens permitted pursuant to Section 7.01. Without limiting the generality of the foregoing, the Administrative Agent shall have received evidence that the Security Agreement has been duly filed for record with the Aircraft Registry of United States Department of Transportation, Federal Aviation Administration in Oklahoma City and the UCC Financing Statement has been duly filed in the appropriate UCC filing office in Alaska;

(xi) Qualified Appraisals showing the Current Market Value of the Aircraft Collateral as of the date no earlier than December 31, 2009;

(xii) evidence that (i) any Collateral Documents (other than the Security Agreement) have created a valid and effective security interest in any Collateral (other than the Aircraft Collateral), (ii) such security interests have been duly perfected, and (iii) any Collateral (other than the Aircraft Collateral) is free and clear of Liens or options other than such security interests and any Liens permitted pursuant to Section 7.01;

(xiii) the Agent Fee Letter and Arrangement Fee Letter;

(xiv) conformed copies of the Wells Fargo Credit Agreement, together with all agreements (other than the related fee letter), instruments and other documents delivered in connection therewith as the Administrative Agent shall reasonably request;

(xv) evidence that the Existing Credit Agreement has been, or concurrently with the Closing Date is being, terminated and all Liens securing obligations under the Existing Credit Agreement have been, or concurrently with the Closing Date are being, released; and

(xvi) such other assurances, certificates, documents, consents or opinions as Agent or the Required Lenders reasonably may require, including all documentation and other information that the Agent or such Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act.

- (b) Any fees required to be paid on or before the Closing Date shall have been paid.
- (c) Unless waived by Agent, Borrower shall have paid all fees, charges and disbursements of counsel to Agent to the extent invoiced prior to or on the Closing Date.
- (d) Agent's receipt of:
 - (i) an opinion from aviation counsel acceptable to Agent as to the FAA and CTT matters relating to perfection and priority of the security interest created by the Security Agreement;
 - (ii) acknowledgments of all filings and recordings with International Registry and evidence that the Security Agreement has been duly filed for record with the International Registry and International Registry searches showing that (i) the Security Agreement has created a valid and effective security interest in the Aircraft Collateral, (ii) such security interests have been duly perfected, and (iii) the Aircraft Collateral is free and clear of Liens or options other than such security interests and any Liens permitted pursuant to Section 7.01;

Without limiting the generality of the provisions of Section 9.04, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

4.02 Conditions to all Borrowings

The obligation of each Lender to honor any Loan Notice is subject to the following conditions precedent:

- (a) The representations and warranties of Borrower contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the date of such Borrowing, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in subsections (a) and (b) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01.
- (b) No Change of Control, Invalidity Event or Material Failure of Security shall have occurred and no Default, Collateral Shortfall or Over Advance shall exist or would result from such proposed Borrowing or from the application of the proceeds thereof.
- (c) Agent shall have received a Loan Notice in accordance with the requirements hereof.
- (d) Neither the Administrative Agent nor any Lender shall have received from any Person any notice that any Collateral Document will no longer secure on a first priority basis (subject to Liens permitted under the applicable Collateral Document) future Borrowings under this Agreement.

(e) Agent shall have received, in form and substance satisfactory to it: (i) such other assurances, certificates, documents or consents related to the foregoing as Agent or the Required Lenders reasonably may require; and (ii) any information requested more than five Business Days prior to such Loan Notice by the Agent or any Lender in accordance with Section 6.02(d).

Each Loan Notice submitted by Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of the applicable Borrowing.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Agent and the Lenders that:

5.01 Existence, Qualification and Power; Compliance with Laws

Borrower and each Subsidiary thereof (a) is duly organized or formed, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents, (c) is duly qualified and is licensed and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, and (d) is in compliance with all Laws; except in each case referred to in clause (b)(i), (c) or (d), to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect.

5.02 Authorization; No Contravention

The execution, delivery and performance by Borrower of each Loan Document, have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of Borrower's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (i) any Contractual Obligation (other than the Loan Documents) to which Borrower is a party or affecting Borrower or the properties of Borrower or any of its Subsidiaries or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which Borrower or its property is subject; or (c) violate any Law. Borrower and each Subsidiary thereof is in compliance with all Contractual Obligations referred to in clause (b)(i), except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect.

5.03 Governmental Authorization; Other Consents

No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, Borrower of this Agreement or any other Loan Document, except for recordings or filings in connection with the Liens granted to the Agent under the Collateral Documents or filing of a redacted copy of the Loan Documents with the SEC.

5.04 Binding Effect

This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by Borrower. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms.

5.05 Financial Statements; No Material Adverse Effect.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of Borrower as of the date thereof and its results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of Borrower as of the date thereof, including liabilities for taxes and material commitments.

(b) The unaudited consolidated balance sheet of Borrower and its Subsidiaries dated September 30, 2009, and the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal quarter ended on that date (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and (ii) fairly present the financial condition of Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby, subject, in the case of clauses (i) and (ii), to the absence of footnotes and to normal year-end audit adjustments.

(c) Since the Closing Date and since the date of the Audited Financial Statements, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

(d) Since the date of the Audited Financial Statements, no material Internal Control Event has occurred to the knowledge of Borrower's Chief Executive Officer, Chief Financial Officer, Vice President-Finance, Treasurer or Controller.

5.06 Litigation and Judgments

There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of Borrower after due and diligent investigation, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, by or against Borrower or any of its Subsidiaries or against any of their properties or revenues that (a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby, or (b) are reasonably likely to have a Material Adverse Effect. To the knowledge of Borrower after due and diligent investigation, there is no outstanding unsatisfied money judgment against Borrower or any of its Subsidiaries in an amount in excess of the Threshold Amount, and there are no outstanding unsatisfied money judgments against Borrower or any of its Subsidiaries which individually or in the aggregate have or would have a Material Adverse Effect.

5.07 No Default

. Neither Borrower nor any Subsidiary is in default under or with respect to any Contractual Obligation that would, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

5.08 Ownership of Property; Liens

Each of Borrower and each Subsidiary has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The property of Borrower and its Subsidiaries is subject to no Liens, other than Liens permitted by Section 7.01.

5.09 Environmental Compliance

Borrower and its Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof Borrower has reasonably concluded that, except as specifically disclosed in Schedule 5.09, such Environmental Laws and claims would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.10 Insurance

The properties and businesses of Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies (including Lloyds of London syndicates) not Affiliates of Borrower (unless fully reinsured by financially sound and reputable insurance companies), in such amounts (after giving effect to any self-insurance, provided that any self-insurance may not exceed \$5,000,000 per occurrence), with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where Borrower or the applicable Subsidiary operates.

5.11 Taxes

Borrower and its Subsidiaries have filed all Federal, state and other material tax returns and reports required to be filed, and have paid all Federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP. To Borrower's knowledge, there is no proposed tax assessment against Borrower or any Subsidiary that would, if made, have a Material Adverse Effect.

5.12 ERISA Compliance.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the best knowledge of Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. Borrower and each ERISA Affiliate have made all required contributions to each Plan subject to the Pension Funding Rules, and no application for a funding waiver or an extension of any amortization period pursuant to the Pension Funding Rules has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that would be reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or would reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) neither Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA), which would reasonably be expected to have a Material Adverse Effect; (iii) neither Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (iv) neither Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA.

5.13 Subsidiaries

As of the Closing Date, Borrower has no Subsidiaries. As of the Closing Date, Parent has no operating Subsidiaries other than Borrower and Horizon. All of the outstanding Equity Interests in Borrower have been validly issued and are fully paid and nonassessable and are owned by Parent free and clear of all Liens.

5.14 Margin Regulations; Investment Company Act.

(a) Borrower is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock.

(b) None of Borrower, any Person Controlling Borrower, or any Subsidiary is or is required to be registered as an “investment company” under the Investment Company Act of 1940.

5.15 Disclosure

Borrower has disclosed to Agent and Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect. No report, financial statement, certificate or other information furnished (whether in writing or orally) by or on behalf of Borrower to Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (in each case, as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

5.16 Compliance with Laws

Each of Borrower and each Subsidiary is in compliance in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

5.17 Intellectual Property; Licenses, Etc

Borrower and its Subsidiaries own, or possess the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights ("IP Rights") that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the best knowledge of Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by Borrower or any Subsidiary infringes upon any rights held by any other Person. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of Borrower, threatened, which, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

5.18 Solvency

The Borrower is Solvent and shall be Solvent immediately after the consummation of the transactions contemplated by this Agreement. As used herein, a Person is "Solvent" on a particular date, if, on such date both (a) (i) the then fair saleable value of the property of such Person on a going concern basis is (A) greater than the total amount of liabilities (including contingent liabilities) of such Person as they mature in the ordinary course and (B) not less than the amount that will be required to pay the probable liabilities on such Person's then-existing debts as they become absolute and matured considering all financing alternatives and potential asset sales reasonably available to such Person; (ii) such Person's capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction; and (iii) such Person does not intend to incur, or believe (nor should it reasonably believe) that it will incur, debts beyond its ability to pay such debts as they become due; and (b) such Person is "solvent" within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the debts and liabilities of a Person, contingent or otherwise, shall include the amount of all debts and liabilities that are relevant under Section 548 of Title 11 of the United States Code or any applicable provisions of comparable state law (collectively, the "Fraudulent Transfer Laws"), and the assets of a Person shall give effect to the value (as determined under the applicable provisions of the Fraudulent Transfer Laws) of any rights to subrogation, reimbursement, indemnification or contribution of such Person pursuant to applicable Law or pursuant to the terms of any agreement.

5.19 Collateral and Security Documents.

(a) Borrower owns all right, title and interest in and to the Aircraft Collateral (and any other Collateral) free and clear of all Liens other than (i) the security interests in favor of the Administrative Agent securing the Obligations, or (ii) Liens permitted by Section 7.01 that are junior and subordinate to the security interests created by the Collateral Documents, or (iii) Liens on the Aircraft Collateral permitted under subsections (e) and (f) of Section 7.01.

(b) The Security Agreement (and any of other Collateral Documents) create, in favor of the Administrative Agent for the benefit of itself and the Lenders, a legal, valid and enforceable security interest in all of Borrower's right, title and interest in all of the Aircraft Collateral (and any other Collateral), which security interest has been duly perfected and has priority over any other Liens on the Collateral (other than Liens on the Aircraft Collateral described in subsections (e) and (f) of Section 7.01).

(c) Borrower is a citizen of the United States for purposes of the U.S. Federal Aviation Act.

(d) Borrower is, and continuously during the five years immediately preceding the date of this Agreement has been, an Alaska corporation. Borrower's chief executive office is, and continuously during the five years immediately preceding the date of this Agreement has been, located in Seattle, Washington.

(e) No Aircraft, at the time Agent's security interest in such Aircraft attaches, will be subject to any interest, other than an interest held by Borrower, that is recorded in the FAA Registry.

(f) The Engines pledged pursuant to the Security Agreement as part of an applicable Aircraft are of the same series, model and make, and the Engines, taken as a group, have approximately the same aggregate value as the engines upon which the determination of Current Market Value in each Qualified Appraisal was based.

(g) The representations and warranties in this Section 5.19 (other than Section 5.19(e)) are made on and as of the date of this Agreement and, with respect to the representations and warranties in subsections (a), (b) and (c) hereof, on and as of each date thereafter.

5.20 Burdensome Agreements

Neither Borrower nor any Subsidiary has any Contractual Obligation (other than this Agreement or any other Loan Document) that (a) limits the ability (i) of any Subsidiary to make Restricted Payments to Borrower or to otherwise transfer property to Borrower, (ii) of any Subsidiary to Guarantee any obligations of Borrower under any of the Loan Documents or (iii) of Borrower or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person (other than the negative pledge set forth in the ABL Facility Documents as in effect on the Closing Date or as the same may be amended, modified or changed thereafter in accordance with Section 7.15(b)(i); provided, however, that this clause (iii) shall not prohibit any negative pledge incurred or provided in favor of any holder of Indebtedness permitted under this Agreement solely to the extent any such negative pledge relates to the property financed by such Indebtedness or the property subject to a Lien permitted under this Agreement securing such Indebtedness.

5.21 Compliance with OFAC Rules and Regulations; Patriot Act.

(a) None of Borrower, any Subsidiary of Borrower or any Affiliate of Borrower (a) is a Sanctioned Person, (b) has more than 15% of its assets in Sanctioned Countries, or (c) derives more than 15% of its operating income from investments in, or transactions with, Sanctioned Persons or Sanctioned Countries. No part of the proceeds of any extension of credit hereunder

will be used directly or indirectly to fund any operations in, finance any investments or activities in or make any payments to, a Sanctioned Person or a Sanctioned Country. "OFAC" means the U.S. Department of the Treasury's Office of Foreign Asset Control. "Sanctioned Countries" means a country subject to a sanctions program identified on the list maintained by OFAC and available at <http://www.treas.gov/offices/enforcement/ofac/sanctions/index.html>, or otherwise published from time to time. "Sanctioned Person" means (a) a Person named on the list of "Specially Designated Nationals and Blocked Persons" maintained by OFAC available at <http://www.treas.gov/offices/enforcement/ofac/sanctions/index.html> or otherwise published from time to time, or (b)(i) an agency of the government of a Sanctioned Country, (ii) an organization controlled by a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC.

(b) The Borrower, any Subsidiary of Borrower or any Affiliate of Borrower are in compliance in all material respects, to the extent applicable, with the Patriot Act and other federal or state laws relating to "*know your customer*" and anti-money laundering rules and regulations.

ARTICLE VI.

AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, Borrower shall, and shall (except in the case of the covenants set forth in Sections 6.01, 6.02 and 6.03) cause each Subsidiary to:

6.01 Financial Statements

Deliver to Agent a sufficient number of copies for delivery by Agent to each Lender, in form and detail satisfactory to Agent and the Required Lenders:

(a) as soon as available, but in any event no later than the earlier of five days after the deadline for filing imposed by the SEC or 95 days after the end of each fiscal year of Borrower, a consolidated balance sheet of Borrower and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, audited and accompanied by: (i) a report and opinion of a Registered Public Accounting Firm of nationally recognized standing not reasonably objected to by the Required Lenders, which report and opinion shall be prepared in accordance with generally accepted auditing standards and applicable Securities Laws and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit and (ii) beginning with the report for December 31, 2010, a report of such Registered Public Accounting Firm as to the Borrower's internal controls pursuant to Section 404 of Sarbanes-Oxley that: (A) expresses a conclusion that would not reasonably be expected to have a Material Adverse Effect and (B) identifies no issues related to Borrower's or its Subsidiaries' internal controls that would reasonably be expected to have a Material Adverse Effect; and

(b) as soon as available, but in any event within 50 days after the end of each of the first three fiscal quarters of each fiscal year of Borrower, a consolidated balance sheet of

Borrower and its Subsidiaries as at the end of such fiscal quarter, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal quarter and for the portion of Borrower's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail, certified by a Responsible Officer of Borrower as fairly presenting the financial condition, results of operations, shareholders' equity and cash flows of Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes.

6.02 Certificates; Other Information

Deliver to Agent a sufficient number of copies for delivery by Agent to each Lender, in form and detail satisfactory to Agent and the Required Lenders:

- (a) concurrently with the delivery of the financial statements referred to in Section 6.01(a), a certificate of its independent certified public accountants certifying such financial statements;
- (b) concurrently with the delivery of the financial statements referred to in Sections 6.01(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of Borrower;
- (c) within five Business Days after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of Parent, and copies of all annual, regular, periodic and special reports and registration statements which Parent may file or be required to file with the Securities and Exchange Commission under Section 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to Agent pursuant hereto; and
- (d) promptly, such additional information regarding the business, financial or corporate affairs of Borrower or any Subsidiary, or compliance with the terms of the Loan Documents, as Agent or any Lender may from time to time reasonably request.

Documents required to be delivered pursuant to Section 6.01(a) or (b) or Section 6.02(c) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address listed on Schedule 10.02; or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, (or website maintained by the SEC) to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender that specifically requests the Borrower to deliver such paper copies and (ii) the Borrower shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper copies of the Compliance Certificates required by Section 6.02(b) to the

Administrative Agent. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

Borrower hereby acknowledges that (a) Agent will make available to Lenders materials and/or information provided by or on behalf of Borrower hereunder (collectively, "Borrower Materials") by posting Borrower Materials on DebtDomain or another similar electronic system (the "Platform") and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to Borrower or its securities) (each, a "Public Lender"). Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof, provided, however, that no document available on the website of the SEC need contain any legend; (x) by marking Borrower Materials "PUBLIC," Borrower shall be deemed to have authorized Agent and the Lenders to treat such Borrower Materials as either publicly available information or not material information (although it may be sensitive and proprietary) with respect to Borrower or its securities for purposes of United States Federal and state securities laws; (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) Agent shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" (other than documents available on the SEC website) as being suitable only for posting on a portion of the Platform not designated "Public Investor."

6.03 Notices

Not later than five Business Days after Borrower obtains knowledge thereof, notify Agent and each Lender:

(a) of the occurrence of any Default to the knowledge of Borrower's chief financial officer or other Responsible Officer who is responsible for communicating with Administrative Agent or Lenders regarding this Agreement or any of the matters contemplated by this Agreement;

(b) of any matter that has resulted or would reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of Borrower or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between Borrower or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting Borrower or any Subsidiary, including pursuant to any applicable Environmental Laws;

(c) of the occurrence of (i) any ERISA Event, (ii) that Borrower or ERISA Affiliate has filed or anticipates filing any request for a receipt of a minimum funding waiver under Section 412 of the Code, (iii) any Multiemployer Plan has notified the Borrower or ERISA Affiliate that it is or is expected to be in critical or endangered status under Title IV of ERISA, or (iii) that any Pension Plan is or is expected to be in at-risk status under Title IV of ERISA, setting forth the full details as to such occurrence and the action, if any, that, Borrower or such ERISA Affiliate is required or proposes to take, together with any notices required or proposed

to be given or filed by Borrower, the Plan administrator or such ERISA Affiliate to or with the PBGC or any other Governmental Authority, or a Plan, or Multiemployer Plan or participant and any notices received by Borrower or ERISA Affiliate from the PBGC or any other Governmental Authority, or a Plan, Multiemployer Plan or Plan participant with respect thereto; and

- (d) of any material change in accounting policies or financial reporting practices by Borrower or any Subsidiary.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of Borrower setting forth details of the occurrence referred to therein and stating what action Borrower has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

6.04 Payment of Obligations

Pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by Borrower or such Subsidiary; (b) all lawful claims which, if unpaid, would by law become a Lien upon its property; and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

6.05 Preservation of Existence, Etc

(a) Preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization except in a transaction permitted by Section 7.02; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which would reasonably be expected to have a Material Adverse Effect.

6.06 Maintenance of Properties

(a) Maintain, preserve and protect or replace all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so would not reasonably be expected to have a Material Adverse Effect; and (c) use not less than the standard of care typical in the industry in the operation and maintenance of its facilities.

6.07 Maintenance of Insurance.

(a) In addition to insurance requirements set forth in the Collateral Documents, maintain with financially sound and reputable insurance companies (including Lloyds of London syndicates) not Affiliates of Borrower (unless fully reinsured by financially sound and reputable insurance companies), insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar

business (operating similar aircraft in similar markets), of such types and in such amounts (after giving effect to any self-insurance (that may not exceed \$5,000,000 per occurrence) and/or deductible compatible with the following standards) as are customarily carried under similar circumstances by such other Persons and providing for not less than 30 days' prior notice to Agent of termination or cancellation of such insurance. Without limiting the generality of the foregoing, except as provided in paragraph (b) of this Section 6.07, Borrower will at all times carry or cause to be carried at its expense (or at the expense of the lessee of such Aircraft), aircraft liability insurance including passenger, third party, bodily injury and property damage, baggage, cargo and mail liability and, subject to an aggregate limit, products legal liability (exclusive of manufacturer's product liability insurance) with respect to each Aircraft owned by Borrower (A) for a combined single limit of at least \$600,000,000 per occurrence, (B) of the type and covering the risks as from time to time determined by Borrower to be prudent, including insurance covering war risk and allied perils and (C) which is maintained in effect with insurers of recognized responsibility and reputation (or in the case of war risk and allied perils cover, may be placed with an agency of the United States Government). In the event that Borrower chooses to self-insure, Borrower shall notify the Agent and Lenders of the amount of such self insurance and relevant details, if any, concerning the interaction of the self-insurance and the insurance in place. In addition, in the event of renewal or replacement of any insurance policy providing for insurance coverage over the Aircraft Collateral, Borrower shall reasonably promptly following such renewal or replacement furnish to the Agent and Lenders certificates of insurance from nationally recognized independent aviation insurance brokers certifying insurance coverage over the Aircraft Collateral under the renewed or replacement insurance policies.

(b) During any period that an Aircraft is on the ground and not in operation, Borrower may carry or cause to be carried, in lieu of the insurance required by Section 6.07(a) above, insurance with respect to such Aircraft otherwise conforming with the provisions of such Section 6.07(a) except that (A) the amounts of coverage shall not be required to exceed the amounts of public liability and property damage insurance from time to time applicable to Aircraft owned or leased by Borrower of the same type as the Aircraft which comprise Borrower's fleet and which are on the same 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 Aircraft owned or leased by Borrower of the same type which comprise Borrower's fleet and which are on the ground and not in operation; provided that if Borrower then has no other similarly situated Aircraft, the terms of such insurance during such period shall conform to prudent industry standards.

6.08 Compliance with Laws

Comply in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, write, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith would not reasonably be expected to have a Material Adverse Effect.

6.09 Books and Records

(a) Maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of Borrower or such Subsidiary, as the case may be; and (b) maintain such books of record and account in material

conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over Borrower or such Subsidiary, as the case may be.

6.10 Inspection Rights

Permit representatives and independent contractors of Agent and each Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to Borrower; provided, however, that when an Event of Default exists Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of Borrower at any time during normal business hours.

6.11 Use of Proceeds

Use the proceeds of the Borrowings for capital expenditures, working capital and other general corporate purposes not in contravention of any Law or of any Loan Document.

6.12 Financial Covenants; Maintenance of Unrestricted Cash

Maintain at all times total unrestricted cash and cash equivalents and marketable securities (as determined in accordance with GAAP) of not less than Five Hundred Million Dollars (\$500,000,000.00).

6.13 Collateral Records

To execute and deliver promptly to Agent, from time to time, solely for Agent's convenience in maintaining a record of the Collateral, such written statements and schedules as Agent may reasonably require designating, identifying or describing the Collateral. The failure by Borrower, however, to promptly give Agent such statements or schedules shall not affect, diminish, modify or otherwise limit the Liens on the Collateral granted pursuant to the Collateral Documents.

6.14 Security Interests

To (a) defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein, (b) comply with the requirements of all state and federal laws in order to grant to Agent and Lenders valid and perfected first priority security interests in the Collateral, with perfection, in the case of any investment property, deposit account or letter of credit, being effected by giving Agent control of such investment property or deposit account or letter of credit, rather than by the filing of a Uniform Commercial Code ("UCC") financing statement with respect to such investment property, and (c) do whatever Agent may reasonably request, from time to time, to effect the purposes of this Agreement and the other Loan Documents, including filing notices of liens, UCC financing statements, and amendments, renewals and continuations thereof; cooperating with Agent's representatives; keeping stock records; obtaining waivers from landlords and mortgagees and from warehousemen and their landlords and mortgages; and, paying claims which might, if unpaid, become a Lien on the Collateral. Agent is hereby authorized by Borrower to file any UCC financing statements covering the Collateral whether or not Borrower's signatures appear thereon, and Agent agrees to provide a copy thereof to Borrower prior to any such filing.

6.15 Collateral.

- (a) Collateral Review Date. On or before the last Business Day of each July and January (each a “Collateral Review Date”), Borrower shall provide to the Administrative Agent (which shall provide to each Lender) a Qualified Appraisal showing the Current Market Value of each Pledged Aircraft as of a Valuation Date that is no earlier than 30 days prior to the applicable Collateral Review Date.
- (b) Cure of Collateral Shortfall or Over Advance. If a Collateral Shortfall exists or Borrower elects to cure an Over Advance pursuant to Section 2.03(b) in whole or in part by pledging additional Collateral, then Borrower shall cure such Collateral Shortfall or Over Advance by, at Borrower’s option, either or any combination of the following:
- (i) within 15 Business Days after the date of such Collateral Shortfall or five Business Days after the date of an Over Advance, executing and delivering to the Administrative Agent a supplement to the Security Agreement in substantially the form of Schedule I to the Security Agreement (a “Security Agreement Supplement”) and providing the Administrative Agent with evidence satisfactory to it that:
 - (A) the Security Agreement, as supplemented by such Security Agreement Supplement, has granted a security interest to the Administrative Agent in one or more Aircraft owned by Borrower (the “Added Pledged Aircraft”) that was not or were not already Pledged Aircraft as security for the Obligations;
 - (B) such security interest is a perfected first-priority security interest and each Added Pledged Aircraft is free and clear of: (i) any Liens other than Liens permitted by Section 7.01; and (ii) any other interest that has been recorded in the records the Aircraft Registry of United States Department of Transportation, Federal Aviation Administration (the “FAA Registry”);
 - (C) the Current Market Value of the Added Pledged Aircraft is sufficient, in combination with any Cash Collateral pledged in accordance with Section 6.15(b)(ii), to cure the Collateral Shortfall or the Over Advance, as applicable;
 - (D) all insurance policies required by this Agreement or the Security Agreement with respect to the Added Pledged Aircraft have been duly issued and remain in force in accordance therewith and that Administrative Agent and Lenders have been named as loss payees (subject to the last paragraph of Section 3.5(a) of the Security Agreement) to the extent of their interest (the lower of (x) the Current Market Value as reflected on the last Qualified Appraisal or (y) the Obligations outstanding at the time of payment of insurance proceeds) and additional insured under all policies of casualty insurance and as additional insured under all policies of liability insurance; and
 - (E) the execution, delivery and performance of the Security Agreement Supplement have been duly authorized by all necessary corporate

action of Borrower and the Security Agreement, as amended by such supplement, constitutes the legal, valid and binding obligation of Borrower; or

(ii) within 15 Business Days after such Collateral Shortfall or five Business Days after the date of Over Advance, executing and delivering to the Administrative Agent, a Cash Pledge Agreement or an amendment thereto pledging Cash Collateral that qualifies in all respects for inclusion in the Borrowing Base. Such additional Cash Collateral shall be in an amount sufficient, in combination with any Aircraft Collateral pledged in accordance with Section 6.15(b)(i), to cure the Collateral Shortfall or the Over Advance, as applicable.

If Borrower elects to cure a Collateral Shortfall or an Over Advance pursuant to clause (i) above, the Administrative Agent may also require that Borrower provide a legal opinion issued by aviation counsel for Borrower acceptable to the Administrative Agent covering some or all of the FAA and CTT matters covered by the legal opinion delivered on the Closing Date.

(c) Substitution of Engines. Provided that no Event of Default has occurred and is continuing, Borrower may, from time to time, send the Administrative Agent a written request (which shall be received by the Administrative Agent no later than the fifth Business Day prior the Administrative Agent is to release its security agreement described below) to substitute an Engine that is not covered by the Security Agreement (an “Added Engine”) for an Engine that is covered by the Security Agreement which may include an Engine that has been subject to an Event of Loss (a “Removed Engine”). The Administrative Agent shall release its security interest in the Removed Engine within three Business Days after the date when Borrower has executed and delivered to the Administrative Agent a Security Agreement Supplement covering the Added Engine and provided the Administrative Agent with evidence satisfactory to it that:

(i) the Security Agreement, as supplemented by such Security Agreement Supplement, has granted a security interest to the Administrative Agent in the Added Engine as security for the Obligations;

(ii) such security interest is a perfected first-priority security interest and the Added Engine is free and clear of: (A) any Liens other than Liens permitted by Section 7.01; and (B) any other interest that has been recorded in the FAA Registry or International Registry;

(iii) the Added Engine is of the same or improved make and model and of at least the same utility as the Removed Engine;

(iv) all insurance policies and/or endorsements required by this Agreement or the Security Agreement with respect to the Added Engine have been duly issued and remain in force in accordance therewith and that Administrative Agent and Lenders have been named as additional insured and under all policies of casualty insurance and as additional insured under all policies of liability insurance;

(v) if requested by the Administrative Agent, the execution, delivery and performance of the Security Agreement Supplement has been duly authorized by all

necessary corporate action of Borrower and the Security Agreement, as amended by such supplement, constitutes the legal, valid and binding obligation of Borrower; and

(vi) if requested by the Administrative Agent, a legal opinion issued by counsel for Borrower acceptable to the Administrative Agent covering some or all of the matters covered by the legal opinions delivered on the Closing Date as they apply to the Added Engine.

(d) Substitution of Aircraft. Provided that no Event of Default has occurred and is continuing, Borrower may, from time to time, send the Administrative Agent a written request to substitute an Aircraft that is not covered by the Security Agreement (an “Added Aircraft”) for an Aircraft that is covered by the Security Agreement which may include an Aircraft that has been subject to an Event of Loss (a “Removed Aircraft”). The Administrative Agent shall release its security interest in the Removed Aircraft within five Business Days after the Aircraft Substitution Request Date. “Aircraft Substitution Request Date” means the date when Borrower has executed and delivered to the Administrative Agent a Security Agreement Supplement covering the Added Aircraft and provided the Administrative Agent with evidence satisfactory to it of each of the following:

(i) the Security Agreement, as supplemented by such Security Agreement Supplement, has granted a security interest to the Administrative Agent in the Added Aircraft as security for the Obligations;

(ii) such security interest is a perfected first-priority security interest and the Added Aircraft is free and clear of any Liens or option other than Liens permitted by Section 7.01;

(iii) the Current Market Value of the Added Aircraft is equal to or greater than the Current Market Value of the Removed Aircraft, each as set forth in a Qualified Appraisal with a Valuation Date no earlier than 30 days prior to the Aircraft Substitution Request Date;

(iv) all insurance policies and/or endorsements required by this Agreement or the Security Agreement with respect to the Added Engine have been duly issued and remain in force in accordance therewith and that Administrative Agent and Lenders have been named as loss payees (subject to the last paragraph of Section 3.5(a) of the Security Agreement) to the extent of their interest (the lower of (x) the Current Market Value as reflected on the last Qualified Appraisal or (y) the Obligations outstanding at the time of payment of insurance proceeds) and additional insured under all policies of casualty insurance and as additional insured under all policies of liability insurance;

(v) if requested by the Administrative Agent, the execution, delivery and performance of the Security Agreement Supplement has been duly authorized by all necessary corporate action of Borrower and the Security Agreement, as amended by such supplement, constitutes the legal, valid and binding obligation of Borrower;

(vi) the Added Aircraft is a Boeing 737 type Aircraft; and

(vii) if requested by the Administrative Agent, a legal opinion issued by counsel for Borrower acceptable to the Administrative Agent covering some or all of the matters covered by the legal opinions delivered on the Closing Date as they apply to the Added Aircraft.

(e) Release of Collateral. If (i) Borrower reduces the Aggregate Commitments in accordance with Section 2.04 or has, through Qualified Appraisals, demonstrated that an Aircraft can be removed from the Aircraft Collateral and still leave the Aircraft Collateral equal to or greater than 150% of the Aggregate Commitments, (ii) Borrower provides to the Administrative Agent a Qualified Appraisal with a Valuation Date no earlier than 30 days prior to Borrower's Release Request, and (iii) no Default under Sections 8.01(a) or 8.01(f) and no Event of Default has occurred and is continuing, then Borrower may send the Administrative Agent a written request (a "Release Request") to release one or more Aircraft from the security interest created by the Security Agreement. Each such Release Request shall identify the specific Aircraft to be released and shall state the Current Market Value of each Aircraft to be released and of the Aircraft Collateral after giving effect to such release. If the Qualified Appraisal confirms that, after giving effect to such release, the Current Market Value of the Aircraft Collateral would be greater than or equal to 150% of the Aggregate Commitments as so reduced, then the Administrative Agent will, within five Business Days after its receipt of the Release Request, release the security interest in such Aircraft and/or Engines.

(f) Substitution of Cash Collateral. Borrower may request the release of the Administrative Agent's security interest in the Aircraft Collateral in exchange for a security interest in Cash Collateral acceptable to the Administrative Agent and Requisite Lenders or a release of Cash Collateral in exchange for a security interest in Aircraft Collateral. Borrower's right to obtain such release, in the case of Aircraft Collateral, shall be subject to Borrower executing and delivering to Administrative Agent a Cash Pledge Agreement covering the Cash Collateral and Borrower, the Administrative Agent and Requisite Lenders reaching agreement regarding (i) the perfection, priority and valuation of the Cash Collateral; and (iii) the amendments to this Agreement necessary or appropriate in light of such substitution of collateral. Borrower's right to obtain such release of Cash Collateral shall be subject to Borrower executing and delivering to Administrative Agent a Security Agreement Supplement covering additional Aircraft Collateral that meets all the requirements of (b) above for curing any Collateral Shortfall (assuming that the Agent has released the Cash Collateral that Borrower has requested be released).

(g) Duration of Valuation. Except as otherwise provided in Section 6.15(h), the Current Market Value of a Pledged Aircraft as set forth in the Qualified Appraisal associated with a Collateral Review Date or a substitution of Pledged Aircraft shall remain in effect until the Qualified Appraisal associated with the earlier of the next Collateral Review Date or the next request for a substitution of Pledged Aircraft.

(h) Event of Loss. Within ten (10) days after the occurrence of an Event of Loss with respect to a Pledged Aircraft, Borrower shall notify the Administrative Agent and Lenders in writing of such Event of Loss, which notice shall state the Current Market Value of the affected Pledged Aircraft and certify that Borrower has filed a casualty insurance claim with respect to such Event of Loss. Immediately upon the occurrence of an Event of Loss with respect to any

Pledged Aircraft, the Current Market Value of the Aircraft Collateral shall immediately be reduced by the Current Market Value of the Pledged Aircraft that was subject to such Event of Loss. During the Claim Collateral Period, the Current Market Value of the Aircraft Collateral shall be increased by the Agreed Value Amount less the amount, if any, attributable to any underwriter of such insurance that has become insolvent or that has commenced, had commenced against it, or has otherwise become subject to, a bankruptcy, receivership or other insolvency proceeding. Immediately at the end of such Claim Collateral Period, the Current Market Value of the Aircraft Collateral shall no longer include such Agreed Value Amount and any proceeds that exceed the Current Market Value of the Aircraft received by the Agent shall either be used to reduce the Outstanding Amount or remitted to Borrower (a) at the option of Borrower if, at such time, no Default or Event of Default has occurred and is continuing or would occur if such proceeds were remitted to Borrower and Borrower would otherwise be entitled to re-borrow the amount of such proceeds in accordance with the terms of this Agreement; and (b) otherwise, at the option of the Agent.

6.16 State of Incorporation

Borrower shall give the Administrative Agent at least 30 days' prior written notice thereof before changing its state of incorporation or otherwise ceasing to be an Alaska corporation.

6.17 Further Assurances

Promptly upon request by the Administrative Agent or the Required Lenders, do, execute, acknowledge, authorize, deliver, record, re-record, file, re-file, register and re-register, any and all such further acts, deeds, conveyances, security agreements, aircraft mortgages, assignments, estoppel certificates, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments the Administrative Agent or such Lenders, as the case may be, may reasonably require from time to time in order (i) to carry out more effectively the purposes of any Collateral Document, (ii) to subject to the Liens created by any of the Collateral Documents any of the properties, rights or interests covered by any of the Collateral Documents, (iii) to perfect and maintain the validity, effectiveness and priority of any of the Collateral Documents and the Liens intended to be created thereby, and (iv) to better assure, convey, grant, assign, transfer, preserve, protect and confirm to the Agent and the Lenders the rights granted or now or hereafter intended to be granted to the Agent and/or the Lenders under the Collateral Documents or under any other document, instrument or agreement from time to time executed by Borrower in connection therewith.

6.18 Patriot Act

Borrower shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act.

ARTICLE VII.

NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly:

7.01 Liens

Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

- (a) Liens pursuant to any Collateral Document or any other Loan Document, if any;
- (b) Liens on Collateral purported to be covered by a Collateral Document if and to the extent permitted under such Collateral Document;
- (c) Liens on (i) aircraft and aircraft equipment, including airframes, engines, appliances, equipment, instruments, and accessories from time to time belonging to, installed in, or appurtenant to such airframes and engines; (ii) aircraft spare parts; and (iii) logs, manuals and other records relating to aircraft; provided, however, that in no event shall any of the Liens permitted by this Section 7.01(c) include Liens on any Collateral;
- (d) Liens (other than (x) those permitted by Section 7.01(c) and (y) any Liens on other property of Borrower or any Subsidiary (other than Aircraft Collateral) that secure Indebtedness not exceeding \$10,000,000 in the aggregate) existing on the date hereof and listed on Schedule 7.01 and any renewals or extensions thereof, provided that (i) the property covered thereby is not changed, (ii) the amount secured or benefited thereby is not increased, (iii) the direct or any contingent obligor with respect thereto is not changed, and (iv) any renewal or extension of the obligations secured or benefited thereby is permitted by this Agreement, provided, however, that in no event shall any of the Liens permitted by this Section 7.01(d) include Liens on any Collateral;
- (e) Liens for taxes not yet due or which are being contested in good faith and by appropriate proceedings diligently conducted, if (i) adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP, and (ii) in the case of a Lien against any of the Collateral, such contest proceedings operate to stay the sale of any portion of the Collateral to satisfy such Taxes;
- (f) carriers', warehousemen's, mechanics', material supplier's, repairer's or other like Liens arising in the ordinary course of business for services or supplies, the payment for which is not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings diligently conducted, (i) if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP, and (ii) in the case of a Lien against any of the Collateral, such contest proceedings operate to stay the sale of any portion of the Collateral to satisfy such Liens;
- (g) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;
- (h) deposits to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations, surety bonds (other than bonds related to judgments or litigation), performance bonds, payment bonds, standby letters of credit, Swap Contracts and other obligations of a like nature, in each case, incurred in the ordinary course of business; provided, however, that in no event shall any of the Liens permitted by this Section 7.01(h) include Liens on any Collateral;

(i) newly created easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person, or now existing easements, rights-of-way, restrictions or other encumbrances;

(j) Liens securing judgments for the payment of money not constituting an Event of Default under Section 8.01(h) or securing appeal or other surety bonds related to such judgments, provided, however, that in no event shall any of the Liens permitted by this Section 7.01(j) include Liens on any Collateral;

(k) Liens on Borrower's rights under an aircraft purchase agreement with respect to an aircraft securing any Permitted Progress Payment Loan made with respect to such aircraft, provided, however, that in no event shall any of the Liens permitted by this Section 7.01(k) include Liens on any Aircraft Collateral;

(l) Liens securing Indebtedness permitted pursuant to Section 7.14; provided, however, that such Liens shall only extend to pledges of cash and cash equivalents granted by Borrower and the collateral described in the security agreements entered into in connection with the original closing of such facility (including any replacements or proceeds thereof); provided, further, however, that in no event shall any of the Liens permitted by this Section 7.01(l) include Liens on any Collateral;

(m) Liens on Borrower's real property to secure Indebtedness that is underwritten based upon the value of the real property that is security for such Indebtedness;

(n) Liens, other than Liens permitted under clauses (a)-(m) of this Section 7.01, that do not secure Indebtedness for borrowed money (including bonds or debentures), letters of credit or an item of Indebtedness that expressly identified as being unsecured so long as the aggregate amount of obligations secured by all such Liens does not exceed \$25,000,000 at any time; provided, however, that in no event shall any of the Liens permitted by this Section 7.01(n) include Liens on any Collateral.

7.02 Fundamental Changes

Merge, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default exists or would result therefrom:

(a) any Subsidiary may merge with (i) Borrower, provided that Borrower shall be the continuing or surviving Person, or (ii) any one or more other Subsidiaries, provided that when any wholly-owned Subsidiary is merging with another Subsidiary, the wholly-owned Subsidiary shall be the continuing or surviving Person; and

(b) any Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to Borrower or to another Subsidiary; provided that if the transferor in such a transaction is a wholly-owned Subsidiary, then the transferee must either be Borrower or a wholly-owned Subsidiary.

7.03 Dispositions

Make any Disposition or enter into any agreement to make any Disposition, except:

- (a) Dispositions of obsolete, no longer useful or worn out property (other than Collateral), whether now owned or hereafter acquired, in the ordinary course of business;
- (b) Dispositions of inventory in the ordinary course of business;
- (c) Dispositions of equipment (other than Collateral) or real property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property, or (ii) the proceeds of such Disposition are reasonably promptly applied to the purchase price of such replacement property;
- (d) Disposition of equipment (other than Collateral) in an arms' length transaction for fair market value provided that: (i) such equipment is no longer necessary for the successful operation of Borrower's business or the generation of revenue sufficient to service Borrower's Obligations, and (ii) the aggregate amount of Dispositions under this clause (d) from the date of this Agreement through the Maturity Date does not exceed ten percent (10%) of the book value net of depreciation of all Borrower's equipment (other than Collateral) on the date of this Agreement;
- (e) Dispositions of property by any Subsidiary to Borrower or to a wholly-owned Subsidiary; and
- (f) Non-exclusive licenses of IP Rights in the ordinary course of business and substantially consistent with past practice for terms not exceeding five years;
- (g) Dispositions permitted by Section 7.02;
- (h) Dispositions of Collateral expressly permitted under the Security Agreement;
- (i) Dispositions of aircraft and aircraft equipment that is not Collateral if such Dispositions are of a type expressly permitted under the Security Agreement with respect to Aircraft Collateral; and
- (j) Dispositions of aircraft or aircraft equipment that is not Collateral in sale-and-lease-back transactions under which Borrower remains in possession and control of such aircraft or aircraft equipment as the lessee thereof.

provided, however, that any Disposition pursuant to clauses (a) through (e) and clauses (h) through (j) shall be for fair market value.

7.04 [Intentionally Omitted]

7.05 Restricted Junior Payments

.Make any Restricted Junior Payment; provided, however, that, so long as it is permitted by law, and so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom,

(a) Borrower may make distributions to former employees, officers, or directors of Borrower (or any spouses, ex-spouses, or estates of any of the foregoing) on account of redemptions of Equity Interest of Parent held by such Persons, provided, however, that the aggregate amount of such redemptions made by Borrower during the term of this Agreement plus the amount of unsecured Indebtedness of Borrower owing to former employees, officers, or directors (or any spouses, ex-spouses, or estates of any of the foregoing) incurred in connection with the repurchase by Borrower of the Equity Interest of Parent that has been issued to such Persons, does not exceed [***] in the aggregate,

(b) Borrower may make distributions to former employees, officers, or directors of Borrower (or any spouses, ex-spouses, or estates of any of the foregoing), solely in the form of forgiveness of Indebtedness of such Persons owing to Borrower on account of repurchases of the Equity Interest of Parent held by such Persons; provided that such Indebtedness was incurred by such Persons solely to acquire Equity Interest of Parent,

(c) Borrower may declare and pay dividends or make distributions to Parent, the proceeds of which shall be used by Parent solely to pay (i) (y) franchise taxes (other than income taxes) and other fees, taxes and expenses required to maintain its corporate existence or arising as a result of its ownership of Borrower, and (z) federal, state and local income taxes, to the extent such income taxes are attributable to the income of Borrower; provided that the amount of such payments in any fiscal year does not exceed the amount that Borrower would be required to pay in respect of federal, state and local taxes for such fiscal year were Borrower to pay such taxes separately from Parent, and (ii) ordinary course operating and corporate overhead expenses and administrative and similar expenses related to its existence and ownership of Borrower, and

(d) Borrower may declare and pay dividends or make distributions to Parent so long as (i) no Event of Default has occurred and is continuing or would result therefrom and (i) Borrower's total unrestricted cash and cash equivalents and marketable securities (as determined in accordance with GAAP) is equal to \$600,000,000, or greater, before and immediately after giving effect thereto.

7.06 ERISA

At any time (a) engage in a transaction which could be subject to Sections 4069 or 4212(c) of ERISA and would have a Material Adverse Effect, (b) permit any Pension Plan to (i) engage in any non-exempt "prohibited transaction" (as defined in Section 4975 of the Code) that would have a Material Adverse Effect; (ii) fail to comply with ERISA or any other applicable Laws and the failure would have a Material Adverse Effect; or (iii) incur any material "unpaid minimum required contribution" (as defined in the Pension Rules), which would have a Material Adverse Effect; (c) permit an ERISA Event to occur with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of [***]; (d) permit no Multiemployer Plan to be in critical or endangered status under Section 432 of the Code; or (e) fail to pay, or permit any

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

ERISA Affiliate to fail to pay, when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of [***].

7.07 Air Carrier

Cease to be a U.S. Air Carrier or receive notice that it will lose or have revoked any license, certificate, qualification or other requirement to be a U.S. Air Carrier.

7.08 Change in Nature of Business

Engage in any material line of business substantially different from, and not in support of, those lines of business conducted by Borrower and its Subsidiaries on the date hereof or any business substantially related or incidental thereto.

7.09 Transactions with Affiliates

Enter into transactions of any kind with Affiliates of Borrower unless such transactions, taken as a whole, are substantially as favorable to Borrower and its Subsidiaries as would be obtainable by Borrower or its Subsidiaries in a comparable arm's length transaction with a Person other than an Affiliate.

7.10 Burdensome Agreements

Enter into any material Contractual Obligation (other than this Agreement or any other Loan Document) that (a) limits the ability (i) of any Subsidiary to make Restricted Payments to Borrower or to otherwise transfer property to Borrower, (ii) of any Subsidiary to Guarantee any of Borrower's obligations under any of the Loan Documents or (iii) of Borrower or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person (other than the negative pledge set forth in the ABL Facility Documents as in effect on the Closing Date or as the same may be amended, modified or changed thereafter in accordance with Section 7.15(b)(i)); provided, however, that this clause (iii) shall not prohibit any negative pledge incurred or provided in favor of any holder of Indebtedness permitted under this Agreement solely to the extent any such negative pledge relates to the property financed by or the subject of such Indebtedness; or (b) requires the grant of a Lien to secure an obligation of such Person if a Lien is granted to secure another obligation of such Person.

7.11 Loans

In the case of Borrower, make any loans to its Subsidiaries or Affiliates in an aggregate amount exceeding [***] or incur any obligations to Parent for borrowed money that are not Subordinated Liabilities, and in the case of Borrower's Subsidiaries or Affiliates, make any loans to Borrower that are not Subordinated Liabilities.

7.12 Use of Proceeds

Use the proceeds of any Borrowing, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

7.13 Invalidity Event

Cause, permit, or suffer to exist, directly or indirectly, any Invalidity Event.

7.14 Indebtedness under the ABL Facility

Create, incur, assume, suffer to exist,

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

guarantee, or otherwise become or remain, directly or indirectly, liable with respect to Indebtedness under the ABL Facility in an aggregate outstanding principal amount that exceeds \$100,000,000 or refinance, renew, or extend Indebtedness under the ABL Facility other than Refinancing Indebtedness of such Indebtedness.

7.15 Prepayments and Amendments

(a) Except in connection with Refinancing Indebtedness,

(i) if by doing so Borrower's total unrestricted cash and cash equivalents and marketable securities (as determined in accordance with GAAP) would drop below that required by Section 6.12, optionally prepay, redeem, defease, purchase, or otherwise acquire any Indebtedness of Borrower, other than the Obligations in accordance with this Agreement,

(ii) make any payment on account of Indebtedness that has been contractually subordinated in right of payment if such payment is not permitted at such time under the subordination terms and conditions, or

(b) Directly or indirectly, amend, modify, or change any of the terms or provisions of

(i) the ABL Facility Documents except so long as such amendment, modification, or change (x) could not, individually or in the aggregate, reasonably be expected to be materially adverse to the interests of the Lenders, and (y) would not otherwise cause Borrower to breach any of the provisions of this Agreement, or

(ii) the Organization Documents of Borrower if the effect thereof, either individually or in the aggregate, could reasonably be expected to be materially adverse to the interests of the Lenders.

ARTICLE VIII.

EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default

Any of the following shall constitute an Event of Default:

(a) Non-Payment. Borrower fails to pay (i) when and as required to be paid herein any amount of principal of any Loan (including, without limitation, pursuant to Section 2.03(c)), or (ii) within five Business Days after the same becomes due, any interest on any Loan, or any fee due hereunder, or (iii) within five Business Days after the same becomes due, any other amount payable hereunder or under any other Loan Document; or

(b) Specific Covenants. Borrower fails to perform or observe (i) any term, covenant or agreement contained in Section 7.13 of this Agreement and such failure continues for five (5) Business Days after the occurrence of the applicable event, (ii) any term, covenant or agreement contained in Section 7.14 or 7.15 of this Agreement and such failure continues for ten (10) Business Days after the occurrence of the applicable event or (iii) any term, covenant or agreement contained in this Agreement a (other than those covered by Section 8.01(a) and in the preceding clause (i) or clause (ii)) and such failure continues for fifteen (15) Business Days after the occurrence of the applicable event; or

(c) Other Defaults. Borrower fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days or any Event of Default occurs under any other Loan Document; or

(d) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of Borrower herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading when made or deemed made and, in the case of a misrepresentation that is capable of being cured, such misrepresentation shall not have been cured within 30 days after a Responsible Officer of Borrower either has knowledge thereof or has received written notice thereof from the Administrative Agent; or

(e) Cross-Default. (i) Borrower or any Subsidiary: (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than the Threshold Amount for any such individual agreement or \$30,000,000 for any combination of such agreements, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which Borrower or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which Borrower or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by Borrower or such Subsidiary as a result thereof is greater than the Threshold Amount for any such individual agreement or \$30,000,000 for any combination of such agreements; or

(f) Insolvency Proceedings, Etc. Borrower, any Subsidiary or Parent institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and

the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) Inability to Pay Debts; Attachment. (i) Borrower, any Subsidiary or Parent becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property having a value, in the aggregate, in excess of \$5,000,000 of any such Person and is not released, vacated or fully bonded within 30 days after its issue or levy; or

(h) Judgments. There is entered against Borrower or any Subsidiary: (i) a final judgment or order for the payment of money in an aggregate amount exceeding the Threshold Amount (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 10 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability (including the imposition of a lien under Code Section 430(k) and/or ERISA Section 303(k)) of Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount, or (ii) Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the Threshold Amount; and, in either case, such ERISA Event or failure to pay would reasonably be expected to have a Material Adverse Effect; or

(j) Material Failure of Security. A Material Failure of Security occurs and is not cured within five (5) Business Days after its occurrence. Without limiting other possible cure methods, Borrower may cure a Material Failure of Security by pledging Cash Collateral so long as such cash collateral qualifies in all respects to be included in the Borrowing Base and results in the Borrowing Base being returned to the amount thereof immediately prior to the occurrence of such Material Failure of Security.

8.02 Remedies Upon Event of Default

If any Event of Default occurs and is continuing, Agent may, and shall at the request of the Required Lenders, take any or all of the following actions:

- (a) declare the commitment of each Lender to make Loans to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by Borrower; and

(c) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to Borrower under the Bankruptcy Code, the obligation of each Lender to make Loans shall automatically terminate, and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, in each case without further act of Agent or any Lender.

8.03 Application of Funds

After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 8.02, any amounts received on account of the Obligations shall be applied by Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to Agent and amounts payable under Article III) payable to Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to Lenders (including fees, charges and disbursements of counsel to the respective Lenders and amounts payable under Article III), ratably among them in proportion to the amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and other Obligations, ratably among Lenders in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans, ratably among Lenders in proportion to the respective amounts described in this clause Fourth held by them; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to Borrower or as otherwise required by Law.

ARTICLE IX.

ADMINISTRATIVE AGENT

9.01 Appointment and Authorization of Administrative Agent

Each of the Lenders hereby irrevocably appoints Citibank to act on its behalf as Administrative Agent hereunder and under the other Loan Documents and authorizes Agent to take such actions on its behalf and to exercise such powers as are delegated to Agent by the terms hereof and thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of

this Article are solely for the benefit of Agent and the Lenders, and Borrower shall not have rights as a third party beneficiary of any of such provisions.

9.02 Rights as a Lender

The Person serving as Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not Agent hereunder and without any duty to account therefor to Lenders.

9.03 Exculpatory Provisions

Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, Agent:

- (a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;
- (b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose Agent to liability or that is contrary to any Loan Document or applicable Law; and
- (c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as Agent or any of its Affiliates in any capacity.
- (d) Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 8.02 and 10.01 or (ii) in the absence of its own gross negligence or willful misconduct. Agent shall be deemed not to have knowledge of any Default unless and until written notice describing such Default is given to Agent by Borrower or a Lender. Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or the creation, perfection or priority of any Lien purported to be created by the Collateral Documents, (v) the value or the sufficiency of any Collateral or (vi) the satisfaction of any condition set forth

in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to Agent.

9.04 Reliance by Administrative Agent

Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan that by its terms must be fulfilled to the satisfaction of a Lender, Agent may presume that such condition is satisfactory to such Lender unless Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. Agent may consult with legal counsel (who may be counsel for Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

9.05 Delegation of Duties

Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub agents appointed by Agent. Agent and any such sub agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub agent and to the Related Parties of Agent and any such sub agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Agent.

9.06 Resignation of Agent

Agent may at any time give notice of its resignation to Lenders and Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may on behalf of Lenders, appoint a successor Agent meeting the qualifications set forth above; provided that if Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by Agent on behalf of the Lenders under any of the Loan Documents, the retiring Agent shall continue to hold such collateral security until such time as a successor Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Agent, and the retiring Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between

Borrower and such successor. After the retiring Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

9.07 Non-Reliance on Agent and Other Lenders

Each Lender acknowledges that it has, independently and without reliance upon Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

9.08 No Other Duties, Etc

Anything herein to the contrary notwithstanding, none of the Bookrunners, Arrangers or any Lender holding a title listed on the cover page hereof, shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as Agent or a Lender hereunder.

9.09 Administrative Agent May File Proofs of Claim

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to Borrower, Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether Agent shall have made any demand on Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of Lenders and Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of Lenders and Agent and their respective agents and counsel and all other amounts due to Lenders and Agent under Sections 2.03(i) and 2.07 and 10.04 allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to Agent and, in the event that Agent shall consent to the making of such payments directly to Lenders, to pay to Agent any amount due for the reasonable compensation, expenses, disbursements and advances of Agent and its agents and counsel, and any other amounts due Agent under Sections 2.07 and 10.04. Nothing contained herein shall be deemed to authorize Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of

any Lender or to authorize Agent to vote in respect of the claim of any Lender in any such proceeding.

9.10 Collateral Matters.

(a) Each Lender hereby irrevocably authorizes and directs Agent to enter into the Collateral Documents for the benefit of such Lender and to act as the agent of such Lender for purposes of acquiring, holding and enforcing any and all Liens on Collateral to secure any of the Obligations, together with such powers and discretion as are reasonably incidental thereto. In this connection, the Administrative Agent, as such “collateral agent” and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 9.05 for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Collateral Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent, shall be entitled to the benefits of all provisions of this Article IX and Article X (including Section 10.04, as though such co-agents, sub-agents and attorneys-in-fact were such “collateral agent” under the Loan Documents) as if set forth in full herein with respect thereto.. Each Lender hereby agrees, and each holder of any Note by the acceptance thereof will be deemed to agree, that, except as otherwise set forth in Section 10.01, any action taken by the Required Lenders, in accordance with the provisions of this Agreement or the Collateral Documents, and the exercise by the Required Lenders of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of Lenders. Agent is hereby authorized (but not obligated) on behalf of all of Lenders, without the necessity of any notice to or further consent from any Lender from time to time prior to, an Event of Default, to take any action with respect to any Collateral or Collateral Documents which may be necessary to perfect and maintain perfected the Liens upon the Collateral granted pursuant to the Collateral Documents.

(b) Each Lender hereby irrevocably authorize Agent, at its option and in its discretion,

(i) to release any Lien on any property granted to or held by Agent under any Loan Document (A) upon termination of the Aggregate Commitments and payment in full of all Obligations (other than contingent indemnification obligations), (B) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, (C) as permitted or required hereunder or under any other Loan Document (including, without limitation, as contemplated by Section 6.14), (D) subject to Section 10.01, if approved, authorized or ratified in writing by the Required Lenders, or (E) in connection with any foreclosure sale or other disposition of Collateral after the occurrence of an Event of Default to which the Required Lenders consent; and

(ii) to subordinate any Lien on any property granted to or held by Agent under any Loan Document to the holder of any Lien on such property that is permitted by this Agreement or any other Loan Document.

Upon request by Agent at any time, each Lender will confirm in writing Agent’s authority to release or subordinate its interest in particular types or items of Collateral pursuant to this Section 9.10.

(c) Subject to (b) above, Agent shall (and is hereby irrevocably authorized by each Lender to) execute such documents as may be necessary to evidence the release or subordination of the Liens granted to Agent for the benefit of Agent and Lenders herein or pursuant hereto upon the applicable Collateral; provided that (i) Agent shall not be required to execute any such document on terms which, in Agent's opinion, would expose Agent to or create any liability or entail any consequence other than the release or subordination of such Liens without recourse or warranty and (ii) such release or subordination shall not in any manner discharge, affect or impair the Obligations or any Liens upon (or obligations of Borrower in respect of) all interests retained by Borrower, including the proceeds of the sale, all of which shall continue to constitute part of the Collateral. In the event of any sale or transfer of Collateral, or any foreclosure with respect to any of the Collateral, Agent shall be authorized to deduct all expenses reasonably incurred by Agent from the proceeds of any such sale, transfer or foreclosure.

(d) Agent shall have no obligation whatsoever to any Lender or any other Person to assure that the Collateral exists or is owned by Borrower or is cared for, protected or insured or that the Liens granted to Agent herein or in any of the Collateral Documents or pursuant hereto or thereto have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise or to continue exercising at all or in any manner or under any duty of care, disclosure or fidelity any of the rights, authorities and powers granted or available to Agent in this Section 9.10 or in any of the Collateral Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, Agent may act in any manner it may deem appropriate, in its sole discretion, given Agent's own interest in the Collateral as one of the Lenders and that Agent shall have no duty or liability whatsoever to Lenders.

(e) Each Lender hereby appoints each other Lender as agent for the purpose of perfecting Lenders' security interest in assets which, in accordance with Article 9 of the UCC can be perfected only by possession. Should any Lender (other than Agent) obtain possession of any such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor shall deliver such Collateral to Agent or in accordance with Agent's instructions.

9.11 Other Agents; Arrangers and Managers

None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a "syndication agent," "documentation agent," "co-agent," "book manager," "lead manager," "arranger," "lead arranger" or "co-arranger" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

9.12 No Advisory or Fiduciary Responsibility

In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower and each other Loan Party acknowledges and agrees that and acknowledges its Affiliates understanding that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent and the Joint-Lead Arrangers are arm's-length commercial transactions between the Borrower,

each other Loan Party and their respective Affiliates, on the one hand, and the Administrative Agent and the Joint-Lead Arrangers, on the other hand, (B) each of the Borrower and the other Loan Parties has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrower and each other Loan Party is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Administrative Agent and each Joint-Lead Arranger is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower, any other Loan Party or any of their respective Affiliates, or any other Person and (B) neither the Administrative Agent nor the Joint-Lead Arrangers has any obligation to the Borrower, any other Loan Party or any of their respective Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent and the Joint-Lead Arrangers and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower, the other Loan Parties and their respective Affiliates, and neither the Administrative Agent nor the Joint-Lead Arrangers has any obligation to disclose any of such interests to the Borrower, any other Loan Party or any of their respective Affiliates. To the fullest extent permitted by law, each of the Borrower and the other Loan Parties hereby waives and releases any claims that it may have against the Administrative Agent and the Joint-Lead Arrangers with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

ARTICLE X.

MISCELLANEOUS

10.01 Amendments, Etc

No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by Borrower therefrom, shall be effective unless in writing signed by the Required Lenders and Borrower and acknowledged by Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

- (a) waive any condition set forth in Section 4.01 or Section 5.21(b) without the written consent of each Lender;
- (b) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;
- (c) postpone any date fixed by this Agreement or any other Loan Document for any payment (excluding mandatory prepayments) of principal, interest, fees or other amounts due to Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;
- (d) reduce the principal of, or the rate of interest specified herein on, any Loan, or (subject to clause (iii) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document, without the written consent of each

Lender directly affected thereby; provided, however, that only the consent of the Required Lenders shall be necessary (i) to amend the definition of “Default Rate” or to waive any obligation of Borrower to pay interest at the Default Rate or (ii) to amend any financial covenant hereunder (or any defined term used therein) even if the effect of such amendment would be to reduce the rate of interest on any Loan or to reduce any fee payable hereunder;

(e) change Section 2.11 or Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender; or

(f) change any provision of this Section or the definition of “Required Lenders” or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; or

(g) release or subordinate the Agent’s security interest in all or substantially all of the Collateral, without the written consent of each Lender; or

(h) reduce the frequency with which Borrower must provide Qualified Appraisals, without the written consent of each Lender; or

(i) change to definition of “Borrowing Base” or of the components thereof, without the written consent of each Lender.

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by Agent in addition to the Lenders required above, affect the rights or duties of Agent under this Agreement or any other Loan Document; and (ii) Section 10.06(i) may not be amended, waived or otherwise modified without the consent of each Granting Lender all or any part of whose Loans are being funded by an SPC at the time of such amendment, waiver or other modification; and (iii) the Agent Fee Letter and the Arrangement Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Anything herein to the contrary notwithstanding, during such period as a Lender is a Defaulting Lender, to the fullest extent permitted by applicable law such Lender shall not be entitled to vote in respect of amendments and waivers hereunder and the Commitment and the outstanding Loans or other extensions of credit of such Lender hereunder shall not be taken into account in determining whether the Required Lenders or all of the Lenders, as the case may be, have approved any such amendment or waiver; provided, that any such amendment or waiver that would increase or extend the term of the Commitment of such Defaulting Lender or alter the terms of this proviso shall require the consent of such Defaulting Lender.

If any Lender does not consent to a proposed amendment, waiver, consent or release with respect to any Loan Document that requires the consent of each Lender and that has been approved by the Required Lenders, the Borrower may replace such non-consenting Lender in accordance with Section 11.13; provided that such amendment, waiver, consent or release can be effected as a result of the assignment contemplated by such Section (together with all other such assignments required by the Borrower to be made pursuant to this paragraph).

10.02 Notices; Effectiveness; Electronic Communications.

(a) **Notices Generally.** Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to Borrower or Agent, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) **Electronic Communications.** Notices and other communications to Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Agent that it is incapable of receiving notices under such Article by electronic communication. Agent or Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications. Unless Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) **The Platform.** THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY

OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrower, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrower, any Lender or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each of the Borrower and Agent may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to Borrower and Agent. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States Federal and state securities Laws, to make reference to Borrower Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain material non-public information with respect to the Borrower or its securities for purposes of United States Federal or state securities laws.

(e) Reliance by Agent and Lenders. Agent and Lenders shall be entitled to rely and act upon any notices (including telephonic Loan Notices) purportedly given by or on behalf of Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. Borrower shall indemnify Agent, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of Borrower. All telephonic notices to and other telephonic communications with Agent may be recorded by Agent, and each of the parties hereto hereby consents to such recording.

10.03 No Waiver; Cumulative Remedies; Enforcement

(a) No failure by any Lender or Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege under any Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege

hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges provided in any Loan Documents are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

(b) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against Borrower shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 8.02 for the benefit of all the Lenders; provided, however, that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) any Lender from exercising setoff rights in accordance with Section 10.08 (subject to the terms of Section 2.11), or (c) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to Borrower under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 8.02 and (ii) in addition to the matters set forth in clauses (b) and (c) of the preceding proviso and subject to Section 2.11, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

10.04 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. Borrower shall pay (i) all reasonable out of pocket expenses incurred by Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out of pocket expenses incurred by Agent or any Lender (including the fees, charges and disbursements of any counsel for Agent or any Lender) in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made hereunder, including all such out of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) Indemnification by the Borrower. Borrower shall indemnify Agent (and any sub-agent thereof), each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by Borrower arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions

contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) Reimbursement and Indemnity by Lenders.

(i) To the extent that Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to Agent (or any sub-agent thereof) or any Related Party of any of the foregoing, each Lender severally agrees to pay to Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against Agent (or any such sub-agent) or against any Related Party of any of the foregoing acting for Agent (or any such sub-agent). The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.10(d).

(ii) To the extent required by any applicable law, Agent may withhold from any payment to any Lender under a Loan Document an amount equal to any applicable withholding tax. If the IRS or any other Governmental Authority asserts a claim that Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate certification form was not delivered, was not properly executed, or fails to establish an exemption from, or reduction of, withholding tax with respect to a particular type of payment, or because such Lender failed to notify Agent or any other Person of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason), or Agent reasonably determines that it was required to withhold taxes from a prior payment but failed to do so, such Lender shall promptly indemnify Agent fully for all amounts paid, directly or indirectly, by such Agent as tax or otherwise, including penalties and interest, and together with all expenses incurred by Agent, including legal expenses, allocated internal costs and out-of-pocket expenses. Agent may offset against any payment to any Lender under a Loan Document, any applicable withholding tax that was required to be withheld from any prior payment to such Lender but which was not so withheld, as well as any other amounts for which Agent is entitled to indemnification from such Lender under this clause (ii) of this Section 10.04(c).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, Borrower shall not assert, and hereby waives, any claim against any Indemnitee,

on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) Payments. All amounts due under this Section shall be payable not later than 30 Business Days after demand therefor, provided that such demand is supported by a statement showing, in reasonable detail, the basis for the amount demanded including the method of calculating such amount, if applicable.

(f) Survival. The agreements in this Section shall survive the resignation of Agent, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

10.05 Payments Set Aside

To the extent that any payment by or on behalf of Borrower is made to Agent or any Lender, or Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

10.06 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement and each other Loan Document shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void); or (iv) to an SPC in accordance with the provisions of subsection (h) of this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective

successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$1,000,000 unless each of Agent and, so long as no Event of Default has occurred and is continuing, Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met; (ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned; (iii) any assignment of a Commitment must be approved by Agent unless the Person that is the proposed assignee is itself a Lender, an Affiliate of a Lender, or an Approved Fund (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and (iv) the parties to each assignment shall execute and deliver to Agent an Assignment and Assumption, together with a processing and recordation fee in the amount, if any, required as set forth in Schedule 10.06, payable by the assigning Lender and the Eligible Assignee, if it shall not be a Lender, shall deliver to Agent an Administrative Questionnaire. Subject to acceptance and recording thereof by Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, and 10.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. Agent, acting solely for this purpose as an agent of Borrower, shall maintain at Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and Borrower, Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by Borrower and any Lender (with respect to any entry relating to such Lender) at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, Borrower or Agent, sell participations to any Person (other than a natural person or Borrower or any of Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) Borrower, Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that affects such Participant. Subject to subsection (e) of this Section, Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.11 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 3.01(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments. The words “execution,” “signed,” “signature,” and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(h) Deemed Consent of Borrower. If the consent of Borrower to an assignment to an Eligible Assignee is required hereunder (including a consent to an assignment which does not meet the minimum assignment threshold specified in clause (i) of the proviso to the first sentence of Section 10.06(b)), Borrower shall be deemed to have given its consent ten Business Days after the date notice thereof has been delivered to Borrower by the assigning Lender (through Agent) unless such consent is expressly refused by Borrower prior to such tenth Business Day.

(i) Special Purpose Funding Vehicles. Notwithstanding anything to the contrary contained herein, any Lender (a “Granting Lender”) may grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower (an “SPC”) the option to provide all or any part of any Committed Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to fund any Committed Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Committed Loan, the Granting Lender shall be obligated to make such Committed Loan pursuant to the terms hereof or, if it fails to do so, to make such payment to the Administrative Agent as is required under Section 2.12(b)(ii). Each party hereto hereby agrees that (i) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Borrower under this Agreement (including its obligations under Section 3.04), (ii) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would be liable, and (iii) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Loan Document, remain the lender of record hereunder. The making of a Committed Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Committed Loan were made by such Granting Lender. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior debt of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceeding under the laws of the United States or any State thereof. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of the Borrower and the Administrative Agent and with the payment of a processing fee in the amount of \$2,500 (which processing fee may be waived by the Administrative Agent in its sole discretion), assign all or any portion of its right to receive payment with respect to any Committed Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Committed Loans to any rating agency, commercial paper dealer or provider of any surety or guarantee or credit or liquidity enhancement to such SPC.

10.07 Treatment of Certain Information; Confidentiality

Each of Agent and Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process (but in the case of a subpoena or similar legal process, only to the extent responsive thereto), (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to Borrower and its obligations, (g) with the consent of Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to Agent or any Lender or any of their respective Affiliates on a nonconfidential basis from a source other than Borrower. For purposes of this Section, "Information" means all information received from Borrower or any Subsidiary relating to Borrower or any Subsidiary or any of their respective businesses, other than any such information that is available to Agent or any Lender on a nonconfidential basis prior to disclosure by Borrower or any Subsidiary, provided that, in the case of information received from Borrower or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

10.08 Right of Setoff

If an Event of Default shall have occurred and be continuing, each Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of Borrower against any and all of the obligations of Borrower now or hereafter existing under this Agreement or any other Loan Document to such Lender or any such Affiliate, irrespective of whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations of Borrower may be contingent or unmatured or are owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender or their respective Affiliates may have. Each Lender agrees to notify Borrower and Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.09 Interest Rate Limitation

Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the “Maximum Rate”). If Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to Borrower. In determining whether the interest contracted for, charged, or received by Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

10.10 Counterparts; Integration; Effectiveness

This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by Agent and when Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

10.11 Survival of Representations and Warranties

All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by Agent and each Lender, regardless of any investigation made by Agent or any Lender or on their behalf and notwithstanding that Agent or any Lender may have had notice or knowledge of any Default at the time of any Borrowing, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

10.12 Severability

If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.13 Replacement of Lenders.

If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, if any Lender is a Defaulting Lender or if any other circumstance exists hereunder that gives the Borrower the right to replace a Lender as a party hereto, then the Borrower may, at its sole expense and effort,

upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

- (a) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 10.06(b);
- (b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);
- (c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter; and
- (d) such assignment does not conflict with applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

10.14 Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF WASHINGTON.

(b) SUBMISSION TO JURISDICTION. THE BORROWER IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF WASHINGTON SITTING IN KING COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE WESTERN DISTRICT OF WASHINGTON, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH WASHINGTON STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY

ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. THE BORROWER IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

10.15 Waiver of Right to Trial by Jury

EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

10.16 USA Patriot Act Notice

Each Lender that is subject to the Patriot Act (as hereinafter defined) and Agent (for itself and not on behalf of any Lender) hereby notifies Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow such Lender or Agent, as applicable, to identify Borrower in accordance with the Patriot Act.

10.17 Time of the Essence

Time is of the essence of the Loan Documents.

10.18 Oral Agreements Not Enforceable

ORAL AGREEMENTS AND ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR FORBEAR FROM COLLECTION OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

ALASKA AIRLINES, INC.

By: /s/ John F. Schaefer, Jr.

Name: John F. Schaefer, Jr.

Title: Vice President – Finance
and Treasurer

CITIBANK, N.A., as Administrative Agent

By: /s/ Timothy P. Dilworth

Name: Timothy P. Dilworth

Title: Vice President

CITIBANK, N.A., as a Lender

By: /s/ Timothy P. Dilworth

Name: Timothy P. Dilworth

Title: Vice President

BANK OF AMERICA, N.A., as a Lender

By: /s/ James J. Teichman

Name: James J. Teichman

Title: Senior Vice President

SOCIETE GENERALE, as a Lender

By: /s/ A. Drapeau

Name: A. Drapeau

Title: Managing Director

APPROVED APPRAISERS

[***]

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

COMMITMENTS

AND APPLICABLE PERCENTAGES

Lender	Commitment	Applicable Percentage
Citibank, N.A	***	***
Bank of America, N.A.	***	***
Societe Generale	***	***
Total	\$100,000,000.00	100.000000000%

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

LITIGATION

[***]

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

ENVIRONMENTAL MATTERS

LOCATION	ACCRUAL BALANCE AS OF 12/31/09	DETAILS
1. Anchorage	[***]	Currently monitoring contamination levels. No active plan currently required.
2. Juneau	[***]	Cleanup began in 2004. Project to continue for additional three – five years
3. Fairbanks	[***]	Two sites of contamination. Both locations required long-term monitoring per Alaska Dept. of Environmental Conservation.
4. Oakland	[***]	In negotiations with the Port of Oakland to determine cleanup requirements.

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXISTING LIENS

None.

Schedule 7.01

**ADMINISTRATIVE AGENT'S OFFICE,

CERTAIN ADDRESSES FOR NOTICES**

ALASKA AIRLINES, INC.

19300 International Boulevard
Seattle, WA 98188

Attention: Treasurer

Telephone: [***]

Telecopier: [***]

Electronic Mail: [***]

Website Address: www.alaskaair.com

ADMINISTRATIVE AGENT:
(for payments and Requests for Borrowings):

For Borrower Inquiries:

Citibank, N.A.
1615 Brett Road
Building III
New Castle, DE 19720
Attention: [***]
Telephone: [***]
Telecopier: [***]
Electronic Mail: [***]

Account No.: [***]
Account Name: [***]
Ref: Alaska Airlines, Inc.
ABA# [***]

For Lender Inquiries:

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Citibank, N.A.
1615 Brett Road
Building III
New Castle, DE 19720
Attention: Investor Relations Team

Telephone: [***]
Telecopier: [***]
Electronic Mail: [***]

Other Notices to Administrative Agent:

Citibank, N.A.
388 Greenwich Street, 34th Floor
New York, NY 10013
Attn: [***]
Telephone No.: [***]
Facsimile No.: [***]
Electronic Mail: [***]
and
Attn: [***]
Telephone No.: [***]
Facsimile No.: [***]
Electronic Mail: [***]

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule 10.02

PROCESSING AND RECORDATION FEES

The Administrative Agent will charge a processing and recordation fee (an “Assignment Fee”) in the amount of [***] for each assignment; provided, however, that in the event two or more concurrent assignments to members of the same Assignee Group (which may be effected by a suballocation of an assigned amount among members of such Assignee Group) or two or more concurrent assignments by members of the same Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group), the Assignment Fee will be [***] plus the amount set forth below:

Transaction	Assignment Fee
First four concurrent assignments or suballocations to members of an Assignee Group (or from members of an Assignee Group, as applicable)	[***]
Each additional concurrent assignment or suballocation to a member of such Assignee Group (or from a member of such Assignee Group, as applicable)	[***]

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

FORM OF LOAN NOTICE

To: Citibank, N.A., as Administrative Agent

Date: _____, _____

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of [_____] , 2010 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement"; the terms defined therein being used herein as therein defined), among Alaska Airlines, Inc., an Alaska corporation, the Lenders from time to time party thereto, and Citibank, N.A., as Administrative Agent.

The undersigned hereby requests (select one):

☐ **Borrowing Loans**

☐ **A conversion or continuation of Loans**

1. On _____ (a Business Day).

2. In the amount of \$ _____.

3. Comprised of _____.

[Type of Loan requested]

4. For Eurodollar Rate Loans: with an Interest Period of _____ months.

The Borrowing, if any, requested herein complies with the provisos to the first sentence of Section 2.01 of the Agreement.

ALASKA AIRLINES, INC.

By:

Name:

Title:

EXHIBIT A

FORM OF NOTE

\$ _____

FOR VALUE RECEIVED, the undersigned ("Borrower"), hereby promises to pay to _____ or registered assigns ("Lender"), in accordance with the provisions of the Agreement (as hereinafter defined), the principal amount of each Loan from time to time made by the Lender to Borrower under that certain Credit Agreement, dated as of [____], 2010 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement"; the terms defined therein being used herein as therein defined), among Borrower, the Lenders from time to time party thereto, and Citibank, N.A., as Administrative Agent.

Borrower promises to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. All payments of principal and interest shall be made to Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is one of the Notes referred to in the Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Note is also secured by the Collateral. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF WASHINGTON.

EXHIBIT B –

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, TO EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

ALASKA AIRLINES, INC.

By:
Name:
Title:

EXHIBIT B –

LOANS AND PAYMENTS WITH RESPECT THERETO

Date	Type of Loan Made	Amount of Loan Made	End of Interest Period	Amount of Principal or Interest Paid This Date	Outstanding Principal Balance This Date	Notation Made By
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EXHIBIT B –

**FORM OF COMPLIANCE CERTIFICATE
FOR THE PERIOD ENDING _____, 20__**

To: Citibank, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of [_____, ____], 2010 between Alaska Airlines, Inc., an Alaska corporation ("Borrower"), the Lenders from time to time party thereto, and Citibank, N.A., as Administrative Agent (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement"; the terms defined therein being used herein as therein defined).

The undersigned Responsible Officer hereby certifies as of the date hereof that he is the
of Borrower, and that, as such, he is authorized to execute and deliver this Compliance Certificate to Administrative Agent on the behalf of Borrower, and that:

(A) The attached financial statements of Borrower are complete and correct, and fairly present the financial condition of Borrower as of [_____, ____], 20__, and the results of the operations of Borrower for the period ended [_____, ____], 20__, all in accordance with generally accepted accounting principles applied on a consistent basis;

(B) Exhibit A hereto is a correct calculation of the financial covenant contained in Section 6.12 of the Agreement; and

(C) No event has occurred which constitutes an Event of Default as defined in the Agreement or which, with giving of notice or lapse of time, or both, would constitute an Event of Default.

IN WITNESS WHEREOF, the undersigned has executed this Compliance Certificate as

of [_____, ____], 20__.

ALASKA AIRLINES, INC.

By:
Name:
Title:

EXHIBIT C –

EXHIBIT A

Period Ending
__/__/20__

(i) Unrestricted Cash - 6.12

EXHIBIT C –

FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (this “Assignment and Assumption”) is dated as of the Effective Date set forth below (the “Effective Date”) and is entered into by and between **[Insert name of Assignor]** (the “Assignor”) and **[Insert name of Assignee]** (the “Assignee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the “Credit Agreement”), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to, and in accordance with, the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date (i) all of the Assignor’s rights and obligations as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto, or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the “Assigned Interest”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____ [, an Affiliate of [identify Lender]]
3. Borrower: Alaska Airlines, Inc.
4. Administrative Agent: Citibank, N. A., as Administrative Agent
5. Credit Agreement: Credit Agreement, dated as of [____], 2010, among Borrower, the Lenders from time to time party thereto and Administrative Agent

EXHIBIT D –

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/ Loans Assigned	Percentage Assigned of Commitment/ Loans	CUSIP No.
	\$	\$		
	\$	\$		
	\$	\$		

Effective Date: _____, 20__ **[TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]**

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title :

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title :

[Consented to and] Accepted:

Citibank, N. A., as
Administrative Agent

By: _____
Title :

b. [Consented to:]

By: _____
Title :

EXHIBIT D –

**STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION**

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim, and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, or (iv) the performance or observance by Borrower, any of its Subsidiaries or Affiliates or any other Person or any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, and (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on Administrative Agent or any Lender; and (b) agrees that (i) it will, independently and without reliance on Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform, in accordance with their terms, all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together

shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of Washington.

EXHIBIT D –

FORM OF SECURITY AGREEMENT

[See attached.]

EXHIBIT E –

**AIRCRAFT
CHATTEL MORTGAGE AND
SECURITY AGREEMENT**

Dated as of March 31, 2010

Between

ALASKA AIRLINES, INC.
Mortgagor

And

CITIBANK, N.A., as Administrative Agent
Mortgagee

Concerning

Certain Boeing 737-400 and 737-800 series aircraft

EXHIBIT E –

**AIRCRAFT CHATTEL
MORTGAGE AND SECURITY AGREEMENT**

This AIRCRAFT CHATTEL MORTGAGE AND SECURITY AGREEMENT is entered into on March 31, 2010 (as amended from time to time, this "Security Agreement"), between, ALASKA AIRLINES, INC., a corporation organized and existing under the laws of the state of Alaska, having the address 19300 International Blvd., Seattle, WA 98188 (the "Mortgagor"), and CITIBANK, N.A, a national banking association, having an office at 388 Greenwich Street, 34th Floor, New York, NY 10013, as Administrative Agent (together with its successors and assigns, the "Mortgagee"). Capitalized terms used herein and not otherwise defined shall have the meaning given in the Credit Agreement and shall be construed in accordance with the rules of construction set forth therein.

RECITALS

(1) Mortgagor, certain financial institutions (collectively, the "Lenders"), and Mortgagee, as administrative agent, entered into that certain Credit Agreement dated as of even date herewith (as supplemented, amended, amended and restated, or otherwise modified from time to time, the "Credit Agreement") providing for the Lenders to make revolving loans to Mortgagor.

(2) This Security Agreement secures amounts owing under the Credit Agreement and the Lien of this Security Agreement shall continue to attach to the Mortgage Property without release or interruption notwithstanding the modification of the Obligations secured by this Security Agreement.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound and to secure the payment and performance of the Obligations and the performance of the covenants contained in this Security Agreement, the Mortgagor does hereby grant, convey and mortgage unto the Mortgagee, its successors and assigns, and gives to the Mortgagee a first priority security interest in the Flight Equipment and in all of the other following described property (collectively, the "Mortgaged Property").

GRANTING CLAUSE I

Each Aircraft, consisting of an airframe listed by type, U.S. Registration Mark and serial number (each, an "Airframe"), and two engines listed by type and manufacturer's serial number (each, an "Engine"), together with all Parts thereto installed in or attached to such airframe or engine, listed in Schedule I hereto (the "Flight Equipment"), as such Schedule I may be changed from time to time by a Security Agreement Supplement.

GRANTING CLAUSE II

All property which shall from time to time be subjected to the Lien of this Security Agreement by a Security Agreement Supplement or by delivery or by a writing of any kind.

EXHIBIT E –

GRANTING CLAUSE III

All right, title and interest of the Mortgagor in, to and under all warranties, service contracts and product agreements, if any, of any manufacturer of the Flight Equipment, all maintenance and overhaul agency agreements relating to the Flight Equipment, and all agreements of any subcontractor, supplier or vendor of any part of the Flight Equipment, to the extent assignable or enforceable, and any and all other warranties, service contracts and product agreements in respect of any of the Flight Equipment, whether now existing or hereafter acquired.

GRANTING CLAUSE IV

All substitutions, replacements and renewals of all property subjected or required to be subjected to the Lien of this Security Agreement and all property that hereafter becomes physically attached to or incorporated in all property subjected or required to be subjected to the Lien of this Security Agreement, in each case to the extent the same is now owned by the Mortgagor or shall hereafter be owned by it.

GRANTING CLAUSE V

All monies deposited from time to time with the Mortgagee pursuant to Section 2.1 until released from the Lien of this Security Agreement.

GRANTING CLAUSE VI

All certificates, registrations, records, manuals, books, logs and technical information relating to the Flight Equipment now or hereafter in the control or possession of the Mortgagor (the "Aircraft Documentation").

GRANTING CLAUSE VII

All Proceeds.

EXHIBIT E –

GRANTING CLAUSE VIII

All right, title and interest of the Mortgagor in, to and under any lease or arrangement for the operation of all or any part of the Flight Equipment, and the chattel paper of the lease or other arrangement, including the Mortgagor's right, title and interest in and to all monies due and to become due to Mortgagor under any lease or other arrangement, the Mortgagor's right to compel performance of all of the lessee's obligations under any lease and all of the Mortgagor's rights as lessor but excluding all of Mortgagor's obligations under any lease or other arrangement, and together with all general intangibles and contract right, (including all rents, issues, insurance proceeds, other proceeds, awards, revenues and other income) of the Flight Equipment and all the estate, right, title and interest of every nature whatsoever of the Mortgagor, at law or in equity, in and to such Flight Equipment and every part and parcel thereof.

All property mortgaged or intended to be mortgaged by these granting clauses and which is hereafter acquired by the Mortgagor or to which it may at any time hereafter be, in any manner, entitled, at law or in equity, and required to be subjected hereto or intended so to be, shall vest in the Mortgagee, under the terms and conditions of this Security Agreement, forthwith upon acquisition thereof by the Mortgagor, and such property shall be as fully embraced within the provisions of this Security Agreement and subject to the Lien of this Security Agreement as if such property were now owned by the Mortgagor and were specifically described in and mortgaged by this Security Agreement.

TO HAVE AND TO HOLD, all and singular said property unto the Mortgagee, its successors and assigns, as security as aforesaid.

All of the Mortgaged Property shall secure all of the Obligations.

Notwithstanding anything to the contrary in the Granting Clauses or the other preceding paragraphs, the Mortgagee hereby acknowledges and confirms that unless an Event of Default shall have occurred and then be continuing, the Mortgagor shall be entitled to use and enjoy the Mortgaged Property, subject to the provisions of this Security Agreement and the other Loan Documents.

IT IS HEREBY COVENANTED AND DECLARED by and between the parties to this Security Agreement and their respective successors and assigns that the terms upon which the Mortgaged Property shall be held, used and operated are as follows:

SECTION 1. DEFINITIONS; INTERPRETATION

1.1 Definitions. The following words and expressions shall have the following meanings:

“Aircraft” means the Airframe and Engines.

“Aircraft Documentation” means all certificates, registrations, records, manuals, books, logs and technical information relating to the Flight Equipment now or hereafter in the control or possession of the Mortgagor.

EXHIBIT E –

“Airframe” means each Boeing 737 series airframe bearing the manufacturer’s serial number and United States registration mark specified in a Schedule hereto.

“Authorized Maintenance Performer” means Mortgagor or any authorized mechanic or any authorized repair station having the authority pursuant to the Maintenance Program to perform maintenance and repairs to aircraft of the same type as the Aircraft or engines of the same type as the Engines that are authorized under the Maintenance Program.

“Cape Town Treaty” has the meaning provided in 49 U.S.C. §44113(1).

“CRAF” or “Civil Reserve Air Fleet Program” means the Civil Reserve Air Fleet Program administered by the United States Government or any substantially similar program.

“Engine” means each of the CFM International, Inc. CFM56 series engines, bearing the manufacturer’s serial numbers specified in Schedule I hereto, whether or not installed upon the applicable Airframe and any substitutions or replacements for each such Engine in accordance with this Security Agreement.

“Event of Default” means any event listed as an “Event of Default” as provided in Section 4.1 of this Security Agreement.

“Event of Loss” with respect to an Airframe or any Engine shall mean any of the following events (a) loss of the Airframe or Engine or loss of the use thereof due to destruction or damage beyond repair or the rendering of the Airframe or Engine permanently unfit for use in the normal course of the Mortgagor’s business for any reason whatsoever; (b) any damage to the Airframe or Engine which results in an insurance settlement with respect to the Airframe or Engine on the basis of an actual, constructive or compromised total loss; (c) the theft or disappearance of the Airframe or Engine for a period in excess of one hundred twenty (120) consecutive days; (d) any taking, seizure, confiscation or requisition of the title to such property by condemnation or otherwise that continues unstayed, undismissed or unvacated for a period of 30 consecutive days or more (or such shorter period provided for in any insurance insuring such risks and, in this regard, Mortgagor shall use its reasonable efforts to have insurance proceeds payable in such event in less than 30 days); (e) any taking, seizure, confiscation or requisition of the use of such property, by condemnation or otherwise, by any governmental body (other than a requisition of use by the government of the United States of America or any agency or instrumentality thereof which bears the full faith and credit of the government of the United States of America) for a period stated to be or in fact continuing for a period of one hundred eighty (180) consecutive days (or such shorter period provided for in any insurance insuring such risks and, in this regard, Mortgagor shall use its reasonable efforts to have insurance proceeds payable in such event in less than one hundred eighty (180) days); or (f) as a result of any rule, regulation, order or other action by any governmental body having jurisdiction or any court of competent jurisdiction, the prohibition of the use of such property in the normal course of air transportation of individuals for a period stated to be or in fact continuing for a period of twelve months, unless Mortgagor, prior to the expiration of such twelve month period, shall have undertaken and shall be diligently carrying forward all steps which are necessary and desirable to permit the normal use of such property by Mortgagor, but in any event if such use shall have been prohibited for a period of eighteen months. An Event of Loss with respect to an Airframe

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shall be deemed to constitute an Event of Loss with respect to the Aircraft of which the Airframe was a part.

“FAA” shall mean the Federal Aviation Administration provided for in the Department of Transportation Act of 1966 or any successor or substituted governmental authority that at the time has jurisdiction over the Mortgaged Property.

“Federal Aviation Act” shall mean Subtitle VII of Title 49 of the United States Code and the rules and regulations promulgated thereunder.

“Flight Equipment” means the Airframes and Engines as covered by Granting Clause I and any replacement airframes and engines subjected to the lien of this Security Agreement by a Security Agreement Supplement as provided in Granting Clause II.

“IDERA” means an Irrevocable De-Registration and Export Request Authorization as contemplated by the Cape Town Treaty.

“International Interest” shall have the meaning provided thereto in the Cape Town Treaty.

“International Registry” has the meaning provided in 49 U.S.C. §44113(3).

“Lease” shall mean any lease permitted by the terms of Section 3.10 of this Security Agreement.

“Lessee” shall mean the lessee under a Lease.

“Credit Agreement” has the meaning described in the Recitals.

“Maintenance Program” means the FAA approved maintenance program of Mortgagor (or, during the term of a Lease permitted by Section 3.10, the FAA approved maintenance program of Lessee) for each type of Aircraft.

“Manufacturer” means The Boeing Company in its capacity as manufacturer of the applicable Airframe, and its successors and assigns.

“Mortgagor Order” and “Mortgagor Request” mean, respectively, a written order or request signed in the name of the Mortgagor and delivered to the Mortgagee in accordance with the terms of this Security Agreement.

“Mortgagor’s Certificate” means a certificate signed by the Mortgagor and delivered to the Mortgagee.

“Parts” means all appliances, parts, instruments, avionics, appurtenances, accessories, furnishings and other equipment or components, of whatever nature (excluding Engines or engines installed on an Airframe or any replacement engines substituted therefore), which are, from time to time, incorporated in the Airframe or any Engine.

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“Permitted Liens” means:

- (i) the Lien of this Security Agreement; and
- (ii) any other lien on the Mortgaged Property which is permitted by subsection (e) or (f) of Section 7.01 of the Credit Agreement.

“Person” shall mean and include any individual, corporation, partnership, firm, joint venture, trust, unincorporated organization, association, or any organization or association of which any of the foregoing is a member or participant.

“Proceeds” shall mean whatever is receivable or received when the Airframe or any Engine is sold, exchanged, collected, leased (except pursuant to a Lease prior to an Event of Default) or otherwise disposed of, including, without limitation, all amounts payable or paid under insurance, requisition or other payments as the result of any loss or damage to the Airframe or Engine.

“Security Agreement Supplement” means a supplemental first priority security agreement in substantially the form attached as Schedule II or such other form as is reasonably acceptable to Mortgagee.

“UCC” means the Uniform Commercial Code as adopted and in effect in the State of Washington and codified in the Revised Code of Washington as Title RCW 62A (Article 9 of the UCC accordingly means Article 9 of the UCC as adopted and in effect in the State of Washington and codified in the Revised Code of Washington as Chapter RCW 62A.9A), *provided* that if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of Washington, “UCC” means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

1.2 Interpretation.

(a) All terms used in Article 9 of the UCC and not specifically defined in this Security Agreement are used in this Security Agreement as defined in Article 9 of the UCC.

(b) Unless otherwise indicated, any law, statute, treaty or ordinance defined or referred to in this Security Agreement is intended to mean or refer to such law, statute, treaty or ordinance as amended from time to time, any successor or replacement law, statute, treaty or ordinance as amended from time to time, and the rules and regulations promulgated from time to time under such law, statute, treaty or ordinance.

(c) Unless otherwise indicated, any agreement defined or referred to in this Security Agreement means or refers to such agreement as amended or supplemented from time to time or as the terms of such agreement are waived or modified, in each case in accordance with its terms.

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(d) Terms defined in this Security Agreement in the singular include the plural of such terms, and terms defined in this Security Agreement in the plural include the singular of such terms.

(e) The term “including”, when used in this Security Agreement, means “including without limitation” and “including but not limited to”.

(f) Unless otherwise indicated, any reference to a specified “article,” “section” “subsection,” “clause,” “granting clause”, “exhibit” or “schedule” shall refer to such article, section, subsection, clause, exhibit or schedule of this Security Agreement.

SECTION 2. CASH COLLATERAL

2.1 Cash Collateral. All monies received by the Mortgagee as proceeds of insurance upon any part of the Mortgaged Property and all monies elsewhere herein provided to be held and applied under this Section 2, so long as no Event of Default shall have occurred and is continuing, and all monies, if any, required to be paid to the Mortgagor hereunder, whose disposition is not elsewhere herein otherwise specifically provided for (all such monies being hereinafter called the “Cash Collateral”), shall be held by the Mortgagee and applied by the Mortgagee from time to time as provided in Section 4.2.6 hereof; *provided, however*, that any proceeds of insurance on the Mortgaged Property not constituting an Event of Loss of the Aircraft shall be applied as provided in Section 2.2. All Cash Collateral shall be held by Mortgagee in an interest bearing account with interest accruing for the benefit of the Mortgagor and the funds on deposit in such account may be invested for the benefit of the Mortgagor in investments that are mutually acceptable to the Mortgagor and Mortgagee.

2.2 Insurance Proceeds Used for Repair. (a) *Provided* that an Event of Default shall not have occurred and be continuing, to the extent that any Cash Collateral is the proceeds of insurance upon any part of the Mortgaged Property, the same may be withdrawn by the Mortgagor and shall be paid by the Mortgagee, upon Mortgagor Order, to reimburse the Mortgagor for, and up to an amount not exceeding, expenditures made to repair or restore the property damaged as required hereunder, and with respect to an Event of Loss of any Engine expenditures made to replace such Engine, but only upon receipt by the Mortgagee of (1) a Mortgagor Request for the withdrawal and payment of specified proceeds of insurance then included in the Cash Collateral, and (2) a Mortgagor’s Certificate, dated not more than five (5) days prior to the application for such withdrawal, stating that expenditures have been made by the Mortgagor in a specified amount for one or more of the purposes aforesaid, which shall be briefly described, and also stating that no part of such expenditures has been or is then being used in any other previous or then pending application, as the basis for the withdrawal of any Cash Collateral from the Mortgagee hereunder. Each such Mortgagor’s Certificate shall have attached thereto photocopies of any work-sheets, invoices, vouchers and/or receipts with respect to the repair, restoration or replacement in question. Notwithstanding the foregoing and *provided*, that an Event of Default shall not have occurred and be continuing, if Mortgagor provides Mortgagee with a written estimate (together with a Mortgagor’s Certificate certifying such estimate is genuine and complete) of any repairs or restoration to be made with respect to such property damaged, Mortgagor may direct that the Cash Collateral be withdrawn and paid directly to the entity performing the repairs and be applied towards payment for such repairs or restoration.

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(b) *Provided* an Event of Default shall not have occurred and be continuing, Mortgagee shall, promptly upon request of the Mortgagor, repay to the Mortgagor any insurance proceeds previously paid to Mortgagee which shall exceed the amount actually spent by the Mortgagor to effect repairs or to replace an Engine as required under Section 2.2(a), or, in the case of an Event of Loss of an Aircraft, such insurance proceeds which shall exceed the Current Market Value of the Aircraft that suffered an Event of Loss, *provided*, that, in the case of an Event of Loss with respect to any Engine, Mortgagor shall have performed all obligations required of it under Section 3.4(c) hereof.

SECTION 3. REPRESENTATIONS, WARRANTIES AND COVENANTS

The Mortgagor covenants, agrees, represents and warrants in particular as follows:

3.1 Warranty of Title.

(a) At the time of the execution and delivery of this Security Agreement, the Mortgagor owns and has the right to possess the Flight Equipment subject to no Lien except Permitted Liens, and has full power and authority to grant, bargain, sell, transfer, convey and mortgage, and give a security interest in, the Flight Equipment in the manner and form as set forth in this Security Agreement.

(b) The Mortgagor is and shall remain the legal and beneficial owner of the Flight Equipment, free and clear of all Liens except for Permitted Liens.

(c) The Mortgagor hereby does and will forever warrant and defend the title to and possession of the Mortgaged Property against the claims and demands of all persons whomsoever except claims and demands under the Permitted Liens, and at all times keep the Lien granted herein with respect to the Mortgaged Property, at the Mortgagor's expense, a first priority Lien upon the Flight Equipment and on all of the other Mortgaged Property as constituted from time to time, superior to the rights of all third parties to the extent permitted by applicable law, and shall obtain any authorization, approval, license, or consent of any competent governmental or judicial authority (including registration of the Aircraft with the FAA Registry and of International Interest with the International Registry) which may be or become necessary in order to obtain the full benefits of this Security Agreement and all rights and powers granted or to be granted in this Security Agreement. The Mortgagee will use commercially reasonable efforts to consent in a timely manner to any such registrations by the Mortgagor, but the Mortgagee's failure to do so shall not relieve the Mortgagor of its obligation to effect such registration with the Mortgagee's subsequent timely consent. The Mortgagor will discharge or cause to be discharged any International Interest or prospective International Interest in or relating to the Aircraft (including the Airframe and the Engine) not consented to in writing by the Mortgagee. Notwithstanding the preceding sentence, in the case of International Interest or prospective International Interest filed in the International Registry without the Mortgagor's consent, the Mortgagor need not cause such registered interests to be discharged to the extent they are automatically discharged within 36 hours (or such period as is then provided by the International Registry for removal of interests to which no consent has been given) of after initially being registered. Further, the Mortgagor will not consent to any International Interest or prospective International Interest in or relating to the Aircraft unless prior approval is obtained from the Mortgagee in writing.

3.2 Recording. The Mortgagor will bear all out-of-pocket expenses of the Mortgagee for, and be responsible for, recording and re-recording, registering and re-registering and filing and re-filing this Security Agreement and each and every Security Agreement Supplement and such other instruments from time to time as may be reasonably requested by the Mortgagee in all such jurisdictions and offices as the Mortgagee shall from time to time reasonably require, in order that (i) the Lien hereof as a first priority Lien on the Flight Equipment and on all of the Mortgaged Property, (ii) the security for all of the Obligations, and (iii) the rights and remedies of the Mortgagee, may be established, confirmed, maintained and protected. The Mortgagor will furnish to the Mortgagee evidence reasonably satisfactory to the Mortgagee of every such recording, registering and filing which is not recorded, registered and filed by Mortgagee.

3.3 Maintain Priority of Lien; Pay Taxes. This Security Agreement will be kept always a first priority Lien upon the Flight Equipment and on all the other Mortgaged Property as from time to time constituted and the Mortgagor will obtain and maintain in full force and effect any authorization, approval, license, or consent of any governmental or judicial authority, (including registration of the Aircraft with the FAA Registry) that may be or become necessary in order to obtain the full benefits of this Security Agreement and all rights and remedies granted or to be granted in this Security Agreement and will not create or suffer to exist any Lien upon the Mortgaged Property or any part thereof or upon the income therefrom, other than Permitted Liens. The Mortgagor shall from time to time pay or cause to be paid as they become due and payable, all taxes, assessments and governmental charges lawfully levied or assessed or imposed upon the Lien of the Mortgagee so that the Lien created by this Security Agreement shall at all times be wholly preserved at the cost of the Mortgagor and without expense to the Mortgagee, and the Mortgagor will not suffer any other matter or thing whatsoever whereby the Lien created by this Security Agreement will be impaired.

3.4 Maintain Flight Equipment.

(a) The Mortgagor shall, at all such times, maintain, preserve and keep, at its own cost and expense, the Flight Equipment in good order and repair in accordance with the Maintenance Program or cause the Flight Equipment to be so maintained, preserved and kept without cost or expense under this Security Agreement to the Mortgagee, except when (i) the Flight Equipment is being temporarily stored in accordance with the Maintenance Program, (ii) the Flight Equipment is being serviced, repaired, maintained, overhauled, tested or modified as permitted or required by the terms of this Security Agreement or the Credit Agreement, (iii) all similar aircraft of comparable vintage and/or configuration have been grounded by the FAA or under the applicable laws of any other jurisdiction in which an Aircraft is registered, or (iv) laws or regulations affecting airworthiness are being contested in good faith and by appropriate proceedings so long as such proceedings could not adversely affect the Mortgagee or its interest in the affected Aircraft. Subject to the forgoing exceptions, Mortgagor shall:

(i) service, repair, maintain, overhaul, test, or cause the same to be done to the Aircraft so as to keep the Aircraft in as good operating condition as when this Security Agreement was executed, ordinary wear and tear excepted, in accordance with the Maintenance Program and as may be necessary to enable the United States airworthiness certification of the Aircraft to be maintained in good standing at all times under FAA regulations and the applicable laws of the United States Government;

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- (ii) perform all routine and non-routine services, checks, inspections, including any structural inspection required by the Maintenance Program or the FAA;
- (iii) maintain all records, logs, and other materials required by applicable law of any governmental entity to be maintained in respect to the Aircraft, including, but not limited to, serviceable component tags required by the FAA;
- (iv) upon request, for so long as any part of the Flight Equipment is subject to the Lien of this Security Agreement, provide Mortgagee with such information as it shall reasonably request with respect to the scheduled commencement date of each annual check (if applicable) or "C" check (or the equivalent) to be performed on the Aircraft and the location where such checks will be performed;
- (v) comply with all applicable airworthiness directives issued by the FAA;
- (vi) incorporate in the Aircraft corrosion prevention and control and correct any discrepancies in accordance with the Maintenance Program;
- (vii) properly document all repairs, modifications and alterations and the addition, removal or replacement of equipment, systems or components in accordance with the rules and regulations of the FAA and reflect such items in the Aircraft Documentation.

All maintenance of the Aircraft and Engines shall be performed by an Authorized Maintenance Performer.

- (b) For so long as any part of the Flight Equipment is subject to the Lien of this Security Agreement, the Mortgagor shall maintain or cause the Flight Equipment to be maintained in accordance with the Maintenance Program.
- (c) The Mortgagor shall promptly notify the Mortgagee or cause the Mortgagee to be notified of any Engine becoming expropriated, worn out, lost, destroyed or rendered unfit for use or of any other maintenance or repair of the Flight Equipment having a projected replacement or repair cost of more than Five Million Dollars (\$5,000,000), and the Mortgagor shall furnish or cause to be furnished to the Mortgagee a report describing in reasonable detail such items and the items replaced by such work. In the case of an Event of Loss to an Engine not involving an Event of Loss to the Aircraft, the Mortgagor shall, within ninety (90) days following the occurrence of the Event of Loss to such Engine, cause the Engine to be replaced and subjected to the Lien of this Security Agreement. Any such replacement Engine shall be owned by the Mortgagor free and clear of any liens and shall be of the same make and model and have the same value and utility as the replaced Engine, assuming that such replaced Engine was maintained in the condition required by this Security Agreement.
- (d) All Parts at any time removed from the Aircraft, Airframe or any Engine shall remain subject to the Lien hereof, no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated in the Aircraft, Airframe or Engine which are owned by Mortgagor. All replacement Parts shall be free and clear of all Liens (except for Permitted Liens) and shall have a value and utility at least equal to the Parts replaced,

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assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof. Notwithstanding the foregoing, the Mortgagor or any Lessee may use temporary parts or pooled parts on the Aircraft as temporary replacements for Parts, *provided*, that the Mortgagor or Lessee, at its expense, as promptly thereafter as practicable, either (1) causes such pooled or replacement part to become the property of the Mortgagor free and clear of all Liens other than Permitted Liens, or (2) replaces such replacement part with a further replacement part owned by the Mortgagor or Lessee which meets the requirements of this Section 3.4, free and clear of all Liens other than Permitted Liens. Immediately upon any replacement Part becoming incorporated in the Aircraft, Airframe or such Engine as above provided, without further act, (i) such replacement Part shall become subject to the Lien hereof, and the replaced Part shall no longer be subject to the Lien hereof, and (ii) such replacement Part shall be deemed part of the Aircraft, Airframe or such Engine for all purposes hereof to the same extent as the Parts originally incorporated in such Aircraft, Airframe or Engine. The Mortgagor (or any Lessee), at its own expense, may from time to time make such alterations and modifications in and additions to the Airframe or any Engine as the Mortgagor (or any Lessee) may deem desirable in the proper conduct of its business, including removal of Parts which the Mortgagor (or any Lessee) deems to be obsolete or no longer suitable or appropriate for use on the Airframe or Engine (such removed Parts are hereinafter referred to as “Obsolete Parts”); *provided*, that no such alteration, modification, removal or addition impairs the condition or airworthiness of the Airframe or Engine, or diminishes the value and utility of the Airframe or Engine below the value or utility thereof immediately prior to such alteration, modification, removal or addition, assuming the Airframe or Engine was then in the condition required to be maintained by the terms of this Security Agreement absent such alteration, modification, removal or addition, except that the value (but not the utility) of the Airframe or any Engine may be reduced by the value of Obsolete Parts which shall have been removed so long as the aggregate original value of all Obsolete Parts which shall have been removed and not replaced shall not exceed \$400,000; *provided, further*, that no such removal shall be permitted if an Event of Default shall have occurred and be continuing.

(e) Notwithstanding any other provision of this Security Agreement, the Mortgagor may install or permit to be installed in any Aircraft audio-visual, entertainment, telephonic or other equipment owned by third parties (or owned jointly by the Mortgagor and others) and leased or otherwise furnished to the Mortgagor in the ordinary course of business, and the Lien of this Security Agreement shall not attach thereto and the rights of the owners therein shall not constitute a default hereunder or under the Credit Agreement.

(f) In the case of an Event of Loss of an Airframe, the rights and obligations of the parties hereto shall be governed by Section 6.15 of the Credit Agreement. Following Mortgagee's release of a Removed Aircraft pursuant to Section 6.15(d) of the Credit Agreement, and *provided*, that no Default or Event of Default has occurred and is continuing, Mortgagee shall promptly transfer to Mortgagor all proceeds which the Mortgagee had received from the Mortgagor's insurers pursuant to Section 3.5 herein and any investment earnings thereon.

(g) The Mortgagor shall not, when in possession of any portion of the Flight Equipment, use or permit such portion of the Flight Equipment to be operated except by pilots currently certified by the FAA to use and operate the Flight Equipment.

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(h) Any part or item of property may be removed from the Flight Equipment in order that the same may be inspected, repaired, reconditioned or otherwise serviced without affecting or impairing the lien hereof with respect to such part or item of property, *provided*, that whenever any such part or item is in the possession of the Mortgagor, any such part or item shall be at all such times covered by insurance against such risks and in such amounts as is reasonably satisfactory to Mortgagor and *provided*, that, other than in the case of Obsolete Parts, any such part or item shall be replaced promptly after its removal by that same or an equivalent part in as good working order as the part or item removed, assuming such part or item was maintained and used as required by the provisions hereof and shall be subject to the lien and security interest created pursuant to this Security Agreement.

3.5 Insurance.

(a) The Mortgagor shall carry and maintain in effect, at its own expense, with financially sound and reputable insurers, the following insurance which will name as an additional insured party the Mortgagee:

(i) Comprehensive Airline Liability Insurance. Comprehensive airline liability insurance (including, without limitation, contractual liability, passenger legal liability and liability for property damage), in amounts per occurrence of not less than Six Hundred Million Dollars (\$600,000,000.00), or such greater amounts as the Mortgagor may carry. Each and any policy of insurance carried in accordance with this subclause (i), and each and any policy obtained in substitution or replacement for any of such policies, (1) shall designate the Mortgagee as an additional insured (but without any obligation imposed upon the additional insured, including, without limitation, the liability to pay any premiums for any such policies, but the Mortgagee shall have the right to pay such premiums if it shall so elect), (2) shall expressly provide that, in respect of the interest of the Mortgagee (or any holder from time to time of a Note) in such policies, the insurance shall not be invalidated by any action or inaction of any Person (other than the Mortgagee for their respective interests), and shall insure, regardless of any breach or violation by Mortgagor or any other Person (other than the Mortgagee) of any warranty, declaration or condition contained in such policies, (3) shall provide that if such insurance is canceled for any reason whatsoever, or is adversely changed in any way with respect to the interest of the Mortgagee (or any holder from time to time of a Note) or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to the Mortgagee (or any holder from time to time of a Note) for thirty (30) days (or such lesser time which may be standard in the insurance industry and ten (10) days in the event of nonpayment of premium), in each instance after receipt by the Mortgagee (or any holder from time to time of a Note) of written notice by such insurer or insurers sent to the Mortgagee (or any holder from time to time of a Note) of such prospective cancellation, change or lapse, (4) shall include coverage for any country in which the Flight Equipment is located, and (5) shall provide that, as against the Mortgagee (or any holder from time to time of a Note), the insurer shall waive any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, and waives any rights it may have to be subrogated to any right of any insured against the Mortgagee (or any holder from time to time of a Note) with respect to the Flight Equipment. Each liability policy shall be primary without right of contribution from any other insurance which may be carried by the Mortgagee (or any holder from time to time of a Note) and shall expressly provide that all of the provisions thereof (except the limits of liability)

shall operate in the same manner as if there were a separate policy covering each insured. No liability policy shall permit any deductible or self-insurance provision in excess of Five Million Dollars (\$5,000,000). Such policy may be subject to the standard terms and conditions contained in comprehensive airline liability policies.

(ii) Aircraft Hull War Risks and Allied Perils Insurance. Hull war risk and allied perils insurance on the Flight Equipment (which shall include, but not be limited to, coverage for hijacking, declared or undeclared war, insurrections, strikes, riots, civil commotions or labor disturbances, malicious acts or acts of sabotage, unlawful seizure or wrongful exercise of control of the Flight Equipment in flight by a person on board such Flight Equipment acting without the consent of the Mortgagor) in an amount not less than the Current Market Value of the Aircraft in question, or such greater amounts as the Mortgagor may carry.

(iii) All Risks Hull Insurance. "All risks" ground and flight aircraft hull insurance covering the Flight Equipment, and fire, transit, extended coverage, spares and all risks insurance with respect to the Engines and Parts while not installed on the Aircraft. At all times while any part of the Flight Equipment is subject to the Lien of Security Agreement, such insurance shall be for an amount not less than the Current Market Value of the Aircraft in question.

Notwithstanding anything above, each and any policy of insurance obtained and maintained pursuant to subclause (ii) and this subclause (iii), and each and any policy obtained in substitution or replacement for any such policies, (1) shall designate the Mortgagee as additional insured and as sole loss payee (subject to clauses (7) and (8) below) up to the Current Market Value of the Aircraft in question (but without imposing upon the Mortgagee any obligation imposed upon the insured, including, without limitation, the liability to pay any premiums for any such policies, but the Mortgagee shall have the right to pay such premiums if it shall so elect), (2) shall expressly provide that, in respect of the interests of the Mortgagee in such policies, the insurance shall not be invalidated by any action or inaction of the Mortgagor or any other Person (other than the Mortgagee for its interest), shall insure the Mortgagee, regardless of any breach or violation of any warranty, declaration of condition contained in such policies by the Mortgagor or any other Person (other than the Mortgagee for its interest), (3) shall provide that if such insurance is canceled for any reason whatsoever, or is adversely changed in any way with respect to the interest of the Mortgagee, or if such insurance is allowed to lapse for nonpayment of premium, such cancellation change or lapse shall not be effective as to the Mortgagee, for thirty (30) days (or such lesser time which may be standard in the insurance industry and ten (10) days in the event of nonpayment of premium) after receipt by the Mortgagee of written notice (or in the case of War Risk insurance, seven (7) days or such lesser time which may be standard in the war risk insurance market after delivery of written notice) by such insurer or insurers to the Mortgagee, as the case may be, of such prospective cancellation, change or lapse, (4) shall include coverage for the territorial limits or any country in which the Flight Equipment may at any time be located, but may include geographic exclusions, (5) shall provide that, as against the Mortgagee, the insurer shall waive any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, and waive any rights it may have to be subrogated to any right of any insured against the Mortgagee, with respect to the Flight Equipment, (6) shall provide that in the event of any damage or loss which is an Event of Loss hereunder and which results in a payment, such payment of up to the Current Market Value of

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the Flight Equipment suffering the Event of Loss shall be payable solely and directly to the Mortgagee for the account of all interests, (7) shall provide that in the event of any damage or loss which is not an Event of Loss hereunder and which results in a payment for any one occurrence in excess of Five Million Dollars (\$5,000,000), such payment shall be payable solely and directly to the Mortgagee for the account of all interests, and (8) shall provide that payments for any one occurrence not in excess of Five Million Dollars (\$5,000,000) shall be payable directly to the Mortgagor *provided* there exists no Event of Default. Except during a period when an Event of Default has occurred and is continuing, all losses will be adjusted with the insurers by the Mortgagor (giving due regard to the interests of the Mortgagee and the Lenders).

(b) The Mortgagor shall have the right to carry insurance in excess of the amounts required hereunder and the proceeds of such excess insurance shall be payable to the Mortgagor. Similarly, the Mortgagee shall have the right to carry additional and separate insurance for its own benefit at its own expense, without, however, thereby limiting the Mortgagor's obligations under this Section 3.5.

(c) The Mortgagor may maintain self-insurance and standard industry deductibles in its "all risks" hull insurance policies, provided that no such self-insurance is for more than Five Million Dollars (\$5,000,000), and Mortgagor notifies Agent and Lenders of the amount of any such self-insurance when Mortgagor elects to have a deductible.

(d) The Mortgagor shall promptly notify the Mortgagee of, to the knowledge of the Mortgagor, any material adverse change in the insurance coverage required by this Section 3.5.

(e) Prior to the date of this Security Agreement, the Mortgagor shall furnish, or cause to be furnished, to the Mortgagee from nationally recognized independent aviation insurance brokers, certificates of insurance certifying to such insurance coverage, indicating the underwriters that are part of the insurance, and providing the portion of the cover that each underwriter has undertaken.

All proceeds of insurance paid to the Mortgagee in accordance with this Section 3.5 shall be held and paid over or applied by the Mortgagee as provided in Section 2.1 or 2.2.

3.6 Inspection by Mortgagee; Information.

The Mortgagor shall, at all such times, maintain and store, or cause to be maintained and stored, records in accordance with the FAA regulations and adequate to identify such Flight Equipment and to disclose its location, use and maintenance, and upon reasonable notice and request of the Mortgagee, permit the Mortgagee, its representatives and agents (or cause the Mortgagee, its representatives and agents to be permitted if the following items are not in the possession or control of Mortgagor) to inspect such Flight Equipment (including all logs, maintenance cards, manuals and records with respect thereto) and, at the expense of Mortgagee, to take copies and extracts therefrom, and shall afford and procure a reasonable opportunity to make any such inspection, and the Mortgagor shall furnish or cause to be furnished to the Mortgagee any and all such other information and, at the expense of Mortgagee, copies of documents and print-outs of data stored on any electronic or data processing medium, as are reasonably available to the Mortgagor and the Mortgagee may reasonably request, with respect

to any Mortgaged Property, *provided*, that any such inspection shall be upon reasonable notice, shall be limited, in the absence of the continuation of an Event of Default, to once a year at a mutually agreed time, and by a group consisting of no more than two individuals.

3.7 Registration. For so long as any part of the Flight Equipment is subject to the Lien of this Security Agreement, the Mortgagor shall cause the Aircraft to be registered at all times with (i) the FAA and (ii) the International Registry, in its name as owner thereof. The Mortgagor shall not provide an IDERA in favor of any Person with respect to any of the Aircraft.

3.8 Insignia. The Mortgagor will plainly, distinctly and conspicuously place or cause to be placed and leave in the cockpit of the Aircraft and upon such other places as may reasonably be designated by the Mortgagee from time to time, an insignia or other identification bearing words which indicate Mortgagee's interest in the Aircraft, in letters of a size reasonable under the circumstances and acceptable to the Mortgagee.

3.9 Operation and Location. Mortgagor agrees that (a) it will not fly the Aircraft or suffer the Aircraft to be flown in violation of any provision of any insurance policy in effect with respect to the Aircraft or in violation of any law, rule, regulation or order of the United States or any agency, instrumentality or state or political subdivision thereof (including agencies and instrumentalities of such state or political subdivision) or of any other nation having jurisdiction over the use and operation of the Aircraft, except (1) unanticipated minor violations not involving any material risk of the sale, forfeiture or loss of an Aircraft, an Airframe, any Engine, or the Mortgagee's interest therein, if such violation ceases promptly after discovery thereof by the Mortgagor, or only requires the Mortgagor's payment of a fine levied only against the Mortgagor, and (2) the Mortgagor or any Lessee may contest in good faith the validity or application of any such law, rule, regulation, treaty, order, certificate, license or registration, so long as there is no material risk of the sale, forfeiture or loss of an Aircraft, an Airframe or any Engine, or the Mortgagee's interest therein, (b) it shall not knowingly use or allow the Aircraft to be used for the carriage of drugs or other illegal goods or any other goods for which the Mortgagor or operator of the Aircraft is not licensed to transport; and (c) it will not operate the Aircraft, or permit any Lessee to operate the Aircraft: (i) in or to any area excluded from coverage by any insurance required to be maintained by the terms of Section 3.5 hereof; (ii) in countries with which the United States does not maintain full diplomatic relations other than the Republic of China (Taiwan); and (iii) in or to any areas of actual or threatened armed hostilities, *provided*, that the failure of Mortgagor to comply with the provisions of this sentence shall not give rise to an Event of Default where such failure is an isolated extraordinary occurrence attributable to a hijacking, medical emergency, equipment malfunction, weather condition, or navigational error. The Mortgagor shall also have the right to operate any Aircraft without having on board the original registration certificate or airworthiness certificate in the event that either or both such certificates disappear from the Aircraft, but only to the extent permitted by Exemption No. 5318 of the Federal Aviation Act or other similar exemption.

3.10 Possession and Leases. The Mortgagor will not, without the prior written consent of the Mortgagee, lease or otherwise in any manner deliver, transfer or relinquish possession of the Airframe or any Engine or install or permit any Engine to be installed on any airframe other than the Airframe; *provided* that so long as no Event of Default shall have occurred and be continuing at the time of such Lease, delivery, transfer or relinquishment of

possession or installation and the Mortgagor and/or any Lessee shall continue to comply with the provisions of Section 3.3 and Section 3.4, the Mortgagor may, without the prior written consent of the Mortgagee:

(a) subject the Engine(s) or engines to normal interchange agreements or any Engine to normal pooling or similar arrangements, in each case customary in the airline industry and entered into by the Mortgagor (or any Lessee) in the ordinary course of its business with a U.S. Air Carrier or any other air carrier approved in writing by the Mortgagee (which approval will not be unreasonably withheld or delayed); *provided*, that (i) no such agreement or arrangement contemplates or requires the transfer of title to any Engine and (ii) if the Mortgagor's title to any Engine shall be divested under any such agreement or arrangement, such divestiture shall be deemed to be an Event of Loss with respect to such Engine and the Mortgagor shall (or shall cause any Lessee to) comply with Section 3.4 (c) hereof in respect thereof;

(b) deliver possession of the Airframe or any Engine to the Airframe manufacturer or the Engine manufacturer, or to any Person for testing, service, repair, maintenance or overhaul work on the Airframe or any Engine or for alterations or modifications in or additions to the Airframe or Engine(s) to the extent required or otherwise not prohibited by the terms hereof or of the Credit Agreement;

(c) install an Engine on an airframe owned by the Mortgagor (or any Lessee), leased to the Mortgagor (or any Lessee), or owned or purchased by the Mortgagor (or any Lessee) subject to a conditional sale or other security agreement, *provided*, that (A) such airframe is free and clear of all Liens, except (i) in the case of airframes leased to the Mortgagor (or any Lessee) or owned or purchased by the Mortgagor (or any Lessee) subject to a conditional sale or other security agreement, the rights of the parties to the Lease or conditional sale agreement or other security agreement covering such airframe, or their assignee, (ii) Permitted Liens, and (iii) the rights of other air carriers under normal interchange agreements which are customary in the airline industry and do not contemplate, permit or require the transfer of title to the airframe or engines installed thereon, and (B) any such lease, conditional sale or other security agreement provides that such Engine shall not become subject to the lien of such lease, conditional sale or other security agreement, notwithstanding the installation thereof on such airframe, and the inclusion in such agreement of a provision similar to Section 3.10(i) shall satisfy such requirement;

(d) install an Engine on an airframe owned by the Mortgagor (or any Lessee), leased to the Mortgagor (or any Lessee) or purchased by the Mortgagor (or any Lessee) subject to a conditional sale or other security agreement under circumstances where Section 3.10(c) above is inapplicable, *provided*, that such installation shall be deemed an Event of Loss with respect to such Engine and the Mortgagor shall (or shall cause any Lessee to) comply with Section 3.4(c) hereof in respect thereof, the Mortgagee not intending hereby to waive any right or interest it may have to or in such Engine under applicable law until compliance by the Mortgagor with such Section 3.4(c);

(e) transfer (or permit any Lessee to transfer) possession of the Airframe or any Engine to the United States of America or any instrumentality or agency thereof pursuant to

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CRAF so long as the Mortgagor (or such Lessee) shall promptly notify the Mortgagee upon transferring possession of the Airframe or any Engine to the United States of America or any agency or instrumentality thereof pursuant to such program and provide the Mortgagee with the name and address of the Contracting Office Representative for the Military Aircraft Command of the United States Air Force to whom notice must be given in the event the Mortgagee desires to give notice as provided in Section 4.2 hereof;

(f) *provided* that no Event of Default has occurred and is continuing, enter into a lease with: (A) any certificated U.S. Air Carrier not then subject to bankruptcy, reorganization or insolvency proceedings; (B) any other non-U.S. air carrier if at the time of such lease the United States of America maintains normal diplomatic relations with the country in which such air carrier is based and the Mortgagee shall have received (A) evidence that: (1) all necessary governmental approvals required for the leased equipment, the Airframe or any Engine, as the case may be, to be imported and, if requested by the Mortgagee (and such request is reasonable in light of the circumstances) and if and to the extent obtainable with reasonable effort and if it is otherwise customary to obtain the same in such jurisdiction, exported from the applicable country of domicile upon repossession of such leased equipment by the Mortgagee (and the Mortgagor as lessor) shall have been obtained prior to commencement of any such lease; and (2) the insurance requirements of Section 3.5 are satisfied and that War Risk Insurance shall be carried and maintained of such scope and coverage, and subject to such exclusions and exceptions, as is standard for air carriers flying similar equipment on routes comparable to those flown by the Aircraft and (B) an opinion of counsel (which counsel and opinion are reasonably satisfactory to the Mortgagee) that: (1) it is not necessary for the Mortgagee to register or qualify to do business in such jurisdiction solely as a result of the proposed lease, unless the only result of such registration or qualification is a Tax or cost that the Mortgagor is indemnifying such party against; (2) that the Mortgagee's Lien on the leased equipment will be recognized; (3) the laws of such jurisdiction of domicile require fair compensation by the government of such jurisdiction payable in a currency freely convertible into Dollars for the loss of the title to the leased equipment in the event of the requisition by such government of title (unless the Mortgagor shall provide insurance covering the risk of requisition of title to the leased equipment by the government of such jurisdiction so long as the leased equipment is subject to such lease); (4) the required agreement of such non-U.S. air carrier that its rights under the Lease are subject and subordinate to all of the terms of this Security Agreement is enforceable against such non-U.S. air carrier under applicable law (subject only to customary exceptions to enforceability); (5) there exist no possessory rights in favor of such Lessee under the laws of such jurisdiction which would, upon bankruptcy of the Mortgagor or other default by the Mortgagor or Lessee and assuming that at such time such Lessee is not insolvent or bankrupt, prevent the return of the Aircraft to the Mortgagor or the Mortgagee in accordance with and when permitted by the terms of Section 4.2 hereof upon the exercise by the Mortgagee of remedies under Section 4.2 hereof; and (6) the terms (including, without limitation, the governing-law and jurisdictional-submission provisions hereof) of this Security Agreement are legal, valid, binding and enforceable in such jurisdiction against third parties to substantially the same extent as in the United States; or (C) any Person approved in writing by the Mortgagee, which approval shall not be unreasonably withheld. The currency of payments under such Lease must be freely convertible into Dollars.

(g) The rights of any Lessee or other transferee who receives possession by reason of a transfer permitted by this Section 3.10 (other than the transfer of an Engine deemed

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an Event of Loss) shall be subject and subordinate to, and any Lease permitted by this Section 3.10, shall expressly provide that it is subject and subordinate to, all the terms of this Security Agreement; *provided*, that in the case of the use of the Aircraft in CRAF the subject and subordinate requirements herein shall be subject to the notice specified in Section 4.2 and other requirements of the CRAF program. In the case of any Lease, the Mortgagor shall remain primarily liable hereunder for the performance of all of the terms of this Security Agreement, and the terms of any such Lease shall not permit any Lessee to take any action not permitted to be taken by the Mortgagor hereunder with respect to the Aircraft and may permit the Mortgagor to cure any default by Lessee and to terminate the Lease upon such default; *provided, however*, that the Mortgagor may procure such performance from any Lessee pursuant to the relevant Lease, and the Mortgagee hereby agrees to accept such performance by such Lessee in satisfaction of the Mortgagor's obligations hereunder; and *provided, further*, that all rights accruing hereunder to the Mortgagor shall likewise accrue to such Lessee to the extent Mortgagor so permits. Subject to the Mortgagor's obligations in this paragraph (g) above, the Mortgagor shall promptly notify the Mortgagee after entering into any Lease.

(h) Any Wet Lease or similar arrangement under which the Mortgagor maintains operational control of the Aircraft shall not constitute a delivery, transfer or relinquishment of possession for purposes of this Section 3.10. Any consolidation or merger of the Mortgagor or conveyance, transfer or lease of all or substantially all of the Mortgagor's assets permitted by the Credit Agreement shall not be prohibited by this Section 3.10. As used herein, "Wet Lease" shall mean any arrangement whereby the Mortgagor or a Lessee agrees to furnish the Airframe and Engines or engines installed thereon to a third party pursuant to which the Airframe and Engines or engines (i) shall be operated solely by regular employees of the Mortgagor, or Lessee possessing all current certificates and licenses required under the Federal Aviation Act, and (ii) shall be maintained by the Mortgagor or Lessee in accordance with the Maintenance Program or an FAA approved maintenance program.

(i) The Mortgagee agrees, for the benefit of the Mortgagor (and any Lessee) and for the benefit of any mortgagee or other holder of a security interest in any engine owned by the Mortgagor (or any Lessee), any lessor of any engine leased to the Mortgagor (or any Lessee) and any conditional vendor of any engine purchased by the Mortgagor (or any Lessee) subject to a conditional sale agreement or any other security agreement, that no interest shall be created hereunder in any engine so owned, leased or purchased and that neither the Mortgagee nor its successors or assigns will acquire or claim hereunder, as against the Mortgagor (or any Lessee) or any such mortgagee, lessor or conditional vendor or other holder of a security interest or interest in such engine as the result of such engine being installed on the Airframe; *provided, however*, that such agreement of the Mortgagee shall not be for the benefit of any lessor or secured party of any airframe leased to the Mortgagor (or any Lessee) or purchased by the Mortgagor (or any Lessee) subject to a conditional sale or other security agreement or for the benefit of any mortgagee of or any other holder of a security interest in an airframe owned by the Mortgagor (or any Lessee), unless such lessor, conditional vendor, other secured party or mortgagee has agreed (which agreement may be contained in such lease, conditional sale or other security agreement or mortgage and may consist of a paragraph similar to this paragraph) that neither it nor its successors or assigns will acquire, as against the Mortgagee, any right, title or interest in an Engine as a result of such Engine being installed on such airframe.

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3.11. Substitution of Engines. So long as no Event of Default shall have occurred and be continuing, Mortgagor shall have the right at its option at any time in accordance with Section 6.15(c) of the Credit Agreement, to terminate the Lien of this Security Agreement with respect to any Engine. Subject to Section 6.15(c) of the Credit Agreement, at the time of any such termination, Mortgagor shall replace such engine hereunder by complying with the terms of Section 3.4(c) hereof to the same extent as if an Event of Loss had occurred with respect to such Engine (other than the time periods allowed for such replacement), and the Mortgagee shall release the replaced Engine from the Lien of this Security Agreement by entering into a Security Agreement Supplement in the form of Schedule II and by promptly consenting to the request from the Mortgagor to the release of the International Interest in such Engine at the International Registry.

3.12 Section 1110 of the Bankruptcy Code. With respect to the Aircraft and Engines that constitute Collateral first placed into service after October 22, 1994, Mortgagee is entitled to the benefits of Section 1110 of the Bankruptcy Code in connection with the exercise of its remedies under this Security Agreement in respect of each Aircraft and each Engine. Except as specifically designated in Schedule I or in any Security Agreement Supplement, each Aircraft and Engine that constitute Collateral was first placed in service after October 22, 1994.

3.13 Cape Town Treaty. Mortgagor is a “transacting user entity” for purposes of the Cape Town Treaty and is “situated” for purposes of the Cape Town Treaty in the United States of America.

SECTION 4. EVENTS OF DEFAULT AND REMEDIES

4.1. Events of Default.

(a) Each Event of Default set forth in Section 8.01 of the Credit Agreement is incorporated herein as if fully set forth as a separate Event of Default in this Section 4.1.

(b) The Mortgagor shall fail to procure and maintain (or cause to be procured and maintained), with respect to the Aircraft, insurance required to be maintained in accordance with the provisions of Section 3.5 hereof or such insurance shall lapse or be canceled, *provided*, that no such lapse or cancellation shall constitute an Event of Default until the earlier of thirty (30) days (or if 30 days is unavailable pursuant to Section 3.5 hereof, such shorter period as is available pursuant to such Section) after receipt by the Mortgagor of written notice of such lapse or cancellation (or seven (7) days or such shorter time as may be standard in the industry with respect to War Risk Insurance *provided*, that if the Aircraft is grounded or if War Risk Insurance or indemnification is provided by the FAA, no such failure to carry War Risk Insurance shall be an Event of Default) or the date that such lapse or cancellation is effective as to Mortgagee; or

(c) The Mortgagor shall have failed to perform or observe, or caused to be performed and observed, any other covenant or agreement contained in this Security Agreement, and such failure shall continue unremedied for a period of thirty (30) days after the Mortgagor’s receipt of written notice thereof from the Mortgagee; *provided, however*, that if such failure is curable, and if the Mortgagor shall have undertaken to cure any such failure and, notwithstanding

the reasonable diligence of the Mortgagor in attempting to cure such failure, such failure is not cured within said thirty (30) day period but is curable with future due diligence, there shall exist no Event of Default under this Section 4.1 for such further time not to exceed 180 days as may reasonably be required to effect such cure, so long as the Mortgagor is proceeding with due diligence to cure such failure.

4.2. Remedies. Upon the occurrence of an Event of Default, the Mortgagee may accelerate the entire balance then due and owing under the Credit Agreement and this Security Agreement, whereupon all such sums shall become immediately due and payable, and thereafter the Mortgagee may, at its option, do one, several or all of the following as the Mortgagee in its sole discretion shall then elect:

- (a) exercise all the rights and remedies granted to secured parties by: (i) the provisions of the UCC, (ii) the Cape Town Treaty not inconsistent with applicable law or (iii) under the provisions of any applicable law;
- (b) personally, or by agents or attorneys, take possession of all or any part of the Mortgaged Property, and demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for, or make any compromise or settlement deemed desirable with respect to, any of the Mortgaged Property or any sum payable in connection therewith;
- (c) personally, or by agents or attorneys, take possession of any part or all of the Mortgaged Property without being responsible for loss or damage caused thereby, and sell or dispose of all or any part of the same, free from any and all claims of the Mortgagor or of any other party claiming by, through or under the Mortgagor, at law or in equity, at one or more public or private sales on such commercially reasonable terms as the Mortgagee may in good faith fix, with or without any previous demand or notice to the Mortgagor or advertisement of any such sale or other disposal except as is commercially reasonable under the circumstances, and any notice or demand and right of equity or redemption otherwise required by or available to the Mortgagor under applicable law is hereby waived by the Mortgagor to the fullest extent permitted by applicable law;
- (d) institute legal proceedings for the sale or otherwise for the enforcement of any right, under the judgment of any court of competent jurisdiction, of or concerning any of the Mortgaged Property;
- (e) institute legal proceedings to foreclose upon and against the security interest granted in and by this Security Agreement or to recover judgment for the amounts then due from Mortgagee under this Security Agreement or under the Credit Agreement.
- (f) institute legal proceedings for the specific performance of any covenant or agreement contained in this Security Agreement or in aid of the execution of any power granted in this Security Agreement, and the Mortgagee shall be entitled as of right to the appointment of a receiver of all or any part of the Mortgaged Property; and
- (g) exercise all of the rights and remedies of the Mortgagee against the Mortgagor under the Credit Agreement.

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provided that during any period the Aircraft is activated under CRAF in accordance with the provisions of Section 3.10 hereof and in the possession of the government of the United States of America or an instrumentality or agency thereof, the Mortgagee shall not, on account of any Event of Default, be entitled to do any of the foregoing or require Mortgagor to do anything as permitted in Section 4 in such manner as to limit the Mortgagor's control under this Security Agreement of any Airframe or any Engines installed thereon, unless at least sixty (60) days' (or such lesser period as may then be applicable under the Military Airlift Command program of the government of the United States of America) prior written notice of default hereunder shall have been given by the Mortgagee by registered or certified mail to the Mortgagor with a copy addressed to the Contracting Office Representative for the Military Airlift Command of the United States Air Force under the contract with the Mortgagor relating to any Airframe.

4.2.1. Multiple Sales. The power of sale under this Security Agreement shall not be exhausted by one or more sales, and the Mortgagee may from time to time adjourn any sale to be made pursuant to this Security Agreement. The Mortgaged Property need not be present at the time and place of sale.

4.2.2. Delivery of Mortgaged Property. If the Mortgagee shall demand possession of the Mortgaged Property or any part thereof pursuant to this Security Agreement, the Mortgagor shall, at its own expense, forthwith cause such Mortgaged Property or any part thereof designated by the Mortgagee to be assembled and made available and delivered to the Mortgagee at any place reasonably designated by the Mortgagee.

4.2.3. Mandatory Notices. In addition to any other notices required by applicable law, the Mortgagee shall give to the Mortgagor at least 15 days prior written notice of each public sale or any date after which a private sale or other intended disposition hereunder shall occur, and the Mortgagor hereby covenants and agrees that a notice which shall be given, in accordance with the provisions of Section 6.1 below, at least 15 calendar days before the date of any such act shall be deemed to be reasonable notice for such act and specifically, reasonable notification of the time and place of any public sale hereunder and of reasonable notification of the time after which any private sale or other intended disposition of the Mortgaged Property (or any part thereof) to be made hereunder is to be made.

4.2.4. Mortgagee Repairing Mortgaged Property. Upon every such taking of possession until the Mortgaged Property is foreclosed upon, the Mortgagee may, but shall have no obligation to, from time to time at the expense of the Mortgagor, make all such repairs, replacements, alterations, modifications, additions and improvements to and of the Mortgaged Property as the Mortgagee may reasonably determine to be commercially reasonable. In each such case, the Mortgagee shall have the right to manage and control the Mortgaged Property and to exercise all rights and powers of the Mortgagor in respect thereof as the Mortgagee shall deem best, including the right to enter into any and all such agreements with respect to the leasing or operation of the Mortgaged Property or any part thereof as the Mortgagee may see fit. The Mortgagee shall be entitled to collect and receive all rents, issues, profits, revenues and other income of the same and every part of the Mortgaged Property. Such rents, issues, profits, revenues and other income shall be applied to pay the expenses of holding and operating the Mortgaged Property, and of all maintenance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Mortgagee may be required or may elect to

make, if any, for taxes, assessments, insurance and other charges upon the Mortgaged Property or any part thereof, and all other payments which the Mortgagee may be required or authorized to make under any provision of this Security Agreement. The remainder of such rents, issues, profits, revenues and other income shall be applied only in accordance with Section 4.2.6.

4.2.5. Delivery to Purchaser. Upon the completion of any sale under this Section 4, the Mortgagor shall deliver or; cause to be delivered all of the property, sold to the purchaser or purchasers at such sale on the date of sale, or within a reasonable time thereafter if it shall be impractical to make immediate delivery, but in any event full title and right of possession to such property shall pass to such purchaser or purchasers forthwith upon the completion of such sale. Nevertheless, if so requested by the Mortgagee or by any purchaser, the Mortgagor shall confirm any such sale or transfer by executing and delivering to such purchaser all proper instruments of conveyance and transfer and releases as may be designated in any such request. Every such sale shall operate to divest all right, title, interest, claim and demand whatsoever of the Mortgagor in and to the property so sold, and shall be a perpetual bar, both at law and in equity, against the Mortgagor and all persons claiming the property sold, or any part thereof, through the Mortgagor and its successors or assigns.

4.2.6. Application of Proceeds. The proceeds of any sale of the Mortgaged Property, or any part thereof, under this Section 4, together with any other sums then held by the Mortgagee as part of the Mortgaged Property, shall be applied as follows:

- (a) first, to the payment of the cost and expenses of such sale, including brokers' fees or sales commissions, a reasonable compensation to the Mortgagee's agents, attorneys and counsel, all charges, expenses, liabilities and advances incurred or made by the Mortgagee, and the payment of all taxes, assessments or liens, if any, prior to the lien of this Security Agreement, except any taxes, assessments or liens subject to which such sale shall have been made;
- (b) second, to the payment of all amounts owing in respect of the Obligations; and
- (c) third, the surplus, if any, shall be paid to the Mortgagor or to anyone entitled to payment thereof by operation of law or pursuant to an order of a court of competent jurisdiction.

4.2.7. Mortgagee May Purchase. At any sale under this Section 4, to the extent permitted by applicable law, the Mortgagee may bid for and purchase the property offered for sale and, upon compliance with the terms of sale, may bid, retain and dispose of such property without further accountability therefor. The Mortgagee may apply against the purchase price for the Mortgaged Property or any part thereof the amount then due under the Credit Agreement secured hereby. The Mortgagee need not be present at such sale.

4.2.8. Right to Possession. In the event Mortgagor becomes subject to the jurisdiction of any United States Bankruptcy Court in a proceeding for the reorganization of Mortgagor, the Mortgagor hereby waives, to the fullest extent permitted by applicable law, any right to contest any motion, petition or application filed by the Mortgagee with such bankruptcy

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court having jurisdiction over the Mortgagor, whereby Mortgagee seeks to enforce any of its remedies under this Security Agreement or the Credit Agreement (including, in connection with the enforcement of such remedies, any motion or application made by Mortgagee for relief from any stay to which Mortgagee is subject).

4.2.9. Remedies Cumulative. Each right, power and remedy specifically given to the Mortgagee in this Security Agreement or otherwise existing shall be cumulative and shall be in addition to every other right, power and remedy specifically given in this Security Agreement, in any other Loan Documents, or now or hereafter existing at law, in equity or otherwise. Each such right, power and remedy, whether specifically given in the Credit Agreement or otherwise existing, may be exercised from time to time and as often and in such order as may be deemed expedient by the Mortgagee. The exercise of any such right, 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 Mortgagee in the exercise of any right or power, or in the pursuance of any remedy, shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of the Mortgagor or to be an a quiescence therein. No waiver by the Mortgagee of any breach, Default or Event of Default by the Mortgagor shall be deemed a waiver of any other previous breach, Default or Event of Default or any thereafter occurring. The invalidity of any remedy in any jurisdiction shall not invalidate such remedy in any other jurisdiction. The invalidity or unenforceability of any of the remedies herein provided in any jurisdiction shall not in any way affect the right to the enforcement in such jurisdiction or elsewhere of any of the other remedies herein provided.

4.2.10. Except as otherwise provided in this Security Agreement, the Mortgagor hereby waives, to the extent permitted by applicable law, notice and judicial hearing in connection with the Mortgagee's taking possession or the Mortgagee's disposition of the aircraft, including, without limitation any and all prior notice and hearing for any prejudgment remedy or remedies and any such right which the Mortgagor would otherwise have under the constitution or any statute of the United States or of any state, and the Mortgagor hereby further waives, to the extent permitted by applicable law:

(a) all damages occasioned by such taking of possession except any damages which are the direct result of the Mortgagee's gross negligence or willful misconduct;

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

(c) all rights of redemption, appraisalment, 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 of the Aircraft or any part thereof, and the Mortgagor 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.

Any sale of or the grant of options to purchase, or any other realization upon the Aircraft or any part thereof shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the Mortgagor therein and thereto, and shall be a perpetual bar both at law and in equity against the Mortgagor and against any and all Persons claiming or attempting to claim the

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Aircraft so sold, optioned or realized upon, or any part thereof, from, through and under the Mortgagor.

4.2.11. Right to Perform and Incur Expenses.

(a) At any time and from time to time after an Event of Default, if the Mortgagor fails to perform or fulfill any of its undertakings or obligations contained herein, Mortgagee shall have the right, but shall not be obligated, (i) to effect such performance or compliance, and (ii) to incur such reasonable expenses relative to such performance or compliance, to the enforcement of Mortgagee's rights or to the preservation, protection, reconditioning, storage or sale of the Mortgaged Property, including such sums as are specified in Section 4.2.4. and 4.2.6(a). The amount of any such expenses and other reasonable costs shall become payable by the Mortgagor to the Mortgagee as of the date on which Mortgagee shall pay the same, together with interest thereon from said date of payment up to and including the date of actual payment by the Mortgagor at an interest rate equal, to the default rate of interest set forth in the Credit Agreement (but in no event higher than the highest rate permitted by applicable law).

(b) All such costs and expenses incurred shall become part of the Mortgagor's Obligations and shall become part of the indebtedness secured by this Security Agreement. The Mortgagee shall have the right (but shall not be obligated) to use and apply any Cash Collateral at any time held by it for the repayment of all such advances, costs or expenses. However, no such use of any Cash Collateral, nor the making by Mortgagee of any advance in payment of any such expense, shall relieve the Mortgagor from any Event of Default.

4.2.12. Power of Attorney.

THE MORTGAGOR HEREBY CONSTITUTES AND APPOINTS THE MORTGAGEE ITS TRUE AND LAWFUL ATTORNEY, IRREVOCABLY, WITH FULL POWER AFTER THE OCCURRENCE OF AND DURING THE CONTINUANCE OF AN EVENT OF DEFAULT (IN THE NAME OF THE MORTGAGOR OR OTHERWISE) TO ACT, REQUIRE, DEMAND, RECEIVE, COMPOUND AND GIVE ACQUITTANCE FOR ANY AND ALL MONIES AND CLAIMS FOR MONIES DUE OR TO BECOME DUE TO THE MORTGAGOR UNDER OR ARISING OUT OF THE COLLATERAL, TO ENDORSE ANY CHECKS OR OTHER INSTRUMENTS OR ORDERS IN CONNECTION THEREWITH AND TO FILE ANY CLAIMS OR TAKE ANY ACTION OR INSTITUTE ANY PROCEEDINGS WITH THE MORTGAGEE MAY DEEM TO BE NECESSARY OR ADVISABLE IN THE PREMISES, WHICH APPOINTMENT AS ATTORNEY IS COUPLED WITH AN INTEREST.

SECTION 5. DEFEASANCE

If the Mortgagor shall pay and discharge all of its respective Obligations, then upon Mortgagor Request this Security Agreement and the lien, rights and interests granted by this Security Agreement shall cease, terminate and become null and void and, at the expense of the Mortgagor, the Mortgagee shall execute and deliver to the Mortgagor satisfaction and discharge of this Security Agreement by such instruments of satisfaction as may be necessary, including promptly consenting to the termination of all International Interests in favor of the

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Mortgagee at the International Registry and pay and deliver upon Mortgagor Order all monies and other personal property then held by the Mortgagee under this Security Agreement.

SECTION 6. MISCELLANEOUS PROVISIONS

6.1. Notices. Except as otherwise specifically provided to the contrary in this Security Agreement:

(a) Every notice or demand under this Security Agreement shall be in writing and may be given or made by telefax or by nationally recognized overnight courier service.

(b) Every notice or demand shall be sent, in the case of overnight courier, to the Mortgagor or Mortgagee at their respective addresses and, in the case of a telefax message, to their respective facsimile numbers as follows:

(i) To Mortgagor:

Alaska Airlines, Inc.
19300 International Blvd.
Seattle, WA 98188
Attn: Vice President Finance & Treasurer
Telephone No.: [***]
Facsimile No.: [***]
and

(ii) To Mortgagee:

Citibank, N.A.
388 Greenwich Street, 34th Floor
New York, NY 10013
Attn: [***]
Telephone No.: [***]
Facsimile No.: [***]
and
Attn: [***]
Telephone No.: [***]
Facsimile No.: [***]

(c) Every notice or demand shall be deemed to have been received, in the case of a notice sent by nationally recognized overnight courier, when actually delivered to Mortgagee or the Mortgagor at their respective address as provided in Section 6.1(b) or on the date on which receipt of such notice is refused or the courier advises that such notice is not deliverable at the address provided in Section 6.1 (b) and, in the case of a telefax, at the time of actual receipt thereof.

* Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(d) Subject to the terms hereof, Mortgagee or the Mortgagor may change its address or telefax number or the address or party to whom copies of notices shall be sent by giving notice in accordance with this Section 6.1.

6.2. Counterparts. This Security Agreement may be executed in any number of counterparts, and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same Security Agreement.

6.3. Governing Law. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF WASHINGTON.

6.4. Waiver of Jury Trial. THE MORTGAGOR AND THE MORTGAGEE EACH IRREVOCABLY WAIVETHE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BROUGHT TO ENFORCE ANY PROVISION OF THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT IN WHICH THEY ARE PARTIES.

6.5. Expenses. The Mortgagor agrees to pay the reasonable ongoing fees and expenses of the Mortgagee for the services rendered by it in capacity as mortgagee hereunder.

6.6. Consent to Jurisdiction. Mortgagor and Mortgagee consent and submit to the non-exclusive jurisdiction and venue shall be in the State of Washington in the State courts for the county of King, or the United States District Court for the Western District of Washington and agree that venue is proper in those courts and waive any right to object based upon jurisdiction (either personal or subject matter) or venue or inconvenient forum therein in connection with any action arising out of, or connected in any way with, this Security Agreement. Mortgagor further agrees that service of process or any other papers upon it by registered air mail at its address set forth herein shall be deemed good, proper and effective service upon it. Mortgagor further agrees that the service of process or any other papers upon the agent designated by Mortgagor in the immediately preceding sentence shall be deemed good, proper and effective service upon it. Nothing set forth herein shall be deemed to preclude the service of process or any other papers upon Mortgagor by any other method permitted by applicable law. The Mortgagee and the Mortgagor agree that such state and Federal courts of and within the State of Washington have non-exclusive jurisdiction in respect of any claims brought under the Cape Town Treaty relating to the Aircraft.

6.7. Delivery. This Security Agreement is intended to and shall be deemed to be delivered by the Mortgagor to the Mortgagee and accepted by the Mortgagee in Washington State.

SECTION 7 THE MORTGAGEE

The Mortgagee may execute any of its duties or powers hereunder by or through agents or employees, and shall be entitled to retain counsel and the advice of such counsel concerning all matters pertaining to the performance of its functions hereunder. The Mortgagor agrees to reimburse the Mortgagee for all reasonable out-of-pocket expenses incurred by the Mortgagee and the counsel, attorneys, agents and the employees of the Mortgagee in acting hereunder, including any reasonable counsel fees and compensation paid for services rendered to the

Mortgagee in connection with the performance of its functions hereunder if and to the extent reasonably engaged by Mortgagee. The Mortgagor agrees to indemnify and save harmless the Mortgagee against and from any liability or damages which the Mortgagee may incur or sustain in the exercise and performance of any of the Mortgagee's powers and duties hereunder, not including, however, the Mortgagee's gross negligence or willful misconduct. For such reimbursement and indemnity, the Mortgagee shall be secured under this Security Agreement and, to effect such reimbursement and indemnity, the Mortgagee shall have the right to use and apply any cash constituting Mortgaged Property at any time held by it. The Mortgagee shall give notice to the Mortgagor of any actions or claims to be brought against the Mortgagor under this Section 7; *provided, however*, that any failure by the Mortgagee to provide such notice shall not limit the obligations of the Mortgagor hereunder, except to the extent that the Mortgagor is prejudiced by the Mortgagee's failure to deliver such notice. Neither the Mortgagee nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them hereunder except for its or their own gross negligence or willful misconduct.

* * *

EXHIBIT E –

IN WITNESS WHEREOF, Mortgagor and Mortgagee have caused this Aircraft Chattel Mortgage and Security Agreement to be duly executed as of the day and year first above written.

Mortgagor:

ALASKA AIRLINES, INC.

By:

Name: John F. Schaefer, Jr.

Title: Vice President – Finance
and Treasurer

[Signature Page to Aircraft Chattel Mortgage and Security Agreement]

Mortgagee:
CITIBANK, N.A., as Administrative Agent

By: _____
Name: _____
Its: _____

[Signature Page to Aircraft Chattel Mortgage and Security Agreement]

SCHEDULE I—FLIGHT EQUIPMENT

1. Boeing 737-4Q8 Aircraft bearing U.S. Registration Mark N762AS and manufacturer's serial number 25099, equipped with two CFM International, Inc. CFM56-3C engines bearing manufacturer's serial numbers 856271 and 856288, which engines each have 550 or more rated take-off horsepower, or the equivalent of such horsepower. Such Aircraft, including engines, was placed in service prior to October 22, 1994.
2. Boeing 737-4Q8 Aircraft bearing U.S. Registration Mark N763AS and manufacturer's serial number 25100, equipped with two CFM International, Inc. CFM56-3C engines bearing manufacturer's serial numbers 857280 and 857282, which engines each have 550 or more rated take-off horsepower, or the equivalent of such horsepower. Such Aircraft, including engines, was placed in service prior to October 22, 1994.
3. Boeing 737-4Q8 Aircraft bearing U.S. Registration Mark N764AS and manufacturer's serial number 25101, equipped with two CFM International, Inc. CFM56-3C engines bearing manufacturer's serial numbers 856303 and 856304, which engines each have 550 or more rated take-off horsepower, or the equivalent of such horsepower. Such Aircraft, including engines, was placed in service prior to October 22, 1994.
4. Boeing 737-490 Aircraft bearing U.S. Registration Mark N767AS and manufacturer's serial number 27081, equipped with two CFM International, Inc. CFM56-3C engines bearing manufacturer's serial numbers 856337 and 856338, which engines each have 550 or more rated take-off horsepower, or the equivalent of such horsepower. Such Aircraft, including engines, was placed in service prior to October 22, 1994.
5. Boeing 737-890 Aircraft bearing U.S. Registration Mark N546AS and manufacturer's serial number 30022, equipped with two CFM International, Inc. CFM56-7B engines bearing manufacturer's serial numbers 892251 and 892252, which engines each have 550 or more rated take-off horsepower, or the equivalent of such horsepower.
6. Boeing 737-890 Aircraft bearing U.S. Registration Mark N565AS and manufacturer's serial number 35181, equipped with two CFM International, Inc. CFM56-7B engines bearing manufacturer's serial numbers 894361 and 894362, which engines each have 550 or more rated take-off horsepower, or the equivalent of such horsepower.
7. Boeing 737-890 Aircraft bearing U.S. Registration Mark N579AS and manufacturer's serial number 35187, equipped with two CFM International, Inc. CFM56-7B engines bearing manufacturer's serial numbers 894547 and 894549, which engines each have 550 or more rated take-off horsepower, or the equivalent of such horsepower.
8. Boeing 737-490 Aircraft bearing U.S. Registration Mark N768AS and manufacturer's serial number 27082, equipped with two CFM International, Inc. CFM56-3C engines bearing manufacturer's serial numbers 856333 and 856336, which engines each have 550 or more rated take-off horsepower, or the equivalent of such horsepower. Such Aircraft, including engines, was placed in service prior to October 22, 1994.

SCHEDULE II—SECURITY AGREEMENT SUPPLEMENT

This SUPPLEMENTAL FIRST PRIORITY SECURITY AGREEMENT, dated the day of _____, 200_ (this “Supplement”), is from Alaska Airlines, Inc., a corporation organized and existing under the laws of the state of Alaska, having the address 19300 International Blvd., Seattle, WA 98188 (the “Mortgagor”), and CITIBANK, N.A, a national banking association, having an office at 388 Greenwich Street, 34th Floor, New York, NY 10013, as Administrative Agent (the “Mortgagee”).

RECITALS

A. Mortgagor has heretofore executed and delivered an Aircraft Chattel Mortgage and Security Agreement, dated as of March 31, 2010 (as heretofore supplemented or amended, the “Security Agreement”), to cover certain Flight Equipment of the Mortgagor to secure Mortgagor’s obligations to Mortgagee under a Credit Agreement, dated as of March 31, 2010 (as heretofore amended, the “Credit Agreement”), which Flight Equipment was identified in Schedule I—Security Agreement (“Schedule I”).

B. The Security Agreement, with Schedule I attached, was recorded by the FAA on _____ and assigned Conveyance Number _____.

C. Mortgagor is the legal and beneficial owner, free and clear of all mortgages, security interests, liens, charges and encumbrances, other than liens and encumbrances permitted by the Security Agreement, of the flight equipment herein below described which the parties intend to be added as additional Collateral, and desires to execute and deliver this Security Agreement Supplement to Mortgagee in return for which Mortgagee agrees to release from the Lien of the Security Agreement the flight equipment listed below which is to be released.

NOW, THEREFORE, THIS SUPPLEMENT WITNESSETH, that to secure the payment of all of the Obligations, as at any time amended or supplemented, and for the purpose of specifically subjecting such property to and of confirming the lien of the Security Agreement, the Mortgagor does hereby grant, bargain, sell, transfer, convey and mortgage unto the Mortgagee, its successors and assigns, and gives to the Mortgagee a security interest in, the property (the “Collateral”) described in sections 1 and 2 of Attachment 1 hereto. Attachment 1 consists of three parts. The first section lists the property currently subject to the Aircraft Chattel Mortgage and Security Agreement dated March 31, 2010, which is to remain Collateral subject to the Security Agreement. The second section lists property not heretofore subject to the Security Agreement that is added to the Collateral. The third section lists property that was Collateral and is now being released and will no longer be subject to the Security Agreement.

The Collateral listed in sections 1 and 2 of Attachment 1, together with all substitutions, replacements and renewals of the Collateral and all property that hereafter becomes physically attached to or incorporated in the Collateral, whether the same are now owned by the Mortgagor or shall hereafter be acquired by it.

Together with all rents, issues, profits, proceeds (including insurance proceeds), revenues and other income of the Collateral and all of the estate, right, title and interest of every nature

whatsoever of the Mortgagor, at law or in equity, in and to the Collateral and every part and parcel thereof.

TO HAVE AND TO HOLD all and singular the Collateral unto the Mortgagee, its successors and assigns, as security as aforesaid and for the uses and purposes and subject to the covenants, agreements, provisions and conditions set forth in the Security Agreement.

This Supplement shall be construed as supplemental to the Security Agreement and shall form a part thereof, and the Security Agreement and each Security Agreement Supplement heretofore executed and delivered are, by this reference, incorporated in this Supplement and ratified, approved and confirmed.

This Supplement may be simultaneously executed in several counterparts, each of which shall be deemed to be an original, and all such counterparts shall together constitute but one and the same agreement.

THIS SUPPLEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF WASHINGTON APPLICABLE TO CONTRACTS ENTERED INTO IN AND BY RESIDENTS OF THE STATE OF WASHINGTON AND TO BE PERFORMED ENTIRELY WITHIN THE STATE OF WASHINGTON.

Schedule II -

IN WITNESS WHEREOF, the Mortgagor and Mortgagee have caused this Security Agreement Supplement to be duly executed as of the date first written above.

Mortgagor:
Alaska Airlines, Inc

Mortgagee:
Citibank, N.A., as Administrative Agent

By:
Its: _____

By:
Its:

[Signature Page to Aircraft Chattel Mortgage and Security Agreement Supplement]

ATTACHMENT 1 TO SCHEDULE II—SECURITY AGREEMENT SUPPLEMENT

Section 1. The following property consists of Collateral already pledged under the Security Agreement that is to remain as Collateral.

Section 2. Boeing 737-__ Aircraft bearing U.S. Registration Mark N AS and manufacturer's serial number , equipped with two CFM International, Inc. CFM56- engines bearing manufacturer's serial numbers and , which engines each have 550 or more rated take-off horsepower, or the equivalent of such horsepower, are hereby added as additional Collateral (Mortgaged Property) to the Security Agreement and such aircraft and each such engine shall be subject to the Lien of the Security Agreement as an Aircraft or an Engine, as applicable, for all purposes .

Section 3. Boeing 737- Aircraft bearing U.S. Registration Mark N AS and manufacturer's serial number , equipped with two CFM International, Inc. CFM56- engines bearing manufacturer's serial numbers and , which engines each have 550 or more rated take-off horsepower, or the equivalent of such horsepower, are hereby removed and released from the Lien of the Security Agreement and each such aircraft and each such engine shall cease to be an Aircraft or an Engine, as applicable, thereunder.

Attachment 1

FORM OF CASH PLEDGE AGREEMENT

THIS CASH PLEDGE AGREEMENT ("Agreement") is made as of [____], 2010 by ALASKA AIRLINES, INC., an Alaska corporation ("Debtor"), in favor of CITIBANK, N.A., a national banking association, as Administrative Agent (including its successors and assigns, "Agent").

RECITALS

A. Debtor and Agent are parties to that certain Credit Agreement dated as of [____], 2010 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement").

B. It is contemplated in the Credit Agreement that, from time to time, Debtor may request Agent to release its security interest in certain pledged Collateral in exchange for the grant of a security interest in Cash Collateral and/or Other Cash Collateral. It is a condition precedent to such release that Debtor enter into this Agreement in favor of Agent.

NOW, THEREFORE, in consideration of the foregoing, Debtor agrees for the benefit of Agent as follows:

AGREEMENT

1. Defined Terms. Capitalized terms not otherwise defined herein shall have the meanings given in the Credit Agreement.

2. Grant of Security Interest. As security for the payment or performance, as the case may be, in full of the Obligations (defined below), Debtor hereby pledges and assigns, and hereby grants to Agent a security interest in, all of Debtor's right, title and interest in and to the following (collectively, the "New Collateral"):

(a) Certificate of Deposit Account Number [____] and any replacement or other account numbers (collectively, the "Account") maintained by Debtor at [**Agent**] together with

- (i) all interest now or hereafter accruing on the Account,
- (ii) all additional deposits hereafter made to the Account,
- (iii) any and all proceeds from the Account,
- (iv) all renewals, replacements and substitutions for any of the foregoing, and
- (v) any and all general intangibles and choses in action arising from or related to any of the foregoing; and

(b) Other Cash Collateral (including any and all proceeds thereof) as set forth on Schedule 2(b).

As used herein, "Obligations" means, collectively, all liabilities, obligations, covenants and duties of Borrower arising under the Credit Agreement or any other Loan Document, in each case whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising.

3. Financing Statements, Etc.

(a) Financing Statement. Debtor hereby irrevocably authorizes Agent, at any time and from time to time, to file in any relevant jurisdiction any initial financing statements and amendments thereto that contain the information required by Article 9 of the UCC of each applicable jurisdiction for the filing of any financing statement or amendment in order to perfect and protect the security interest of Agent in the New Collateral.

(b) Continuing Security Interest. Debtor acknowledges and agrees that the security of Agent in the New Collateral constitutes continuing collateral security for all of the Obligations which shall remain in effect until all of the Obligations have been finally and indefeasibly paid in full, subject to the Collateral release and substitution provisions in Section 6.15 of the Credit Agreement.

4. Representations and Warranties. Debtor represents and promises to Agent and the Lenders that: (a) Debtor is the lawful owner of the New Collateral free and clear of all Liens except as disclosed to Agent in writing prior to the date hereof; (b) Debtor has not previously granted a security interest in the New Collateral to any other person; (c) there are no defaults relating to the New Collateral, and there are no offsets or counterclaims to same; (d) Debtor has delivered or otherwise caused the transfer to Agent, as applicable, all certificates, instruments and other writings representing, evidencing or constituting the Other Cash Collateral as set forth on Schedule 2(b); (e) the Other Cash Collateral identified on Schedule 2(b) is not and shall not be represented or evidenced by any certificates, instruments or other writing other than those delivered pursuant to this Agreement; and (f) this Agreement creates a valid security interest in favor of Agent in all of the New Collateral, is binding upon Debtor and Debtor's successors and assigns and is legally enforceable in accordance with its terms.

5. Agreements of Debtor. Debtor agrees with Agent that: (a) Debtor shall not sell, assign, encumber, or otherwise dispose of any of Debtor's rights in the New Collateral; (b) Debtor shall not withdraw funds from the Account without Agent's prior written consent; (c) Debtor shall strictly and promptly do everything required of Debtor under the terms, conditions, promises, and agreements contained in or relating to the New Collateral; (d) Debtor shall deliver to Agent, upon Agent's request, all certificates, instruments or other writings representing or evidencing the Other Cash Collateral as set forth on Schedule 2(b); and (e) any and all replacement or renewal certificates, instruments, or other benefits or proceeds related to the New Collateral that are received by Debtor shall be held by Debtor in trust for Agent and immediately shall be delivered by Debtor to Agent to be held as part of the New Collateral. In addition, Debtor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as Agent may from time to time request to better assure, preserve, protect and perfect the security interest of Agent in the New Collateral and the rights and remedies of Agent hereunder.

EXHIBIT F -

6. Possession of New Collateral. While this Agreement is in effect, Agent may retain the rights to possession of the New Collateral, together with any and all evidence of the New Collateral, such as certificates and passbooks. Agent shall use ordinary reasonable care in the physical preservation and custody of any such evidence of the New Collateral, but shall have no other obligation to protect the New Collateral or its value.

7. Events of Default. Each of the following shall constitute an Event of Default under this Agreement: (a) an "Event of Default" shall have occurred under the Credit Agreement or any other Loan Document; (b) commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Debtor or by any governmental agency against the New Collateral, including, without limitation, a garnishment of any of Debtor's accounts with **[Agent]**; or (c) any involuntary Lien (other than a lien permitted by subsection (e) of Section 7.01 of the Credit Agreement) attaches to any New Collateral.

8. Remedies; Set-Off. If an Event of Default shall occur, or Debtor shall otherwise default in the full and timely payment or performance any of the Obligations secured hereby, Agent shall have, and may exercise, any or all the rights and remedies of a secured creditor under the provisions of the UCC as in effect in the State of Washington at law, in equity, or otherwise. Agent shall have all the rights of a secured party under the UCC, even if, for example, the Account is not otherwise subject to the UCC concerning security interests, and the parties to this Agreement agree that the provisions of the UCC giving rights to a secured party shall nonetheless be a part of this Agreement. Without limited the generality of the foregoing, Debtor agrees that Agent may, subject to the requirements of Laws including, without limitation, those affecting the offering and sale of securities, sell, resell, assign, transfer, or otherwise dispose of any or all of the Other Cash Collateral set forth on Schedule 2(b). Debtor expressly authorizes Agent, at any time and from time to time, without prior notice to Debtor, any such notice being waived by Debtor to the fullest extent permitted by law, to set-off and apply any and all deposits (including, without limitation, the Account) at any time held by Agent against the Obligations, irrespective of whether or not Agent shall have made demand therefor.

9. Release of New Collateral. Upon the payment in full in cash of all the Obligations and termination of this Agreement, the Credit Agreement, and each other Loan Document, Agent shall, upon request of Debtor, promptly release the Account from the lien, pledge and security interest created under this Agreement. Release of such lien, pledge and security interest shall also be subject to the Collateral release and substitution provisions in Section 6.15 of the Credit Agreement.

EXHIBIT F -

EXECUTED AND DELIVERED by the duly authorized officers of the parties as of the date first above written.

DEBTOR:

ALASKA AIRLINES, INC.

By:

Its:

EXHIBIT F -

SCHEDULE 2(b)
to
Cash Pledge Agreement

Other Cash Collateral

[None]

EXHIBIT F -

CERTIFICATIONS

I, William S. Ayer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alaska Air Group, Inc. for the period ended March 31, 2010;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 5, 2010

By /s/ William S. Ayer
William S. Ayer
Chairman, President & Chief Executive Officer

CERTIFICATIONS

I, Glenn S. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alaska Air Group, Inc. for the period ended March 31, 2010;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 5, 2010

By /s/ Glenn S. Johnson
Glenn S. Johnson
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Alaska Air Group, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William S. Ayer, Chairman, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge,

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By /s/William S. Ayer

William S. Ayer

Chairman, President & Chief Executive Officer

May 5, 2010

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Alaska Air Group, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Glenn S. Johnson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge,

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By /s/Glenn S. Johnson
Glenn S. Johnson
Chief Financial Officer
May 5, 2010