

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 September 30, 1996.

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 91-1292054

(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

19300 Pacific Highway South, Seattle, Washington 98188

(Address of principal executive offices)

Registrant's telephone number, including area code: (206) 431-7040

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 ☐

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents  
and reports required to be filed by Sections 12, 13 or 15(d) of the  
Securities Exchange Act of 1934 subsequent to the distribution of  
securities under a plan confirmed by a court. 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 14,466,550 common shares, par value \$1.00,  
outstanding at September 30, 1996.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

Attached are the following Alaska Air Group, Inc. (the Company or Air  
Group) unaudited financial statements: (i) consolidated balance sheets as  
of September 30, 1996 and December 31, 1995; (ii) consolidated statements  
of income for the quarters and nine months ended September 30, 1996 and  
1995; (iii) consolidated statement of shareholders' equity for the nine  
months ended September 30, 1996; and, (iv) consolidated statements of cash  
flows for the nine months ended September 30, 1996 and 1995. Also attached  
are the accompanying notes to the Company's consolidated financial  
statements that have changed significantly during the nine months ended  
September 30, 1996. These statements, which should be read in conjunction  
with the financial statements in the Company's annual report on Form 10-K  
for the year ended December 31, 1995, include all adjustments that are, in  
the opinion of management, necessary for a fair presentation of the results  
for the interim periods. The adjustments made were of a normal recurring  
nature.

Air Group is a holding company incorporated in Delaware in 1985. Its  
principal subsidiaries are Alaska Airlines, Inc. (Alaska) and Horizon Air  
Industries, Inc. (Horizon).

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

## RESULTS OF OPERATIONS

### Third Quarter 1996 Compared with Third Quarter 1995

The consolidated net income for the third quarter of 1996 was \$32.8 million, or \$2.25 per share (\$1.53 per share fully diluted), compared with net income of \$27.4 million, or \$2.01 per share (\$1.30 per share fully diluted), in 1995. Operating income for the third quarter of 1996 was \$63.0 million compared to \$61.9 million for 1995. The 1996 quarter included \$8.3 million for estimated employee profit sharing expense (compared to zero for 1995) and a \$3.6 million gain on sale of assets (compared to a \$0.7 million loss in 1995). Excluding these items, operating income increased \$5.1 million reflecting higher passenger load factors at Alaska Airlines. Airline financial and statistical data is shown following the Air Group financial statements. A discussion of this data follows.

Alaska Airlines Operating revenues increased 11.7% to \$382.8 million. Passenger revenues, which accounted for 90% of total operating revenues, increased 13.5% on a 14.5% rise in passenger traffic. Capacity increased 7.0%, primarily due to more flying in the Alaska, Mexico and Nevada markets. Essentially all markets experienced increases in load factors, while the system load factor increased 4.6 points from 66.0% in 1995 to 70.6% in 1996. System passenger yields were down 0.8% reflecting lower fares in the Alaska and Mexico markets, offset by higher fares in the California markets.

Freight and mail revenues decreased 3.0%, reflecting increased competition in the Alaska markets. Other-net revenues decreased 1.2% due to lower revenues from providing services to other airlines.

The table below shows the major operating expense elements on a cost per available seat mile (ASM) basis for Alaska for the third quarters of 1996 and 1995.

#### Alaska Airlines Operating Expenses Per ASM (In Cents)

	1996	1995	Change	% Change
Wages and benefits	2.44	2.41	.03	1
Employee profit sharing	.19	-	.19	NM
Aircraft fuel	1.38	1.08	.30	28
Aircraft maintenance	.32	.31	.01	3
Aircraft rent	.88	.91	(.03)	(3)
Commissions	.63	.56	.07	13
Depreciation & amortization	.35	.38	(.03)	(8)
Loss (gain) on sale of assets	(.09)	.02	(.11)	NM
Landing fees and other rentals	.32	.32	-	-
Other	1.53	1.52	.01	1
Alaska Airlines Total	7.95	7.51	.44	6

NM = Not Meaningful

Alaska's higher unit costs were primarily due to employee profit sharing and higher fuel prices. Significant unit cost changes are discussed below.

Estimated profit sharing expense increased the cost per ASM by .19 cents. Actual profit sharing is based on full year results. Hence, this expense item for full year 1996 could change depending on fourth quarter results. For purposes of estimating profit sharing, the income for the fourth quarter of 1996 was assumed to be comparable to the fourth quarter of 1995. This is an assumption, not a forecast, and using this assumption, Alaska is fully accrued for estimated 1996 profit sharing expense as of September 30, 1996.

Fuel expense per ASM increased 28%, due to a 27% increase in the price of fuel. Approximately one fourth of the fuel price increase was due to a 4.3 cent Federal excise tax on domestic fuel consumption that began October 1, 1995.

Commission expense per ASM increased 13% because passenger revenues, upon which commissions are paid, increased more than ASM growth. Commission expense as a percentage of passenger revenue was 7.4% in 1996 compared to 7.1% in 1995.

Depreciation and amortization expense per ASM decreased 8% due to the sale (and leaseback) of two aircraft at the end of the first quarter and a 4% increase in aircraft utilization.

The gain on sale of assets in 1996 is primarily due to the sale of a jet aircraft. A new accounting standard requires that gains or losses on long-

lived assets be included in operating income.

Horizon Air Operating revenues increased 7.8% to \$83.9 million. Passenger revenues, which accounted for 96% of total operating revenues, increased 8.9% on a 0.3 percent rise in passenger traffic. Capacity increased slightly, primarily due to new flying in the Seattle-Edmonton and Boise-San Jose markets, offset by less flying in the lower-yield Seattle-Spokane and Portland-Spokane markets. These actions helped boost passenger yields 8.5% to 33.7 cents in 1996. The 61.7% system load factor remained the same as in 1995.

The table below shows the major operating expense elements on a cost per ASM basis for Horizon for the third quarters of 1996 and 1995.

Horizon Air Operating Expenses Per ASM (In Cents)

	1996	1995	Change	% Change
Wages and benefits	6.12	5.69	.43	8
Employee profit sharing	.18	-	.18	NM
Aircraft fuel	2.29	1.88	.41	22
Aircraft maintenance	2.75	2.30	.45	20
Aircraft rent	2.36	2.27	.09	4
Commissions	1.34	1.32	.02	2
Depreciation & amortization	.68	.59	.09	15
Loss (gain) on sale of assets	.04	.01	.03	NM
Landing fees and other rentals	.88	.87	.01	1
Other	3.51	3.51	-	-
Horizon Air Total	20.15	18.44	1.71	9

NM = Not Meaningful

Horizon's unit costs increased 9% primarily due to: (a) employee profit sharing and higher wage rates; (b) 23% higher fuel prices; (c) increased maintenance expense on Dash 8 aircraft, which now average 8 years in age; and (d) more depreciation expense on aircraft improvements.

Consolidated Other Income (Expense) Non-operating expense decreased from \$11.6 million to \$6.4 million primarily due to lower interest rates on variable debt and smaller average debt balances. The 1995 period included a \$2.2 million write-off of capitalized debt issuance costs for the 7-1/4% zero coupon notes that were redeemed in August 1995.

Nine Months 1996 Compared with Nine Months 1995

The consolidated net income for the nine months ended September 30, 1996 was \$43.6 million, or \$3.06 per share (\$2.22 per share fully diluted), compared with net income of \$18.0 million, or \$1.34 per share (\$1.22 per share fully diluted), in 1995. Operating income for the first nine months of 1996 was \$97.4 million compared to \$67.4 million for 1995. A discussion of operating revenues and expenses for the two airlines follows.

Alaska Airlines Operating revenues increased 15.7% to \$1.005 billion, primarily due to a 16.4% rise in passenger traffic. Capacity increased 8.5%, primarily due to increases in the Alaska, Nevada and Mexico markets. The load factor increased 4.4 points from 61.5% in 1995 to 65.9% in 1996. Passenger yields rose 1.2% to 11.86 cents in 1996, reflecting an improved balance between supply and demand for air travel on the West Coast.

Operating expenses increased 13.6% to \$913.8 million on a capacity increase of 8.5%. Unit costs increased 4.7%, generally for the same reasons as noted above in the third quarter comparison.

Horizon Air Operating revenues increased 10.5% to \$233.0 million, due to a 3.9% rise in passenger traffic combined with a 7.1% increase in passenger yield. Capacity increased 2.5%, while load factor rose 0.8 points from 59.0% in 1995 to 59.8% in 1996.

Operating expenses increased 9.2% to \$225.8 million on a capacity increase of 2.5%. Unit costs increased 6.6%, generally for the same reasons as noted above in the third quarter comparison.

Consolidated Other Income (Expense) Non-operating expense decreased from \$34.2 million to \$21.4 million generally for the same reasons as noted above in the third quarter comparison.

Income Tax Expense Accounting standards require the Company to provide for income taxes each quarter based on its estimate of the effective tax rate for the full year. The volatility of air fares and the seasonality of the

Company's business make it very difficult to estimate full-year pretax results. In addition, a relatively small change in pretax results can cause a significant change in the effective tax rate due to the magnitude of nondeductible expenses, such as goodwill amortization and employee per diem costs. In estimating the 42.6% tax rate for the first nine months of 1996, the Company considered a variety of factors, including the U.S. federal rate of 35%, estimates of nondeductible expenses and state income taxes, and the 49.1% tax rate used for full year 1995. This rate is evaluated each quarter and adjustments are made if necessary.

#### LIQUIDITY AND CAPITAL RESOURCES

The table below presents the major indicators of financial condition and liquidity.

	Sep 30, 1996	Dec 31, 1995	Change
(In millions, except debt-to-equity and per share amounts)			
Cash and marketable securities	\$ 131.3	\$ 135.1	\$ (3.8)
Working capital (deficit)	(114.0)	(106.4)	(7.6)
Long-term debt and capital lease obligations	452.9	522.4	(69.5)
Shareholders' equity	277.7	212.5	65.2
Book value per common share	\$ 19.20	\$ 15.67	\$ 3.53
Debt-to-equity	62%:38%	71%:29%	NA

The Company's cash and marketable securities portfolio decreased by \$4 million during the first nine months of 1996. Operating activities provided \$222 million of cash during this period. Additional cash was provided by the sale and leaseback of three B737-400 aircraft (\$86 million), the sale of one MD-80 aircraft (\$17 million) and proceeds received from the issuance of common stock (\$21 million). Cash was used for the purchase of two new MD-83 aircraft, one used B737-400 aircraft, one previously leased B737-200C, airframe and engine overhauls and other capital expenditures (\$161 million), and aircraft purchase deposits (\$51 million). Cash was also used to repay \$66 million of short-term borrowings and \$81 million of debt (including \$52 million repaid early).

Shareholders' equity increased by \$65 million due to the net income of \$44 million and the issuance of \$21 million of common stock under stock plans. Equity increased to 38% of capital, an improvement of 9 percentage points, due to the increased equity and the early repayment of debt.

Commitments During the first nine months of 1996, Alaska's lease commitments increased approximately \$141 million due to the sale and leaseback of three B737-400 aircraft. In addition, Alaska ordered 12 Boeing 737-400 aircraft along with an option to acquire 12 more. The value of the order, based on the manufacturer's list price, is about \$540 million. The new B737-400s will be phased in over the next three years, with the first plane scheduled to enter the fleet in June 1997. The new planes will replace 12 older McDonnell Douglas MD-80s. Horizon ordered 25 de Havilland Dash 8-200 aircraft along with an option to acquire 45 more. The value of the order, based on the manufacturer's list price, is about \$270 million. Alaska and Horizon expect to finance the new planes with either leases, long-term debt or internally generated cash.

Alaska has commitments, during the fourth quarter of 1996, to replace its \$75 million credit facility with a \$125 million credit facility with substantially the same terms and conditions.

#### PART II. OTHER INFORMATION

##### ITEM 5. Other Information

The U.S. 10% passenger ticket tax, the 6.25% cargo waybill tax and the \$6 per passenger international departure tax expired on December 31, 1995. It was reinstated effective August 27, 1996 for travel through December 31, 1996.

##### ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibit #10.1 - Agreement dated September 18, 1996 between Alaska Airlines, Inc. and Boeing for the purchase of 12 Boeing 737-400 aircraft.

Exhibit #10.2 - Agreement dated August 28, 1996 between Horizon Air Industries, Inc. and Bombardier for the purchase of 25 de Havilland Dash 8-200 aircraft.

Exhibit 11 - Statement regarding computation of per-share earnings.

Exhibit 27 - Financial data schedule.

# Confidential treatment has been requested as to a portion of this

document.

(b) The following reports on Form 8-K were filed during the third quarter of 1996:

- (1) Amended and Restated Right Agreement filed on August 8, 1996
- (2) Agreement to acquire 12 Boeing 737-400 aircraft and 25 de Havilland Dash 8-200 aircraft filed on September 24, 1996

Signatures

Pursuant to the requirements of the Securities 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: November 4, 1996

/s/ John F. Kelly  
John F. Kelly  
Chairman, President and Chief Executive Officer

/s/ Harry G. Lehr  
Harry G. Lehr  
Senior Vice President/Finance  
(Principal Financial Officer)

CONSOLIDATED BALANCE SHEET  
Alaska Air Group, Inc.

ASSETS

(In Millions)	Sep 30, 1996	Dec 31, 1995
Current Assets		
Cash and cash equivalents	\$51.9	\$25.8
Marketable securities	79.4	109.3
Receivables - net	77.8	88.5
Inventories and supplies	46.3	44.8
Prepaid expenses and other assets	69.6	70.0
Total Current Assets	325.0	338.4
Property and Equipment		
Flight equipment	863.8	845.9
Other property and equipment	231.8	219.1
Deposits for future flight equipment	74.8	40.7
	1,170.4	1,105.7
Less accumulated depreciation and amortization	333.1	312.8
	837.3	792.9
Capital leases		
Flight and other equipment	44.4	44.4
Less accumulated amortization	24.9	23.3
	19.5	21.1
Total Property and Equipment - Net	856.8	814.0
Intangible Assets - Subsidiaries	62.1	63.6
Other Assets	88.0	97.4
Total Assets	\$1,331.9	\$1,313.4

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET  
Alaska Air Group, Inc.

LIABILITIES AND SHAREHOLDERS' EQUITY

(In Millions)	Sep 30, 1996	Dec 31, 1995
Current Liabilities		
Accounts payable	\$68.3	\$69.2
Accrued aircraft rent	51.6	44.1

Accrued wages, vacation and payroll taxes	57.5	45.8
Other accrued liabilities	64.9	55.7
Short-term borrowings	-	65.9
(Interest rate: 1995 - 6.2%)		
Air traffic liability	167.9	124.4
Current portion of long-term debt and capital lease obligations	28.8	39.7
Total Current Liabilities	439.0	444.8
Long-Term Debt and Capital Lease Obligations	452.9	522.4
Other Liabilities and Credits		
Deferred income taxes	64.4	41.0
Deferred income	18.5	20.0
Other liabilities	79.4	72.7
	162.3	133.7
Shareholders' Equity		
Common stock, \$1 par value		
Authorized: 50,000,000 shares		
Issued: 1996 - 17,215,100 shares		
1995 - 16,718,684 shares	17.2	16.7
Capital in excess of par value	166.7	155.4
Treasury stock, at cost:		
1996-2,748,550; 1995-3,153,608 shares	(62.6)	(71.8)
Deferred compensation	(3.0)	(3.6)
Retained earnings	159.4	115.8
	277.7	212.5
Total Liabilities and Shareholders' Equity	\$1,331.9	\$1,313.4

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME  
Alaska Air Group, Inc.

Three Months Ended September 30		
(In Millions except Per share Amounts)	1996	1995
Operating Revenues		
Passenger	\$423.0	\$377.3
Freight and mail	25.4	26.3
Other - net	16.5	16.0
Total Operating Revenues	464.9	419.6
Operating Expenses		
Wages and benefits	132.4	114.2
Aircraft fuel	65.5	48.5
Aircraft maintenance	23.6	20.8
Aircraft rent	45.3	43.8
Commissions	29.0	26.5
Depreciation and amortization	17.0	16.9
Loss (gain) on sale of assets	(3.6)	0.7
Landing fees and other rentals	16.1	15.5
Other	76.6	70.8
Total Operating Expenses	401.9	357.7
Operating Income	63.0	61.9
Other Income (Expense)		
Interest income	2.6	3.4
Interest expense	(9.3)	(13.3)
Interest capitalized	0.2	0.0
Other - net	0.1	(1.7)
	(6.4)	(11.6)
Income before income tax	56.6	50.3
Income tax expense	23.8	22.9
Net Income	\$32.8	\$27.4
Primary Earnings Per Share	\$2.25	\$2.01
Fully Diluted Earnings Per Share	\$1.53	\$1.30
Shares used for computation:		
Primary	14.6	13.6
Fully diluted	22.7	23.0

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME  
Alaska Air Group, Inc.

Nine Months Ended September 30  
(In Millions except Per share Amounts)

	1996	1995
Operating Revenues		
Passenger	\$1,109.8	\$957.5
Freight and mail	71.7	71.8
Other - net	51.5	47.1
Total Operating Revenues	1,233.0	1,076.4
Operating Expenses		
Wages and benefits	364.2	322.5
Aircraft fuel	173.3	131.6
Aircraft maintenance	71.7	61.1
Aircraft rent	134.7	128.5
Commissions	78.9	71.8
Depreciation and amortization	51.0	50.9
Loss (gain) on sale of assets	(2.8)	1.4
Landing fees and other rentals	46.8	44.5
Other	217.8	196.7
Total Operating Expenses	1,135.6	1,009.0
Operating Income	97.4	67.4
Other Income (Expense)		
Interest income	8.1	6.7
Interest expense	(30.2)	(39.7)
Interest capitalized	0.2	0.0
Other - net	0.5	(1.2)
	(21.4)	(34.2)
Income before income tax	76.0	33.2
Income tax expense	32.4	15.2
Net Income	\$43.6	\$18.0
Primary Earnings Per Share	\$3.06	\$1.34
Fully Diluted Earnings Per Share	\$2.22	\$1.22
Shares used for computation:		
Primary	14.3	13.5
Fully diluted	22.4	20.4

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
Alaska Air Group, Inc.

(In Millions)	\$1 Par Value	Common Stock Capital in Excess of Par Value	Treasury Stock at Cost	Deferred Compen- sation	Retained Earnings	Total
Balances at December 31, 1995	\$16.7	\$155.4	\$(71.8)	\$(3.6)	\$115.8	\$212.5
Net income for the nine months ended September 30, 1996					43.6	43.6
Stock issued under stock plans	0.5	9.6				10.1
Treasury stock purchase (4,466 shares)			(0.1)			(0.1)
Treasury stock sold (409,524 shares)		1.7	9.3			11.0
Employee Stock Ownership Plan shares allocated				0.6		0.6
Balances at September 30, 1996	\$17.2	\$166.7	\$(62.6)	\$(3.0)	\$159.4	\$277.7

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS  
Alaska Air Group, Inc.

Nine Months Ended September 30 (In Millions)	1996	1995
Cash and cash equivalents at beginning of period	\$25.8	\$11.6
Cash flows from operating activities:		
Net income	43.6	18.0
Adjustments to reconcile net income to cash:		
Depreciation and amortization	51.0	50.9
Amortization of airframe and engine overhauls	24.9	18.7
Loss (gain) on disposal of assets and debt retired	(2.8)	3.2
Increase in deferred income taxes	23.4	17.2
Decrease (increase) in accounts receivable	10.7	(35.5)
Increase in other current assets	(1.0)	(6.8)
Increase in air traffic liability	43.5	16.6
Increase in other current liabilities	27.6	33.3
Other-net	1.0	18.6
Net cash provided by operating activities	221.9	134.2

Cash flows from investing activities:		
Proceeds from disposition of assets	23.6	2.2
Purchases of marketable securities	(45.6)	(62.3)
Sales and maturities of marketable securities	75.4	70.2
Flight equipment deposits returned	1.1	8.9
Additions to flight equipment deposits	(50.9)	-
Additions to property and equipment	(160.8)	(47.0)
Restricted deposits and other	1.2	4.6
Net cash used in investing activities	(156.0)	(23.4)
Cash flows from financing activities:		
Proceeds from short-term borrowings	-	4.0
Repayment of short-term borrowings	(65.9)	(29.0)
Proceeds from sale and leaseback transactions	85.6	-
Proceeds from issuance of long-term debt	-	128.8
Long-term debt and capital lease payments	(80.5)	(168.9)
Proceeds from issuance of common stock	10.1	2.6
Proceeds from sale of treasury stock	10.9	-
Gain (loss) on debt retirement	-	(1.8)
Net cash used in financing activities	(39.8)	(64.3)
Net increase in cash and cash equivalents	26.1	46.5
Cash and cash equivalents at end of period	\$51.9	\$58.1
Supplemental disclosure of cash paid (received) during the period for:		
Interest (net of amount capitalized)	\$33.1	\$34.7
Income taxes (refunds)	6.6	(1.9)
Noncash investing and financing activities	None	None

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS THAT HAVE CHANGED  
SIGNIFICANTLY DURING THE NINE MONTHS ENDED SEPTEMBER 30, 1996  
Alaska Air Group, Inc.

Note 1. Commitments (See Note 5 to Consolidated Financial Statements at December 31, 1995)

During the first quarter of 1996, Alaska's lease commitments increased approximately \$96 million due to the sale and leaseback of two B737-400 aircraft under 18-1/2-year operating leases. During the third quarter of 1996, Alaska's lease commitments increased approximately \$45 million due to the sale and leaseback of one B737-400 aircraft under an 18-year operating lease.

During the third quarter of 1996, Horizon ordered 25 de Havilland Dash 8-200 aircraft along with an option to acquire 45 more. The value of the order, based on the manufacturer's list price, is about \$270 million. During the third quarter of 1996, Alaska ordered 12 Boeing 737-400 aircraft along with an option to acquire 12 more. The value of the order, based on the manufacturer's list price, is about \$540 million.

Alaska Airlines Financial and Statistical Data

	Quarter Ended Sep 30			Nine Months Ended Sep 30		
	1996	1995	% Change	1996	1995	% Change
Financial Data (in millions):						
Operating Revenues:						
Passenger	\$344.3	\$303.4	13.5	\$892.1	\$757.4	17.8
Freight and mail	22.6	23.3	(3.0)	63.4	63.6	(0.3)
Other - net	15.9	16.1	(1.2)	49.3	47.4	4.0
Total Operating Revenues	382.8	342.8	11.7	1,004.8	868.4	15.7
Operating Expenses:						
Wages and benefits	100.4	92.3	8.8	286.7	258.2	11.0
Employee profit sharing	7.6	0.0	NM	7.6	0.0	NM
Aircraft fuel	56.7	41.2	37.6	148.9	111.6	33.4
Aircraft maintenance	12.9	11.9	8.4	40.8	35.2	15.9
Aircraft rent	36.2	35.0	3.4	108.4	102.7	5.6
Commissions	25.6	21.4	19.6	69.0	57.2	20.6
Depreciation and amort.	14.3	14.6	(2.1)	42.4	43.9	(3.4)
Loss (gain) on asset sales	(3.8)	0.7	NM	(3.6)	1.4	NM
Landing fees and other rent	13.0	12.4	4.8	37.5	35.1	6.8
Other	62.9	58.1	8.3	176.1	159.3	10.5



Total Operating Expenses	325.8	287.6	13.3	913.8	804.6	13.6
Operating Income	57.0	55.2	3.3	91.0	63.8	42.6
Interest income	2.7	3.5		8.4	7.1	
Interest expense	(7.1)	(10.0)		(23.6)	(30.7)	
Interest capitalized	0.1	0.0		0.1	0.0	
Other - net	0.2	0.4		0.7	1.2	
	(4.1)	(6.1)		(14.4)	(22.4)	
Income Before Income Tax	\$52.9	\$49.1		\$76.6	\$41.4	
Operating Statistics:						
Revenue passengers (000)	3,420	2,954	15.8	9,001	7,548	19.2
RPM's (000,000)	2,893	2,528	14.5	7,524	6,464	16.4
ASM's (000,000)	4,100	3,831	7.0	11,409	10,512	8.5
Passenger load factor	70.6%	66.0%	4.6 pts	65.9%	61.5%	4.4 pts
Breakeven load factor	59.7%	54.4%	5.3 pts	60.4%	58.1%	2.3 pts
Yield per passenger mile	11.90c	12.00c	(0.8)	11.86c	11.72c	1.2
Operating revenue per ASM	9.34c	8.95c	4.4	8.81c	8.26c	6.6
Operating expenses per ASM	7.95c	7.51c	5.8	8.01c	7.65c	4.7
Fuel cost per gallon	77.6c	61.0c	27.1	73.5c	60.7c	21.1
Average number of employees	7,877	7,243	8.8	7,562	6,944	8.9
Acft utilization (block hr)	11.9	11.4	4.3	11.4	10.9	4.9
Operating fleet at period-end	75	74	1.4	75	74	1.4
NM = Not Meaningful						
c= cents						

#### Horizon Air Financial and Statistical Data

	Quarter Ended Sep 30			Nine Months Ended Sep 30		
	1996	1995	% Change	1996	1995	% Change
Financial Data (in millions):						
Operating Revenues:						
Passenger	\$80.5	\$73.9	8.9	\$222.5	\$200.1	11.2
Freight and mail	2.8	2.9	(3.4)	8.4	8.1	3.7
Other - net	0.6	1.0	(40.0)	2.1	2.7	(22.2)
Total Operating Revenues	83.9	77.8	7.8	233.0	210.9	10.5
Operating Expenses:						
Wages and benefits	23.7	21.9	8.2	69.2	64.3	7.6
Employee profit sharing	0.7	0.0	NM	0.7	0.0	NM
Aircraft fuel	8.9	7.2	23.6	24.4	20.0	22.0
Aircraft maintenance	10.7	8.9	20.2	30.9	25.9	19.3
Aircraft rent	9.1	8.8	3.4	26.3	25.8	1.9
Commissions	5.2	5.1	2.0	14.8	14.6	1.4
Depreciation and amort.	2.6	2.3	13.0	8.5	6.8	25.0
Loss (gain) on sale of assets	0.2	0.0	NM	0.8	0.0	NM
Landing fees and other rent	3.4	3.4	0.0	9.7	9.7	0.0
Other	13.5	13.5	(0.0)	40.5	39.6	2.3
Total Operating Expenses	78.0	71.1	9.7	225.8	206.7	9.2
Operating Income	5.9	6.7	(11.9)	7.2	4.2	71.4
Interest income	0.0	0.0		0.1	0.0	
Interest expense	(0.2)	(0.2)		(0.6)	(0.6)	
Interest capitalized	0.1	0.0		0.1	0.0	
Other - net	0.3	(0.0)		0.2	(0.0)	
	0.2	(0.2)		(0.2)	(0.6)	
Income Before Income Tax	\$6.1	\$6.5		\$7.0	\$3.6	
Operating Statistics:						
Revenue passengers (000)	1,022	1,057	(3.4)	2,849	2,869	(0.7)
RPM's (000,000)	239	238	0.3	656	631	3.9
ASM's (000,000)	387	386	0.3	1,097	1,070	2.5
Passenger load factor	61.7%	61.7%	0.0 pts	59.8%	59.0%	0.8 pts
Breakeven load factor	56.5%	55.7%	0.8 pts	57.5%	57.8%	(0.3)pts
Yield per passenger mile	33.69c	31.04c	8.5	33.92c	31.68c	7.1
Operating revenue per ASM	21.68c	20.17c	7.5	21.25c	19.71c	7.8
Operating expenses per ASM	20.15c	18.44c	9.3	20.59c	19.31c	6.6

Fuel cost per gallon	79.6c	64.5c	23.5	77.0c	64.3c	19.8
Average number of employees	2,947	2,948	(0.0)	2,873	2,885	(0.4)
Acft utilization (block hr)	8.0	8.1	(1.8)	7.8	8.1	(4.0)
Operating fleet at period-end	62	68	(8.8)	62	68	(8.8)

NM = Not Meaningful

c= cents

Exhibit 10.1

PURCHASE AGREEMENT

between

THE BOEING COMPANY

and

ALASKA AIRLINES, INC.

Relating to Boeing Model 737 Aircraft

Purchase Agreement Number 1954

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- 6-1162-DSF-008 [Confidential Treatment Requested]
- 6-1162-DSF-009 [Confidential Treatment Requested]
- 6-1162-DSF-012 [Confidential Treatment Requested]
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[Confidential Treatment Requested]

Relating to

BOEING MODEL 737-490 AIRCRAFT

This Agreement is entered into as of September 18, 1996 by and between The Boeing Company, a Delaware corporation, with its principal office in Seattle, Washington (Boeing), and Alaska Airlines, Inc., an Alaska corporation, with its principal office in the City of Seattle, State of Washington (Buyer).

Accordingly, Boeing and Buyer agree as follows:

ARTICLE 1. Subject Matter of Sale.

1.1 The Aircraft. Boeing will manufacture and deliver to Buyer and Buyer will purchase and accept delivery from Boeing of twelve (12) Boeing Model 737-490 aircraft (the Aircraft) manufactured in accordance with Boeing detail specification D6-38900-4-1C dated August 29, 1996, as described in Exhibit A, as modified from time to time in accordance with this Agreement (Detail Specification).

1.2 Additional Goods and Services. In connection with the sale of the Aircraft, Boeing will also provide to Buyer certain other things under this Agreement, including data, documents, training and services, all as described in this Agreement.

1.3 Performance Guarantees. Any performance guarantees applicable to the Aircraft will be expressly included in this Agreement. Where performance guarantees are included in this Agreement other than within the Detail Specification, such guarantees will be treated as being incorporated in the Detail Specification by this reference.

1.4 Defined Terms. For ease of use, certain terms are treated as defined terms in this Agreement. Such terms are identified with a capital letter and set forth and/or defined in Exhibit F.

ARTICLE 2. Delivery, Title and Risk of Loss.

2.1 Time of Delivery. The Aircraft will be delivered to Buyer by Boeing, and Buyer will accept delivery of the Aircraft, in accordance with the schedule set forth in Table 1.

2.2 Notice of Target Delivery Date. Boeing will give Buyer notice of the Target Delivery Date of the Aircraft approximately 30 days prior to the scheduled month of delivery.

2.3 Notice of Delivery Date. Boeing will give Buyer at least 7 days notice of the delivery date of the Aircraft. If an Aircraft delivery is delayed beyond such delivery date due to the responsibility of Buyer, Buyer will reimburse Boeing for all costs incurred by Boeing as a result of such delay, including amounts for storage, insurance, Taxes, preservation or protection of the Aircraft and interest on payments due.

2.4 Place of Delivery. The Aircraft will be delivered at a facility selected by Boeing in the State of Washington, unless mutually agreed otherwise.

2.5 Title and Risk of Loss. Title to and risk of loss of an Aircraft will pass from Boeing to Buyer upon delivery of such Aircraft, but not prior thereto.

2.6 Bill of Sale. Upon delivery of an Aircraft Boeing will deliver to Buyer a bill of sale conveying good title to such Aircraft, free of any encumbrances.

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

3.1.1 Special Features are the features incorporated in

Exhibit A which have been selected by Buyer.

3.1.2 Base Airframe Price is the Aircraft Basic Price excluding the price of Special Features and Engines.

3.1.3 Engine Price is the price established by the Engine manufacturer for the Engines installed on the Aircraft including all accessories, equipment and parts set forth in Exhibit D.

3.1.4 Aircraft Basic Price is comprised of the Base Airframe Price, the Engine Price and the price of the Special Features.

3.1.5 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Airframe, Engine and Special Features) as calculated pursuant to Exhibit D.

3.1.6 Aircraft Price is the total amount Buyer is to pay for the Aircraft at the time of delivery.

### 3.2 Aircraft Basic Price.

The Aircraft Basic Price, expressed in July 1995 dollars, is set forth below:

Base Airframe Price: [Confidential Treatment Requested]  
Special Features [Confidential Treatment Requested]  
Engine Price [Confidential Treatment Requested]  
Aircraft Basic Price [Confidential Treatment Requested]

3.3 Aircraft Price. The Aircraft Price will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

3.3.1 the Aircraft Basic Price, which is [Confidential Treatment Requested]

3.3.2 the Economic Price Adjustments for the Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibit D (Price Adjustments Due to Economic Fluctuations - Airframe and Engine); plus

3.3.3 other price adjustments made pursuant to this Agreement or other written agreements executed by Boeing and Buyer.

### 3.4 Advance Payment Base Price.

3.4.1 Advance Payment Base Price. For advance payment purposes, the following estimated delivery prices of the Aircraft have been established, using currently available forecasts of the escalation factors used by Boeing as of the date of signing this Agreement. The Advance Payment Base Price of each Aircraft is set forth in Table 1.

## ARTICLE 4. Taxes.

4.1 Taxes. Buyer will pay all Taxes imposed by any domestic or foreign taxing authority arising out of or in connection with this Agreement or performance pursuant to it. In this Agreement, "Taxes" are defined as all taxes, fees, charges or duties and any interest, penalties, fines, or other additions to tax, including, but not limited to, sales, use, value added, gross receipts, stamp, excise, transfer and similar taxes, except U.S. federal income taxes and Washington State business and occupation tax imposed on Boeing.

4.2 Taxes Relating to Buyer Furnished Equipment. Buyer is responsible for the proper filing of all tax returns, reports and declarations and payment of all taxes related to or imposed on Buyer Furnished Equipment.

4.3 Reimbursement of Boeing. Buyer will promptly reimburse Boeing on demand, net of additional taxes thereon, for any Taxes that are imposed on and paid by Boeing or for which Boeing is responsible for collecting.

## ARTICLE 5. Payment.

5.1 Advance Payment Schedule. Advance payment for each Aircraft will be made to Boeing by Buyer as follows:

Due Date of Payment Amount Due /per Aircraft/  
(Percentage times  
Advance Payment Base Price)

Upon signing the Agreement 1% (less the  
Deposit)

24 months prior to the first 4%  
day of the scheduled delivery  
month of the Aircraft

21 months prior to the first 5%  
day of the scheduled delivery  
month of the Aircraft

18 months prior to the first 5%  
day of the scheduled delivery  
month of the Aircraft

12 months prior to the first 5%  
day of the scheduled delivery  
month of the Aircraft

9 months prior to the first 5%  
day of the scheduled delivery  
month of the Aircraft

6 months prior to the first 5%  
day of the scheduled delivery  
month of the Aircraft/

Total 30%

5.2 Payment at Delivery. The Aircraft Price, less Advance Payments received by Boeing, is due on delivery of such Aircraft to Buyer.

5.3 Form of Payments. All payments due hereunder will be made by Buyer to Boeing by unconditional deposit in a bank account in the United States designated by Boeing or in other immediately available funds. All prices and payments set forth in this Agreement are in United States Dollars.

5.4 Monetary and Government Regulations. Buyer will be responsible for complying with all monetary control regulations and for obtaining necessary governmental authorizations related to payments hereunder.

#### ARTICLE 6. Excusable Delay.

6.1 General. Boeing will not be liable for or be deemed to be in default under this Agreement on account of any delay in delivery of any Aircraft or other performance hereunder arising out of causes such as: acts of God; war, armed hostilities, riots, fires, floods, earthquakes or serious accidents; governmental acts or failures to act affecting materials, facilities or Aircraft; strikes or labor troubles causing cessation, slowdown or interruption of work; damage to an Aircraft; failure of or delay in transportation; or inability, after due and timely diligence, to procure materials, systems, accessories, equipment or parts; or arising out of any other cause to the extent it is beyond Boeing's control or not occasioned by Boeing's fault or negligence. A delay resulting from such causes is referred to as an "Excusable Delay".

##### 6.2 Excusable Delay of 12 Months.

6.2.1 Anticipated Delay. If Boeing concludes, based on its appraisal of the facts and normal scheduling procedures, that due to an Excusable Delay, delivery of an Aircraft will be delayed more than 12 months beyond the month in which delivery is scheduled, Boeing will promptly so notify Buyer in writing and either party may then terminate

this Agreement with respect to such Aircraft by giving written notice to the other within 15 days after receipt by Buyer of Boeing's notice. Failure of a party to terminate the purchase of an Aircraft for an Excusable Delay pursuant to this paragraph results in a waiver of that party's right to terminate the purchase of such Aircraft for any delay in delivery caused by such Excusable Delay.

6.2.2 Actual Delay. If, due to an Excusable Delay, delivery of an Aircraft is delayed for more than 12 months beyond the month in which delivery is scheduled, and such right to terminate has not been waived under paragraph 6.2.1, either party may terminate this Agreement with respect to such Aircraft by giving written notice to the other within 15 days after the expiration of such 12-month period.

6.3 Aircraft Damaged Beyond Repair. If, prior to delivery, an Aircraft is destroyed or damaged beyond economic repair due to any cause, Boeing will promptly notify Buyer in writing and either party may then terminate this Agreement with respect to such Aircraft. If Boeing does not so terminate this Agreement with respect to such Aircraft, such notice will specify the earliest date reasonably possible, consistent with Boeing's other contractual commitments and production capabilities, by which Boeing will deliver a replacement for such Aircraft. This Agreement will thereupon terminate as to such Aircraft, unless Buyer gives Boeing written notice, within 30 days after receipt of Boeing's notice, that Buyer desires the proposed replacement for such Aircraft.

6.4 Agreement Revision. If an Aircraft is delayed, or destroyed or damaged beyond economic repair, and this Agreement is not terminated pursuant to this Article, this Agreement will be appropriately revised.

#### 6.5 Agreement Termination.

6.5.1 Termination under this Article will discharge all obligations and liabilities of Boeing and Buyer hereunder with respect to terminated Aircraft and all related undelivered items and services, except that Boeing will return to Buyer, without interest, all advance payments related to such Aircraft,

6.5.2 If either party terminates this Agreement as to any Aircraft pursuant to this Article, Boeing may, upon written notice to Buyer within 30 days after such termination, purchase from Buyer any Buyer Furnished Equipment related to such Aircraft, at the invoice prices paid, or contracted to be paid, by Buyer.

6.6 Exclusive Rights. The termination rights set forth in this Article are in substitution for any and all other rights of termination or contract lapse or any other claim arising by operation of law by virtue of delays in performance covered by this Article.

### ARTICLE 7. Changes to the Detail Specification.

7.1 Development Changes. Boeing may, at its own expense and without Buyer's consent, incorporate Development Changes in the Detail Specification and the Aircraft prior to delivery to Buyer. Development Changes are defined as changes to the basic specification for Model 737 aircraft that do not affect the Aircraft Purchase Price or adversely affect Aircraft delivery, guaranteed weight, guaranteed performance or compliance with the interchangeability or replaceability requirements set forth in the Detail Specification. If Boeing makes changes pursuant to this paragraph, Boeing will promptly notify Buyer of such changes.

7.2 Change Orders. The Detail Specification and associated provisions of this Agreement may be amended by Change Order or other written agreement, which will state the particular changes to be made and any effect on design, performance, weight, balance, time of delivery, Aircraft Basic Price and Advance Payment Base Price.

### ARTICLE 8. Federal Aviation Requirements and Certificates.

#### 8.1 FAA Certificates.

8.1.1 Boeing will obtain from the Federal Aviation Administration (FAA):



8.1.1.1 a Type Certificate (transport category) issued pursuant to Part 21 of the Federal Aviation Regulations for the type of aircraft covered by this Agreement, and

8.1.1.2 a Standard Airworthiness Certificate for each Aircraft issued pursuant to Part 21 of the Federal Aviation Regulations, which will be provided to Buyer with delivery of the Aircraft.

8.1.2 Boeing will not be obligated to obtain any other certificates or approvals for the Aircraft.

8.1.3 If the use of either FAA certificate is discontinued prior to delivery of an Aircraft, references in this Agreement to such discontinued certificate will be deemed references to its superseding FAA certificate. If the FAA does not issue a superseding certificate, Boeing's only obligation under this paragraph will be to comply with the Detail Specification.

## 8.2 FAA Manufacturer Changes.

8.2.1 If the FAA, or any other governmental agency having jurisdiction, requires any change to the Aircraft, data relating to the Aircraft, or testing of the Aircraft in order to obtain the Standard Airworthiness Certificate (Manufacturer Change), such Manufacturer Change will be made prior to delivery of such Aircraft.

8.2.2 If prior to Aircraft delivery a Manufacturer Change is required to be incorporated in an Aircraft, it will be incorporated at no charge to Buyer, unless the requirement is promulgated subsequent to the date of this Agreement, in which case Buyer will pay Boeing's

charge only for Aircraft scheduled for delivery to Buyer 18 months or more after the date of this Agreement.

## 8.3 FAA Operator Changes.

8.3.1 Boeing will deliver each Aircraft with the changes in equipment incorporated (or, at Boeing's sole discretion, with suitable provisions for the incorporation of such equipment) that is required by Federal Aviation Regulations which (i) are generally applicable with respect to transport category aircraft to be used in United States certified air carriage and (ii) have to be complied with on or before the date of delivery of such Aircraft (Operator Changes).

8.3.2 If Operator Changes are incorporated in an Aircraft, Buyer will pay Boeing's charge applicable to such Aircraft.

8.4 Delays; Changes to this Agreement. If delivery of an Aircraft is delayed due to the incorporation of a Manufacturer Change or an Operator Change, the delivery of the Aircraft will be appropriately revised to reflect such delay. This Agreement will also be revised to reflect appropriate changes in the Aircraft Price, design, performance, weight and balance due to the incorporation of a Manufacturer Change or an Operator Change.

## ARTICLE 9. Representatives, Inspection, Flights and Test Data.

9.1 Office Space at Boeing. From a date 12 months prior to delivery of the first Aircraft, and until the delivery of the last Aircraft, Boeing will furnish, without additional charge, suitable office space and equipment in or conveniently located near its plant in Seattle for the accommodation of up to three (3) personnel of Buyer.

9.2 Inspection by Buyer. Designated representatives of Buyer may inspect the manufacturing of the Aircraft at all reasonable times. However, if access to any part of Boeing's plant is restricted by the United States Government, Boeing will be allowed a reasonable time to arrange for inspection elsewhere. All inspections by Buyer's representatives will be performed so as not to hinder manufacture or performance by Boeing.

9.3 Aircraft Flight. Prior to delivery, each Aircraft will be flown by Boeing for such periods as may be required to demonstrate to Buyer the function of the Aircraft and its equipment in accordance with Boeing's production flight test procedures. The aggregate duration of such flights will be not less than 1-1/2 hours or more than 4 hours. Five persons designated by Buyer may participate in such flights as observers.

9.4 Test Data. Boeing will furnish to Buyer, as soon as practicable, flight test data obtained on an aircraft of the type purchased hereunder, certified as correct by Boeing, to evidence compliance with any performance guarantees set forth in this Agreement. Any Performance Guarantee will be deemed to be met if reasonable engineering interpretations and calculations based on such flight test data establish that the Aircraft would, if actually flown, comply with such guarantee.

9.5 Special Aircraft Test Requirements. Boeing may use the Aircraft for flight and ground tests prior to delivery to Buyer, without reduction in the Aircraft Purchase Price, if such tests are deemed necessary by Boeing to:

9.5.1 obtain or maintain the Type Certificate or Standard Airworthiness Certificate for the Aircraft; or

9.5.2 evaluate aircraft improvement changes that may be offered for production or retrofit incorporation in any aircraft.

9.6 Indemnity. Boeing will indemnify and hold harmless Buyer and Buyer's observers from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto, for injury to or death of any person or persons, including employees of Boeing but excluding employees, officers or agents of Buyer, or for loss of or damage to any property, arising out of or in connection with the operation of the Aircraft during all demonstration and test flights conducted under the provisions of this Article, whether or not arising in tort or occasioned in whole or in part by the negligence of Buyer or any of Buyer's observers, whether active, passive or imputed.

#### ARTICLE 10. Assignment, Resale or Lease.

10.1 Assignment. This Agreement will inure to the benefit of and be binding upon each of the parties hereto and their respective successors and assigns. Neither the rights nor the duties of either party under this Agreement may be assigned or delegated, or contracted to be assigned or delegated, in whole or part, without the prior written consent of the other party, except that:

10.1.1 Either party may assign its interest to a corporation that (i) results from any merger or reorganization of such party or (ii) acquires substantially all the assets of such party;

10.1.2 Boeing may assign its rights to receive money; and

10.1.3 Boeing may assign all or any part of its rights and obligations under this Agreement to any wholly owned subsidiary of Boeing, provided that Boeing will remain fully and solely responsible to Buyer for all obligations and liabilities as the seller of the Aircraft, and Buyer will continue to deal exclusively with Boeing.

10.2 Transfer by Buyer at Delivery. Buyer may, and at Buyer's request Boeing will, take any action reasonably required for the purpose of causing an Aircraft, at time of delivery, to be subjected to an equipment trust, conditional sale, lien or other arrangement for the financing by Buyer of such Aircraft. No action taken by either party pursuant to this paragraph, however, will require Boeing to divest itself of title to or possession of such Aircraft until delivery and payment therefor pursuant to this Agreement.

10.3 Sale by Buyer After Delivery. If, following delivery of any Aircraft, Buyer sells such Aircraft (including any sale for financing purposes), then all of Buyer's rights with respect to such Aircraft under this Agreement will inure to the benefit of the purchaser of such Aircraft, effective upon Boeing's receipt of such purchaser's express written agreement, in form satisfactory to Boeing, to be bound by and to comply with all applicable terms, conditions and limitations of this Agreement.

10.4 Lease by Buyer After Delivery. If, following delivery of any Aircraft, Buyer leases such Aircraft, Buyer will not assign to the lessee of such Aircraft any rights under this Agreement without Boeing's prior written consent, which consent will not be unreasonably withheld.

10.5 No Increase in Boeing Liability. No action taken by Buyer or Boeing relating to the assignment, resale or lease of any Aircraft or this Agreement will subject Boeing to any liability beyond that in this Agreement or modify in any way Boeing's obligations under this Agreement.

10.6 Exculpatory or Indemnity Clause in Post-Delivery Sale or Lease. If, following delivery of an Aircraft, Buyer sells or leases such Aircraft and obtains from the transferee an exculpatory or indemnity clause protecting Buyer, Buyer will include the same protection for Boeing.

#### ARTICLE 11. Termination for Certain Events.

11.1 Termination. This Agreement may be terminated at any time with regard to undelivered Aircraft and items and unperformed services by notice in writing by either party hereto if the other party:

11.1.1 Ceases doing business as a going concern, suspends all or substantially all its business operations, makes an assignment for the benefit of creditors, is insolvent, or generally does not pay its debts, or admits in writing its inability to pay its debts; or

11.1.2 Petitions for or acquiesces in the appointment of any receiver, trustee or similar officer to liquidate or conserve its business or any substantial part of its assets; commences any legal proceeding such as insolvency, bankruptcy, reorganization, readjustment of debt, dissolution or liquidation available for the relief of financially distressed debtors; or becomes the object of any such proceeding, unless such proceeding is dismissed or stayed within a reasonable period, not to exceed 60 days.

11.2 Repayment of Advance Payments. If this Agreement is terminated with regard to any Aircraft by Buyer under this Article, Boeing will repay to Buyer, without interest, any advance payments received by Boeing from Buyer with respect to such Aircraft.

#### ARTICLE 12. Product Assurance; Disclaimer and Release; Exclusion of Liabilities; Customer Support; Indemnification and Insurance.

12.1 Product Assurance. Boeing and Buyer are bound by the provisions of Exhibit B hereto (Product Assurance Document).

12.2 DISCLAIMER AND RELEASE. THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF BOEING AND THE REMEDIES OF BUYER SET FORTH IN THE PRODUCT ASSURANCE DOCUMENT ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND BUYER HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF BOEING AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES OF BUYER AGAINST BOEING, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ANY NONCONFORMANCE OR DEFECT IN ANY AIRCRAFT OR OTHER THING PROVIDED UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO:

(A) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;

(B) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;

(C) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT, WHETHER OR NOT ARISING FROM THE NEGLIGENCE OF BOEING (WHETHER ACTIVE, PASSIVE OR IMPUTED); AND

(D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO ANY AIRCRAFT.

12.3 EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES. BOEING WILL HAVE NO OBLIGATION OR LIABILITY, WHETHER ARISING IN CONTRACT (INCLUDING WARRANTY), TORT (INCLUDING ACTIVE, PASSIVE OR IMPUTED NEGLIGENCE) OR OTHERWISE, FOR LOSS OF USE, REVENUE OR PROFIT, OR FOR ANY OTHER INCIDENTAL OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NONCONFORMANCE OR DEFECT IN ANY AIRCRAFT OR OTHER THING PROVIDED UNDER THIS AGREEMENT.

12.4 Definitions. For the purposes of this Article, the term

"BOEING" means The Boeing Company, its divisions, subsidiaries and affiliates, the assignees of each, and their directors, officers, employees and agents.

12.5 Customer Support and Indemnification; Insurance. Boeing and Buyer are bound by the provisions of Exhibit C hereto (Customer Support Document), which includes indemnification and insurance requirements related to the use of Customer Support Services.

#### ARTICLE 13. Buyer Furnished Equipment and Spare Parts.

13.1 Buyer Furnished Equipment. Boeing and Buyer are bound by the provisions of Exhibit E (Buyer Furnished Equipment Document), which includes indemnification requirements related to Buyer Furnished Equipment.

13.2 Purchase of Boeing Spare Parts. Boeing will sell to Buyer and Buyer will purchase from Boeing materials, spare parts, assemblies, tools and items of equipment relating to the Aircraft pursuant to Customer Services General Terms Agreement No. 90.

#### ARTICLE 14. Contractual Notices and Requests.

All notices and requests relating to this Agreement will be in English, and may be transmitted by any customary means of written communication addressed as follows:

Buyer: Alaska Airlines  
19300 Pacific Highway South

Attention: Senior Vice President  
Finance

Copy to: Associate General Counsel

Facsimile No. (206) 433-3379

Boeing: Boeing Commercial Airplane Group  
P.O. Box 3707  
Seattle, Washington 98124-2207  
U.S.A.

Attention: Vice President - Contracts  
Mail Stop 75-38

Facsimile No. (206) 237-1706

or to such other address as specified elsewhere herein or as otherwise directed in writing by either party. The effective date of any such notice or request will be the date on which it is received by the addressee.

#### ARTICLE 15. Miscellaneous.

15.1 Government Approval. Boeing and Buyer will use their best reasonable efforts to assist each other in obtaining any United States Governmental agency consents or approvals necessary or appropriate to effect certification and sale of the Aircraft under this Agreement.

15.2 Headings. Article and paragraph headings used in this Agreement are for convenient reference only and are not intended to affect the interpretation of this Agreement.

15.3 Entire Agreement; Amendments. This Agreement contains the entire agreement between the parties concerning the subject matter hereof and supersedes all previous proposals, understandings, commitments or representations whatsoever, oral or written. This Agreement may be changed only in writing signed by authorized representatives of Boeing and Buyer, except in the case of certain changes permitted or required by this Agreement.

15.4 GOVERNING LAW. THIS AGREEMENT WILL BE GOVERNED BY THE LAW OF THE STATE OF WASHINGTON, U.S.A., EXCLUSIVE OF WASHINGTON'S CONFLICTS OF LAWS RULES.

15.5 Negotiated Agreement. This Agreement, including the provisions of Article 12 relating to DISCLAIMER AND RELEASE, the Exclusion of Consequential and Other Damages, and the provisions relating to indemnification and insurance set forth in this Agreement, has been the subject of discussion and negotiation and is fully understood by the parties; the Aircraft Purchase Price and other agreements of the parties set forth in this Agreement were arrived at in consideration of such provisions.

\*\*\*\*\*

ALASKA AIRLINES  
THE BOEING COMPANY

By /s/ Harry G. Lehr By /s/ Dawn S. Foster

Its Senior Vice President Finance Its Attorney-In-Fact

Table 1 to

Purchase Agreement 1954

Aircraft Deliveries and Descriptions

Model 737-490 Aircraft

Detail Specification No. and Date - D6-38900-4-1C 8-29-96  
Exhibit Number - A

Month/Year Quantity of  
of Delivery Aircraft Price

June 1997	One (1)	[Confidential Treatment Requested]
July 1997	Two (2)	[Confidential Treatment Requested]
January 1998	One (1)	[Confidential Treatment Requested]
February 1998	One (1)	[Confidential Treatment Requested]
March 1998	One (1)	[Confidential Treatment Requested]
April 1998	One (1)	[Confidential Treatment Requested]
May 1998	One (1)	[Confidential Treatment Requested]
August 1998	One (1)	[Confidential Treatment Requested]
September 1998	One (1)	[Confidential Treatment Requested]
March 1999	One (1)	[Confidential Treatment Requested]
May 1999	One (1)	[Confidential Treatment Requested]

AIRCRAFT CONFIGURATION

between

THE BOEING COMPANY

and

ALASKA AIRLINES, INC.

Exhibit A to Purchase Agreement Number 1954

AIRCRAFT CONFIGURATION

Dated September 18, 1996

relating to

BOEING MODEL 737-490 AIRCRAFT

The Detail Specification is Detail Specification D6-38900-4-1C dated as of August 29, 1996. Such Detail Specification will be comprised of Detail Specification D6-38900-4-1 Revision T dated February 3, 1995 as amended to incorporate the applicable specification language to reflect the effect of the changes set forth in the Change Requests listed below (configuration of leased ILFC Model 737-4Q8 Aircraft PW251), including the effects of such changes on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OEWE). Such Change Requests are set forth in Boeing Document D6-77136. As soon as practicable, Boeing will furnish to Buyer copies of the Detail Specification, which copies will reflect the effect of such changes. The Aircraft Basic Price reflects and includes all effects of such changes of price, except such Aircraft Basic Price does not include the price effects of Change Requests changing Buyer Furnished Equipment to Seller Purchased Equipment.

	Price
	Per Aircraft
Change No./Title	(1995\$ STE)
1110MP3354	[CTR]*

EXTERIOR DECORATIVE FINISH - COURTAULDS DESOTHANE  
HS HIGH SOLIDS TOPCOAT IN LIEU OF EXISTING TOPCOAT

2520CH3688 [CTR]\*  
INTERIOR ARRANGEMENT REVISION - (8) BFE FIRST  
CLASS SEATS AND (132) BFE TOURIST CLASS SETAS

2524MP3498 [CTR]\*  
  
BFE CLOSET AND BFE CLASS DIVIDER - REVISION

2527MP3125 [CTR]\*  
  
PASSENGER COMPARTMENT FLOOR COVERING -  
INSTALLATION OF NEW BFE CARPETING

3435CH3033 [CTR]\*  
FLIGHT DYNAMICS CAPTAIN ONLY HEAD UP  
GUIDANCE SYSTEM - COMPLETE BFE INSTALLATION -  
ILFC/ALASKA AIRLINES EFIS EQUIPED AIRPLANES

3446MP3147 [CTR]\*  
  
GROUND PROXIMITY WARNING SYSTEM - BANK ANGLE  
CALLOUT REVISION

3458CH3040 [CTR]\*  
INSTALL PARTIAL PROVISIONS FOR GLOBAL  
POSITIONING SYSTEM

3458MP3114 [CTR]\*  
  
GLOBAL POSITIONING SYSTEM (GPS) - INSTALLATION -  
HONEYWELL, INC.

3461CH3199 [CTR]\*  
FMC - REVISION - INSTALLATION OF A SECOND  
4 MCU, UPDATE 7 FMC INTO EXISTING PARTIAL  
PROVISIONS

TOTAL \$[CTR]\*

[CTR]\* - Confidential Treatment Requested

PRODUCT ASSURANCE DOCUMENT

between

THE BOEING COMPANY

and

ALASKA AIRLINES

Exhibit B to Purchase Agreement Number 1954

PRODUCT ASSURANCE DOCUMENT NO. 1954

Dated

Relating to

BOEING MODEL 737-490 AIRCRAFT

This Product Assurance Document is Exhibit B to and forms a part of Purchase Agreement No. 1954 between The Boeing Company (Boeing) and Alaska Airlines (Buyer) relating to the purchase of Boeing Model 737-490 aircraft. This Product Assurance Document consists of the following parts:

PART A Boeing Warranty

PART B Warranty Repairs and Modifications by Buyer

PART C Boeing Service Life Policy

PART D Boeing Indemnity Against Patent Infringement

PART D-1 Boeing Indemnity Against Copyright Infringement

PART E Supplier Warranties and Patent Indemnities

PART F Engine Manufacturer Warranties

PART G Boeing Interface Commitment

PART H General

PART A

BOEING WARRANTY

1. Warranties.

Subject to the exceptions set forth herein, Boeing warrants that, at the time of delivery, each Aircraft, including all installed systems, accessories, equipment and parts, will:

1.1 conform to the Detail Specification, as it may be changed pursuant to this Agreement, except such portions stated to be estimates, approximations, design objectives, or design criteria, or described as not guaranteed;

1.2 be free from defects in material and workmanship, including

process of manufacture; and

1.3 be free from defects in design, including selection of (i) materials and (ii) process of manufacture, in view of the state of the art at the time of design.

For purposes of this Boeing Warranty, nonconformance with the Detail Specification, defects in material or workmanship and defects in design may hereinafter be called "defects" or a "defect", and the term "system", "accessory", "equipment" or "part" may hereinafter be called "item" or "items."

## 2. Exceptions.

The warranties above will not apply to BFE. The warranty above covering material and workmanship and the warranty above covering design will not apply to Engines or to any other item purchased by Boeing but not manufactured to Boeing's detailed design. However, any defect in the Boeing workmanship installing such BFE, Engines or other items in an Aircraft will constitute a defect in workmanship.

## 3. Survival of Warranties.

Neither the warranty of conformance to the Detail Specification applicable to Engines and other items purchased by Boeing but not manufactured to Boeing's detailed design, nor any Performance Guarantees, will

survive delivery of the Aircraft. The remaining warranties set forth herein will survive delivery of the Aircraft, subject to the limitations and conditions set forth herein.

## 4. Warranty Periods and Claims.

### 4.1 The warranty periods are:

4.1.1 As to a defect in conformance to the Detail Specification, 36 months after delivery of each Aircraft, and

4.1.2 As to a defect in material, workmanship or design in any item, 36 months after delivery of each Aircraft in which such item was initially installed.

4.2 Boeing's Product Assurance Regional Manager at Renton, Washington must receive the warranty claim in writing at the earliest practicable time after the defect becomes apparent but in no event later than 90 days after expiration of the applicable warranty period.

4.3 Such warranty claim must include the data set forth below and, if requested by Boeing, reasonable evidence that the claimed defect did not result from any act or omission of Buyer.

4.3.1 Identity of the item or Aircraft involved, including Boeing part number, serial number if applicable, nomenclature and the quantity claimed to be defective;

4.3.2 Identity of the Aircraft on which the claimed item was installed as original equipment;

4.3.3 Date the claimed defect became apparent which will be the date such defect was discovered by Buyer or the warranty date set forth in a Boeing service bulletin or service letter, whichever date occurs first; and

4.3.4 Description of the claimed defect and circumstances, including Boeing service bulletin or Boeing service letter number if claim involves a service bulletin or letter.

4.4 Upon completion of Boeing's warranty claim investigation, including examination of any item or Aircraft returned to Boeing, Boeing will provide a written disposition of its warranty claim findings to Buyer. In the event Boeing rejects Buyer's warranty claim, Boeing will provide reasonable substantiation of such rejection in its disposition.

## 5. Remedies.



Buyer's remedies under this Boeing Warranty are as follows:

5.1 As to a defect in conformance to the Detail Specification, the correction at Boeing's expense of such defect; provided, however, that Boeing will not be obligated to correct any defect that has no material adverse effect on the maintenance, use or operation of the Aircraft. The warranty period for the corrected item will be the unexpired warranty period for the defective item.

5.2 As to a defect in material or workmanship, (i) the repair at Boeing's expense of such defect or, (ii) at Boeing's option, the replacement of such item with a similar item free from defect or the issuance of a credit memorandum to reimburse Buyer for a spare part previously purchased from Boeing as the replacement for such defective item. The warranty period for either correction will be the unexpired warranty period for the defective item.

5.3 As to a defect in design, the correction at Boeing's expense of such defect. The warranty period for such correction is 18 months from receipt by Buyer of corrective material or the end of the original design warranty period for the defective item, whichever is later.

5.4 Boeing will issue a credit memorandum to reimburse Buyer at the Warranty Labor Rate for the direct labor hours required for removal from the Aircraft of a defective item and the reinstallation in the Aircraft of the corrected item.

## 6. Returned Items.

Unless otherwise provided in this Agreement, the Aircraft or item claimed to be defective must be returned to Boeing as soon as practicable. Buyer may also provide specific technical repair or correction instructions with such return. The absence of such instructions will evidence Buyer's authorization for Boeing to proceed using Boeing information and data. The following criteria will apply with respect to return of Aircraft or items to Boeing:

### 6.1 As to Aircraft:

#### 6.1.1 An Aircraft may be returned only if

6.1.1.1 substantially all the work to be performed by Boeing is covered by this Boeing Warranty, and

6.1.1.2 Buyer does not have the capability to perform, nor is it practical for Boeing personnel to perform, the warranty work away from Boeing's facilities.

6.1.2 All warranty work will be performed at Boeing's expense, with reasonable efforts to minimize Aircraft out-of-service time. In addition, Boeing will reimburse Buyer by issuing a credit memorandum for the cost of fuel, oil and landing fees incurred in ferrying the Aircraft to Boeing's facilities and in ferrying the Aircraft back to Buyer's facilities. Buyer will minimize the length of both ferry flights.

6.1.3 Any nonwarranty work performed by Boeing will be paid for by Buyer at Boeing's then-standard rates.

6.1.4 A separate agreement based on Boeing's then-standard form will be entered into to cover the return of and work on such Aircraft.

### 6.2 As to any system, accessory, equipment or part:

6.2.1 All warranty work will be performed at Boeing's expense, with reasonable efforts to minimize item out-of-service time for items returned.

6.2.2 Boeing's turnaround-time objectives for repair or replacement are: 10 working days for avionic and electronic items and 30 working days for other items when corrected at Boeing's facilities, or 40 working days when corrected at the facilities of a Boeing subcontractor. Turnaround time starts the date Boeing receives the returned item, together with Buyer's warranty claim describing the work, and ends the date of shipment by Boeing of such item. If a turnaround-time objective is not

achieved and a resultant critical parts shortage is experienced by Buyer, and Buyer has procured spare parts for such item in accordance with the Boeing Recommended Spare Parts List, Boeing will, upon request from Buyer, either:

6.2.2.1 expedite repair or replacement of the item or

6.2.2.2 provide a similar item on a no-charge loan or no-charge lease basis until the repaired or replaced item is provided to Buyer.

6.2.3 The freight charge for shipment to Boeing of any item will be paid by Buyer; however, Boeing will reimburse Buyer by issuing a credit memorandum for such charge for any item determined to be defective under this Boeing Warranty. The freight charge for the return shipment to Buyer of any such defective item which has been repaired, replaced or corrected pursuant to this Boeing Warranty will be paid by Boeing.

6.3 Title to and risk of loss of any Aircraft or item returned to Boeing will at all times remain with Buyer and/or any other owner of such Aircraft or item, except that at the time Boeing ships a replacement item to Buyer, title to and risk of loss (i) for the returned item will pass to Boeing and (ii) for the replacement item will pass to Buyer. While Boeing has care, custody and control of an Aircraft or item, Boeing will have only such liabilities as a bailee for mutual benefit would have, but will not be liable for loss of use.

## 7. Nonrepairable Items.

Buyer may scrap any defective nonrepairable item having a then-current Boeing spare part selling price of \$2,000 or less and make a claim for a replacement item. For a defective nonrepairable item having a then-current Boeing spare part selling price greater than \$2,000, an authorized Boeing representative must confirm the nonrepairability of any such item. Buyer's claim for an item with a spare part selling price exceeding \$2,000 must include such confirmation.

## 8. Reimbursement for Certain Inspection Labor Costs.

8.1 In addition to the remedies set forth in this Boeing Warranty, Boeing will reimburse Buyer by issuing a credit memorandum at the Warranty Labor Rate for the direct labor hours expended by Buyer in performing inspections of the Aircraft to determine whether or not a covered defect exists in any system, accessory, equipment or part manufactured to Boeing's detailed design, provided that:

8.1.1 such inspections are recommended by a Boeing service bulletin or service letter issued by Boeing within 36 months after delivery of such Aircraft, and

8.1.2 such reimbursement will not apply to any inspections performed as an alternative to accomplishing corrective action when such corrective action is available to Buyer at the time such inspections are performed.

8.2 If a covered defect is determined to exist as a result of the foregoing inspections, the remedies under this Boeing warranty will apply to Aircraft in warranty as of the warranty date set forth in the applicable Boeing service bulletin or service letter or the date the defect was discovered by Buyer, whichever date occurs first.

## 9. Wear and Tear.

Normal wear and tear and the need for regular maintenance and overhaul will not constitute a defect.

## 10. Disclaimer and Release; Exclusion of Liabilities.

This Part A and the rights and remedies of Buyer and obligations of Boeing herein are subject to the Disclaimer and Release and Exclusion of Consequential and Other Damages provisions of Article 12 of this Agreement.

## 11. Buyer's Indemnification of Boeing.

The provisions of Part E, "Buyer's Indemnification of Boeing and

Insurance" of Exhibit C, will apply to all warranty work performed by Boeing hereunder in accordance with Buyer's specific technical repair or correction instructions, to the extent any legal liability of Boeing is based upon the content of such instructions.

## PART B

### WARRANTY REPAIRS AND MODIFICATIONS BY BUYER

#### 1. General.

To expedite the return to service of any defective Aircraft or systems, accessories, equipment and parts (items) that Boeing is obligated to correct under the Boeing Warranty, repairs and modifications may, at Buyer's option, be performed by Buyer (work) and charged to Boeing, subject to the following:

#### 2. Scope.

This option applies only to items manufactured to Boeing's detailed design. The warranty and notice periods and all other conditions and limitations applicable to the Boeing Warranty apply to this option.

#### 3. Repairs and Modifications.

All work will be performed in accordance with Boeing's written instructions, using parts and materials as may be furnished by Boeing and/or Boeing approved parts and materials as may be furnished by Buyer.

#### 4. Claims for Reimbursement.

Buyer's claim for reimbursement must be submitted in writing to Boeing promptly after completion of the work. Such claim must include the data set forth in paragraph 4.3 of Part A of this Exhibit B and the following:

4.1 Description of the work performed by Buyer;

4.2 Date work was completed by Buyer;

4.3 Itemized account of the direct labor hours expended in performing the work; and

4.4 Itemized account of the direct materials incorporated in the work.

#### 5. Reimbursement.

Upon approval of Buyer's claim for reimbursement, Boeing will reimburse Buyer by issuing a credit memorandum as follows:

##### 5.1 Direct Labor.

At the Warranty Labor Rate specified herein for labor hours expended by Buyer's direct labor employees in performing the work, including removal, disassembly, inspection, bench testing, reassembly, final inspection, and reinstallation, but not to exceed Boeing's estimate of required labor hours, and excluding time for overhaul.

##### 5.2 Direct Materials.

At the invoice cost to Buyer for all direct materials incorporated in the work, excluding (i) materials used for overhaul, (ii) materials furnished by Boeing at no charge, (iii) materials which exceed Boeing's estimate of required materials, and (iv) allowances for handling, overhead, taxes, customs duties and the like.

##### 5.3 Warranty Labor Rate.

The Warranty Labor Rate is \$41.25 per hour or 150% of Buyer's average direct hourly labor rate, whichever is greater. For this purpose, "average direct hourly labor rate" is defined as the average hourly rate

(excluding all fringe benefits, premium-time allowances, social charges, business taxes and the like) paid by Buyer to Buyer's employees whose jobs are directly related to the performance of the work. Prior to or concurrently with submittal of Buyer's first claim for labor reimbursement, Buyer will notify Boeing of Buyer's then-current average direct hourly labor rate, and thereafter notify Boeing of any material change in such rate. Boeing may require data from Buyer to substantiate such rates.

#### 5.4 Limitation.

The total reimbursement with respect to the direct labor and direct materials incorporated in the work, will not exceed 65% of Boeing's then-current sales price for the item unless a greater percentage is established for a particular item by written agreement between Boeing and Buyer.

All claims for reimbursement will be subject to audit by Boeing. Boeing will promptly notify Buyer of Boeing's disposition of each claim submitted hereunder.

#### 6. Replaced Parts.

If component parts of any assembly are replaced by Buyer, the replaced parts will be tagged with the assembly part number, the serial number and the warranty claim number and retained for a period of 60 days following the date of submittal of Buyer's claim, so as to be made available for Boeing's inspection. Such parts may be scrapped after such 60-day period.

### PART C

#### BOEING SERVICE LIFE POLICY

##### 1. Definitions.

1.1 "Airframe Component" means any of the primary structural elements of the wing, fuselage, or vertical or horizontal stabilizer set forth in Attachment A hereto and installed in an Aircraft at the time of delivery.

1.2 "Landing Gear Component" means any of the primary structural elements of the landing gear set forth in Attachment A and installed in an Aircraft at the time of delivery.

1.3 "Spare Component" means any component set forth in Attachment A that was furnished to Buyer pursuant to this Policy or purchased by Buyer from Boeing as a spare part.

1.4 "Covered Component" means an Airframe Component, a Landing Gear Component or a Spare Component.

1.5 "Failure" means any breakage or defect in a Covered Component.

1.6 "Failed Component" means a Covered Component in which a Failure has occurred.

##### 2. Service Life Policy.

If a Failure occurs in any Covered Component within the following periods, Boeing will promptly, at a price calculated pursuant to this Policy, either (i) design and furnish to Buyer materials required to correct the Failed Component (excluding industry standard parts) or (ii) furnish to Buyer a replacement Covered Component:

2.1 As to any Airframe Component or Landing Gear Component, within 12 years after delivery of the Aircraft in which such component was initially installed; or

2.2 As to any Spare Component, within 12 years after delivery of such Spare Component, or within 12 years after delivery by Boeing of the last new Model 737 aircraft to Buyer, whichever first expires.

### 3. Price.

The price that Buyer will pay for the correction or replacement of a Failed Component will be calculated pursuant to the following formula:

$$P = \frac{CT}{144}$$

where:

P = price to Buyer

C = Boeing spare parts sales price at time of correction or replacement

T = total age in months of the Failed Component from the date of delivery to Buyer to the date of Failure.

### 4. Conditions and Limitations.

Boeing's obligations under this Policy are conditioned upon the following:

4.1 Buyer must notify Boeing of the Failure within three months after it becomes apparent to Buyer.

4.2 Buyer must provide reasonable evidence that the claimed Failure is covered by this Policy and if requested by Boeing, that such Failure was not the result of (i) the breakage of or a defect in a component not covered by this Policy, (ii) an extrinsic force, (iii) an act or omission of Buyer, or (iv) operation or maintenance contrary to applicable regulations or Boeing's instructions.

4.3 If return of a Failed Component is practicable and requested by Boeing, Buyer will return such Failed Component to Boeing at Boeing's expense.

4.4 Buyer's rights and remedies under this Policy are limited to the receipt of corrective materials or replacement components at prices calculated in accordance with this Policy.

### 5. Disclaimer and Release; Exclusion of Liabilities.

This Part C and the rights and remedies of Buyer and the obligations of Boeing herein are subject to the Disclaimer and Release and Exclusion of Consequential and Other Damages provisions of Article 12 of this Agreement.

### COVERED AIRFRAME AND LANDING GEAR COMPONENTS

#### 1. Wing.

(a) Upper and lower skins and stiffeners between the forward and rear wing spars.

(b) Wing spar webs, chords and stiffeners.

(c) Inspar wing ribs.

(d) Inspar splice plates and fittings.

(e) Main landing gear support structure.

(f) Wing center section floor beams, lower beams and spanwise beams, but not the seat tracks attached to floor beams.

(g) Engine strut support fittings attached directly to wing primary structure.

(h) Wing-to-body structural attachments.

(i) Support structure in the wing for spoilers and spoiler actuators; for aileron hinges and reaction links; and for

leading edge devices and trailing edge flaps.

(j) Trailing edge flap tracks and carriages.

(k) Aileron, leading edge device and trailing edge flap internal, fixed attachment and actuator support structure.

## 2. Body.

(a) External surface skins and doublers, longitudinal stiffeners, longerons and circumferential rings and frames between the forward pressure bulkhead and the vertical stabilizer rear spar bulkhead and structural support and enclosure for the APU but excluding all system components and related installation and connecting devices, insulation, lining, and decorative panels and related installation and connecting devices.

(b) Window and windshield structure but excluding the windows and windshields.

(c) Fixed attachment structure of the passenger doors, cargo doors and emergency exits, excluding door mechanisms and movable hinge components. Sills and frames around the body openings for the passenger doors, cargo doors and emergency exits, excluding scuff plates and pressure seals.

(d) Nose wheel well structure, including the wheel well walls, pressure deck, bulkheads, and gear support structure.

(e) Main gear wheel well structure including pressure deck and landing gear beam support structure.

(f) Floor beams and support posts in the control cab and passenger cabin area, but excluding seat tracks.

(g) Forward and aft pressure bulkheads.

(h) Keel structure between the wing front spar bulkhead and the main gear wheel well aft bulkhead including splices.

(i) Wing front and rear spar support bulkheads, and vertical and horizontal stabilizer front and rear spar support bulkheads including terminal fittings but excluding all system components and related installation and connecting devices, insulation, lining, decorative panels and related installation and connecting devices.

(j) Support structure in the body for the stabilizer pivot and stabilizer screw.

## 3. Vertical Stabilizer.

(a) External skins between front and rear spars.

(b) Front, rear and auxiliary spar chords, webs and stiffeners and attachment fittings.

(c) Inspar ribs.

(d) Rudder hinges and supporting ribs, excluding bearings.

(e) Support structure in the vertical stabilizer for rudder hinges, reaction links and actuators.

(f) Rudder internal, fixed attachment and actuator support structure.

## 4. Horizontal Stabilizer.

(a) External skins between front and rear spars.

(b) Front and rear spar chords, webs and stiffeners.

(c) Inspar ribs.

(d) Stabilizer center section including hinge and screw support structure.

(e) Support structure in the horizontal stabilizer for the elevator hinges, reaction links and actuators.

(f) Elevator internal, fixed attachment and actuator support structure.

#### 5. Engine Strut.

(a) Strut external surface skin and doublers and stiffeners.

(b) Internal strut chords, frames and bulkheads.

(c) Strut to wing fittings and diagonal brace.

(d) Engine mount support fittings attached directly to strut structure and including the engine-mounted support fittings.

#### 6. Main Landing Gear.

(a) Outer cylinder.

(b) Inner cylinder, including axles.

(c) Upper and lower side struts, including spindles, universals and reaction links.

(d) Drag strut.

(e) Bell crank.

(f) Orifice support tube.

(g) Trunnion link.

(h) Downlock links including spindles and universals.

(i) Torsion links.

(j) Actuator beam, support link and beam arm.

#### 7. Nose Landing Gear.

(a) Outer cylinder.

(b) Inner cylinder, including axles.

(c) Orifice support tube.

(d) Upper and lower drag strut, including lock links.

(e) Steering plates and steering collars.

(f) Torsion links.

NOTE: The Service Life Policy does not cover any bearings, bolts, bushings, clamps, brackets, actuating mechanisms or latching mechanisms used in or on the Covered Components.

### PART D

#### BOEING INDEMNITY AGAINST PATENT INFRINGEMENT

##### 1. Indemnity.

Subject to the provisions of this Part D, Boeing will indemnify and hold harmless Buyer from and against all claims, suits, actions,

liabilities, damages and costs arising out of actual or alleged infringement, by any Aircraft or any system, accessory, equipment or part (item) installed thereon at the time of Aircraft delivery, of any patent issued under the laws of any country in which Buyer lawfully operates the Aircraft (Country).

## 2. Exceptions.

2.1 This indemnity will not apply unless, from the time of design of the allegedly infringing Aircraft or item until the resolution of the infringement claim, the Country and flag country of the Aircraft: (i) are fully bound by the Chicago Convention on International Civil Aviation of December 7, 1944, and are fully entitled to all benefits of Article 27 thereof, or (ii) have been parties to the International Convention for the Protection of Industrial Property (Paris Convention).

2.2 This indemnity will not apply to Buyer Furnished Equipment, Engines, any system, accessory, equipment or part that was not manufactured to Boeing's detailed design, or to any system, accessory, equipment or part manufactured to Boeing's detailed design without Boeing's authorization.

## 3. Conditions and Limitations.

Buyer's remedy and Boeing's obligations hereunder are subject to the following:

3.1 Buyer must give Boeing written notice within 10 days after Buyer receives notice of a suit or action against Buyer alleging infringement or within 20 days after Buyer receives a written claim of infringement.

3.2 Following receipt of such notice Boeing may conduct negotiations with any party claiming infringement and may intervene in any suit or action. Whether or not Boeing intervenes, Boeing will be entitled at any stage of the proceedings to assume or control the defense.

3.3 Buyer will (i) promptly furnish to Boeing all data, records and assistance within Buyer's control which are material to any such claim, suit or action and (ii) (except as to amounts mandated by a judgment) obtain Boeing's prior approval to pay or assume any liabilities, damages, royalties or costs.

3.4 Boeing's obligations and Buyer's remedies herein exclude Buyer's incidental or consequential damages and liabilities, costs, loss of revenue or loss of profit resulting from loss of use, but include, at Boeing's option, replacing the infringing item or otherwise curing any infringement on account of which use of the Aircraft by Buyer is prevented.

3.5 Boeing's obligations and Buyer's remedies herein are exclusive and in substitution for, and Buyer hereby waives, releases and renounces, all other indemnities, obligations and liabilities of Boeing and any assignee of Boeing, and all other rights, remedies and claims, including claims for damages, direct, incidental or consequential, of Buyer against Boeing or any assignee of Boeing, express or implied, arising by law or otherwise, with respect to any actual or alleged patent infringement or the like by any Aircraft or any item installed therein.

## PART D-1

### BOEING INDEMNITY AGAINST COPYRIGHT INFRINGEMENT

## 1. Indemnity.

Subject to the following, Boeing will indemnify Buyer with respect to claims, suits, damages and costs arising out of copyright infringement by any computer software included with the Aircraft when the Aircraft is first delivered by Boeing (Aircraft Software).

## 2. Exceptions, Limitations and Conditions.

2.1 Boeing will have no obligation to indemnify Buyer relative to Buyer Furnished Equipment, engines, software not manufactured to Boeing's



detailed design, or software manufactured to Boeing's detailed design without Boeing's written authorization.

2.2 Boeing's obligation to indemnify Buyer is limited to infringements (a) in countries where Buyer lawfully operates the Aircraft (Countries) and (b) where, from the time of creation of the allegedly infringing software until the resolution of the infringement claim, the Countries and flag country of the Aircraft are members of The Berne Union and recognize computer software as a "work" under The Berne Convention.

2.3 Boeing will have no obligation or liability for loss of use, revenue or profit, or for any other incidental or consequential damages.

2.4 Boeing may, at its option, replace any infringing or allegedly infringing Aircraft Software (or item containing Aircraft Software) with a noninfringing equivalent.

2.5 Buyer must inform Boeing in writing (a) within 10 days after Buyer receives notice of a suit or other formal action against Buyer alleging copyright infringement involving Aircraft Software and (b) within 30 days after Buyer receives any allegation or claim in the nature of copyright infringement involving Aircraft Software.

2.6 Boeing may negotiate with any party claiming infringement and may intervene or assume control of the defense at any stage in any infringement suit or action.

2.7 Buyer will promptly furnish to Boeing all data, records and assistance within Buyer's possession or control which may be material to any copyright infringement claim, suit or action relating to Aircraft Software.

2.8 Other than as required by a final judgment entered by a court of competent jurisdiction, Buyer will not make any payment or commitment to pay, assume any obligation, or make any material concession relative to any copyright infringement for which Boeing may otherwise be obligated.

2.9 The obligations of Boeing and remedies of Buyer set forth in this Part are exclusive and in substitution for, and Buyer hereby waives, releases and renounces, all other indemnities, obligations, and liabilities of Boeing and all other rights, claims and remedies of Buyer against Boeing, express or implied, arising by law or otherwise, with respect to any actual or alleged copyright infringement or the like by any Aircraft or any item included in any Aircraft.

## PART E

### SUPPLIER WARRANTIES AND PATENT INDEMNITIES

#### 1. Supplier Warranties and Supplier Patent Indemnities.

Boeing will use diligent efforts to obtain adequate warranties and indemnities against patent infringement enforceable by Buyer from manufacturers (Suppliers) of systems, accessories, equipment or parts installed on the Aircraft at the time of delivery that were selected and purchased by Boeing, but not manufactured to Boeing's detailed design. Boeing will furnish copies of such warranties and patent indemnities to Buyer prior to delivery of the first Aircraft.

#### 2. Boeing Assistance in Administration of Supplier Warranties.

Buyer will be responsible for submitting warranty claims directly to Suppliers; however, if Buyer experiences problems enforcing any Supplier warranty obtained by Boeing for Buyer, Boeing will conduct an investigation of such problems and assist Buyer in the resolution of such claims.

#### 3. Boeing Support in Event of Supplier Default.

3.1 If any Supplier defaults in the performance of a material obligation under a design, material or workmanship warranty obtained by Boeing for Buyer, and Buyer provides evidence to Boeing that such default has occurred, then the equivalent warranty and related provisions set forth

in this Product Assurance Document will apply to the claimed defect.

3.2 At Boeing's request, Buyer will assign to Boeing, and Boeing will be subrogated to, Buyer's rights against the manufacturer providing such Supplier warranty.

## PART F

### ENGINE MANUFACTURER'S WARRANTY AND PRODUCT SUPPORT PLAN

Boeing has obtained from CFM International, Inc. (CFM) the right to extend to Buyer the provisions of CFM's New Engine Warranty set forth in CFM's "CFM56 Product Support Plan"; subject, however, to Buyer's acceptance of the conditions set forth herein and in such product support plan. Accordingly, Boeing hereby extends to Buyer, and Buyer hereby accepts, the provisions of such CFM warranty and such provisions shall apply to CFM56 turbo-fan engines installed in the Aircraft at the time of delivery to Buyer except that, if Buyer and CFM have executed a General Terms Agreement, then the terms of that Agreement shall be substituted for and supersede the below-stated provisions and such provisions shall be of no force or effect and neither Boeing nor CFM shall have any obligation arising therefrom. In consideration for such extension, Buyer hereby releases and discharges Boeing from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of said installed CFM56 engines and releases and discharges CFM from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of said installed CFM56 engines except as expressly assumed by CFM in such Product Support Plan or in such General Terms Agreement between Buyer and CFM.

### CFM INTERNATIONAL, INC. WARRANTY

#### 1. Title.

CFM International (CFM) warrants that at the date of delivery, CFM has legal title to and good and lawful right to sell its CFM56 turbo-fan engines (Engines, including all Modules and Parts thereof) and related engine products, and furthermore warrants that such title is free and clear of all claims, liens and encumbrances of any nature whatsoever.

#### 2. Patents.

A. CFM shall handle all claims and defend any suit or proceeding brought against Buyer insofar as based on a claim that any product or part furnished under this Agreement constitutes an infringement of any patent of the United States, and shall pay all damages and costs awarded therein against Buyer. This paragraph shall not apply to any product or any part manufactured to Buyer's design or to the aircraft manufacturer's design. As to such product or part, CFM assumes no liability for patent infringement.

B. CFM's liability hereunder is conditioned upon Buyer promptly notifying CFM in writing and giving CFM authority, information and assistance (at CFM's expense) for the defense of any suit. In case said equipment or part is held in such suit to constitute infringement and the use of said equipment or part is enjoined, CFM shall expeditiously, at its own expense and at its option, either (1) procure for Buyer the rights to continue using said product or part; (2) replace the same with satisfactory and noninfringing product or part; (3) modify the same so it becomes satisfactory and noninfringing. CFM shall not be responsible to Buyer for consequential damages including costs, expenses, liabilities, and/or loss resulting from loss of use of an allegedly infringing product or part hereunder. The foregoing shall constitute the sole remedy of Buyer and the sole liability of CFM for patent infringement.

C. The above provisions also apply to products which are the same as those covered by this Agreement and are delivered to Buyer as part of the installed equipment on CFM56 powered Aircraft.

#### 3. Initial Warranty.

CFM warrants that CFM56 turbo-fan engines and related engine products will conform to CFM's applicable specifications and will be free from defects in material and workmanship prior to Buyer's initial use of such products. The provisions of CFM's "CFM56 Product Support Plan" will apply.

#### 4. Product Support Plan.

CFM has agreed to offer to Buyer, for application to each CFM56-3 engine delivered on an Aircraft, the CFM "CFM56 Product Support Plan" which is in effect on the date of delivery of such engine to Buyer.

#### 5. LIMITATIONS.

THE PROVISIONS SET FORTH HEREIN ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER WARRANTIES WHETHER WRITTEN, ORAL OR IMPLIED. THERE ARE NO IMPLIED WARRANTIES OF FITNESS OR MERCHANTABILITY. SAID PROVISIONS SET FORTH THE MAXIMUM LIABILITY OF CFM WITH RESPECT TO CLAIMS OF ANY KIND, INCLUDING NEGLIGENCE, ARISING OUT OF MANUFACTURE, SALE, POSSESSION, USE OR HANDLING OF THE PRODUCTS OR PARTS THEREOF OR THEREFOR, AND IN NO EVENT SHALL CFM'S LIABILITY TO BUYER EXCEED THE PURCHASE PRICE OF THE PRODUCT GIVING RISE TO BUYER'S CLAIM OR INCLUDE INCIDENTAL OR CONSEQUENTIAL DAMAGES. AS USED HEREIN, THE TERM "CFM" SHALL INCLUDE CFM INTERNATIONAL, INC. AND CFM INTERNATIONAL, S.A. THE LIMITS OF LIABILITY SET FORTH ABOVE SHALL APPLY TO ANY AND ALL CLAIMS, AS ABOVE DEFINED, AGAINST CFM INTERNATIONAL, INC., CFM INTERNATIONAL, S.A., GENERAL ELECTRIC COMPANY (GE), AND SOCIETE NATIONALE D'ETUDE ET DE CONSTRUCTION DE MOTEURS D'AVIATION (SNECMA) AND IN NO EVENT SHALL SUCH CLAIMS EXCEED IN THE AGGREGATE THE PRICE OF THE PRODUCT GIVING RISE TO THE CLAIM.

### PART G

#### BOEING INTERFACE COMMITMENT

##### 1. Interface Problems.

If Buyer experiences technical problems in the operation of an Aircraft or its systems, the cause of which is not readily identifiable by Buyer but which Buyer believes to be attributable to the design characteristics of the Aircraft or its systems (Interface Problem), Boeing will, without additional charge to Buyer, promptly conduct an investigation and analysis to determine the cause or causes of the Interface Problem and to recommend such corrective action as may be feasible. Buyer will furnish to Boeing all data and information in Buyer's possession relevant to the Interface Problem, and will cooperate with Boeing in the conduct of investigations and tests. Boeing will promptly advise Buyer at the conclusion of its investigation of Boeing's opinion as to the causes of the Interface Problem and Boeing's recommendation as to corrective action.

##### 2. Boeing Responsibility.

If Boeing determines that the Interface Problem is primarily attributable to the design of any item manufactured to Boeing's detailed design, Boeing will correct the design of such item to the extent of any then-existing obligations of Boeing under the provisions of the applicable Boeing Warranty or Boeing Service Life Policy.

##### 3. Manufacturer Responsibility.

If Boeing determines that the Interface Problem is primarily attributable to the design of an item not manufactured to Boeing's detailed design, Boeing will assist Buyer in processing a warranty claim against the manufacturer of such item.

##### 4. Joint Responsibility.

If Boeing determines that the Interface Problem is partially attributable to the design of an item manufactured to Boeing's detailed design and partially to the design of an item not manufactured to Boeing's detailed design, Boeing will seek a solution to the Interface Problem through the cooperative efforts of Boeing and the manufacturer of the other item and will promptly advise Buyer of resulting corrective actions and

recommendations.

5. General.

Buyer will, if requested by Boeing, assign to Boeing any of Buyer's rights against any manufacturer as Boeing may require to fulfill its obligations hereunder.

6. Disclaimer and Release; Exclusion of Liabilities.

This Part G and the rights and remedies of Buyer and the obligations of Boeing herein are subject to the Disclaimer And Release and Exclusion of Consequential and Other Damages provisions of Article 12 of this Agreement.

PART H

GENERAL

1. Duplicate Product Assurance Remedies.

Boeing will not provide or be requested to provide multiple remedies for any claim made pursuant to the provisions of this Product Assurance Document.

2. Notices.

References to "Boeing" in connection with notices or communications throughout this Product Assurance Document mean Boeing's Product Assurance Regional Manager at Renton, Washington.

CUSTOMER SUPPORT DOCUMENT

between

THE BOEING COMPANY

and

ALASKA AIRLINES, INC.

Exhibit C to Purchase Agreement Number 1954

CUSTOMER SUPPORT DOCUMENT NO. 1954

Dated

Relating to

BOEING MODEL 737-490 AIRCRAFT

This Customer Support Document is Exhibit C to and forms a part of Purchase Agreement No. 1954 between The Boeing Company (Boeing) and Alaska Airlines, Inc. (Buyer) relating to the purchase of Boeing Model 737-490 aircraft. This Customer Support Document consists of the following parts:

PART A Boeing Maintenance Training Program

PART B Boeing Customer Support Services

PART C Boeing Flight Training Program

PART D Technical Data and Documents

PART E Buyer's Indemnification of Boeing and Insurance

PART F Alleviation or Cessation of Performance

## PART A

### BOEING MAINTENANCE TRAINING PROGRAM

#### 1. General.

This Part describes the maintenance training to be provided by Boeing (Maintenance Training) at Boeing's training facility at or near Seattle. The Maintenance Training will be provided at no additional charge to Buyer, except as otherwise provided herein.

All instruction, examinations and materials shall be prepared and presented in the English language and in the units of measure used by Boeing.

Buyer will be responsible for the living expenses of Buyer's personnel during Maintenance Training. For Maintenance Training provided at or near Seattle, Boeing will transport Buyer's personnel between their local lodging and the training facility.

#### 2. Maintenance Training Program.

In conjunction with earlier sales to Buyer of the same model type aircraft as the Aircraft, Boeing has provided to Buyer comprehensive maintenance training and/or materials for such aircraft. If requested by Buyer at least 12 months prior to delivery of the first Aircraft, Boeing agrees to provide 1 Maintenance Training course consisting of classroom training to acquaint up to 15 of Buyer's personnel with any operational, structural or systems differences between the first Aircraft scheduled for delivery pursuant to this Agreement and the last aircraft of the same model type for which maintenance training and/or materials were delivered by Boeing to Buyer that are significant to the maintenance of the Aircraft. Such course will be scheduled by mutual agreement of Boeing's and Buyer's maintenance training organizations.

#### 3. Training Materials.

Boeing will provide Buyer with a narrative description defining the expected time to teach the various differences between the first Aircraft scheduled for delivery pursuant to this agreement and the last aircraft of the same model type for which maintenance training and/or materials were delivered by Boeing to Buyer.

If Buyer chooses to have Boeing provide a differences Maintenance Training course, Boeing will provide at the beginning of the course, 1 copy of a training manual for the differences training course to each student attending such course. Boeing will also provide to the Buyer 1 set of visual aid projection transparencies and 1 set of black and white reproducible masters of the training manual graphics and text utilized in the Maintenance Training class. No revision service will be provided for such training manuals and materials.

If Buyer chooses not to have Boeing provide a differences Maintenance Training course, Boeing will provide to Buyer at Buyer's direction, 1 set of visual aid projection transparencies and 1 set of black and white reproducible masters of the training manual graphics and text that would have been utilized in a differences Maintenance Training class. Delivery of requested materials will satisfy difference training entitlements as defined herein. No revision service will be provided for such training manuals and materials.

#### 4. Training at a Facility Other Than Boeing's.

If seasonably requested, Boeing will conduct the classroom training described above at a mutually acceptable alternate training site, subject to the following conditions:

4.1 Buyer will be responsible for providing acceptable classroom space and training equipment required to present the Boeing courseware.

4.2 Buyer will pay Boeing's then-current per diem charge for each Boeing instructor for each day, or fraction thereof, such instructor is away from Seattle, including travel time.

4.3 Buyer will reimburse Boeing for round-trip transportation for Boeing's instructors and training materials between Seattle and such alternate training site.

4.4 Buyer will pay, or reimburse Boeing for, all taxes, fees, duties, licenses, permits and similar expenses incurred by Boeing and its employees as a result of Boeing's providing the training at such alternate site.

4.5 Those portions of training that require the use of Boeing's training devices, if any, will be conducted at Boeing-designated facilities.

## PART B

### BOEING CUSTOMER SUPPORT SERVICES

#### 1. General.

This Part describes the support services to be provided by Boeing at no additional charge to Buyer, unless otherwise specified herein. Except with respect to Field Services, the services described in this Part will be provided by Boeing during a period commencing with delivery of the first Aircraft and continuing so long as one Aircraft is regularly operated by Buyer in commercial air transport service.

#### 2. Field Service Engineering.

Boeing will furnish field service representation to advise Buyer on maintenance and operation of the Aircraft (Field Services) as follows:

2.1 Field Services will be available to Buyer at or near Buyer's main maintenance or engineering facility beginning prior to delivery of each Aircraft and terminating 12 months after delivery of each such Aircraft (Field Service Period(s)). If such Field Service Periods overlap, the Field Services will be provided concurrently.

2.2 Buyer will furnish at no charge to Boeing suitable office space and equipment that will include desks, chairs, file cabinets and an electrical power source in, or convenient to, Buyer's facility where each/any Boeing representative is providing Field Services. As required, Buyer will assist each representative providing Field Services with visas, work permits, customs, mail handling, identification passes, and local airport authorities.

2.3 In addition to the Field Services referred to above, the services of any Boeing field service representative will also be available to Buyer anywhere Buyer may land the Aircraft.

2.4 Boeing may, from time to time, provide additional support services in the form of Boeing personnel visiting Buyer's facilities to work with Buyer's personnel in an advisory capacity.

#### 3. Additional Engineering Support Services.

Boeing will, if requested by Buyer in writing, provide technical advisory assistance with respect to the Aircraft and accessories, equipment and parts manufactured to Boeing's detailed design and installed in the Aircraft at the time of delivery. Such technical advisory assistance, which will be provided from Seattle, will include:

3.1 analysis of and comment on any Aircraft service or operational problem experienced by Buyer in order to determine the nature of the problem and its cause and to suggest possible solutions;

3.2 analysis of and comment on Buyer's engineering releases relating to structural repairs of the Aircraft not covered by Boeing's Structural Repair Manual; and

3.3 analysis of and comment on Buyer's engineering proposals for changes in, or replacement of, parts, accessories or equipment manufactured to Boeing's detailed design (excluding computer software embedded or included therein); provided that Boeing will not analyze or comment on any such change or replacement which constitutes a major structural change, nor on any engineering release related thereto, unless Buyer's request for such analysis and comment is accompanied by complete detailed drawings, substantiating data (including data, if any, required by applicable government agencies), all stress or other appropriate analysis, and a specific statement from Buyer of the kind of review and response desired by Buyer.

#### 4. Special Services.

##### 4.1 Facilities, Ground Equipment and Maintenance Planning Assistance.

Boeing will, at Buyer's request, send qualified Boeing engineering representatives to Buyer's main base to evaluate Buyer's technical facilities, tools and equipment for servicing and maintaining the Aircraft, to recommend changes where necessary and to assist in the formulation of Buyer's overall maintenance plan.

##### 4.2 Additional Services.

Boeing may, at Buyer's request, provide additional special services with respect to the Aircraft after delivery, which may include such items as Master Changes (Kits and/or Data), training and maintenance and repair of the Aircraft. Providing such additional services will be subject to (i) mutually acceptable price, schedule and scope of work and (ii) Boeing's then-current standard contract therefor including disclaimer and release, exclusion of consequential and other damages and indemnification and insurance requirements.

##### 4.3 Post-Delivery Aircraft Services.

If Boeing performs unanticipated work on an Aircraft after delivery of such Aircraft, but prior to its initial departure flight, or upon its return to Boeing's facilities prior to completion of such flight, the following provisions will apply:

4.3.1 Title to and risk of loss of any such Aircraft will at all times remain with Buyer.

4.3.2 The provisions of the Boeing Warranty set forth in Exhibit B of this Agreement will apply to such work.

4.3.3 Buyer will reimburse Boeing for such work to the extent not covered by the Boeing Warranty applicable to the Aircraft.

4.3.4 The Disclaimer and Release and Exclusion of Consequential and Other Damages provisions set forth in Article 12 of this Agreement and the indemnification and insurance provisions set forth in this Exhibit C will apply to such Boeing work.

4.3.5 In performing such work, Boeing may rely upon the commitment authority of Buyer's personnel requesting such work.

#### 5. Additional Informational Services.

Boeing may, from time to time, provide Buyer with additional services in the form of information about the Aircraft or other aircraft of the same type, including information concerning design, manufacture, operation, maintenance, modification, repair and in-service experience.

## PART C

### BOEING FLIGHT TRAINING PROGRAM

#### 1. General.

This Part describes the flight training to be provided by Boeing (Flight Training) at or near Seattle, or at some other location to be determined pursuant to this Part. The Flight Training will be provided at no additional charge to Buyer, except as otherwise provided herein.

All instruction, examinations and materials will be prepared and presented in the English language and in the units of measure used by Boeing.

Buyer will be responsible for the living expenses of Buyer's personnel during the Flight Training Program. For Flight Training provided at or near Seattle, Boeing will transport Buyer's personnel between their local lodging and the training facility.

#### 2. Flight Training Program.

In conjunction with earlier sales to Buyer of aircraft of the same model type as the Aircraft, Boeing has provided to Buyer comprehensive flight training for such aircraft. If requested by Buyer at least 12 months prior to delivery of the first Aircraft, Boeing agrees to provide, if required, 1 classroom training class to acquaint up to 15 of Buyer's personnel with any operational, systems and performance differences significant to the operation of the Aircraft, between the first Aircraft scheduled for delivery pursuant to this Agreement and the last aircraft of the same model type as the aircraft previously delivered by Boeing to Buyer. Such course will be scheduled by mutual agreement of Boeing's and Buyer's flight training organizations.

#### 3. Training Materials.

Any training materials, if required, that are used in Flight Training shall be provided to Buyer at the conclusion of such class. No revision service shall be provided for such training materials.

#### 4. Training at a Facility Other Than Boeing's.

If seasonably requested, Boeing will conduct the Flight Training at a mutually acceptable alternate training site, subject to the following conditions:

4.1 Buyer will be responsible for providing classroom space acceptable to Boeing, a flight simulator and training equipment required to present the Boeing courseware.

4.2 Buyer will pay Boeing's then-current per diem charge for each Boeing instructor for each day, or fraction thereof, such instructor is away from Seattle, including travel time.

4.3 Buyer will reimburse Boeing for round-trip transportation for Boeing's flight training instructors and materials between Seattle and such alternate site.

4.4 Buyer will pay, or reimburse Boeing for, all taxes, fees, duties, licenses, permits and similar expenses incurred by Boeing and its employees as a result of Boeing's providing the training at such alternate site.

4.5 Those portions of the training that require the use of Boeing's training devices, if any, will be conducted at Boeing-designated facilities.

## PART D

### TECHNICAL DATA AND DOCUMENTS

#### 1. General.



Boeing will furnish to Buyer the data and documents set forth herein at no additional charge to Buyer, unless otherwise specified herein. Such data and documents will, where applicable, be prepared essentially in accordance with the provisions of Revision 29 excluding FRM/FIM/ to Air Transport Association of America Specification No. 100, dated June 1, 1956, entitled "Specification for Manufacturers' Technical Data," with the following specific exceptions: The Illustrated Parts Catalog, will be prepared essentially in accordance with the provisions of Revision 28. The Overhaul and Component Maintenance Manuals will be written to the ATA Revision level established for the airplane model the component was originally used on. Such data and documents are only intended to provide Buyer with pertinent information on components, equipment and installations designed by Boeing for aircraft of the same model type as the Aircraft. Such data and documents will be in English and in the units of measure used by Boeing, except as otherwise specified herein or as may be required to reflect Aircraft instrumentation.

Digitally-produced data and documents will, where applicable, be prepared essentially in accordance with the provisions of Revision 0 of Air Transport Association of America (ATA) Specification 2100, dated January 1994, entitled "Digital Data Standards for Aircraft Support."

## 2. Treatment of Data and Documents.

2.1 The data and documents provided by Boeing under this Agreement ("Documents") are licensed to Buyer. They contain confidential, proprietary and/or trade secret information belonging to Boeing; and Buyer will treat them in confidence and use and disclose them only for Buyer's own internal purposes as specifically authorized herein. If Buyer makes copies of any Documents, the copies will also belong to Boeing and be treated as Documents under this Agreement. Buyer will preserve all restrictive legends and proprietary notices on all Documents and copies.

2.2 All Documents will only be used: (a) for the purpose of maintenance, repair, or modification of an Aircraft or spare part as permitted in the Spare Parts GTA or Customer Services GTA between Buyer and Boeing, and then only in connection with an Aircraft or spare part for which the Document in question is tabulated or identified by Boeing serial number, and (b) for the purpose of Buyer's own development and manufacture of training devices for use by Buyer, in connection with the Aircraft.

2.3 Any Document may be provided to Buyer's contractors for maintenance, repair, or modification of the Aircraft; and Airplane Flight Manuals, Operations Manuals, Aircraft Maintenance Manuals, Wiring Diagram Manuals, System Schematics Manuals, Component Maintenance/Overhaul Manuals and assembly and installation drawings may be provided to Buyer's contractors for development and manufacture of training devices for use by Buyer, but in both cases, only if Buyer's contractor is, at the time of transfer of Documents, bound by a Boeing Customer Services GTA, or other appropriate proprietary information protection agreement with Boeing, applicable to the Documents.

## 3. Document Formats and Quantities.

The Attachment is provided to record the quantities and formats of Documents provided to Buyer which are applicable to aircraft previously delivered by Boeing of the same model type as the Aircraft. Revisions to such Documents will be provided as necessary to reflect the configuration, at time of delivery, of the Aircraft to which this Part applies. Space is provided in the Attachment for Buyer and Boeing to indicate changes, mutually agreed upon concurrently with signing this Agreement, in the quantities and formats of such Documents to be hereinafter provided.

In the event Boeing determines that revisions would not be appropriate for any of the Documents described in the Attachment, Boeing reserves the right to furnish to Buyer, in lieu of such revisions, a separate publication of such Document for the Aircraft in the same format and quantity as indicated in the Attachment. Revision service for such publication shall be the same as for the Document it replaces.

## 4. Revision Service.

Further revisions to any such Documents will be provided as set

forth in the purchase agreement, purchase agreement supplement, or as may have been amended by the parties, for such aircraft.

#### 5. Supplier Technical Data.

Boeing will continue to maintain the supplier data program referred to in the purchase agreement or purchase agreement supplement under which data and documents for Buyer's aircraft of the same model type as the Aircraft were originally provided to Buyer. As indicated in such prior purchase agreement or supplement, the provisions of such supplier data program are not applicable to items of Buyer Furnished Equipment.

#### 6. Additional Data and Documents.

If Boeing provides data or documents other than Documents which are not covered by a Boeing Customer Services GTA or other proprietary information protection agreement between Boeing and Buyer, all such data and documents will be considered things delivered under this Agreement and treated as Documents.

#### 7. Buyer's Shipping Address.

Boeing will ship the Documents furnished hereunder to Buyer's shipping address for data and documents previously provided to Boeing. Buyer shall promptly notify Boeing of any change to such address.

#### A. FLIGHT OPERATIONS:

1. Airplane Flight Manual	22	51	Printed 1 Side
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NOTE: An additional copy is placed aboard each airplane at delivery as required by FAR's.

2. Operations Manual and Quick Reference Handbook	1	5	Printed 2 Sides Diskette
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3. Weight and Balance Control and Loading Manual	2		Reproduced
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4. Dispatch Deviation Procedures Guide	6		Printed 2 Sides
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5. Flight Crew Training Manual	12		Printed 2 Sides
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6. Performance Engineer's Manual	2		Printed 2 Sides
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7. Jet Transport Performance Methods (total quantity - all models)	0		Printed 2 Sides
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8. FMC Supplemental Data Document	0		Printed 2 Sides
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9. Operational Performance Software (OPS)			
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a. Inflight and Report Software	0		
Digital Magnetic			
Tape			
0		Diskette, IBM	
Compatible			
3.5 Inch (720KB)			
or			
1.44MB)			
0		Diskette,	
Macintosh			
3.5 Inch (800KB)			
or			
1.4MB)			

b. Airplane Performance	0		Digital Magnetic
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Monitoring (APM/HISTORY)	Tape	
Software	Diskette, IBM	
Compatible:		
0	3.5 Inch (720KB	
or	1.44MB)	
0	5.25 Inch (360KB	
or	1.2MB)	
(737,747,757,767)		
0	Diskette,	
Macintosh		
3.5 Inch (800KB		
or	1.4MB)	
c. Takeoff Analysis Software	0	Digital Magnetic
Tape		
Diskette, IBM		
Compatible:		
0	3.5 Inch (720KB	
or	1.44MB)	
0	5.25 Inch (360KB	
or	1.2MB)	
(737,747,757,767)		
0	Diskette,	
Macintosh		
3.5 Inch (800KB		
or	1.4MB)	
d. Landing Analysis Software	0	Digital Magnetic
Tape		
Diskette, IBM		
Compatible:		
0	3.5 Inch (720KB	
or	1.44MB)	
0	5.25 Inch (360KB	
or	1.2MB)	
(737,747,757,767)		
0	Diskette,	
Macintosh		
3.5 Inch (800KB		
or	1.4MB)	
10. ETOPS Guide Vol. III	2	Printed 2 Sides
(Operational Guidelines		
and Methods)/		
B. MAINTENANCE		
1. Aircraft Maintenance Manual	1	Printed 2 Sides
0	Printed 1 Side	
40	Microfilm, 16mm	
Duplicate		
0	Microfilm, 16mm	
Master		
0	Digital Format	
2. Wiring Diagram Manual	1	35mm Aperture
Cards of all		
Wiring Diagrams		
and Charts		

0	Standard Printed		
Copies of Entire Manual			
12	Standard Printed		
Copies of all sections except EDP portion			
0	EDP portion in		
Microfilm, 16mm, Duplicate			
0	EDP portion in		
Microfilm, 16mm, Master			
14	Entire Manual,		
Microfilm, 16mm, Duplicate			
0	Entire Manual,		
Microfilm, 16mm, Master			
0	Digital Format		
3. System Schematics Manual	20	Printed 2 Sides	
0	35mm Aperture		
Cards			
10	Microfilm, 16mm,		
Duplicate			
0	Microfilm, 16mm,		
Master			
(737,747,757,767)			
)			
0	Digital Format		
4. Connector Part Number	2	Printed 2 Sides	
Options Document			
5. Structural Repair Manual	5	30 Printed 2 Sides	
0	Printed 1 Side		
12	Microfilm, 16mm,		
Duplicate			
0	Microfilm, 16mm,		
Master			
0	Magnetic Tape		
Text (Print File			
Format)			
Illustrations			
(CGM Format)			
6. Component Maintenance/	4	Printed 2 Sides	
Overhaul Manuals			
6	Microfilm, 16mm,		
Duplicate			
0	Microfilm, 16mm,		
Master			
0	Magnetic Tape		
Text (Print File			
Format)			
Illustrations			
(CGM Format)			
7. Chapter 20 Standard	0	Printed 2 Sides	

Overhaul Practices Manual (total quantity - all models) Printed 1 Side	0	
12 Duplicate		Microfilm, 16mm,
0 Master		Microfilm, 16mm,
8. Chapter 20 Standard Wiring Practices Manual (total quantity - all models) Microfilm, 16mm, Duplicate	5  25	Printed 2 Sides
0 Master		Microfilm, 16mm,
9. Nondestructive Test Manual	0	Printed 2 Sides
0		Printed 1 Side
2 Duplicate		Microfilm, 16mm,
0 Master		Microfilm, 16mm,
0 Text (Print File Format) Illustrations (CGM Format)		Magnetic Tape
10. Service Bulletins	2	Printed 2 Sides
11. Service Bulletins Index	1	Printed 2 Sides
12. Corrosion Prevention Manual	5	Printed 2 Sides
0		Printed 1 Side
0 Duplicate		Microfilm, 16mm,
0 Master		Microfilm, 16mm,
0 Text (Print File Format) Illustrations (CGM Format)		Magnetic Tape
13. Fuel Measuring Stick Calibration Document Check One: U. S. Gallons X Imperial Gallons Pounds Kilograms Liters	3/ A/C	Printed 1 Side
14. Power Plant Buildup Manual	10	Printed 2 Sides
0		Printed 1 Side
0 Duplicate		Microfilm (16mm)
0 Master		Microfilm (16mm)
15. FMS BITE Manual	25	Printed 2 Sides

0 Microfilm, 16mm,  
Duplicate

0 Microfilm, 16mm,  
Master/

16. In-Service Activity Report 2 Printed 2 sides

17. All Operator Letter 2 Printed 1 or  
2 sides

18. Service Letters 3 Printed 1 or  
2 sides

19. Structural Item Interim 2 Printed 1 or  
Advisory 2 sides

20. Maintenance Tips 2 Printed 1 or  
2 sides

21. Combined Index 1 Printed 2 sides

1 Digital Format

#### C. MAINTENANCE PLANNING

1. Maintenance Planning 3 Printed 2 sides  
Data Documents

0 Microfilm (16mm)  
Duplicate

0 Microfilm (16mm)  
Master

0 Digital Format

2. Maintenance Task Cards 1 Printed 1 Side

0 Microfilm (16mm)  
Duplicate

0 Microfilm (16mm)  
Master

1 Digital Format

3. Maintenance Task Card Index 1 Printed 2 sides

0 Digital Format  
(777)

4. Maintenance Inspection 2 Printed 2 sides  
Intervals Report  
(total quantity - all models)

#### D. SPARES

1. Illustrated Parts Catalog 0 Printed 2 Sides  
(select one format only)

0 Printed 1 Side

35 Microfilm (16mm)  
Duplicate

0 Microfilm (16mm)  
Master

2. Standards Books

a. Index 0 Printed 2 Sides

2 Microfilm (16mm)

Duplicate

b. Parts Standards 0 Printed 2 Sides

2 Microfilm (16mm)

Duplicate

c. Parts Specifications 0 Printed 2 Sides

2 Microfilm (16mm)

Duplicate

d. Standards for Repair 0 Printed 2 Sides

1 Microfilm (16mm)

Duplicate

e. Obsolete Standards 0 Printed 2 Sides

1 Microfilm (16mm)

Duplicate

f. Commercial Markers 0 Printed 2 Sides

1 Microfilm (16mm)

Duplicate

g. Commercial Markers 737 0 Printed 2 Sides

1 Microfilm (16mm)

Duplicate

h. Passenger Cabin Symbology 0 Printed 2 Sides  
(Commercial Placards)

1 Microfilm (16mm)

Duplicate

i. Process Standards 0 Printed 2 Sides

4 Microfilm (16mm)

Duplicate

j. Material Standards 0 Printed 2 Sides

1 Microfilm (16mm)

Duplicate

k. Drafting Standards Practices 0  
Printed 2 Sides

1 Microfilm (16mm)

Duplicate

l. Specification Support 0 Printed 2 Sides  
Standards

0 Microfilm (16mm)

Duplicate

#### E. FACILITIES AND EQUIPMENT PLANNING

1. Facilities and Equipment 4 Printed 2 Sides  
Planning Document

0 Microfilm (16mm)

Master (777)

2. Special Tool and Ground 1 Microfilm,  
(35mm)

Handling Equipment Drawings Duplicate in  
Aperture Card  
Format

3. Special Tool and Ground 2 Printed 2 Sides  
Handling Equipment Drawings  
Index

4. Supplementary Tooling Documentation (total quantity - all models)	1	Printed 2 Sides
5. System Test Equipment Document	2	Printed 1 Side
6. Illustrated Tool and Equipment List/Manual	2	Printed 2 Sides
0	Printed 1 Side	
1 Duplicate	Microfilm, 16mm,	
0 Master	Microfilm, 16mm,	
7. Aircraft Recovery Document	6	Printed 2 Sides
8. Airplane Characteristics for Airport Planning	2	Printed 2 sides
9. Airplane Rescue and Fire Fighting Document (total quantity - all models)	2	Printed 2 Sides
10. Engine Handling Document	2	Printed 2 Sides
F. Configuration, Maintenance and Procedures for Extended Range Operations Document/	2	Printed 2 Sides
G. ETOPS Guide Vol. I (Configuration, Maintenance and Procedures Supplement)/	2	Printed 2 Sides
H. ETOPS Guide Vol. II (Maintenance Programs Guidelines) (total quantity - all models)/	2	Printed 2 Sides
I. Computer Software Index (total quantity - all models)	2	Printed 2 Sides
J. Supplier Technical Data		
1. Service Bulletins	2	Printed
2. Ground Support Equipment Data	4	Printed
3. Provisioning Information	2	Printed
4. Component Maintenance/Overhaul Manuals	3	Printed
5. Component Maintenance/Overhaul Manuals Index (total quantity - all models)	5	Printed
6. Publications Index	3	Printed
7. Product Support Supplier Directory (total quantity - all models)	1	Printed

#### PART E

#### BUYER'S INDEMNIFICATION OF BOEING AND INSURANCE

1. Buyer's Indemnification Of Boeing.



Buyer hereby indemnifies and holds harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Buyer but not employees of Boeing, or for loss of or damage to any property, including Aircraft, arising out of or in any way related to the performance by Boeing of training, services or other obligations pursuant to this Exhibit C, whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing, whether active, passive or imputed.

1.1 With regard to training, services and obligations other than Revenue Service Training, the foregoing indemnification will not apply to the legal liability to persons or parties other than Buyer or Buyer's assignees arising out of an accident caused solely by a product defect in an Aircraft.

1.2 With regard to Revenue Service Training, the foregoing indemnification will apply to the legal liability to persons or parties other than Buyer or Buyer's assignees, even if arising out of an accident caused solely by a product defect in an Aircraft.

## 2. Buyer's Insurance.

Evidence of insurance will be required 30 days prior to the scheduled delivery of the first Aircraft. Accordingly, Buyer will provide certificates of insurance specifically referencing the Agreement and paragraph 1 of this Part E. In addition to showing policy number, limits of liability, and effective dates of coverage, such certificates will contain but not be limited to the following provisions:

### 2.1 Hull All Risk; Hull War & Allied Perils Insurance.

Insurers and/or reinsurers will hold harmless and waive all rights of subrogation against Boeing for any damages or claims arising out of these Exhibit C services.

### 2.2 Aircraft Liability Insurance.

(a) To name Boeing as an additional insured in connection with the performance by Boeing of training, services, or other obligations provided under this Exhibit C.

(b) To provide that the insurance arranged herein will be primary and without right of contribution with respect to any other insurance which may be available for the protection of Boeing.

(c) To provide that all provisions of the insurance, except the limits of liability, will operate to give each insured or additional insured the same protection as if there were a separate policy issued covering each insured or additional insured.

(d) To provide that no act, omission, breach of any warranty or condition, or misrepresentation on the part of the Insured or any other person or party (other than by Boeing) will void, exclude, minimize, or adversely change this coverage as it applies to Boeing.

### 2.3 For Coverages Specified in 2.1 and 2.2.

(a) Acknowledgment that the insurers and/or reinsurers are aware of and have seen a copy of the Agreement and accept and insure the risks and indemnity herein to the extent of the coverage and endorsements as described in this certificate.

(b) To give 30 day written notice of cancellation, termination or adverse material alteration of the policies (7 day written notice in the event of War Risk or such lesser period as may be in effect with prior notice).

(c) That Boeing will not be responsible for payment, set off, or assessment of any kind of any premiums in connection with the policies, endorsements or coverages described herein.

(d) For the purpose of this Part E, "Boeing" is defined as The Boeing Company, its divisions, subsidiaries, affiliates, the assignees of each and their respective directors, officers, employees and agents.

If more than one Aircraft is to be delivered under the Purchase Agreement, the insurance certificates must reference all Aircraft when delivered or separate certificates must be supplied for each Aircraft. The certificates of insurance will be kept current and valid.

#### PART F

##### Alleviation or Cessation of Performance

Boeing will not be required to provide any services, training, data or goods at a facility while:

1. a labor stoppage or dispute in progress involving Buyer exists;
2. wars or warlike operations, riots or insurrections in the country where such facility is located exist;
3. conditions at such facility which, in the opinion of Boeing, are detrimental to the general health, welfare or safety of its personnel and/or their families exist;
4. the United States Government refuses permission to any Boeing personnel or their families to enter the country where such facility is located, or recommends that any Boeing personnel or their families leave such country; or
5. the United States Government refuses Boeing permission to deliver goods or services to the country where such facility is located.

Boeing further reserves the right, upon the occurrence of any of such events, subsequent to the location of Boeing personnel at Buyer's facility, to immediately and without prior notice relocate its personnel and their families to a place of Boeing's choosing. Any delay resulting therefrom will be deemed a delay by mutual agreement.

##### AIRFRAME AND ENGINE PRICE ADJUSTMENT

between

THE BOEING COMPANY

and

ALASKA AIRLINES, INC.

Exhibit D to Purchase Agreement Number 1954

PRICE ADJUSTMENT DUE TO  
ECONOMIC FLUCTUATIONS  
AIRFRAME PRICE ADJUSTMENT  
(1995 Base Price)

#### 1. Formula.

The Airframe Price Adjustment will be determined at the time of Aircraft delivery in accordance with the following formula:

$$Pa = (P) (L + M - 1)$$

Where:

Pa = Airframe Price Adjustment.

$L = .65 \times \frac{ECI}{130.1}$

$M = .35 \times \frac{ICI}{123.6}$

P = Aircraft Basic Price (as set forth in Article 3.2 of this Agreement) less the base price of Engines (as defined in this Exhibit D) in the amount of \$[Confidential Treatment Requested].

ECI = A value using the "Employment Cost Index for workers in aerospace manufacturing" (aircraft manufacturing, standard industrial classification code 3721, compensation, base month and year June 1989 = 100), as released by the Bureau of Labor Statistics, U.S. Department of Labor on a quarterly basis for the months of March, June, September and December, calculated as follows: A three-month arithmetic average value (expressed as a decimal and rounded to the nearest tenth) will be determined using the months set forth in the table below for the applicable Aircraft, with the released Employment Cost Index value described above for the month of March also being used for the months of January and February; the value for June also used for April and May; the value for September also used for July and August; and the value for December also used for October and November.

ICI = The three-month arithmetic average of the released monthly values for the Industrial Commodities Index as set forth in the "Producer Prices and Price Index" (Base Year 1982 = 100) as released by the Bureau of Labor Statistics, U.S. Department of Labor values (expressed as a decimal and rounded to the nearest tenth) for the months set forth in the table below for the applicable Aircraft.

In determining the value of L, the ratio of ECI divided by 130.1 will be expressed as a decimal rounded to the nearest ten-thousandth and then multiplied by .65 with the resulting value also expressed as a decimal and rounded to the nearest ten-thousandth.

In determining the value of M, the ratio of ICI divided by 123.6 will be expressed as a decimal rounded to the nearest ten-thousandth and then multiplied by .35 with the resulting value also expressed as a decimal and rounded to the nearest ten-thousandth.

Month of Scheduled Aircraft Delivery	Months to be Utilized in Determining the Value of ECI and ICI
January	June B, July B, Aug. B
February	July B, Aug. B, Sept. B
March	Aug. B, Sept. B, Oct. B
April	Sept. B, Oct. B, Nov. B
May	Oct. B, Nov. B, Dec. B
June	Nov. B, Dec. B, Jan. D
July	Dec. B, Jan. D, Feb. D
August	Jan. D, Feb. D, Mar. D
September	Feb. D, Mar. D, Apr. D
October	Mar. D, Apr. D, May D
November	Apr. D, May D, June D
December	May D, June D, July D

The following definitions of B and D will apply:

B = The calendar year before the year in which the scheduled month of delivery as set forth in Article 2.1 occurs.

D = The calendar year during which the scheduled month of delivery as set forth in Article 2.1 occurs.

2. If at the time of delivery of an Aircraft Boeing is unable to

determine the Airframe Price Adjustment because the applicable values to be used to determine the ECI and ICI have not been released by the Bureau of Labor Statistics, then:

2.1 The Airframe Price Adjustment, to be used at the time of delivery of each of the Aircraft, will be determined by utilizing the escalation provisions set forth above. The values released by the Bureau of Labor Statistics and available to Boeing 30 days prior to scheduled Aircraft delivery will be used to determine the ECI and ICI values for the applicable months (including those noted as preliminary by the Bureau of Labor Statistics) to calculate the Airframe Price Adjustment. If no values have been released for an applicable month, the provisions set forth in Paragraph 2.2 below will apply. If prior to delivery of an Aircraft the U.S. Department of Labor changes the base year for determination of the ECI or ICI values as defined above, such rebased values will be incorporated in the Airframe Price Adjustment calculation. The payment by Buyer to Boeing of the amount of the Purchase Price for such Aircraft, as determined at the time of Aircraft delivery, will be deemed to be the payment for such Aircraft required at the delivery thereof.

2.2 If prior to delivery of an Aircraft the U.S. Department of Labor substantially revises the methodology used for the determination of the values to be used to determine the ECI and ICI values (in contrast to benchmark adjustments or other corrections of previously released values), or for any reason has not released values needed to determine the applicable Aircraft Airframe Price Adjustment, the parties will, prior to delivery of any such Aircraft, select a substitute for such values from data published by the Bureau of Labor Statistics or other similar data reported by non-governmental United States organizations, such substitute to lead in application to the same adjustment result, insofar as possible, as would have been achieved by continuing the use of the original values as they may have fluctuated during the applicable time period. Appropriate revision of the formula will be made as required to reflect any substitute values. However, if within 24 months from delivery of the Aircraft the Bureau of Labor Statistics should resume releasing values for the months needed to determine the Airframe Price Adjustment, such values will be used to determine any increase or decrease in the Airframe Price Adjustment for the Aircraft from that determined at the time of delivery of such Aircraft.

2.3 In the event escalation provisions are made non-enforceable or otherwise rendered null and void by any agency of the United States Government, the parties agree, to the extent they may lawfully do so, to equitably adjust the Purchase Price of any affected Aircraft to reflect an allowance for increases or decreases in labor compensation and material costs occurring since February, 1995, which is consistent with the applicable provisions of paragraph 1 of this Exhibit D.

3. For the calculations herein, the values released by the Bureau of Labor Statistics and available to Boeing 30 days prior to scheduled Aircraft delivery will be used to determine the ECI and ICI values for the applicable months (including those noted as preliminary by the Bureau of Labor Statistics) to calculate the Airframe Price Adjustment.

Note: Any rounding of a number, as required under this Exhibit D with respect to escalation of the airframe price, will be accomplished as follows: if the first digit of the portion to be dropped from the number to be rounded is five or greater, the preceding digit will be raised to the next higher number.

ENGINE PRICE ADJUSTMENT - CFM INTERNATIONAL, INC.  
(1995 BASE PRICE)

(a) The Aircraft Basic Price of each Aircraft set forth in Article 3.1 of this Agreement includes an aggregate price for CFM56-3C-1 engines and all accessories, equipment and parts therefor provided by the engine manufacturer (collectively in this Exhibit D called "Engines") of [Confidential Treatment Requested]. The adjustment in Engine price applicable to each Aircraft ("Engine Price Adjustment" herein) will be determined at the time of Aircraft delivery in accordance with the following formula:

$$D1 = (Pb \times CPI) - Pb$$

138.27

(b) The following definitions will apply herein:

D1 = Engine Price Adjustment

Pb = Aggregate Engine Base Price as set forth in Paragraph (a) above.

CPI = The Composite Price Index as determined in accordance with the formula set forth below. The Index values referred to below, to be used in determining the CPI, will be for the ninth month prior to the month of scheduled Aircraft delivery. Such Index values will be those prepared by the Bureau of Labor Statistics, U.S. Department of Labor.

$$CPI = L + M1 + M2 + M3$$

L = The Labor Index for such month will be the quotient, expressed as a decimal and rounded to the nearest thousandth, of the "Hourly Earnings of Aircraft Engines and Engine Parts Production Workers" SIC 3724, for such month divided by Eleven Dollars and Sixteen Cents (\$11.16). Such quotient will be multiplied by 100 and then by fifty-five percent (55%) with the value resulting from the latter multiplication expressed as a decimal and rounded to the nearest hundredth.

M1 = The Industrial Commodities Index for such month will be equal to ten percent (10%) of the Producer Price Index for "all commodities other than Farm and Foods," Code 3-15, (Base Year 1982 = 100) for such month, expressed as a decimal and rounded to the nearest hundredth.

M2 = The Metals and Metal Products Index for such month will be equal to twenty-five percent (25%) of the Producer Price Index for "Metals and Metal Products," Code 10, (Base Year 1982 = 100) for such month expressed as a decimal and rounded to the nearest hundredth.

M3 = The Fuel Index for such month will be equal to ten percent (10%) of the Producer Price Index for "Fuel and Related Products and Power," Code 5, (Base Year 1982 = 100) for such month expressed as a decimal and rounded to the nearest hundredth.

138.27 = Composite Price Index for October, 1994.

The factor (CPI divided by 138.27) by which the Aggregate Engine Base Price is to be multiplied will be expressed as a decimal and rounded to the nearest thousandth.

The Engine Price Adjustment will not be made if it would result in a decrease in the aggregate Engine base price.

(c) The values of the Average Hourly Earnings and Producer Price Indices used in determining the Engine Price Adjustment will be those published by the Bureau of Labor Statistics, U.S. Department of Labor as of a date 30 days prior to the scheduled Aircraft delivery to Buyer. Such values will be considered final and no Engine Price Adjustment will be made after Aircraft delivery for any subsequent changes in published Index values.

(d) If the U.S. Department of Labor, Bureau of Labor Statistics (i) substantially revises the methodology (in contrast to benchmark adjustments or other corrections of previously published data) or (ii) discontinues publication of any of the data referred to above, CFMI agrees to meet jointly with Boeing and Buyer to jointly select a substitute for the revised or discontinued data; such substitute data to lead in application to the same adjustment result, insofar as possible, as would have been achieved by continuing the use of the original data as it may have fluctuated had it not been revised or discontinued.

Appropriate revision of the Engine Price Adjustment provisions set forth above will be made to accomplish this result for the affected Engines.

In the event the Engine price escalation provisions are made non-enforceable or otherwise rendered null and void by any agency of the United States Government, CFMI agrees to meet with Boeing and Buyer to jointly agree, to the extent such parties may lawfully do so, to adjust equitably the purchase price of any affected Engine(s) to reflect an allowance for increases in labor, material and fuel costs that have occurred from the period represented by the CPI to the ninth month preceding the month of scheduled delivery of the applicable aircraft.

NOTE: Any rounding of a number, as required under this Exhibit D with respect to escalation of the Engine price, will be accomplished as follows: if the first digit of the portion to be dropped from the number to be rounded is five or greater, the preceding digit will be raised to the next higher number.

#### BUYER FURNISHED EQUIPMENT PROVISIONS DOCUMENT

between

THE BOEING COMPANY

and

ALASKA AIRLINES

Exhibit E to Purchase Agreement Number 1954

#### BUYER FURNISHED EQUIPMENT PROVISIONS DOCUMENT

Dated

Relating to

BOEING MODEL 737 AIRCRAFT

This Buyer Furnished Equipment Provisions Document is Exhibit E to and forms a part of Purchase Agreement No. 1954, between The Boeing Company (Boeing) and Alaska Airlines (Buyer) relating to the purchase of Boeing Model 737-490 aircraft.

#### BUYER FURNISHED EQUIPMENT PROVISIONS DOCUMENT

##### 1. General.

Certain equipment to be installed in the Aircraft is furnished to Boeing by Buyer at Buyer's expense. This equipment is designated "Buyer Furnished Equipment" (BFE) and is listed in the Detail Specification. On or before October 1, 1996, Boeing will provide to Buyer a BFE Requirements On-Dock/Inventory Document (BFE Document) or an electronically transmitted BFE Report which may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions relating to the in

sequence installation of BFE. For planning purposes, a preliminary BFE on-dock schedule is set forth in the attachment to this Exhibit.

## 2. Supplier Selection.

Buyer will:

2.1 Select and notify Boeing of the suppliers of the following BFE items by the following dates:

Galley System September 30, 1996

Seats (passenger) September 30, 1996

2.2 Meet with Boeing and such selected BFE suppliers promptly after such selection to:

2.2.1 complete BFE configuration design requirements for such BFE; and

2.2.2 confirm technical data submittal dates for BFE certification.

## 3. Buyer's Obligations.

Buyer will:

3.1 comply with and cause the supplier to comply with the provisions of the BFE Document or BFE Report;

3.1.1 deliver technical data (in English) to Boeing as required to support installation and FAA certification in accordance with the schedule provided by Boeing or as mutually agreed upon during the BFE meeting referred to above;

3.1.2 deliver BFE including production and/or flight training spares to Boeing in accordance with the quantities and schedule provided therein; and

3.1.3 deliver appropriate quality assurance documentation to Boeing as required with each BFE part (D6-56586, "BFE Product Acceptance Requirements");

3.2 authorize Boeing to discuss all details of the BFE directly with the BFE suppliers;

3.3 authorize Boeing to conduct or delegate to the supplier quality source inspection and supplier hardware acceptance of BFE at the supplier location;

3.3.1 require supplier's contractual compliance to Boeing defined source inspection and supplier delegation programs, including availability of adequate facilities for Boeing resident personnel; and

3.3.2 assure that Boeing identified supplier's quality systems be approved to Boeing document D1-9000;

3.4 provide necessary field service representation at Boeing's facilities to support Boeing on all issues related to the installation and certification of BFE;

3.5 deal directly with all BFE suppliers to obtain overhaul data, provisioning data, related product support documentation and any warranty provisions applicable to the BFE;

3.6 work closely with Boeing and the BFE suppliers to resolve any difficulties, including defective equipment, that arise;

3.7 be responsible for modifying, adjusting and/or calibrating BFE as required for FAA approval and for all related expenses;

3.8 warrant that the BFE will meet the requirements of the Detail Specification; and

3.9 be responsible for providing equipment which is FAA certifiable at time of Aircraft delivery, or for obtaining waivers from the applicable regulatory agency for non-FAA certifiable equipment.

#### 4. Boeing's Obligations.

Other than as set forth below, Boeing will provide for the installation of and install the BFE and obtain certification of the Aircraft with the BFE installed.

#### 5. Nonperformance by Buyer.

If Buyer's nonperformance of obligations in this Exhibit or in the BFE Document causes a delay in the delivery of the Aircraft or causes Boeing to perform out-of-sequence or additional work, Buyer will reimburse Boeing for all resulting expenses and be deemed to have agreed to any such delay in Aircraft delivery. In addition Boeing will have the right to:

5.1 provide and install specified equipment or suitable alternate equipment and increase the price of the Aircraft accordingly; and/or

5.2 deliver the Aircraft to Buyer without the BFE installed.

#### 6. Return of Equipment.

BFE not installed in the Aircraft will be returned to Buyer in accordance with Buyer's instructions and at Buyer's expense.

#### 7. Title and Risk of Loss.

Title to and risk of loss of BFE will at all times remain with Buyer or other owner. Boeing will have only such liability for BFE as a bailee for mutual benefit would have, but will not be liable for loss of use.

#### 8. Indemnification of Boeing.

Buyer hereby indemnifies and holds harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Buyer but not employees of Boeing, or for loss of or damage to any property, including any Aircraft, arising out of or in any way connected with any nonconformance or defect in any BFE and whether or not arising in tort or occasioned in whole or in part by the active, passive or imputed negligence of Boeing. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the BFE.

#### 9. Patent Indemnity.

Buyer hereby indemnifies and holds harmless Boeing from and against all claims, suits, actions, liabilities, damages and costs arising out of any actual or alleged infringement of any patent or other intellectual property rights by BFE or arising out of the installation, sale or use of BFE by Boeing.

#### 10. Definitions.

For the purposes of the above indemnities, the term "Boeing" includes The Boeing Company, its divisions, subsidiaries and affiliates, the assignees of each, and their directors, officers, employees and agents.

BOEING MODEL 737-400 AIRCRAFT

Item Preliminary On-Dock Dates

June, 1997 July, 1997  
Aircraft Aircraft

Seats 4/11/97 5/13/97



Galleys 4/8/97 5/8/97

Electronics 4/2/97 5/2/97

Furnishings 4/4/97 5/6/97

July, 1997 January, 1998  
Aircraft Aircraft

Seats 5/15/97 11/3/97

Galleys 5/12/97 10/29/97

Electronics 5/6/97 10/24/97

Furnishings 5/8/97 10/23/97

February, 1998 March, 1998  
Aircraft Aircraft

Seats 12/5/97 1/15/98

Galleys 12/2/97 1/12/98

Electronics 11/25/97 1/7/98

Furnishings 12/2/97 1/12/98

#### BOEING MODEL 737-400 AIRCRAFT

#### Item Preliminary On-Dock Dates

April, 1998 May, 1998  
Aircraft Aircraft

Seats 2/12/98 3/16/98

Galleys 2/9/98 3/11/98

Electronics 2/4/98 3/5/98

Furnishings 2/9/98 3/10/98

August, 1998 September, 1998  
Aircraft Aircraft

Seats 6/5/98 7/10/98

Galleys 6/2/98 7/7/98

Electronics 5/28/98 6/30/98

Furnishings 6/3/98 7/6/98

March, 1999 May 1999  
Aircraft Aircraft

Seats 1/8/99 3/5/99

Galleys 1/5/99 3/2/99

Electronics 12/21/98 2/24/99

Furnishings 1/4/99 3/1/99

DEFINED TERMS DOCUMENT

between

THE BOEING COMPANY

and

ALASKA AIRLINES

Exhibit F to Purchase Agreement Number 1954

DEFINED TERMS DOCUMENT

Dated

Relating to

BOEING MODEL 737-490 AIRCRAFT

This Document is Exhibit F to and forms a part of Purchase Agreement No. 1954 (Agreement) between The Boeing Company (Boeing) and Alaska Airlines (Buyer) relating to the purchase of Boeing Model 737-490 aircraft.

The following is a list of those terms and their definitions as used and not otherwise defined in this Agreement. Such terms are identified in the Agreement by the use of an initial capital letter.

Advance Payment Base

Price

Boeing's estimate of the

Aircraft Price is set

forth in Article 3.

Article 3, Paragraph

3,4

Agreement

Purchase Agreement

No. 1954, including all

Exhibits, the Detail

Specification,

attachments, letter

agreements and other

written modifications and

amendments thereto.

Opening paragraph

of the Agreement

Aircraft (includes

"the", "all",

"first", "last"

"such", etc.)

The aircraft described in

Article 1, Para. 1.1.

Article 1, Para. 1.1

Aircraft Basic Price

The amount set forth in

Article 3, Para. 3.1.4.

Article 3, Para.

3.1.4

Aircraft Price

The total amount Buyer is

to pay for an Aircraft  
which is described in  
Article 3, Para. 3.1.6.  
Article 3, Para.  
3.1.6  
Aircraft Software  
The computer software  
included with the Aircraft  
when the Aircraft is  
delivered by Boeing,  
described in Exhibit B,  
Part D-1, Para. 1.  
Exhibit B, Part D-1,  
Para 1  
Airframe Component  
A component described in  
Exhibit B, Part C, Para.  
1.1  
Exhibit B Part C  
Para. 1.1  
Article  
An Article of the  
Agreement.  
Article 6, Para. 6.4  
Base Airframe Price  
The airframe price  
described in Article 3,  
Para. 3.1.2.  
Article 3,  
Para. 3.1.2  
Boeing  
The Seller of the Aircraft  
identified in the opening  
paragraph of the  
Agreement.  
Opening paragraph of  
the Agreement  
Boeing Warranty  
Part A of Exhibit B to the  
Agreement.  
Exhibit B, Part A,  
Para. 1  
Buyer  
The purchaser of the  
Aircraft identified in the  
opening paragraph of the  
Agreement.  
Opening paragraph of  
the Agreement  
Buyer Furnished  
Equipment or BFE  
Equipment provided by  
Buyer pursuant to Exhibit  
E for installation by  
Boeing on the Aircraft.  
Article 4.2  
Buyer Furnished  
Equipment Document  
Document provided by  
Boeing to Buyer defining  
requirements for BFE.  
Exhibit E, Para. 1.  
Article 13, Para.  
13.1  
Certificate of  
Airworthiness  
The certificate issued by  
the FAA pursuant to Part  
21 of the Federal Aviation  
Regulations for each of  
the Aircraft purchased  
under this Agreement as  
described in Article 8.  
Article 8, Para.  
8.1.1.2 (referred to

therein as Standard  
Airworthiness  
Certificate)  
Change Order  
A change to the Detail  
Specification, as  
described in Article 7,  
Para. 7.2.  
Article 7, Para. 7.2  
Covered Component  
An Airframe Component as  
described in Exhibit B,  
Part C, Para. 1.4.  
Exhibit B Part C  
Para. 1.4  
Customer Support  
Document  
Exhibit C to the  
Agreement.  
Article 12, Para.  
12.5  
Customer Support  
Services  
The Boeing services,  
training and other  
obligations described in  
Exhibit C to the  
Agreement.  
Article 12, Para.  
12.5  
Deposit  
The money paid by Buyer to  
Boeing as part of the  
acceptance of the Aircraft  
proposal.  
Article 5, Para. 5.1  
Detail Specification  
The Boeing document that  
describes the  
specifications of the  
Aircraft modified from  
time to time to include  
developmental and Buyer  
requested changes.  
Article 1, Para. 1.1  
Development  
Change(s)  
Changes to the basic  
specification that do not  
affect price, delivery,  
guaranteed weight,  
performance or  
interchangeability as  
described in Article 7,  
Para. 7.1.  
Article 7, Para. 7.1  
Disclaimer and  
Release  
The Disclaimer and Release  
set forth in Article 12,  
Para. 12.2.  
Article 12,  
Para. 12.2  
Documents  
The data and documents  
provided by Boeing under  
the Agreement.  
Exhibit C, Part D  
Para. 2  
Economic Price  
Adjustment  
Article 3, Para. 3.1.5.  
Article 3,  
Para. 3.1.5  
Engine(s)

The engines installed on the Aircraft as described in the Detail Specification.  
Article 3,  
Para. 3.1.2  
Engine Price  
The price of the Engines installed on the Aircraft set forth in Exhibit D, including all accessories, equipment and parts therefor provided by the Engine manufacturer.  
Article 3, Para. 3.1.3  
Engine Price Adjustment  
The adjustment to the Engine Price as required by Article 3, Para. 3.1.2, and as calculated pursuant to Exhibit D.  
Exhibit D  
Excusable Delay  
A delay resulting from any of the causes described in Article 6, Para. 6.1.  
Article 6, Para. 6.1

FAA  
The Federal Aviation Administration of the Department of Transportation of the United States, including the Administrator of the Federal Aviation Administration, the National Transportation Safety Board and any other authority or agency of the Federal Government of the United States having like jurisdiction.  
Article 8, Para. 8.1.1  
Failed Component  
A component as described in Exhibit B, Part C, Para. 1.6.  
Exhibit B Part C  
Para. 1.6  
Failure  
Any breakage or defect as described in Exhibit B, Part C, Para. 5.  
Exhibit B Part C  
Para. 1.5  
Federal Aviation Regulations  
The United States Federal Aviation Regulations and, if they are redesignated or discontinued, any comparable regulations or parts thereof issued by the FAA.  
Article 8, Para. 8.1.1.1  
Field Service(s)  
Boeing-provided services as described in Exhibit C,

Part B, Para. 2.  
Exhibit C, Part B,  
Para. 2  
Field Service Period  
The length of time Boeing  
provides Field Service to  
Buyer as described in  
Exhibit C, Part B, Para.  
2.1.  
Exhibit C, Part B,  
Para. 2.1

Flight Training  
Program  
The program of flight  
training described in  
Exhibit C, Part C, Para.  
3.  
Exhibit C, Part C,  
Para. 2  
Interface Problem  
A technical problem  
attributed to the design  
characteristics of the  
Aircraft or its systems,  
as described in Exhibit B,  
Part G, Para. 1.  
Exhibit B, Part G,  
Para. 1  
Landing Gear  
Component  
A component as described  
in Exhibit B, Part C,  
Para. 1.2.  
Exhibit B Part C  
Para. 1.2

Maintenance Training  
Program  
The program of training  
described in Exhibit C,  
Part A, Para. 3.  
Exhibit C, Part A,  
Para. 2

Manufacturer  
Change(s)  
A change to the Aircraft  
or performance required of  
Boeing as described in  
Article 8, Para. 8.2.1.  
Article 8, Para.  
8.2.1  
Operator Change(s)  
A change to the Aircraft  
described in Article 8,  
Para. 8.3.1.  
Article 8, Para.  
8.3.1  
Performance  
Guarantees  
The written guarantees  
regarding the operational  
performance of the  
Aircraft set forth in the  
Agreement or the Detail

Specification.  
Article 1, Para. 1.3  
Policy (Boeing  
Service Life Policy)  
Exhibit B, Part C, Para.  
2.  
Exhibit B, Part C,  
Para. 2

Product Assurance  
Document  
Exhibit B of the  
Agreement.  
Article 12, Para.  
12.1  
Revenue Service  
Training  
Flight Training conducted  
on the Aircraft during  
revenue service with cargo  
and/or passengers on  
board.

Exhibit C, Part E,  
Para. 1.1

Spare Component  
A component as described  
in Exhibit B, Part C,  
Para. 1.3.  
Exhibit B Part C  
Para. 1.3  
Special Features  
Article 3, Para. 3.1.1.  
Article 3,  
Para. 3.1.1  
Standard  
Airworthiness  
Certificate  
A certificate issued by  
the FAA, pursuant to Part  
21 of the Federal Aviation  
Regulations as described  
in Article 8,  
Para. 8.1.1.2.  
Article 8, Para.  
8.1.1.2  
Target Delivery Date  
A non binding estimated  
delivery date provided for  
Buyer's planning purposes,  
described in Article 2.  
Article 2, Para. 2.2  
Taxes  
The term "Taxes" defined  
in Article 4, Para. 4.1.  
Article 2, Para. 2.3  
Type Certificate  
A certificate issued by  
the FAA pursuant to Part  
21 of the Federal Aviation  
Regulations described in  
Article 8, Para. 8.1.1.1.  
Article 8,  
Para. 8.1.1.1  
Warranty Labor Rate  
The hourly labor rate  
defined in Exhibit B, Part  
B, Para. 5.3.  
Exhibit B, Part B,  
Para. 5.3

1954-1

Alaska Airlines, Inc.  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 1954-1 to  
Purchase Agreement No. 1954 -  
Promotion Support

This Letter Agreement amends Purchase Agreement No. 1954 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Alaska Airlines, Inc. (Buyer) relating to Model 737-400 aircraft (the Aircraft).

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

1. Planning Meeting.

Boeing will assist Buyer in the introduction of the Aircraft by providing to Buyer certain promotion support. Promptly after execution of the Agreement and before any funds are disbursed, a Boeing Airline Promotion representative will meet with Buyer's designated representatives to discuss the extent, selection, scheduling, and disbursement process for the promotion support to be provided.

2. Support Level.

Boeing will make available to Buyer up to [Confidential Treatment Requested] for Buyer's marketing communications programs. Programs include marketing research; tourism development; corporate identity; direct marketing; video tape, film or still photography requirements; planning, design and production of collateral materials; management of promotion programs; and advertising campaigns. The intent of this funding program is to encourage the use of the Aircraft benefits in support of Buyer's marketing communications programs, as Boeing and Buyer mutually agree. Prior to any funds being disbursed, Boeing and Buyer will meet to mutually agree on the marketing communications programs related to Buyer's introduction and operation of the Aircraft.

Boeing's obligation to provide the support will commence at the time the purchase of the Aircraft becomes firm (not subject to cancellation by either party) and will terminate 2 years from the date the first Aircraft is delivered to Buyer. There will be no cash payments or other support in lieu thereof.

3. Additional Support.

Additional promotional support may be provided by Boeing subject to the parties reaching mutual agreement as to the type of services, timing and price.

Very truly yours,

THE BOEING COMPANY

By /s/ Dawn S. Foster

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 18, 1996

ALASKA AIRLINES



By /s/ Harry G. Lehr

Its Senior Vice President Finance

1954-2

Alaska Airlines, Inc.  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 1954-2 to  
Purchase Agreement No. 1954 -  
Seller Purchased Equipment

This Letter Agreement amends Letter Agreement 1954-2 of Purchase Agreement No. 1954 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Alaska Airlines, Inc. (Buyer) relating to Model 737-400 aircraft (the Aircraft).

For purposes of this Letter Agreement the following definitions apply:

Seller Purchased Equipment (SPE) is Buyer Furnished Equipment (BFE) that Boeing purchases for Buyer.

Developmental Buyer Furnished Equipment (DBFE) is all BFE not previously certified for installation on the same model aircraft.

Developmental Seller Purchased Equipment (DSPE) is DBFE which is converted to SPE.

This Letter Agreement does not include developmental avionics. Developmental avionics are avionics that have not been previously certified for installation on the same model aircraft.

Boeing and Buyer acknowledge that there are no items of DBFE or DSPE in Buyer's detail specification D6-38900-1C dated August 29, 1996.

All other terms used herein and in the Agreement, and not defined above, will have the same meaning as in the Agreement.

Buyer has requested that Boeing purchase as SPE the BFE which has been changed to SPE as reflected in the Detail Specification. Accordingly, Boeing and Buyer agree as follows:

#### 1. Price.

Advance Payments. An estimated SPE price will be included in the Aircraft Advance Payment Base Price for the purpose of establishing the advance payments for each Aircraft. The estimated price of the SPE for each Aircraft as identified in the Detail Specification as of the date hereof, is [Confidential Treatment Requested] expressed in 1995 STE dollars.

Aircraft Price. The Aircraft Price will be adjusted to reflect (i) the actual costs charged Boeing by the SPE suppliers, (ii) a handling fee of [Confidential Treatment Requested]% of such costs and (iii) transportation charges. If at some future date, Buyer's configuration is revised to include any DBFE and all DBFE, except for developmental avionics, is converted to SPE, Boeing will waive the handling fee for all SPE.

#### 2. Responsibilities.

2.1 If Buyer elects to convert additional BFE to SPE, Buyer is responsible for:

(i) selecting the supplier on or before:

Not Applicable for galleys

Not Applicable for seats;

(ii) selecting a FAA certifiable part; and

(iii) providing to Boeing the SPE part specification/Buyer requirements.

## 2.2. Boeing is responsible for:

(i) placing and managing the purchase order with the supplier;

(ii) coordinating with the suppliers on technical issues;

(iii) ensuring that the delivered SPE complies with the part specification;

(iv) obtaining certification of the Aircraft with the SPE installed; and

(v) obtaining for Buyer the supplier's standard warranty for the SPE. SPE is deemed to be BFE for purposes of Exhibit B, the Product Assurance Document, of the Agreement.

## 3. Changes.

After this Letter Agreement is signed, changes to SPE may only be made by and between Boeing and the suppliers. Buyer's contacts with SPE suppliers relating to design (including selection of materials and colors), weights, prices or schedules are for informational purposes only. If Buyer wants changes made to any of the above, requests must be made directly to Boeing for negotiating with the supplier.

## 5. Proprietary Rights.

Boeing's obligation to purchase SPE will not impose upon Boeing any obligation to compensate Buyer or any supplier for any proprietary rights Buyer may have in the design of the SPE.

## 6. Remedies.

If Buyer does not comply with the obligations above, Boeing may:

(i) delay delivery of the Aircraft;

(ii) deliver the Aircraft without installing the SPE;

(iii) substitute a comparable part and invoice Buyer for the cost;

(iv) increase the Aircraft Price by the amount of Boeing's additional costs attributable to such noncompliance.

## 7. Buyer's Indemnification of Boeing.

Buyer will indemnify and hold harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Buyer but not employees of Boeing, or for loss of or damage to any property, including Aircraft, arising out of or in any way connected with any nonconformance or defect in any SPE and whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing, whether active, passive or imputed. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the SPE.

Very truly yours,

THE BOEING COMPANY

By /s/ Dawn S. Foster

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 18, 1996

ALASKA AIRLINES

By /s/ Harry G. Lehr

Its Senior Vice President Finance

1954-3

Alaska Airlines, Inc.  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 1954-3 to Purchase Agreement No. 1954 -  
Option Aircraft

This Letter Agreement amends Purchase Agreement No. 1954 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Alaska Airlines, Inc. (Buyer) relating to Model 737-400 aircraft (Aircraft).

All terms not defined herein will have the same meaning as in the Agreement.

In consideration of Buyer's purchase of the Aircraft, Boeing agrees to manufacture and sell to Buyer up to twelve (12) additional Model 737-400 Aircraft (Option Aircraft) [Confidential Treatment Requested] as described in paragraph 1 of Attachment A hereto, and subject to the terms and conditions set forth below.

#### 1. Delivery.

1.1 The Option Aircraft will be delivered to Buyer during or before the months set forth in the following schedule:

Month and Year	Number of of Delivery	Option Aircraft
----------------	--------------------------	-----------------

July 1999	One	(1)
August 1999	One	(1)
October 1999	One	(1)
November 1999	One	(1)
December 1999	One	(1)

January 2000	One	(1)
February 2000	One	(1)
April 2000	Two	(2)
December 2000	One	(1)
January 2001	One	(1)
February 2001	One	(1)

#### 2. Price.

The estimated delivery prices (Advance Payment Base Price) of the Option Aircraft set forth in Attachment A include an allowance of \$[Confidential Treatment Requested] (1995\$ STE) for the special features listed in paragraph 1 of Attachment A and an estimate for Seller Purchased Equipment in the amount of \$[Confidential Treatment Requested] (1995\$ STE). The Advance Payment Base Price excludes any amount for items of BFE. The Option Aircraft pricing elements and associated pricing terms and conditions are in Attachment A.

#### 3. Option Aircraft Deposit.

In consideration of Boeing's grant to Buyer of options to purchase the Option Aircraft as set forth herein, and concurrent with the execution

of the Purchase Agreement for the Aircraft, Buyer will pay a deposit to Boeing of \$[Confidential Treatment Requested] for each Option Aircraft (the Option Deposit). In the event Buyer exercises an option herein for an Option Aircraft, the amount of the Option Deposit for such Option Aircraft will be credited against the first advance payment due for such Option Aircraft pursuant to the advance payment schedule set forth in Article 5 of the Purchase Agreement.

In the event that Buyer does not exercise its option to purchase a particular Option Aircraft pursuant to the terms and conditions set forth herein, Boeing shall be entitled to retain the Option Deposit for such Option Aircraft.

#### 4. Option Exercise.

To exercise its option to purchase the Option Aircraft, Buyer shall give written notice thereof to Boeing on or before the first business day of the month in each Option Exercise Date shown below:

Option Aircraft

Delivery Date      Option Exercise Date

July 1999 On or before February 1, 1998

August 1999 On or before February 1, 1998

October 1999 On or before May 1, 1998

November 1999 On or before May 1, 1998

December 1999 On or before May 1, 1998

January 2000 On or before August 1, 1998

February 2000 On or before August 1, 1998

April 2000 On or before October 1, 1998

December 2000 On or before May 1, 1999

January 2001 On or before May 1, 1999

February 2001 On or before May 1, 1999

#### 5. Contract Terms.

Within thirty (30) days after Buyer exercises an option to purchase Option Aircraft pursuant to paragraph 4 above, Boeing and Buyer will use their best reasonable efforts to enter into a supplemental agreement amending the Purchase Agreement to add the applicable Option Aircraft to the Purchase Agreement as a firm Aircraft as provided in Paragraph 7, below (the Option Aircraft Supplemental Agreement).

#### 6. [Confidential Treatment Requested]

#### 7. Applicability.

Except as otherwise specifically provided in this Letter Agreement, all the applicable terms, conditions and provisions of the Purchase Agreement shall apply to all Option Aircraft [Confidential Treatment Requested] that are added to the Purchase Agreement by an Option Aircraft Supplemental Agreement as firm Aircraft.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ Dawn S. Foster

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 18, 1996

ALASKA AIRLINES

By /s/ Harry G. Lehr

Its Senior Vice President Finance

Attachments

Model 737-400 Aircraft

1. Option and [Confidential Treatment Requested] Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft and [Confidential Treatment Requested] Aircraft are described by Detail Specification D6-38900-4-1C dated August 29, 1996, as revised to include:

- (1) CFM56-3C-1 Engine Installation
- (2) The following special features:

As described in Exhibit A to the Agreement

1.2 Changes. The Detail Specification will be revised to include:

(1) Changes applicable to the basic Model 737-400 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of a definitive agreement to purchase the Option Aircraft.

(2) Changes mutually agreed upon.

(3) Changes required to obtain a Standard Certificate of Airworthiness.

2. Price Description - Model 737-400

2.1 Price Elements Per Aircraft

[Confidential Treatment Requested]

2.2 Price Adjustments.

2.2.1 Special Features. The price for Special Features selected for the Option Aircraft will be adjusted to Boeing's then-current prices as of the date of execution of the definitive agreement for the Option Aircraft.

2.2.2 Escalation Adjustments. For Option Aircraft delivering before January, 2002, the Base Airframe Price and the price of Special Features will be escalated according to the provisions of Exhibit D to the Agreement.

The engine manufacturer's current escalation provisions, shown in Exhibit D to the Agreement, were used to calculate the advance payment base prices shown herein. Such engine escalation provisions will be revised if they are changed by the engine manufacturer prior to the signing of a definitive agreement for the Option Aircraft and the then-current engine escalation provisions will be incorporated into such agreement.

2.2.3 Base Price Adjustments. The Base Airframe Price and the Engine Price of the Option Aircraft will be adjusted to Boeing's and the engine manufacturer's then-current prices as of the date of execution of the definitive agreement for the Option Aircraft.

3. Advance Payment Schedules, Prices and Adjustments.

3.1 Buyer will pay to Boeing advance payments for the Option Aircraft pursuant to the following schedule.

Amount Due per Option Aircraft  
(Percentage times  
Due Date of Payment Advance Payment Base Price)

Upon signing of the definitive 1% (less the  
agreement Deposit)

24 months prior to the first 4%  
day of the scheduled delivery  
month of the Option Aircraft/

21 months prior to the first 5%  
day of the scheduled delivery  
month of the Option Aircraft

18 months prior to the first 5%  
day of the scheduled delivery  
month of the Option Aircraft

12 months prior to the first 5%  
day of the scheduled delivery  
month of the Option Aircraft

9 months prior to the first 5%  
day of the scheduled delivery  
month of the Option Aircraft

6 months prior to the first 5%  
day of the scheduled delivery  
month of the Option Aircraft

Total 30%

Any advance payments past due as of the date of signing the definitive  
purchase agreement for the Option Aircraft are due and payable on the date  
of such signing.

3.2 Option Aircraft advance payment base prices will be increased  
or decreased, as appropriate, at the time of signing of the definitive  
purchase agreement for the Option Aircraft, using the then-current  
forecasted airframe and engine escalation factors used by Boeing, to  
determine the amount of the advance payments to be made by Buyer for the  
Option Aircraft.

1954-4

Alaska Airlines, Inc.  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 1954-4 to  
Purchase Agreement No. 1954 -  
Spares Initial Provisioning

This Letter Agreement amends Purchase Agreement No. 1954 dated as of even  
date herewith (the Agreement) between The Boeing Company (Boeing) and  
Alaska Airlines, Inc. (Buyer) relating to Model 737-400 aircraft (the  
Aircraft).

All terms used herein and in the Purchase Agreement, and not defined  
herein, will have the same meaning as in the Agreement.

1. Applicability.

This letter will apply to initial provisioning for the Model 737-400  
Aircraft covered by the Agreement.

2. Initial Provisioning Meeting.

Boeing will conduct an initial provisioning meeting (Initial Provisioning Meeting) with Buyer to establish mutually agreeable procedures to accomplish Buyer's initial provisioning of spare parts for the Aircraft. The parties will agree, during the Initial Provisioning Meeting on the operational data to be provided by Buyer for Boeing's use in preparing its quantity recommendations for initial provisioning of spare parts for the Aircraft, exclusive of special tools, ground support equipment, engines and engine parts (Provisioning Items). Such operational data to be provided by Buyer will be the data described in Section E of Boeing Manual D6-49090, entitled "Initial Provisioning Implementation Manual, Boeing Model 757, 767, 777, 747-400 and 737-300, -400 and -500" (Boeing Initial Provisioning Implementation Manual) which will be furnished to Buyer prior to the Initial Provisioning Meeting. The parties will also agree on the provisioning documentation to be provided by Boeing. Such data will be essentially in accordance with the provisions of Chapter 1 of ATA International Specification 2000, Revision 1, dated April 20, 1989, as described in Boeing Initial Provisioning Implementation Manual D6-49090 (such data will be hereinafter referred to collectively as the "Provisioning Data"). Boeing will provide instruction in the use of the initial provisioning documentation. This instruction will be provided in conjunction with the Initial Provisioning Meeting. In addition, the parties will discuss spares ordering procedures and other matters related to the provisioning for the Aircraft. The time and location for such Initial Provisioning Meeting will be mutually agreed upon between the parties; however, Boeing and Buyer will use their best efforts to convene such meeting within 30 days after execution of the Agreement.

### 3. Initial Provisioning Documentation.

3.1 Provisioning Data. Boeing will furnish Provisioning Data to Buyer on or about September 20, 1996. The Provisioning Data will be as complete as possible and will cover Provisioning Items selected by Boeing for review by Buyer for initial provisioning for the Aircraft. The Provisioning Data will set forth the prices for Provisioning Items which are Boeing Spare Parts and such prices will be firm and remain in effect until the date or dates set forth in Paragraph 4.1, Boeing Spare Parts, by which orders must be placed with Boeing. Boeing will, from time to time, until a date approximately 90 days following delivery of the last Aircraft or until the delivery configuration of each of the Aircraft is reflected in the Provisioning Data, whichever is later, furnish to Buyer revisions to the Provisioning Data.

3.2 Provisioning IPC. Boeing will, on or about September 20, 1996, furnish to Buyer a Boeing Illustrated Parts Catalog (IPC), hereinafter referred to as the "Provisioning IPC." The Provisioning IPC will be as complete as possible and will cover Provisioning Items selected by Boeing for review by Buyer for initial provisioning for the Aircraft. Boeing will, from time to time, until a date approximately 90 days following delivery of the last Aircraft, or until the delivery configuration of each of the Aircraft is reflected in the Provisioning IPC, whichever is later, furnish to Buyer revisions to the Provisioning IPC.

### 3.3 Buyer Furnished Equipment (BFE) Provisioning Data.

3.3.1 Boeing's Responsibility. Boeing will include BFE end items in the Provisioning Data and Provisioning IPC for BFE installed on Buyer's Aircraft provided such equipment has been installed on other Aircraft by Boeing and Boeing has data on the BFE.

3.3.2 Buyer's Responsibility. Buyer will be responsible for ensuring BFE data is provided to Boeing by the BFE supplier in a format acceptable to Boeing for BFE not covered by 3.3.1 above. If the data is not provided to Boeing in a timely manner and in a format acceptable to Boeing, such BFE equipment will not be included in Boeing's Provisioning Data or IPC.

3.4 Other Data. Boeing will submit to Buyer listings of Raw Materials, Standard Parts and Bulk Materials to be used by Buyer in the maintenance and repair of the Aircraft.

### 4. Purchase from Boeing of Spare Parts as Initial Provisioning for the Aircraft.

4.1 Boeing Spare Parts. Buyer will place orders for Provisioning Items by October 20, 1996; provided, however, that in those instances where

Boeing submits any revision to the Provisioning Data, Buyer will place orders for Boeing Spare Parts covered by such revision within 60 days following the date of such submittal. At Buyer's request, Boeing will process "controlled shipments" by shipping full or partial quantities of an order on a schedule specified by Buyer, provided the final shipment is made no later than 24 months after receipt of the order.

4.2 Vendor Provisioning Items. Buyer may place orders with Boeing for Provisioning Items which are manufactured by vendors or to their detailed design and are covered by the Provisioning Data as initial provisioning for the Aircraft. The price to Buyer for any such vendor Provisioning Item will be [Confidential Treatment Requested]% of the vendor's quoted price to Boeing therefor. If Buyer elects to purchase such vendor Provisioning Items from Boeing, Buyer will place its orders therefor in accordance with the provisions of Paragraph 4.1, Boeing Spare Parts.

4.3 Ground Support Equipment and Special Tools. Buyer may place orders with Boeing for ground support equipment (GSE) and special tools manufactured by vendors which Buyer determines it will initially require for maintenance, overhaul and servicing of the Aircraft and/or engines. The price to Buyer for such GSE or special tools will be [Confidential Treatment Requested]% of the vendor's quoted price to Boeing therefor. If Buyer elects to purchase such GSE and special tools from Boeing, Buyer will place its orders therefor by the date set forth in Paragraph 4.1, Boeing Spare Parts or such later date as the parties may mutually agree.

4.4 Spare Engines and Engine Spare Parts. Buyer may place orders with Boeing for spare engines and/or engine spare parts which Buyer determines it will initially require for support of the Aircraft or for maintenance and overhaul of the engines. The price to Buyer for such spare engines or such engine spare parts, will be [Confidential Treatment Requested]% of the engine manufacturer's quoted price to Boeing for the engine, and [Confidential Treatment Requested]% of the engine manufacturer's quoted price to Boeing for the engine spare parts. If Buyer elects to purchase such spare engines or engine spare parts through Boeing, Buyer will place its orders on a date to be mutually agreed upon during the Initial Provisioning Meeting.

4.5 QEC Kits. Boeing will, on or about September 20, 1996, furnish to Buyer a listing of all components which could be included in the Quick Engine Change (QEC) kits which may be purchased by Buyer from Boeing. Buyer agrees to review such listing and indicate by marking on one copy of such listing those components that Buyer desires included in its QEC kits. Buyer will return such marked copy to Boeing within 30 days after Buyer's receipt of such listing. Within 30 days after Boeing's receipt of such marked copy, Boeing will republish such listing to reflect only those components selected by Buyer and will provide copies of such republished listing to Buyer. Boeing will from time to time furnish revisions to such republished listing until a date approximately 90 days after delivery of the last QEC kit ordered by Buyer for the Aircraft. Boeing will furnish to Buyer as soon as practicable a statement setting forth a firm price for the QEC kit configuration selected by Buyer. Buyer agrees to place orders with Boeing for the QEC kits for the Aircraft by October 20, 1996.

4.6 Payment for Provisioning Items. The payment provisions of the General Terms Agreement between Boeing and Buyer will be applicable to Provisioning Items ordered by Buyer from Boeing for the Aircraft.

## 5. Delivery.

Boeing will, insofar as reasonably possible, deliver to Buyer the Spare Parts ordered by Buyer in accordance with the provisions of this letter on dates reasonably calculated to conform to Buyer's anticipated needs in view of the scheduled deliveries of the Aircraft. Buyer and Boeing will agree upon the date to begin delivery of the Provisioning Spare Parts ordered in accordance with this letter. Where appropriate, Boeing will arrange for shipment of such Spare Parts, which are manufactured by vendors, directly to Buyer from the applicable vendor's facility. The routing and method of shipment for initial deliveries and all subsequent deliveries of such Spare Parts will be as mutually agreed between Boeing and Buyer.

## 6. Substitution for Obsolete Spare Parts.

6.1 Obligation to Substitute. In the event that, prior to



delivery of the first Aircraft pursuant to the Agreement, any Spare Part purchased by Buyer from Boeing in accordance with this letter is rendered obsolete or unusable due to the redesign of the Aircraft or of any accessory, equipment or part therefor, (other than a redesign at Buyer's request), Boeing will deliver to Buyer new and usable Spare Parts in substitution for such obsolete or unusable Spare Parts and Buyer will return the obsolete or unusable Spare Parts to Boeing. Boeing will credit Buyer's account with Boeing with the price paid by Buyer for any such obsolete or unusable Spare Part and will invoice Buyer for the purchase price of any such substitute Spare Part delivered to Buyer.

6.2 Delivery of Obsolete Spare Parts and Substitutes Therefor. Obsolete or unusable Spare Parts returned by Buyer pursuant to this Item will be delivered to Boeing at its Seattle Distribution Center, or such other destination as Boeing may reasonably designate. Spare Parts substituted for such returned

obsolete or unusable Spare Parts will be delivered to Buyer at Boeing's Seattle Distribution Center, or such other Boeing shipping point as Boeing may reasonably designate. Boeing will pay the freight charges for the shipment from Buyer to Boeing of any such obsolete or unusable Spare Part and for the shipment from Boeing to Buyer of any such substitute Spare Part.

## 7. Repurchase of Provisioning Items.

7.1 Obligation to Repurchase Peculiar Provisioning Items. During a period commencing 1 year after delivery of the first Aircraft under the Agreement, and ending 5 years after such delivery, Boeing will, upon receipt of Buyer's written request and subject to the exceptions in Paragraph 7.2, Exceptions, repurchase unused and undamaged Provisioning Items which were peculiar to the Aircraft as compared to the delivery configuration of Model 737-400 Aircraft previously purchased by Buyer from Boeing, and (i) were recommended by Boeing in the Provisioning Data as initial provisioning for the Aircraft, (ii) were purchased by Buyer from Boeing, and (iii) are surplus to Buyer's needs.

7.2 Exceptions. Boeing will not be obligated under Paragraph 7.1, Obligation to Repurchase, to repurchase any of the following: (i) quantities of Provisioning Items in excess of those quantities recommended by Boeing in the Provisioning Data for the Aircraft, (ii) QEC Kits, Bulk Material Kits, Raw Material Kits, Service Bulletin Kits, Standards Kits and components thereof (except those components listed separately in the Provisioning Data), (iii) Provisioning Items for which an Order was received by Boeing more than 5 months after delivery of the last Aircraft, (iv) Provisioning Items which have become obsolete or have been replaced by other Provisioning Items as a result of (a) Buyer's modification of the Aircraft or (b) design improvements by Boeing or the vendor (other than Provisioning Items which have become obsolete because of a defect in design if such defect has not been remedied by an offer by Boeing or the vendor to provide no charge retrofit kits or replacement parts which correct such defect), and (v) Provisioning Items which become excess as a result of a change in Buyer's operating parameters, provided to Boeing pursuant to the Initial Provisioning meeting in Paragraph 2, which were the basis of Boeing's initial provisioning recommendations for the Aircraft.

7.3 Notification and Format. Buyer will notify Boeing, in writing, when Buyer desires to return Provisioning Items which Buyer's review indicates are eligible for repurchase by Boeing under the provisions of this Repurchase of Provisioning Items paragraph. Buyer's notification will include a detailed summary, in part number sequence, of the Provisioning Items Buyer desires to return. Such summary will be in the form of listings, tapes, diskettes or other media as may be mutually agreed between Boeing and Buyer, and will include part number, nomenclature, purchase order number, purchase order date and quantity to be returned. Within 5 business days after receipt of Buyer's notification, Boeing will advise Buyer, in writing, when Boeing's review of such summary will be completed.

7.4 Review and Acceptance by Boeing. Upon completion of Boeing's review of any detailed summary submitted by Buyer pursuant to Paragraph 7.3, Boeing will issue to Buyer a Material Return Authorization (MRA) for those Provisioning Items Boeing agrees are eligible for

repurchase in accordance with this Repurchase of Provisioning Items paragraph. Boeing will advise Buyer of the reason that any spare part included in Buyer's detailed summary is not eligible for return. Boeing's MRA will state the date by which Provisioning Items listed in the MRA must be redelivered to Boeing and Buyer will arrange for shipment of such Provisioning Items accordingly.

7.5 Price and Payment. The price of each Provisioning Item repurchased by Boeing pursuant to this Repurchase of Provisioning Items paragraph will be an amount equal to 100% of the original invoice price thereof. In the case of Provisioning Items manufactured by a vendor which were purchased pursuant to Paragraph 4, Purchase from Boeing of Spare Parts as Initial Provisioning for the Aircraft, hereof the repurchase price will not include Boeing's [Confidential Treatment Requested]% handling charge. Boeing will pay the repurchase price by issuing a credit memorandum in favor of Buyer which may be applied against amounts due Boeing for the purchase of aircraft, Spare Parts, services or data.

7.6 Delivery of Provisioning Items. Provisioning Items repurchased by Boeing pursuant to this Repurchase of Provisioning Items paragraph will be delivered to Boeing F.O.B. at its Seattle Distribution Center, or such other destination as Boeing may reasonably designate. Buyer will pay the freight charges for the shipment from Buyer to Boeing of any such Provisioning Items.

#### 8. Obsolete Spare Parts and Surplus Provisioning Items - Title and Risk of Loss.

Title to and risk of loss of any obsolete or unusable Spare Parts returned to Boeing pursuant to Paragraph 6, Substitution for Obsolete Spare Parts, will pass to Boeing upon delivery thereof to Boeing. Title to and risk of loss of any Spare Part substituted for an obsolete or unusable Spare Part pursuant to Paragraph 6, Substitution for Obsolete Spare Parts, will pass to Buyer upon delivery thereof to Buyer. Title to and risk of loss of any Provisioning Item repurchased by Boeing pursuant to Paragraph 7, Repurchase of Provisioning Items, will pass to Boeing upon delivery thereof to Boeing. With respect to the obsolete or unusable Spare Parts which may be returned to Boeing and the Spare Parts substituted therefor, pursuant to Paragraph 6, and the Provisioning Items which may be repurchased by Boeing, pursuant to Paragraph 7, the party which has risk of loss of any such Spare Part or Provisioning Item will have the responsibility of providing any insurance coverage for it desired by such party.

#### 9. Supplier Support.

Boeing has entered, or anticipates entering, into product support agreements with suppliers (Boeing Suppliers) of major system components manufactured by such Suppliers to be installed on the Aircraft (Supplier Components). Such product support agreements commit, or are expected to commit, the Boeing Suppliers to provide to Boeing's Buyers and/or the Buyer's designees support services with respect to the Supplier Components which can be reasonably expected to be required during the course of normal operation. This support includes but is not limited to shelf-stock of certain spare parts, emergency spare parts, timely delivery of spare parts, and technical data related to the Supplier Components. Copies of such product support agreements will be provided to Buyer on or about September 20, 1996 in Boeing Document D6-56115, Volumes 1 and 2. In the event Buyer has used due diligence in attempting to resolve any difficulty arising in normal business transactions between Buyer and a Boeing Supplier with respect to product support for a Supplier Component manufactured by such Supplier and if such difficulty remains unresolved, Boeing will, if requested by Buyer, assist Buyer in resolving such difficulty. Assistance will be provided by the Spares Supplier Support and Data Management Organization within the Boeing Buyer Services Division.

#### 10. Termination of Agreement for Excusable Delay.

In the event of termination of the Agreement with respect to any Aircraft

- (i) pursuant to Article 6.2 of the Agreement, or
- (ii) pursuant to Article 6.3 of the Agreement

such termination will, if Buyer so requests by written notice received by Boeing within 15 days after such termination, also discharge and terminate all obligations and liabilities of the parties as to any Spare Parts which Buyer had ordered pursuant to the Provisions of this letter as initial provisioning for such Aircraft and which are undelivered on the date Boeing receives such written notice.

Very truly yours,

THE BOEING COMPANY

By /s/ Dawn S. Foster

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 18, 1996

ALASKA AIRLINES

By /s/ Harry G. Lehr

Its Senior Vice President Finance

1954-5

Alaska Airlines, Inc.  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 1954-5 to  
Purchase Agreement No. 1954 -  
Escalation Sharing

This Letter Agreement amends Purchase Agreement No. 1954 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Alaska Airlines, Inc. (Buyer) relating to Model 737-400 aircraft (the Aircraft).

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

#### 1. Commitment.

Boeing agrees to share one-half of the escalation up to a maximum of 3 percent per year in each of the years 1997 and 1998, as more fully described in paragraph 2 below, for any of Buyer's aircraft which are scheduled to deliver after December 31, 1996 (to include the twelve Firm, twelve Option and 24 Conditional Option Aircraft that are the subject of the Agreement). For the purpose of this Letter Agreement such aircraft are referred to as "Eligible Aircraft."

All escalation calculations under this Letter Agreement will be made in accordance with Exhibit D to the Agreement entitled "Price Adjustment Due to Economic Fluctuations - Airframe Price Adjustment" (hereinafter referred to as "Exhibit D"), using actual escalation indices published for the applicable period.

#### 2. Escalation Credit Memo.

##### 2.1 Calculation - Eligible Aircraft Delivering in 1997.

At the time of delivery of each Eligible Aircraft delivering in 1997, Boeing will issue to Buyer a credit memorandum (the 1997 Credit

Memorandum) which shall be applied to the Purchase Price of such Aircraft. The 1997 Credit Memorandum shall be calculated as follows:

One-half of the difference between the airframe and special features escalation calculated for a December 1996 aircraft delivery position, and the escalation calculated for the month of delivery of the 1997 Eligible Aircraft;

provided however,

The maximum amount of the 1997 Credit Memorandum shall not exceed 3 percent pursuant to the following calculation:

At the time of the delivery of the 1997 Eligible Aircraft, the Base Airframe Price and Special Features prices will be escalated to a December 1996 delivery month. The December 1996 escalated price will be referred to in the following formula as the "December 1996 Index Amount". The 1997 Credit Memorandum for the 1997 Eligible Aircraft will not exceed an amount equal to:

the December 1996 Index Amount times 0.03

#### 2.2 Calculation - Eligible Aircraft Delivering in 1998.

At the time of delivery of each Eligible Aircraft delivering in 1998, Boeing will issue to Buyer a credit memorandum (the 1998 Credit Memorandum) which shall be applied to the Purchase Price of such Aircraft. The 1998 Credit Memorandum shall be calculated as follows:

(i) One-half of the difference between the airframe and special features escalation calculated for a December 1997 aircraft delivery position, and the escalation calculated for the month of delivery of the 1998 Eligible Aircraft;

provided however,

The maximum amount of the 1998 Credit Memorandum shall not exceed 3 percent pursuant to the following calculation:

At the time of the delivery of the 1998 Eligible Aircraft, the Base Airframe Price and Special Features prices will be escalated to a December 1997 delivery month. The December 1997 escalated price will be referred to in the following formula as the "December 1997 Index Amount." The 1998 Credit Memorandum for the 1998 Eligible Aircraft will not exceed an amount equal to:

the December 1997 Index Amount times 0.03;

and,

(ii) The amount calculated above in paragraph 2.1 for the 1997 Credit Memorandum calculated through December, 1997.

#### 2.3 Eligible Aircraft Delivering after 1998.

For Eligible Aircraft delivering after the calendar year 1998, the amount of the Credit Memorandum will be the amount calculated pursuant to paragraph 2.2 above through December 1998. This credit memorandum amount will be escalated pursuant to the Airframe Adjustment Formula contained in Exhibit D of the Agreement, from December 1998 to the month of delivery.

#### 3. Advance Payment Base Price.

It is agreed that the Advance Payment Base Prices for the Eligible Aircraft set forth in Article 3.4 of the Agreement includes an estimate for the escalation sharing Credit Memorandum pursuant to this Letter Agreement.

#### 4. Escalating Credits (STE).

It is agreed that the credit memoranda amount specified in Letter Agreement No.6-1162-DSF-008 which is expressed [Confidential Treatment

Requested] will be calculated upon the Aircraft Price at delivery.

Very truly yours,

THE BOEING COMPANY

By /s/ Dawn S. Foster

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 18, 1996

ALASKA AIRLINES

By /s/ Harry G. Lehr

Its Senior Vice President Finance

1954-6

Alaska Airlines, Inc.  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 1954-6  
Purchase Agreement No. 1954 -  
Waiver of Aircraft Demonstration Flights

This Letter Agreement amends Purchase Agreement No. 1954 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Alaska Airlines, Inc. (Buyer) relating to Model 737-400 aircraft (the Aircraft).

All terms not defined herein have the same meaning as in the Agreement.

1. Fuel Entitlement at Delivery.

At the time of delivery of the Aircraft, Boeing will provide to Buyer, at no charge, 1000 gallons of jet fuel.

2. Waiver of Demonstration Flight.

Notwithstanding the provisions of the Agreement requiring the Aircraft to be test flown prior to delivery for the purpose of demonstrating to Buyer the functioning of such Aircraft and its equipment, upon written notice to Boeing 90 days prior to the scheduled date of the Aircraft delivery, or as agreed between the parties in writing, Buyer may waive such flight. With respect to each waived demonstration flight, the following provisions will apply:

3. Additional Fuel.

Promptly after delivery of the Aircraft, Boeing will load on the Aircraft an amount of jet fuel which together with the 1,000 gallons provided at delivery, equals a full tank.

4. Reimbursement for Correction of Flight Discrepancies.

4.1 Ferry Flight.

Except for Aircraft to be used promptly after delivery for Boeing flight crew training provided to Buyer at or near Seattle, Washington, Boeing will reimburse Buyer for Buyer's direct labor costs (as

defined below) and the cost of any material (Correction Costs) required to correct any flight discrepancy detected by Buyer while the Aircraft is being ferried from Seattle, Washington, to Buyer's main base, to the extent such Correction Costs and labor costs are not covered under a warranty provided by Boeing or by any of its suppliers. Within 90 days after the date of such ferry flight Buyer will submit to Boeing's Director, Product Assurance Contracts, at Renton, Washington, a written itemized statement describing any such flight discrepancy and indicating the Correction Costs incurred by Buyer for the correction of such flight discrepancy.

#### 4.2 Definitions.

For purposes of reimbursement under this paragraph; (i) Buyer's direct labor costs will be determined using the Warranty Labor Rate in effect between the parties as of the date such labor is expended, and (ii) flight discrepancies mean any failure or malfunction of such Aircraft, or the accessories, equipment, systems and parts installed therein which results from a defect in such Aircraft, accessories, equipment, systems and parts or a nonconformance to the Detail Specification for such Aircraft which was present at the time of delivery of the Aircraft to Buyer and which, if detected during a Boeing predelivery demonstration flight, would have been reported in the pilot's flight discrepancy report and would have been corrected by Boeing prior to the delivery of such Aircraft to Buyer.

#### 5. Return of Aircraft.

If any flight discrepancy as defined above is detected by Buyer during the ferry flight of any Aircraft, which requires the return of such Aircraft to Boeing's facilities at Seattle, Washington, for correction by Boeing, title to and risk of loss of such Aircraft will at all times remain with Buyer and Boeing will have such responsibility for such Aircraft while it is on the ground at Boeing's Seattle, Washington, facilities as is chargeable by law to a bailee for mutual benefit, but Boeing will not be chargeable for loss of use.

Very truly yours,

THE BOEING COMPANY

By /s/ Dawn S. Foster

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 18, 1996

ALASKA AIRLINES

By /s/ Harry G. Lehr

Its Senior Vice President Finance

1954-7

Alaska Airlines, Inc.  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 1954-7  
Purchase Agreement No. 1954 -  
Additional Purchase Agreement Provisions

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1954 dated as of even

date herewith (the Agreement) between The Boeing Company (Boeing) and Alaska Airlines, Inc. (Buyer) relating to Model 737-400 aircraft (the Aircraft).

All terms not defined herein have the same meaning as in the Agreement.

1. Boeing and Buyer agree that the following provisions shall apply in lieu of the provisions currently contained in the subject Agreement:

1.1 Article 2.3 - Notice of Delivery Date, is revised to read:  
"Boeing will give Buyer at least 10 days notice of the delivery date of the Aircraft....".

1.2 Article 2.6 - Bill of Sale, is revised in its entirety to read: "Upon delivery of an Aircraft Boeing will deliver to Buyer a bill of sale conveying good title to such Aircraft, free of any and all encumbrances, and such other documents of title as Buyer may reasonably request."

1.3 Article 7.1 - Developmental Changes. The last line of the article is revised to read: "If Boeing makes changes pursuant to this paragraph, Boeing will promptly notify Buyer of such changes and provide documentation of associated detail specification updates."

1.4 Article 7.2 - Change Orders, is revised to add: "Change Orders will include only changes previously accepted by Buyer in writing."

1.5 Notwithstanding Article 8.1.2, Boeing will provide a Certificate of Sanitary Construction at the time of delivery of each Aircraft.

1.6 Article 8.1.3 is revised to read "...If the FAA (or any successor U.S. governmental agency) does not issue a superseding certificate, Boeing's only....".

1.7 Article 9.3 - Aircraft Flight. The paragraph shall be revised to add "Boeing will continue its practice of permitting Buyer's licensed and qualified pilot observer to participate in flying the Aircraft provided that the flights shall always be under the command of Boeing's pilot."

1.8 Exhibit B, Part A, Paragraph 4.2 is revised to add: "Boeing may release service bulletins or service letters advising Buyer of the availability of certain warranty remedies. When such advice is provided, Buyer will be deemed to have fulfilled the requirements for discovery of the defect and submittal of notice in this Exhibit C as of the date specified in the service bulletin or service letter."

1.9 Pursuant to Exhibit B, Part A, Paragraph 6.2.2, for purposes of this agreement, "Boeing Recommended Spare Parts List" shall be defined as that negotiated spare parts list developed jointly by Buyer and Boeing Spares Organization using operating parameters supplies by Buyer.

1.10 Exhibit B, Part B, Paragraph 5.2 - Direct Materials, is revised to read: "... (iii) materials which exceed Boeing's reasonable estimate of required materials, and...".

1.11 Exhibit B, Part B, Paragraph 5.4 - Limitation, is revised to read: "The total reimbursement with respect to the direct labor and direct materials incorporated in an item, will not exceed...".

1.12 Exhibit B, Part B, Paragraph 6 - Replaced Parts, is revised to read: "...the warranty claim number and, if the part has a then-current Boeing spare part selling price of more than \$2,000, retained for a period of 60 days....".

1.13 Exhibit B, Part G, Paragraph 3 - Manufacturer Responsibility, is revised to add: "Boeing shall also take such actions as are reasonable in an effort to obtain a correction of the Interface Problem."

1.14 Exhibit B, Part H, Paragraph 1 - Duplicate Product Assurance Remedies, is revised to add: "In other words, Buyer may at its option, make a claim under the Warranty, if applicable, or the Service Life Policy, if applicable, but not both."

1.15 Exhibit C, Part A, Paragraph 2 - Maintenance Training Program, is revised to read: "...If requested by Buyer by December 1, 1996, Boeing agrees to provide....".

1.16 Exhibit C, Part C, Paragraph 2, - Flight Training Program, is revised to read: "...If requested by Buyer by December 1, 1996, Boeing agrees to provide....".

1.17 Exhibit C, Part A and Part C, Paragraph 4.3 are revised to read: "...materials between Seattle and such alternate training site away from Seattle."

1.18 Exhibit C, Part A and Part C, Paragraph 4.4 are revised to read: "...providing the training at such alternate site away from Seattle."

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ Dawn S. Foster

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 18, 1996

ALASKA AIRLINES

By /s/ Harry G. Lehr

Its Senior Vice President Finance

6-1162-DSF-003

Alaska Airlines, Inc.  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 6-1162-DSF-003 to  
Purchase Agreement No. 1954 -  
Model 737-400 Aircraft [Confidential Treatment Requested]

This Letter Agreement amends Purchase Agreement No. 1954 (the Agreement) between The Boeing Company (Boeing) and Alaska Airlines, Inc. (Buyer) relating to the Model 737-400 aircraft (the Aircraft).

All terms used herein and in the Agreement, and not defined herein will have the same meaning as in the Agreement.

1. [Confidential Treatment Requested]

2. Confidential Treatment. Buyer understands that certain commercial and financial information contained in this Letter Agreement including any attachments hereto is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity except as provided in Letter Agreement 6-1162-DSF-005.



Very truly yours,

THE BOEING COMPANY

By /s/ Dawn S. Foster

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 18, 1996

ALASKA AIRLINES

By /s/ Harry G. Lehr

Its Senior Vice President Finance

Attachment

Attachment to Letter Agreement No. 6-1162-DSF-003

[Confidential Treatment Requested]

6-1162-DSF-004

Alaska Airlines, Inc.  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 6-1162-DSF-004 to  
Purchase Agreement No. 1954 -  
Model 737-800 [Confidential Treatment Requested]

This Letter Agreement amends Purchase Agreement No. 1954 (the Agreement)  
between The Boeing Company (Boeing) and Alaska Airlines, Inc. (Buyer)  
relating to the Model 737-800 aircraft (the Aircraft).

All terms used herein and in the Agreement, and not defined herein will  
have the same meaning as in the Agreement.

1. [Confidential Treatment Requested]

2. Confidential Treatment. Buyer understands that certain commercial  
and financial information contained in this Letter Agreement including the  
attachment hereto is considered by Boeing as confidential. Buyer agrees  
that it will treat this Letter Agreement and the information contained  
herein as confidential and will not, without the prior written consent of  
Boeing, disclose this Letter Agreement or any information contained herein  
to any other person or entity except as provided in Letter Agreement 6-  
1162-DSF-005.

Very truly yours,

THE BOEING COMPANY

By /s/ Dawn S. Foster

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 18, 1996

ALASKA AIRLINES

By /s/ Harry G. Lehr

Its Senior Vice President Finance

Attachment

Attachment to Letter Agreement No. 6-1162-DSF-004

[Confidential Treatment Requested]

6-1162-DSF-005

Alaska Airlines, Inc.  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 6-1162-DSF-005 to  
Purchase Agreement No. 1954 -  
Disclosure of Confidential Information

This Letter Agreement amends Purchase Agreement No. 1954 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Alaska Airlines, Inc. (Buyer) relating to Model 737-400 aircraft (the Aircraft).

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

1. Buyer understands that certain commercial and financial information contained in the documents listed below (Confidential Documents) is considered by Boeing as confidential.
2. Buyer agrees that it will treat the Confidential Documents and the information contained therein as confidential and will not, without the prior written consent of Boeing, disclose such Confidential Documents or any information contained therein to any other person or entity except as may be required by (i) applicable law or governmental regulations, or (ii) for financing the Aircraft in accordance with the provisions of Article 10 of the Agreement.
3. In connection with any such disclosure or filing of the Confidential Documents, or the information contained therein pursuant to any such applicable law or governmental regulation, Buyer will request and use its best reasonable efforts to obtain confidential treatment of such Confidential Documents and the information contained therein. Boeing agrees to cooperate with Buyer in making and supporting its request for confidential treatment.

Schedule of Confidential Documents

[Confidential Treatment Requested]

Very truly yours,  
THE BOEING COMPANY

By /s/ Dawn S. Foster  
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this  
Date: September 18, 1996  
ALASKA AIRLINES

By /s/ Harry G. Lehr  
Its Senior Vice President Finance

6-1162-DSF-006

Alaska Airlines, Inc.  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 6-1162-DSF-006  
Purchase Agreement No. 2954  
[Confidential Treatment Requested]  
Objective for Model 737-800 Aircraft

Reference is made to Purchase Agreement No. 1954 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Alaska Airlines, Inc. (Buyer) relating to the sale by Boeing and the purchase by Buyer of up to twelve (12) Model 737-400 Option Aircraft [Confidential Treatment Requested]. Such Option Aircraft and [Confidential Treatment Requested] may be substituted to Model 737-800 Aircraft, pursuant to the conditions in Letter Agreement No. 6-1162-DSF-008.

This letter, when accepted by Buyer contemporaneously with the execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms used herein and in the Agreement, and not defined herein, shall have the same meaning as the Agreement.

[Confidential Treatment Requested]

[Confidential Treatment Requested]

[Confidential Treatment Requested]

1. [Confidential Treatment Requested]

2. [Confidential Treatment Requested]

3. [Confidential Treatment Requested]

4. Confidential Treatment.

Buyer understands that certain commercial and financial information contained in this Letter Agreement, and any attachments hereto, is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity except as provided in Letter Agreement No. 6-1162-DSF-005.

If the foregoing correctly sets forth your understanding of our agreement with respect to the matters treated above, please indicate your acceptance and approval below.

Very truly yours,

THE BOEING COMPANY

By /s/ Dawn S. Foster

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 18, 1996

ALASKA AIRLINES

By /s/ Harry G. Lehr

Its Senior Vice President Finance

[Confidential Treatment Requested]

6-1162-DSF-008

Alaska Airlines  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 6-1162-DSF-008 to  
Purchase Agreement No. 1954 -  
Special Matters

Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1954 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Alaska Airlines, Inc. (Buyer) relating to Model 737-400 aircraft (the Aircraft).

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

1. Basic Credit Memorandum.

In consideration of Buyer's purchase of twelve (12) firm Model 737-400 aircraft (Firm Aircraft) and twelve (12) option Model 737-400 aircraft (Option Aircraft), Boeing shall issue a credit memorandum at time of delivery of each Firm and Option Aircraft to Buyer in an amount equal to [Confidential Treatment Requested] of Base Airframe plus Engine Price for Model 737-400/500/300 aircraft (Current Generation Aircraft) or Base Aircraft price for Model 737-800/700/600 aircraft (New Generation Aircraft), [Confidential Treatment Requested].

BASIC CREDIT MEMORANDA [Confidential Treatment Requested]

MODEL FIRM AND OPTION  
TYPE AIRCRAFT

737-400 [Confidential Treatment Requested]  
737-800 [Confidential Treatment Requested]  
737-700 [Confidential Treatment Requested]  
737-300 [Confidential Treatment Requested]  
737-600 [Confidential Treatment Requested]  
737-500 [Confidential Treatment Requested]

1.1 Model Substitution. Should Buyer elect to change an option

Aircraft model type pursuant to paragraph 4 herein and substitute from a Model 737-400 to a Current Generation or New Generation Aircraft, the applicable basic credit memorandum and amount as designated above would apply against [Confidential Treatment Requested].

1.2 [Confidential Treatment Requested]

1.3 Application Of Credit Memoranda.

All Credit Memoranda will be issued to Buyer at time of the delivery of each Aircraft to which they relate unless otherwise stated herein. Once issued, the Basic Credit Memoranda may be used by Buyer for the purchase from Boeing of Boeing goods and services, or may be used (in whole or in part) by Buyer for the payment of the balance of the Aircraft Price due at the time of delivery of the related Aircraft. The Basic Credit Memoranda may not, however, be used for the payment of Advance Payments.

2. [Confidential Treatment Requested]

3. [Confidential Treatment Requested]

4. Option Aircraft.

4.1 Model Substitution. [Confidential Treatment Requested].

4.2 Performance Matters. [Confidential Treatment Requested].

5. [Confidential Treatment Requested]

6. [Confidential Treatment Requested]

7. [Confidential Treatment Requested]

8. 737-800 Introductory Support Credit Memoranda.

In consideration of Buyer's requirements for spares and training support for New Generation Model 737 Aircraft should Buyer elect to take delivery of a New Generation Model 737 aircraft, Boeing agrees to provide a credit memorandum in the amount of [Confidential Treatment Requested] per New Generation Model 737 Aircraft. Such credit memorandum will be made available to Buyer six (6) months prior to delivery of each New Generation Model 737 Aircraft and may be used for Boeing spares and /or training support (in excess of training entitlements for Model 737-400 operators introducing Model 737-600/-700/-800 Aircraft similar to the entitlement described in Attachment B. to which Buyer will be entitled upon exercise of a firm Model 737-600/-700/-800 Option Aircraft) as required by Buyer for introduction of the Model 737-600/-700 or -800 aircraft into Buyer's fleet.

9. Assignment of Credits.

[Confidential Treatment Requested].

10. Confidential Treatment. Buyer understands that certain commercial and financial information contained in this Letter Agreement including any attachments hereto is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity except as provided in Letter Agreement 6-1162-DSF-005.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ Dawn S. Foster

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 18, 1996

ALASKA AIRLINES

By /s/ Harry G. Lehr

Its Senior Vice President Finance

Attachment A [Confidential Treatment Requested]

Attachment B to 6-1162-DSF-008  
(8 pages)

PART A

BOEING MAINTENANCE TRAINING PROGRAM

1. General.

This Part describes the maintenance training to be provided by Boeing (Maintenance Training) at Boeing's training facility at or near Seattle. The Maintenance Training will be provided at no additional charge to Buyer, except as otherwise provided herein. If any part of the Maintenance Training is not used by Buyer prior to delivery of the first Aircraft, Boeing will not be obligated to provide such Maintenance Training at a later date, unless the parties have otherwise agreed in writing.

All instruction, examinations and materials shall be prepared and presented in the English language and in the units of measure used by Boeing.

Buyer will be responsible for the living expenses of Buyer's personnel during Maintenance Training. For Maintenance Training provided at or near Seattle, Boeing will transport Buyer's personnel between their local lodging and the training facility.

2. Maintenance Training Planning Conference.

No later than 12 months prior to delivery of Buyer's first Aircraft, Boeing and Buyer will conduct a planning conference in order to schedule and discuss the Maintenance Training.

3. Maintenance Training Program.

The Maintenance Training Program will (i) consist of classroom presentations supported by training materials and aids and (ii) if practicable, include an escorted tour of aircraft production areas and/or flight lines. The Maintenance Training will include the following courses:

3.1 Mechanical/Power Plant Systems Course.

This course provides mechanical instruction on the maintenance of the Aircraft and its systems, including engine systems. Electrical instruction, where necessary, will be provided in order to clarify mechanical system operation.

One class; up to 15 students.

3.2 Electrical Systems Course.

This course provides electrical instruction on the maintenance of the Aircraft and its systems, including engine systems. Mechanical instruction, where necessary, will be provided in order to clarify electrical system operation.

One class; up to 15 students.

### 3.3 Avionics Systems Course.

This course provides instruction on the maintenance of the Aircraft automatic flight control systems, communications and navigation systems. It is oriented to those personnel who specialize in trouble analysis and line maintenance on avionics systems.

One class; up to 15 students.

### 3.4 Aircraft Rigging Course.

This course provides instruction on aircraft rigging so as to provide Buyer's specialist personnel with the necessary information to rig all flight control surfaces, landing gear components, aircraft doors and engines. The conditions set forth in paragraph 4 below will be applicable with respect to Boeing's providing such course.

One class; up to 6 students at a mutually acceptable alternate facility.

### 3.5 Advanced Composite Repair Course.

This course provides instruction for Buyer's structural repair personnel and promotes understanding of the design philosophy, inspection and repair of advanced composite components.

One class; up to 8 students.

## 4. Training at a Facility Other Than Boeing's.

If requested prior to the conclusion of the Maintenance Training Planning Conference, Boeing will conduct the classroom training described above (except for the Advanced Composite Repair Course) at a mutually acceptable alternate training site, subject to the following conditions:

4.1 Buyer will be responsible for providing acceptable classroom space and training equipment required to present the Boeing courseware.

4.2 Buyer will pay Boeing's then-current per diem charge for each Boeing instructor for each day, or fraction thereof, such instructor is away from Seattle, including travel time.

4.3 Buyer will reimburse Boeing for round-trip transportation for Boeing's instructors and training materials between Seattle and such alternate training site.

4.4 Buyer will pay, or reimburse Boeing for, all taxes, fees, duties, licenses, permits and similar expenses incurred by Boeing and its employees as a result of Boeing's providing the training at such alternate site.

4.5 Those portions of training that require the use of Boeing's training devices shall be conducted at Boeing-designated facilities.

## 5. Supplier Training.

The Maintenance Training includes sufficient information on the location, operation and servicing of Aircraft equipment, accessories and parts provided by suppliers to support line maintenance functions.

If Buyer requires additional maintenance training with respect to any supplier-provided equipment, accessories or parts, Buyer will schedule such training directly with the supplier. If Buyer experiences difficulty in scheduling such training, Boeing will, if requested, assist Buyer in coordinating and scheduling such training.

## 6. Student Training Material.

No revision service will be provided for the material provided hereunder.

## 6.1 Manuals.

Boeing will provide at the beginning of each Maintenance Training course 1 copy of a training manual or equivalent for each student attending such course.

## 6.2 Panel Description/Component Locator Guide/ Field Trip Checklist Manual.

Boeing will provide 1 copy of a Panel Description/Component Locator Guide/Field Trip Checklist Manual for each student in each applicable Maintenance Training course.

## 7. Other Training Material.

At the conclusion of the Maintenance Training Program, Boeing will provide to Buyer 1 set of the following training materials, as used in the full Aircraft systems courses. Revision service will not be provided for these materials.

### 7.1 Visual Aids.

#### 7.1.1 Blackline 8-1/2 x 11-inch projection transparencies.

7.1.2 Full-scale instrument panel wall charts in the form of black and white copies and mylar reproducible copies.

#### 7.1.3 Training slides.

### 7.2 Reproducible Masters.

8-1/2 x 11-inch prints suitable for black and white reproduction of all graphics and applicable text.

### 7.3 Video Programs.

Video programs on 3/4-inch U-matic or 1/2-inch VHS cassette formats in NTSC, PAL or SECAM standards, as selected by Buyer.

### 7.4 Computer-Based Training (CBT) Courseware.

CBT courseware, and instructions for courseware installation and operation.

### 7.5 Shipment of Materials.

The training materials described above will be shipped to Buyer 30 days after completion of the first class of each applicable Maintenance Training course.

### 7.6 Training Material - Aircraft Configuration.

The visual aids and reproducible masters (except training slides and CBT) described above will, at the conclusion of the shipments thereof, reflect the configuration of the first Aircraft as delivered to Buyer. CBT Courseware will reflect the major configuration of the first Aircraft delivered to Buyer.

## 8. Course Completion Records.

At the completion of the Maintenance Training, Boeing will provide Buyer with course completion records consisting of the following:

### 8.1 Master copies of all examinations given.

### 8.2 Attendance and examination records for each student.

8.3 Certificate of completion for each course each student successfully completes.

## PART C

## BOEING FLIGHT TRAINING PROGRAM



## 1. General.

This Part describes the flight training to be provided by Boeing (Flight Training) at or near Seattle, or at some other location to be determined pursuant to this Part. The Flight Training will be provided at no additional charge to Buyer, except as otherwise provided herein.

All instruction, examinations and materials will be prepared and presented in the English language and in the units of measure used by Boeing.

Buyer will be responsible for the living expenses of Buyer's personnel during the Flight Training Program. For Flight Training provided at or near Seattle, Boeing will transport Buyer's personnel between their local lodging and the training facility.

## 2. Flight Training Differences Program.

In conjunction with earlier sales to Buyer of aircraft of the same model type as the Aircraft, Boeing has provided to Buyer comprehensive flight training for such aircraft. If requested by Buyer at least 12 months prior to delivery of the first Aircraft, Boeing agrees to provide, if required, 1 classroom training class to acquaint up to 4 cockpit crews of Buyer's personnel with any operational, systems and performance differences significant to the operation of the Aircraft, between the first Aircraft scheduled for delivery pursuant to this Agreement and the last aircraft of the same model type as the aircraft previously delivered by Boeing to Buyer. Such course will be scheduled by mutual agreement of Boeing's and Buyer's flight training organizations.

## 3. Student Training Material.

Student training material, in Boeing's then-standard format, will be provided to Buyer's personnel (1 set per student) as listed below. No revision service will be provided for the material provided hereunder.

Operations Manual  
Quick Reference Handbook

## 4. Other Training Material.

At the conclusion of the Differences Flight Training, Boeing will provide 1 set of the following materials, as used in the Flight Training Program. Revision service will not be provided for these materials.

### 4.1 Computer Based Training (CBT).

Boeing will provide a copy of Boeing developed CBT materials used in the Flight Training Program. The CBT Courseware will reflect the major configuration of Buyer's first Aircraft. Buyer will require certain equipment and materials in order to use the CBT Program. Equipment and materials required to run the CBT Program will be procured by Buyer at Buyer's expense. The CBT materials provided include the following:

4.1.1 1 copy of lesson files supplied on CD-ROM disc.

4.1.2 1 paper copy of loading and operation instructions for installing the lessons on an MS-DOS compatible Personal Computer or File Server.

4.1.3 1 copy of the runtime software required to run the CBT lessons.

### 4.2 Full-Scale Color Instrument Panel Wall Charts.

## 5. Training at a Facility Other Than Boeing's.

If seasonably requested, Boeing will conduct the Flight Training at a mutually acceptable alternate training site, subject to the following conditions:

5.1 Buyer will be responsible for providing classroom space acceptable to Boeing, a flight simulator and training equipment required to present the Boeing courseware.

5.2 Buyer will pay Boeing's then-current per diem charge for each Boeing instructor for each day, or fraction thereof, such instructor is away from Seattle, including travel time.

5.3 Buyer will reimburse Boeing for round-trip transportation for Boeing's flight training instructors and materials between Seattle and such alternate site.

5.4 Buyer will pay, or reimburse Boeing for, all taxes, fees, duties, licenses, permits and similar expenses incurred by Boeing and its employees as a result of Boeing's providing the training at such alternate site.

5.5 Those portions of the training that require the use of Boeing's training devices, if any, will be conducted at Boeing-designated facilities.

Buyer has rights of substitution for the Option [Confidential Treatment Requested] from Model 737-400 to Model 737-600/-700/-800 Aircraft, described as follows:

Model 737-600/-700/-800

## 1. Description and Changes.

### 1.1 Aircraft Description.

1.1.1 The Model 737-600 is described by Configuration Specification D6-38808-E dated September 15, 1995, as revised to include:

- (1) CFM56-7B18 Engine Installation.
- (2) Increase MTOW to 129,500 Pounds.

1.1.2 The Model 737-700 is described by Configuration Specification D6-38808-E dated September 15, 1995 as revised to include:

- (1) CFM56-7B20 Engine Installation.
- (2) Increase MTOW to 138,000 Pounds.

1.1.3 The Model 737-800 is described by Configuration Specification D6-38808-E dated September 15 1995 as revised to include:

- (1) CFM56-7B24 Engine Installation.
- (2) Increase MTOW to 160,000 Pounds.

1.2 Changes. The Configuration Specification will be revised to include:

(1) Changes applicable to the basic Model 737-600/-700/-800 aircraft which are developed by Boeing between the date of the Configuration Specification and the signing of a definitive agreement to purchase the Option Aircraft.

(2) Changes mutually agreed upon.

(3) Changes required to obtain a Standard Certificate of Airworthiness.

## 2. Price Description.

Aircraft Price (95\$)	Special Features Price (95\$)
Model 737-600	[Confidential Treatment Requested]
Model 737-700	[Confidential Treatment Requested]

6-1162-DSF-009

Alaska Airlines  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 6-1162-DSF-009 to  
Purchase Agreement No. 1954 -  
Special Purchase Agreement Provisions

This Letter Agreement amends Purchase Agreement No. 1954 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Alaska Airlines, Inc. (Buyer) relating to Model 737-400 aircraft (the Aircraft).

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

1. Boeing and Buyer agree that the following provisions shall apply in lieu of the provisions currently contained in the subject Agreement:

- 1.1 Article 4.1 Taxes, [Confidential Treatment Requested].
- 1.2 Article 5.3 - Form of Payments. [Confidential Treatment Requested].
- 1.3 Article 6 - Excusable Delay. [Confidential Treatment Requested].
- 1.4 Article 6.5.2, [Confidential Treatment Requested].
- 1.5 Pursuant to Article 8.2.2 and Article 8.3.2, [Confidential Treatment Requested].
- 1.6 Article 9.5.2 [Confidential Treatment Requested].
- 1.7. Article 10.6 - Exculpatory or Indemnity Clause in Post-delivery Sale or Lease, [Confidential Treatment Requested].
- 1.8 Exhibit B, Part A, Paragraph 2 - Exceptions. [Confidential Treatment Requested].
- 1.9 Exhibit B, Part A, Paragraph 5.1 and Paragraph 5.2, [Confidential Treatment Requested].
- 1.10 Exhibit B, Part A, Paragraph 11 - Buyers' Indemnification of Boeing, [Confidential Treatment Requested].
- 1.11 Exhibit B, Part B, Paragraph 4 - Joint Responsibility, [Confidential Treatment Requested].
- 1.12 Exhibit C, Part D, Paragraphs 2.3 [Confidential Treatment Requested].
- 1.13 Exhibit C, Part D, Technical Data and Documents [Confidential Treatment Requested].
- 1.14 Exhibit C, Part E, Paragraph 1.1 [Confidential Treatment Requested].
- 1.15 Exhibit C, Part E, Paragraph 1.2 [Confidential Treatment Requested].
- 1.16 Exhibit C, Part E, Paragraph 2.2 (a) [Confidential Treatment Requested].

1.17 Exhibit C, Part E, Paragraph 2.3 (a) [Confidential Treatment Requested].

1.18 Exhibit C, Part E, Paragraph 2.3 (b) [Confidential Treatment Requested].

1.19 Exhibit E, Paragraph 5.1 - [Confidential Treatment Requested].

1.20 Paragraph 8 of Exhibit E - Buyer Furnished Equipment Provisions Document of the Agreement, and Paragraph 7 of Letter Agreement 1954-2 - Seller Purchased Equipment [Confidential Treatment Requested].

1.21 Attachment A to Letter Agreement 1954-3, Paragraph 2.2.1 - Special Features [Confidential Treatment Requested].

1.22 Attachment A to Letter Agreement 1954-3, Paragraph 2.2.3 - Base Price Adjustments [Confidential Treatment Requested].

1.23 Attachment A to Letter Agreement 1954-3, Paragraph 2.2.2 - Escalation Adjustments [Confidential Treatment Requested].

2. Confidential Treatment. Buyer understands that certain commercial and financial information contained in this Letter Agreement including any attachments hereto is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity except as provided in Letter Agreement 6-1162-DSF-005.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ Dawn S. Foster

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 18, 1996

ALASKA AIRLINES

By /s/ Harry G. Lehr

Its Senior Vice President Finance

6-1162-DSF-012

Alaska Airlines  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 6-1162-DSF-012 to  
Purchase Agreement No. 1954 -  
[Confidential Treatment Requested]-  
Letter of Intent

This Letter Agreement amends Purchase Agreement No. 1954 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Alaska Airlines, Inc. (Buyer) relating to Model 737-400 aircraft (the

Aircraft).

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

Boeing and Buyer do hereby agree to enter into negotiation to come to agreement on [Confidential Treatment Requested] at such time that Buyer firms up a Model 737-800 Option Aircraft subject to the following terms:

- 1) Intent - [Confidential Treatment Requested].
- 2) Program Term - The length of the Program [Confidential Treatment Requested].
- 3) Methodology - [Confidential Treatment Requested].
4. Remedy - [Confidential Treatment Requested].
5. [Confidential Treatment Requested].
6. Conditions and Limitations - [Confidential Treatment Requested].

Attached to this Letter of Intent is a draft Program which will form the basis of the agreement to be entered into after Buyer firms up delivery of a Model 737-800 Option Aircraft.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ Dawn S. Foster

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 18, 1996

ALASKA AIRLINES

By /s/ Harry G. Lehr

Its Senior Vice President Finance

Attachment A [Confidential Treatment Requested]

Attachment B [Confidential Treatment Requested]

6-1162-DSF-016

Alaska Airlines  
19300 Pacific Highway South  
Seattle, Washington 98188

Subject: Letter Agreement No. 6-1162-DSF-016 to  
Purchase Agreement No. 1954 -  
Special Purchase Agreement Provisions  
Related [Confidential Treatment Requested]

This Letter Agreement amends Purchase Agreement No. 1954 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Alaska Airlines, Inc.

All terms used herein and in the Agreement, and not defined herein, will

have the same meaning as in the Agreement.

In consideration for Buyer's participation and cooperation in development and certification of [Confidential Treatment Requested] to the Model 737-400 Aircraft, Boeing and Buyer agree to the following:

1. [Confidential Treatment Requested]

2. Boeing agrees to make best reasonable effort to ensure production incorporation on Buyer's Aircraft assuming a decision to offer such feature is made by Boeing. [Confidential Treatment Requested].

3. Buyer agrees to pay [Confidential Treatment Requested].

2. Confidential Treatment. Buyer understands that certain commercial and financial information contained in this Letter Agreement including any attachments hereto is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity except as provided in Letter Agreement 6-1162-DSF-005.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ Dawn S. Foster

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 18, 1996

ALASKA AIRLINES

By /s/ Harry G. Lehr

Its Senior Vice President Finance

Attachment to  
6-1162-DSF-016  
Page 1

[Confidential Treatment Requested]

Exhibit 10.2

BOMBARDIER REGIONAL AIRCRAFT DIVISION

PURCHASE AGREEMENT

BETWEEN

BOMBARDIER INC.

AND

HORIZON AIR INDUSTRIES, INC.

---

Forty (40) de Havilland DHC-8 aircraft

Including related Customer Support Services

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- I ECONOMIC ADJUSTMENT FORMULA
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- I CERTIFICATE OF ACCEPTANCE
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ANNEX A CUSTOMER SUPPORT SERVICES

ANNEX B WARRANTY AND SERVICE LIFE POLICY

HORIZON AIR INDUSTRIES, INC.

LETTER AGREEMENTS - PA 80345

LA #80345-1A [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-01 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-02 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-03 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-04 Option Aircraft  
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LA #80345-06 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-07 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-08 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-09 [CONFIDENTIAL TREATMENT REQUESTED]

LA #80345-10 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-11 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-12 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-13 Customer Services  
LA #80345-14 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-15 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-16 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-17 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-18 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-19 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-20 [CONFIDENTIAL TREATMENT REQUESTED]  
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LA #80345-22 Spare Parts Support Program - Flex Parts  
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LA #80345-27 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-28 Optional Features  
LA #80345-29 [CONFIDENTIAL TREATMENT REQUESTED]  
LA #80345-30 [CONFIDENTIAL TREATMENT REQUESTED]

This Agreement is made on the                      day of                      1996.

BY AND BETWEEN: BOMBARDIER INC., a Canadian Corporation represented by  
its BOMBARDIER REGIONAL AIRCRAFT DIVISION ("BRAD") having  
an office at 123 Garratt Boulevard, Downsview, Ontario,  
Canada.

AND: HORIZON AIR INDUSTRIES, INC., a Washington Corporation  
having its head office at 19521 Pacific Highway South,  
Seattle, Washington, USA, 98188.

("Buyer")

WHEREAS de Havilland Inc., an affiliate of BRAD, is engaged in  
the manufacture of the DHC-8 ("Dash 8") aircraft  
products; and

BRAD has been created for the purpose of providing  
marketing, sales and customer support services for the de  
Havilland Dash 8 aircraft and related products; and

BRAD is entering into this agreement acting as agent for  
de Havilland Inc.

WHEREAS Buyer desires to purchase forty (40) Aircraft (as later  
defined) and related data, documents, and services under  
this Agreement (as later defined), and BRAD desires to  
arrange the sale of such Aircraft, data, documents and  
services to Buyer,

NOW THEREFORE, in consideration of the mutual covenants herein contained,  
Buyer and BRAD agree as follows:

#### ARTICLE 1. INTERPRETATION

1.1 The recitals above have been inserted for convenience only and do not  
form part of the agreement.

1.2 The headings in this agreement are included for convenience only and  
shall not be used in the construction and interpretation of this  
agreement.

1.3 In this agreement, unless otherwise expressly provided, the singular  
includes the plural and vice-versa.



1.4 In this agreement the following expressions shall, unless otherwise expressly provided, mean:

(a) "Acceptance Period" shall have the meaning attributed to it in Article 9.3;

(b) "Acceptance Date" shall have the meaning attributed to it in Article 9.7.(a);

(c) "Agreement" means this Agreement, including its Exhibits, Annexes, Appendices and Letter Agreements, if any, attached hereto (each of which is incorporated in the Agreement by this reference), as they may be amended pursuant to the provisions of the Agreement;

(d) "Aircraft" shall have the meaning attributed to it in Article 2.1;

(e) "Aircraft Purchase Price" shall have the meaning attributed to it in Article 4.2;

(f) "Base Price" shall have the meaning attributed to it in Article 4.1;

(g) "Bill of Sale" shall have the meaning attributed to it in Article 9.7 (c);

(h) "BFE" shall have the meaning attributed to it in Article 11.1;

(i) "Buyer Selected Optional Features" shall have the meaning attributed to it in Article 2.1;

(j) "Delivery Date" shall have the meaning attributed to it in Article 9.7.(c);

(k) "Economic Adjustment Formula" shall have the meaning attributed to it in Article 4.2;

(l) "Excusable Delay" shall have the meaning attributed to it in Article 13.1;

(m) "FAA" shall have the meaning attributed to it in Article 8.1;

(n) "Non-Excusable Delay" shall have the meaning attributed to it in Article 14.1;

(o) "Notice" shall have the meaning attributed to it in Article 17.1;

(p) "Other Patents" shall have the meaning attributed to it in Article 18.1;

(q) "Permitted Change" shall have the meaning attributed to it in Article 11.2;

(r) "Readiness Date" shall have the meaning attributed to it in Article 9.1;

(s) "Regulatory Change" shall have the meaning attributed to it in Article 8.4;

(t) "Scheduled Delivery Dates" shall have the meaning attributed to it in Article 6;

(u) "Specification" shall have the meaning attributed to it in Article 2.1; and

(v) "Taxes" shall have the meaning attributed to it in Article 4.3.

(w) "TC" shall have the meaning attributed to it in Article 8.1;

1.5 All dollar amounts in this Agreement are in United States Dollars.

## ARTICLE 2 - SUBJECT MATTER OF SALE

2.1 Subject to the provisions of this Agreement, BRAD will sell and Buyer will purchase forty (40) de Havilland Dash 8 series 200 model 202 aircraft manufactured pursuant to detail specification no. DS8-200 Issue 3 dated May 1996, attached hereto as Appendix III, as that specification may be modified from time to time in accordance with this Agreement (the "Specification"), as supplemented to reflect the incorporation of the Buyer selected optional features ("Buyer Selected Optional Features") set forth in Appendix IV hereto (individually or collectively the "Aircraft").

## ARTICLE 3 - CUSTOMER SUPPORT SERVICES AND WARRANTY

3.1 BRAD shall provide to Buyer the customer support services pursuant to the provisions of Annex A attached hereto.

3.2 BRAD shall provide to Buyer the warranty and the service life policy described in Annex B attached hereto which shall be the exclusive warranty applicable to the Aircraft.

3.3 Unless expressly stated otherwise, the services referred to in 3.1 and 3.2 above are incidental to the sale of the Aircraft and are included in the Aircraft Purchase Price.

## ARTICLE 4 - PRICE

4.1 (a) The base price for each of the Aircraft (excluding the Buyer Selected Optional Features) Ex Works (Incoterms 1990) BRAD's facilities in Downsview, Ontario, is [CONFIDENTIAL TREATMENT REQUESTED]

(b) The base price of the Buyer Selected Optional Features (Appendix IV) is [CONFIDENTIAL TREATMENT REQUESTED]

The Aircraft base price shall be the base price for the Aircraft as stated in paragraph (a), plus the base price of the Buyer Selected Optional Features as stated in paragraph (b) ( the "Base Price").

4.2 The price of the Aircraft shall be the Base Price adjusted for changes made pursuant to Article 11 and any Regulatory Changes pursuant to Article 8.4, and further adjusted to the Delivery Date to reflect economic fluctuations during the period from July 1, 1995 to the Delivery Date of each Aircraft ("Aircraft Purchase Price"). Such adjustments shall be based on the economic adjustment formula attached as Appendix I ("Economic Adjustment Formula").

4.3 The Aircraft Purchase Price does not include any taxes, fees or duties including, but not limited to, sales, use, value added (including the Canadian Goods and Services Tax), personal property, gross receipts, franchise, excise taxes, assessments or duties ("Taxes") which are or may be imposed by law upon BRAD, any affiliate of BRAD, Buyer or the Aircraft whether or not there is an obligation for BRAD to collect same from Buyer, by any taxing authority or jurisdiction occasioned by, relating to or as a result of the execution of this Agreement or the sale, lease, delivery, storage, use or other consumption of any Aircraft, BFE or any other matter, good or service provided under or in connection with this Agreement. According to current legislation, Canadian taxes, duties and Goods and Services Tax are not applicable to aircraft sold and immediately exported from Canada.

4.4 If any Taxes (other than Canadian income taxes charged on the income of BRAD) are imposed upon Buyer or become due or are to be collected from BRAD by any taxing authority, BRAD shall notify Buyer in a timely manner and Buyer shall promptly, but no later than ten (10) working days after receiving such notice, pay such Taxes directly to the taxing authority, or reimburse BRAD for such Taxes, as the case may be, including interest and penalties except for interest and penalties resulting from BRAD's fault or negligence. The parties hereto agree, subject to applicable laws, to work together to minimize the

imposition of Taxes.

4.5.1 Upon BRAD's reasonable request, Buyer shall execute and deliver to BRAD any documents that BRAD deems necessary or desirable in connection with any exemption from or reduction of or the contestation of or the defense against any imposition of Taxes.

4.5.2 Upon Buyer's reasonable request, BRAD shall execute and deliver to Buyer any existing documents that Buyer deems necessary or desirable in connection with any exemption from or reduction of or the contestation of or the defense against any imposition of Taxes, except that BRAD shall not supply or disclose any documentation relating to other customers of BRAD, costing or pricing of Aircraft or services or any other documents deemed confidential by BRAD.

#### ARTICLE 5 - PAYMENT

5.1 BRAD and Buyer acknowledges not having previously provided a deposit per Aircraft.

5.2 Buyer shall make payment or cause payment to be made for each Aircraft as follows:

(a) 7.5% of the estimated Aircraft Purchase Price upon execution of the Agreement;

(b) 5 % of the estimated Aircraft Purchase Price fifteen (15) months prior to its Scheduled Delivery Date;

(c) 5 % of the estimated Aircraft Purchase Price twelve (12) months prior to its Scheduled Delivery Date;

(d) 5 % of the estimated Aircraft Purchase Price nine (9) months prior to its Scheduled Delivery Date;

(e) 7.5% of the estimated Aircraft Purchase Price six (6) months prior to its Scheduled Delivery Date; and

(f) the balance of the Aircraft Purchase Price, less the amounts previously received referred to in Article 5.1, on or before the Delivery Date of such Aircraft to Buyer.

All payments referred to in paragraphs b. to e. above are to be made on the first day of the applicable month.

5.3 Intentionally deleted.

5.4 Buyer shall pay BRAD daily interest on late payments, if the late payments are not made within a five (5) day grace period, from the date that any payment becomes due up to and including the day prior to receipt of payment, at a rate of two per cent (2 %) per annum over the prime rate on U.S. funds charged by the National Bank of Canada from time to time, calculated and compounded monthly. BRAD's right to receive such interest is in addition to any other right or remedy BRAD has at law as a result of Buyer's failure to make payments when due.

5.5 Buyer shall make all payments due under this Agreement in immediately available United States Dollars by deposit on or before the due date to the account of de Havilland Inc. at:

Morgan Guarantee Trust Co.  
New York, New York, United States of America  
ABA # 021000238

To pay:  
Canadian Imperial Bank of Commerce  
Head Office  
Toronto, Ontario, Canada  
Account # 64101470

For the credit of the beneficiary bank:  
Canadian Imperial Bank of Commerce  
Main Branch Transit # 00002

Toronto, Ontario, Canada  
Account # 64101470

For the further credit of the beneficiary:  
de Havilland Inc.  
Account # 03-51717

5.6 All other amounts due with respect to each Aircraft shall be paid on or prior to the Delivery Date of the respective Aircraft.

5.7 All payments provided for under this Agreement shall be made so as to be received in immediately available funds on or before the dates stipulated herein.

5.8 de Havilland Inc. shall remain the exclusive owner of the Aircraft, free and clear of all rights, liens, charges or encumbrances created by or through Buyer, until such time as all payments referred to in this Article 5 have been made.

#### ARTICLE 6 - DELIVERY PROGRAM

6.1 The Aircraft shall be offered for inspection and acceptance to Buyer at BRAD's facility in Downsview, Ontario during the months set forth in Appendix II attached hereto (the "Scheduled Delivery Dates").

#### ARTICLE 7 - BUYER INFORMATION

7.1 During the manufacture of the Aircraft, Buyer shall provide to BRAD on or before the date required by BRAD, all information as BRAD may reasonably request to manufacture the Aircraft including, without limitation, the selection of furnishings, internal and external colour schemes.

Within thirty (30) days of execution of the Agreement:

(a) provide BRAD with an external paint scheme agreed on by the parties; and

(b) select interior colours (from BRAD's standard colours).

Failure of Buyer to comply with these requirements may result in an increase in price, a delay in delivery of the Aircraft, or both.

7.2 On or before execution of this Agreement Buyer shall notify BRAD in writing of the BFE (if any) that Buyer wishes to have incorporated into each Aircraft. Buyer shall also provide details of:

a. weights and dimensions of the BFE;

b. test equipment or special tools required to incorporate the BFE; and

c. any other information BRAD may reasonably require.

Within ninety (90) calendar days thereafter, BRAD shall advise Buyer of its acceptance or rejection of the BFE, acceptance of which is not to be unreasonably refused, and of the dates by which each item of BFE is required by BRAD. If required the parties hereto shall execute a Change Order in accordance with Article 11.1 to cover those BFE accepted by BRAD.

7.3 The BFE accepted by BRAD pursuant to this Article shall be incorporated in the manufacturing process of the Aircraft subject to the following conditions:

a. Title to the BFE shall remain at all times with Buyer and risk of loss of the BFE shall remain at all times with Buyer except for damages caused by BRAD's gross negligence.

b. The BFE must be received Carriage Paid To (Incoterms 1990) BRAD's plant or such other place as BRAD may designate, no later than the date notified pursuant to Article 7.2, free and clear of any taxes, duties, licenses, charges, liens or other similar claims;

c. The BFE shall meet:

- 1) the standards of quality of BRAD, and
- 2) the requirements of the applicable airworthiness certification agency;

d. The BFE shall be delivered to BRAD in good condition and ready for immediate incorporation into the Aircraft. BRAD shall, upon receipt, inspect the BFE as to quantity and apparent defects and inform Buyer of any discrepancies and the required corrective actions to be taken;

e. BRAD shall only be responsible for the fitment and testing of the BFE in the Aircraft using reasonable care and good manufacturing practices, in accordance with Buyer's written detailed description of the dimensions and weight of such BFE. Buyer shall also furnish information necessary for its proper storage, fitment, servicing, maintenance and operation and availability of test equipment or special tools;

f. BRAD SHALL HAVE NO LIABILITY OR OTHER OBLIGATIONS AND IS HEREBY RELIEVED OF ANY LIABILITY, WARRANTY OR OTHER OBLIGATION WITH RESPECT TO THE BFE AND BUYER HEREBY WAIVES ALL EXPRESS OR IMPLIED WARRANTIES OR CONDITIONS INCLUDING THOSE OF MERCHANTABILITY OR FITNESS OR OTHERWISE AND ALL OTHER LIABILITY (STRICT OR OTHERWISE) ON THE PART OF BRAD, BE IT IN FACT, IN LAW, IN CONTRACT, OR IN TORT (INCLUDING WITHOUT LIMITATION THE ACTIVE, PASSIVE OR IMPUTED NEGLIGENCE OR STRICT PRODUCTS LIABILITY OF BRAD OR ITS AFFILIATES), OR OTHERWISE, IN CONNECTION WITH THE BFE OR ITS DESIGN, SUITABILITY, USE OR OPERATION.

7.4 If at any time between receipt of the BFE by BRAD and the Delivery Date, it is reasonably determined by BRAD that an item of BFE supplied does not meet the standards and requirements described above or its fitment, integration and testing in the Aircraft or Aircraft systems create delays in the manufacturing or certification process, then such BFE may be removed and replaced by other BFE or by BRAD's equipment. Any costs associated with the removal, refitment, replacement, testing, certification and/or delays in the Delivery Date of the Aircraft shall be borne by Buyer unless a specific change made by BRAD results in previously acceptable BFE being refused.

7.5 In the event that the delivery of an Aircraft is delayed due to any delay caused by Buyer's failure to:

- a. deliver or have BFE delivered by the date required;
- b. ensure satisfactory design, suitability, use or operation of the BFE;
- c. furnish or obtain applicable BFE data;
- d. perform any adjusting, calibrating, retesting or updating of BFE;
- e. furnish or obtain any approvals in compliance with the provisions of this Article; or
- f. comply with the conditions of this Article;

then BRAD agrees to discuss with Buyer the steps to be taken to minimize, cure, eliminate or work around the delay, but any delay incurred shall be the responsibility of Buyer and Buyer shall pay to BRAD any costs and expenses reasonably incurred by BRAD due to such delay.

7.6 Should there be a delay in delivery caused either by a failure of Buyer described in Article 7.5, or by an event to which reference is made in Article 13.0 in connection with the BFE, and if such delay cannot reasonably be minimized, cured, eliminated or worked around by agreement of the parties, Buyer agrees that BRAD may deliver the Aircraft without installing the unapproved, delayed or nonconforming BFE, and Buyer agrees to take delivery of and pay for the Aircraft.

7.7 If this Agreement is terminated in whole or in part in accordance with the provisions hereof BRAD may elect to, by written notice to Buyer, either:

a. if concurrence is received from Buyer, purchase the BFE ordered by Buyer and/or received by BRAD at the invoice price paid by Buyer; or

b. return the BFE to Buyer Free Carrier (Incoterms 1990) BRAD's plant, or such other place that BRAD may designate.

#### ARTICLE 8 - CERTIFICATION FOR EXPORT

8.1 BRAD has obtained from Transport Canada ("TC"), a TC Type Approval (Transport Category) and from the Federal Aviation Administration of the United States ("FAA") an FAA Type Certificate for the type of aircraft purchased under this Agreement.

8.2 BRAD shall provide to Buyer a TC Certificate of Airworthiness (Transport Category) for export, on or before the Delivery Date. This Certificate shall bear a statement of compliance enabling Buyer to obtain an FAA Certificate of Airworthiness.

8.3 BRAD shall not be obligated to obtain any other certificates or approvals as part of this Agreement. The obtaining of any import license or authority required to import or operate the Aircraft into any country outside of Canada shall be the responsibility of Buyer. BRAD shall, to the extent permitted by law, and with Buyer's assistance, seek the issuance of a Canadian export license to enable Buyer to export the Aircraft from Canada subject to prevailing export control regulations in effect on the Delivery Date.

8.4 If any addition or change to, or modification or testing of the Aircraft is required by any law or governmental regulation or requirement or interpretation thereof by any governmental agency having jurisdiction in order to meet the requirements of Article 8.2 (a "Regulatory Change"), such Regulatory Change shall be made to the Aircraft prior to Delivery Date, or at such other time after the Delivery Date as the parties may agree upon.

8.5 The Regulatory Change shall be made without additional charge to Buyer unless such Regulatory Change is:

(a) necessary to comply with any requirement of the United States of America, the country of import, which varies from or is in addition to its regulation, requirement or interpretation in effect on the date hereof for the issuance of a Certificate of Airworthiness in said country of import, in which case Buyer shall pay BRAD's reasonable charges for such Regulatory Change, or

(b) required by any governmental law or regulations or interpretation thereof promulgated by TC or the FAA which is effective subsequent to the date of this Agreement but before the Delivery Date and which is applicable to all aircraft in general or to all aircraft of the same category as the Aircraft, in which case Buyer shall pay BRAD's reasonable charges for such Regulatory Change incorporated in any such Aircraft.

8.6 If delivery of the Aircraft is delayed by the incorporation of any Regulatory Change, such delay shall be an Excusable Delay within the meaning of Article 13.

8.7 BRAD shall issue a Change Order, reflecting any Regulatory Change required to be made under this Article 8, which shall set forth in detail the particular changes to be made and the effect, if any, of such changes on design, performance, weight, balance, time of delivery, Base Price and Aircraft Purchase Price. Any Change Orders issued pursuant to this Article shall be effective and binding upon the date of BRAD's transmittal of such Change Order.

8.8 If the use of any of the certificates identified in this Article 8 are discontinued during the performance of this Agreement, reference to such discontinued certificate shall be deemed a reference to any other certificate or instrument which corresponds to such certificate.

8.9 Reference to a regulatory authority shall include any succeeding department or agency then responsible for the duties of said regulatory authority.

8.10 [CONFIDENTIAL TREATMENT REQUESTED]

#### ARTICLE 9 - ACCEPTANCE PROCEDURE

9.1 BRAD shall give Buyer at least thirty (30) days advance notice, by facsimile or telegraphic communication or other expeditious means, of the projected date of readiness of each Aircraft for inspection and delivery.

BRAD shall give Buyer at least ten (10) working days advance notice, by facsimile or telegraphic communication or other expeditious means, of the date on which an Aircraft will be ready for Buyer's inspection, flight test and acceptance (the "Readiness Date").

9.2 Within two (2) working days following receipt by Buyer of the notice of Readiness Date Buyer shall:

(a) provide notice to BRAD as to the source and method of payment of the balance of the Aircraft Purchase Price;

(b) identify to BRAD the names of Buyer's representatives who will participate in the inspection, flight test and acceptance; and

(c) provide evidence of the authority of the designated persons to execute the Certificate of Acceptance and other delivery documents on behalf of Buyer.

9.3 Buyer shall have three (3) consecutive working days commencing on the Readiness Date in which to complete the inspection and flight test (such three (3) working day period being the "Acceptance Period").

9.4 Up to four (4) representatives of Buyer may participate in Buyer's ground inspection of the Aircraft and two (2) representatives of Buyer may participate in the flight test. BRAD shall, if requested by Buyer, perform an acceptance flight of not less than one (1) and not more than three (3) hours duration. Ground inspection and flight test shall be conducted in accordance with BRAD's acceptance procedures (a copy of which shall be provided to Buyer at least 30 days prior to the Scheduled Delivery Date of the First Aircraft hereunder) and at BRAD's expense. At all times during ground inspection and flight test, BRAD shall retain control over the Aircraft.

9.5 If no Aircraft defect or discrepancy is revealed during the ground inspection or flight test, Buyer shall accept the Aircraft on or before the last day of the Acceptance Period in accordance with the provisions of Article 9.7.

9.6.1 If any material defect or discrepancy in the Aircraft is revealed by Buyer's ground inspection or flight test, the defect or discrepancy will promptly be corrected by BRAD, at no cost to Buyer, which correction may occur during or after the Acceptance Period depending on the nature of the defect or discrepancy and of the time required for correction. Should the inspection reveal a defect or discrepancy which from Buyer's standpoint is not a material defect the cost correction of which would be disproportionate to the impact of such defect or discrepancy or Buyer's operation the parties agree to discuss to resolve the issue in a manner satisfactory to both parties. To the extent necessary to demonstrate to Buyer such correction, BRAD shall perform one (1) or more further acceptance flights.

9.6.2 If any material defect or discrepancy in the Aircraft is revealed by Buyer's ground inspection or flight test, and BRAD is not able to promptly correct such defect or discrepancy then BRAD and Buyer will cooperate to effect acceptance and delivery of such Aircraft following correction of such defect in a timely manner satisfactory to both parties.

9.7 Upon completion of the ground inspection and acceptance flight of the

Aircraft and correction of any material defects or discrepancies:

(a) Buyer will sign a Certificate of Acceptance (in the form of Exhibit I hereto) for the Aircraft. Execution of the Certificate of Acceptance by or on behalf of Buyer shall be evidence of Buyer having examined the Aircraft and found it in accordance with the provisions of this Agreement. The date of signature of the Certificate of Acceptance shall be the "Acceptance Date";

(b) BRAD will supply a TC Certificate of Airworthiness for Export; and

(c) Buyer shall pay BRAD the balance of the Aircraft Purchase Price and any other amounts due, at which time BRAD shall cause de Havilland Inc., the manufacturer, to issue an FAA form Bill of Sale and a bill of sale (in the form of Exhibit II hereto) passing to Buyer good title to the Aircraft free and clear of all liens, claims, charges and encumbrances except for those liens, charges or encumbrances created by or claimed through Buyer (collectively the "Bill of Sale"). The date on which BRAD delivers the Bill of Sale and Buyer takes delivery of the Aircraft shall be the "Delivery Date".

Delivery of the Aircraft shall be evidenced by the execution and delivery of the Bill of Sale and of the Certificate of Receipt of Aircraft (in the form of Exhibit III hereto).

9.8 Provided that BRAD has met all of its obligations under this Article 9, should Buyer not accept, pay for and take delivery of any of the Aircraft within ten (10) calendar days after the end of the Acceptance Period of such Aircraft, Buyer shall be deemed to be in default of the terms of this Agreement.

9.9 Provided that BRAD has met all material obligations under this Article 9, Buyer shall promptly, upon demand, reimburse BRAD for all costs and expenses reasonably incurred by BRAD as a result of Buyer's failure to accept or take delivery of the Aircraft, including but not limited to reasonable amounts for storage, insurance, taxes, preservation or protection of the Aircraft. Provided that BRAD has met all of its obligations under this Article 9, should Buyer not accept, pay for and/or take delivery of any one of the Aircraft by the end of the Acceptance Period, the present Agreement can be terminated pursuant to Article 16.2 herein.

#### ARTICLE 10 - TITLE AND RISK

10.1 Title to the Aircraft and risk of loss of or damage to the Aircraft passes to Buyer when BRAD presents the Bill of Sale to Buyer on the Delivery Date.

10.2 If, after transfer of title on the Delivery Date, the Aircraft remains in or is returned to the care, custody or control of BRAD, Buyer shall retain risk of loss of, or damage to the Aircraft and for itself and on behalf of its insurer(s) hereby waives and renounces to, and releases BRAD and any of BRAD's affiliates from any claim, whether direct, indirect or by way of subrogation, for damages to or loss of the Aircraft arising out of, or related to, or by reason of such care, custody or control.

#### ARTICLE 11 - CHANGES

11.1 Other than a Permitted Change as described in Article 11.2, or a Regulatory Change as described in Article 8.4, any change to this Agreement (including without limitation the Specification) or any features or Buyer Furnished Equipment ("BFE"), if any, changing the Aircraft from that described in the Specification attached hereto, requested by Buyer, and as may be mutually agreed upon by the parties hereto, shall be made using a change order ("Change Order") substantially in the format of Exhibit IV hereto. Should Buyer request a change, BRAD shall advise Buyer, to the extent reasonably practical, of the effect, if any, of such change request on:

(a) the Scheduled Delivery Date;



(b) the price and payment terms applicable to the Change Order; and

(c) any other material provisions of this Agreement which will be affected by the Change Order.

Such Change Order shall become effective and binding on the parties hereto when signed by a duly authorized representative of each party.

11.2 BRAD, prior to the Delivery Date and without a Change Order or Buyer's consent, may:

(a) substitute the kind, type or source of any material, part, accessory or equipment with any other material, part, accessory or equipment of like, equivalent or better kind or type; or

(b) make such change or modification to the Specification as it deems appropriate to:

1) improve the Aircraft, its maintainability or appearance, or  
2) to prevent delays in manufacture or delivery, or  
3) to meet the requirements of Articles 2 and 8, other than for a Regulatory Change to which the provisions of Articles 8.4 and 8.5 shall apply,

provided that all such substitutions, changes or modifications shall not affect the Aircraft Purchase Price or diminish the underlying value of the Aircraft or materially affect (i) the Scheduled Delivery Date, (ii) interchangeability or replaceability of spare parts or maintainability of the Aircraft, or (iii) performance characteristics including but not limited to passenger and freight capacity of the Aircraft, or (iv) not significantly increase the cost of maintenance of the Aircraft. Any change made in accordance with the provisions of this Article 11.2 shall be deemed to be a "Permitted Change" and the cost thereof shall be borne by BRAD.

#### ARTICLE 12 - BUYER'S REPRESENTATIVES AT MANUFACTURE SITE

12.1 From time to time, commencing with the date of this Agreement and ending with the Delivery Date of the last Aircraft purchased hereunder, BRAD shall furnish, without charge, office space at BRAD's facility for one (1) representative of Buyer. Buyer shall be responsible for all expenses of its representative and shall notify BRAD at least thirty (30) calendar days prior to the first scheduled visit of such representative and three (3) days for each subsequent visit.

12.2 BRAD's and BRAD's affiliates facilities shall be accessible to Buyer's representative during normal working hours. Buyer's representative shall have the right to periodically observe the work at BRAD's or BRAD's affiliates' facilities where the work is being carried out provided there shall be no disruption in the performance of the work.

12.3 BRAD shall advise Buyer's representative of BRAD's or BRAD's affiliates' rules and regulations applicable at the facilities being visited and Buyer's representative shall conform to such rules and regulations.

12.4 At any time prior to delivery of the Aircraft, Buyer's representative may request, in writing, correction of parts or materials which they reasonably believe are not in accordance with the Specification. BRAD shall provide a written response to any such request. Communication between Buyer's representative and BRAD shall be solely through BRAD's Contract Department or its designate.

12.5 BUYER HEREBY RELEASES AND AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS BRAD, ITS ASSIGNEES AND AFFILIATES AND THEIR OFFICERS, DIRECTORS, AGENTS, EMPLOYEES AND CONTRACTORS FROM AND AGAINST ALL LIABILITIES, DAMAGES, LOSSES, COSTS AND EXPENSES RESULTING FROM INJURIES TO OR DEATH OF OR LOSS OF OR DAMAGE TO PROPERTY OF BUYER ((OTHER THAN THE AIRCRAFT OR SPARE PARTS)) OR BUYER'S REPRESENTATIVES WHILE AT BRAD'S OR BRAD'S AFFILIATES OR SUBCONTRACTOR'S FACILITIES AND/OR DURING INSPECTION, FLIGHT TEST OR ACCEPTANCE OF THE AIRCRAFT, WHETHER OR NOT CAUSED BY THE ACTIVE, PASSIVE OR IMPUTED NEGLIGENCE OR STRICT PRODUCTS LIABILITY OF BRAD, ITS ASSIGNEES, AFFILIATES OR THEIR OFFICERS, DIRECTORS, AGENTS, EMPLOYEES OR CONTRACTORS.

ARTICLE 13 - EXCUSABLE DELAY

13.1 In the event of a delay on the part of BRAD in the performance of its obligations or responsibilities under the provisions of this Agreement due directly or indirectly to a cause which is beyond the reasonable control or without the fault or negligence of BRAD (an "Excusable Delay"), BRAD shall not be liable for, nor be deemed to be in default under this Agreement on account of such delay in delivery of the Aircraft or other performance hereunder and the time fixed or required for the performance of any obligation or responsibility in this Agreement shall be extended for a period equal to the period during which any such cause or the effect thereof persist. Excusable Delay shall be deemed to include, without limitation, delays occasioned by the following causes:

- (a) force majeure or acts of God;
- (b) war, warlike operations, act of the enemy, armed aggression, civil commotion, insurrection, riot or embargo;
- (c) fire, explosion, earthquake, lightning, flood, draught, windstorm or other action of the elements or other catastrophic or serious accidents;
- (d) epidemic or quarantine restrictions;
- (e) any legislation, act, order, directive or regulation of any governmental or other duly constituted authority;
- (f) strikes, lock-out, walk-out, and/or other labour troubles causing cessation, slow-down or interruption of work;
- (g) lack or shortage or delay in delivery of supplies, materials, accessories, equipment, tools or parts, provided another reasonable and practicable alternative source or measure to avoid such were not available to BRAD;
- (h) delay or failure of carriers, subcontractors or suppliers to deliver parts, products, data or services for any reason whatsoever, provided same are ordered in a timely manner; and
- (i) delay in obtaining any airworthiness approval or certificate, or any equivalent approval or certification, by reason of any law or governmental order, directive or regulation or any change thereto, or interpretation thereof, by a governmental agency, the effective date of which is subsequent to the date of this Agreement, or by reason of any change or addition made by BRAD or its affiliates or requested by a governmental agency to the compliance program of BRAD or of its affiliate, or any part thereof, as same may have been approved by TC, or change to the interpretation thereof to obtain any such airworthiness approval or certificate.

13.2 (a) If BRAD concludes, based on its appraisal of the facts and normal scheduling procedures, that due to Excusable Delay delivery of the Aircraft will be delayed for more than twelve (12) months after the originally Scheduled Delivery Date or any revised date agreed to in writing by the parties, BRAD shall promptly notify Buyer in writing and either party may then terminate this Agreement with respect to the Aircraft by giving written notice to the other within fifteen (15) days after receipt by Buyer of BRAD's notice.

(b) If, due to Excusable Delay, delivery of any Aircraft is delayed for more than twelve (12) months after the Scheduled Delivery Date, either party may terminate this Agreement with respect to such Aircraft by giving written notice to the other within fifteen (15) days after the expiration of such twelve (12) month period.

13.3 Termination under Article 13.2 shall discharge all obligations and liabilities of Buyer and BRAD hereunder with respect to such delayed Aircraft and all related undelivered items and services, except that BRAD shall promptly repay to Buyer, and BRAD's sole liability and responsibility shall be limited to the repayment to Buyer, of all advance payments for such Aircraft received by BRAD less any amount due by Buyer to BRAD.

13.4 The termination rights set forth in Article 13.2 are in substitution for any and all other rights of termination or contract lapse arising by operation of law in connection with Excusable Delays.

13.5 [CONFIDENTIAL TREATMENT REQUESTED].

ARTICLE 14 - NON-EXCUSABLE DELAY

14.1 If delivery of the Aircraft is delayed by causes not excused under Article 13.1 (a "Non-Excusable Delay"), BRAD shall pay Buyer, [CONFIDENTIAL TREATMENT REQUESTED for any such delayed Aircraft.

14.2 THE LIQUIDATED DAMAGES PAYABLE IN ACCORDANCE WITH ARTICLE 14.1 AND BUYER'S RIGHT OF TERMINATION UNDER ARTICLE 14.3 CONSTITUTE BUYER'S EXCLUSIVE REMEDY AND RIGHT FOR NON-EXCUSABLE DELAY, INCLUDING A COMPLETE FAILURE TO DELIVER, FOR ANY REASON WHATSOEVER OTHER THAN BRAD'S WILLFUL MISCONDUCT. BUYER WAIVES, RELEASES AND RENOUNCES ALL OTHER CLAIMS, RIGHTS AND REMEDIES, AT LAW OR IN EQUITY, WHETHER BASED ON CONTRACT (INCLUDING WITHOUT LIMITATION WARRANTY), TORT (WHETHER OR NOT ARISING FROM THE ACTIVE, PASSIVE OR IMPUTED NEGLIGENCE OF BRAD OR DE HAVILLAND INC.) OR THE STRICT PRODUCTS LIABILITY OF BRAD OR DE HAVILLAND INC. OR OTHERWISE, FOR (a) ANY COSTS INCURRED BY BUYER IN SECURING TEMPORARY OR PERMANENT REPLACEMENT AIRCRAFT, (b) ANY FINANCING, TAX, PERSONNEL, FACILITY OR OTHER COSTS OR DAMAGES INCURRED BY BUYER RELATING TO DELIVERY OR NON-DELIVERY OF THE AIRCRAFT, INCLUDING BUT NOT LIMITED TO EXPENSES FOR PILOT AND GROUND CREW TRAINING, MAINTENANCE FACILITIES, SCHEDULING AND PILOT TIME, OR (c) ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION LOSS OF USE, LOSS OF REVENUE OR LOSS OF PROFIT.

14.3 Any right Buyer might otherwise have to refuse to accept delivery of an Aircraft when offered by BRAD for inspection and acceptance following a Non-Excusable Delay is included within the rights and remedies for which the liquidated damages provided pursuant to Article 14.1 are the exclusive right and remedy. Buyer will not have the right to refuse to take delivery of any Aircraft because of a Non-Excusable Delay unless and until the aggregate duration of the Non-Excusable Delay for such Aircraft exceeds sixty (60) days. If BRAD has not offered an Aircraft for inspection and acceptance before the end of that sixty (60) day period, Buyer may terminate the Agreement as to such Aircraft by giving notice to BRAD. Buyer shall, effective upon such termination, be entitled to recover from BRAD, as liquidated damages and not as a penalty, the aggregate amount of liquidated damages calculated under Article 14.1 to the date of termination. In addition BRAD shall promptly repay to Buyer all advance payments for such Aircraft plus daily simple interest thereon from the date of receipt to the date of repayment at the prime rate charged by the National Bank of Canada from time to time, calculated and compounded monthly.

ARTICLE 15 - LOSS OR DAMAGE

15.1 In the event that prior to the Delivery Date of any Aircraft, the Aircraft is lost, destroyed or damaged beyond repair due to any cause, BRAD shall promptly notify Buyer in writing. Such notice shall specify the earliest date reasonably possible, consistent with BRAD's other contractual commitments and production schedule, by which BRAD estimates it would be able to deliver a replacement for the lost, destroyed or damaged Aircraft. This Agreement shall automatically terminate as to such Aircraft unless Buyer gives BRAD written notice, within thirty (30) days of BRAD's notice, that Buyer desires a replacement for such Aircraft. If Buyer gives such notice to BRAD, the parties shall execute an amendment to this Agreement which shall set forth the Delivery Date for such replacement aircraft and corresponding new replacement Aircraft Purchase Price; provided, however, that nothing herein shall obligate BRAD to manufacture and deliver such replacement aircraft if it would require the reactivation or acceleration of its production line for the model of aircraft purchased hereunder. The terms and conditions of this Agreement applicable to the replaced Aircraft shall apply to the replacement aircraft.

ARTICLE 16 - TERMINATION

16.1 This Agreement may be terminated, in whole or in part, with respect to

any or all of the Aircraft before the Delivery Date by BRAD or Buyer by notice of termination to the other party upon the occurrence of any of the following events:

(a) a party makes an assignment for the benefit of creditors or admits in writing its inability to pay its debts or generally does not pay its debts as they become due; or

(b) a receiver or trustee is appointed for a party or for substantially all of such party's assets and, if appointed without such party's consent, such appointment is not discharged or stayed within thirty (30) calendar days thereafter; or

(c) proceedings or action under any law relating to bankruptcy, insolvency or the reorganization or relief of debtors are instituted by or against a party, and, if contested by such party, are not dismissed or stayed within thirty (30) calendar days thereafter; or

(d) any writ of attachment or execution or any similar process is issued or levied against a party or any significant part of its property and is not released, stayed, bonded or vacated within thirty (30) calendar days after its issue or levy.

16.2 In addition, this Agreement may be terminated, in whole or in part, before the Delivery Date with respect to any or all undelivered Aircraft

(a) as otherwise provided in this Agreement; or

(b) by BRAD, if Buyer is in default or breach of any material term or condition of this Agreement and Buyer does not cure such default or breach within forty-five (45) calendar days after receipt of notice from BRAD specifying such default or breach.

(c) by Buyer, if BRAD is in default or breach of any material term or condition of this Agreement and such breach remains uncured for a period of forty-five (45) calendar days following receipt of a notice from Buyer specifying the nature of default or breach.

16.3 In case of termination of this Agreement under Article 9.9, or by BRAD pursuant to Articles 16.1 or 16.2:

(a) all rights (including property rights), if any, which Buyer or its assignee may have or may have had in or to this Agreement or any or all of the undelivered Aircraft shall become null and void with immediate effect;

(b) BRAD may sell, lease or otherwise dispose of such Aircraft to another party free of any claim by Buyer; and

(c) all amounts paid by Buyer with respect to the applicable undelivered Aircraft shall be retained by BRAD and shall be applied against the costs, expenses, losses and damages incurred by BRAD as a result of Buyer's default and/or the termination of this Agreement. Buyer hereby acknowledges and recognizes that BRAD shall have all rights permitted by law to recover from Buyer such costs, expenses, losses and damages and, in any event, such costs, expenses, losses and damages will aggregate not less than the amount retained by BRAD pursuant to this Article 16.4 (c).

16.4 Subject to Article 14.1, in the event of termination of this Agreement by Buyer, Buyer's sole rights, remedies and recourses against BRAD and BRAD's obligations to Buyer shall be limited to only the return by BRAD of those amounts paid by Buyer to BRAD hereunder on account of the undelivered Aircraft.

## ARTICLE 17 - NOTICES

17.1 Any notice, request, approval, permission, consent or other communication ("Notice"), to be given or required under this Agreement shall be provided in writing, by registered mail, facsimile, courier, telegraphic or other electronic communication providing reasonable proof of transmission, except that no notice shall be sent by mail if

disruption of postal service exists or is threatened either in the country of origin or of destination, by the party giving the Notice and shall be addressed as follows:

(a) Notice to BRAD shall be addressed to:

Bombardier Inc.  
Bombardier Regional Aircraft Division  
123 Garratt Boulevard  
Downsview, Ontario  
Canada  
M3K 1Y5  
Attention: Director of Contracts

Telex: 06-22128  
Facsimile: (416) 375-4533

(b) Notice to Buyer shall be addressed to:

Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
U.S.A. 98188

Attention: President  
Facsimile: (206) 431-4610

17.2 Notice given in accordance with Article 17.1 shall be deemed sufficiently given to and received by the addressees:

(a) if delivered by hand, on the day when the same shall have been so delivered; or

(b) if mailed or sent by courier on the day indicated on the corresponding acknowledgment of receipt; or

(c) if sent by telex or facsimile on the day indicated by the acknowledgment or the answer back of the receiver in provable form.

#### ARTICLE 18 - INDEMNITY AGAINST PATENT INFRINGEMENT

18.1 In the case of any actual or alleged infringement of any Canadian or United States patent or, subject to the conditions and exceptions set forth below, any patent issued under the laws of any other country in which Buyer from time to time may lawfully operate the Aircraft ("Other Patents"), by the Aircraft, or by any system, accessory, equipment or part installed in such Aircraft at the time title to such Aircraft passes to Buyer, BRAD shall indemnify, protect and hold harmless Buyer from and against all claims, suits, actions, liabilities, damages and costs resulting from the infringement, excluding any incidental or consequential damages (which include without limitation loss of revenue or loss of profit) and BRAD shall, at its option and expense:

(a) procure for Buyer the right under such patent to use such system, accessory, equipment or part; or

(b) replace such system, accessory, equipment or part with one of the similar nature and quality that is non-infringing; or

(c) modify such system, accessory, equipment or part to make same non-infringing in a manner such as to keep it otherwise in compliance with the requirements of this Agreement.

BRAD's obligation hereunder shall extend to Other Patents only if from the time of design of the Aircraft, system, accessory, equipment or part until the alleged infringement claims are resolved:

(a) such other country and the country in which the Aircraft is permanently registered have ratified and adhered to and are at the time of the actual or alleged infringement contracting parties to the Chicago Convention on International Civil Aviation of December 7, 1944 and are fully entitled to all benefits of Article 27 thereof; and

(b) such other country and the country of registration shall each have been a party to the International Convention for the Protection of Industrial Property (Paris Convention) or have enacted patent laws which recognize and give adequate protection to inventions made by the nationals of other countries which have ratified, adhered to and are contracting parties to either of the foregoing conventions.

18.2 The foregoing indemnity does not apply to BFE, or to avionics, engines or any system, accessory, equipment or part that was not manufactured to BRAD's detailed design or to any system, accessory, equipment or part manufactured by a third party to BRAD's detailed design without BRAD's authorization.

18.3 Buyer's remedy and BRAD's obligation and liability under this Article are conditional upon (i) Buyer giving BRAD written notice within ten (10) days after Buyer receives notice of a suit or action against Buyer alleging infringement or within twenty (20) days after Buyer receives any other written claim of infringement (ii) Buyer uses reasonable efforts in full cooperation with BRAD to reduce or mitigate any such expenses, damages, costs or royalties involved, and (iii) Buyer furnishes promptly to BRAD all data, papers and records in its possession or control necessary or useful to resist and defend against such claim or suit. BRAD may at its option conduct negotiations with any party claiming infringement and may intervene in any suit or action. Whether or not BRAD intervenes, BRAD shall be entitled at any stage of the proceedings to assume or control the defense. Buyer's remedy and BRAD's obligation and liability are further conditional upon BRAD's prior approval of Buyer's payment or assumption of any liabilities, expenses, damages, royalties or costs for which BRAD may be held liable or responsible.

18.4 THE INDEMNITY, OBLIGATIONS AND LIABILITIES OF BRAD AND REMEDIES OF BUYER SET OUT IN THIS ARTICLE ARE EXCLUSIVE AND ACCEPTED BY BUYER TO BE IN LIEU OF AND IN SUBSTITUTION FOR, AND BUYER HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER INDEMNITIES, OBLIGATIONS AND LIABILITIES OF BRAD AND OF ITS AFFILIATES AND ALL OTHER RIGHTS, REMEDIES AND CLAIMS, INCLUDING CLAIMS FOR DAMAGES, DIRECT, INCIDENTAL OR CONSEQUENTIAL, OF BUYER AGAINST BRAD AND ITS AFFILIATES EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ANY ACTUAL OR ALLEGED PATENT INFRINGEMENT BY THE AIRCRAFT OR ANY INSTALLED SYSTEM, ACCESSORY, EQUIPMENT OR PART.

#### ARTICLE 19 - LIMITATION OF LIABILITY AND INDEMNIFICATION

19.1 BRAD SHALL HAVE NO OBLIGATION OR LIABILITY (AT LAW OR IN EQUITY), WHETHER ARISING IN CONTRACT (INCLUDING WITHOUT LIMITATION, WARRANTY), IN TORT (INCLUDING THE ACTIVE, PASSIVE OR IMPUTED NEGLIGENCE OR STRICT PRODUCTS LIABILITY OF BRAD OR ITS AFFILIATES), OR OTHERWISE, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES OF ANY KIND OR NATURE, FOR ANY LOSSES OR DAMAGES FOR OR ARISING OUT OF ANY LACK OR LOSS OF USE OF ANY AIRCRAFT, EQUIPMENT, BRAD PARTS, VENDOR PARTS, SPARE PART, GROUND SUPPORT EQUIPMENT, TECHNICAL PUBLICATION OR DATA OR ANY SERVICES TO BE PROVIDED HEREUNDER, OR FOR ANY FAILURE BY BRAD TO PERFORM ANY OBLIGATION HEREUNDER.

19.2 ANNEX B HERETO EXCLUSIVELY SETS FORTH BRAD'S OBLIGATIONS WITH RESPECT TO ANY NON-CONFORMANCE OF THE AIRCRAFT WITH THE SPECIFICATION OR ANY DEFECT IN THE AIRCRAFT.

EXCEPT AS SET FORTH IN ANNEX B THERE ARE NO UNDERSTANDINGS, REPRESENTATIONS, CONDITIONS OR WARRANTIES, EXPRESS OR IMPLIED, BETWEEN THE PARTIES WITH RESPECT TO ANY NON-CONFORMANCE OF THE AIRCRAFT WITH THE SPECIFICATION OR ANY DEFECT IN THE AIRCRAFT OR ANY OTHER THING DELIVERED UNDER THIS AGREEMENT.

19.3 THE WARRANTY AND SERVICE LIFE POLICY PROVIDED IN ANNEX B TO THIS AGREEMENT AND THE OBLIGATIONS AND LIABILITIES OF BRAD UNDER THE AFORESAID WARRANTY AND SERVICE LIFE POLICY ARE ACCEPTED BY BUYER TO BE EXCLUSIVE AND IN LIEU OF, AND BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER REMEDIES, WARRANTIES, GUARANTEES, OBLIGATIONS, REPRESENTATIONS OR LIABILITIES, EXPRESS OR IMPLIED, OF BRAD AND ITS

AFFILIATES WITH RESPECT TO DEFECTS IN EACH AIRCRAFT OR PART THEREOF, PRODUCT, DOCUMENT OR SERVICE DELIVERED OR PROVIDED UNDER THIS AGREEMENT, ARISING IN FACT, IN LAW, IN CONTRACT, IN TORT, OR OTHERWISE, INCLUDING, WITHOUT LIMITATION,

A. ANY IMPLIED WARRANTY OR CONDITION OF MERCHANTABILITY OR FITNESS;

B. ANY IMPLIED WARRANTY OR CONDITION ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;

C. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT, WHETHER OR NOT ARISING FROM THE ACTIVE, PASSIVE OR IMPUTED NEGLIGENCE OR STRICT PRODUCTS LIABILITY OF BRAD OR ITS AFFILIATES, BY REASON OF THE DESIGN, MANUFACTURE, SALE, REPAIR, LEASE OR USE OF THE AIRCRAFT OR PRODUCT AND SERVICES DELIVERED HEREUNDER; AND

D. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO ANY AIRCRAFT OR PART THEREOF, ANY BRAD PARTS, ANY POWER PLANT PARTS, ANY VENDOR PARTS, ANY SPARE PARTS OR ANY TECHNICAL DATA.

BUYER AND BRAD AGREE THAT THIS AGREEMENT HAS BEEN THE SUBJECT OF DISCUSSION AND NEGOTIATION AND IS FULLY UNDERSTOOD BY THE PARTIES HERETO AND THAT THE MUTUAL AGREEMENTS OF THE PARTIES SET FORTH HEREIN WERE ARRIVED AT IN CONSIDERATION OF THE PROVISIONS CONTAINED IN THIS ARTICLE 19.

THE LIMITATIONS OF LIABILITY CONTAINED IN THIS ARTICLE 19 DOES NOT APPLY TO ANY LOSSES, DAMAGES OR CLAIMS ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF BRAD OR OF ANY PERSON FOR WHOM BRAD IS IN LAW RESPONSIBLE AND NOTHING HEREIN CONTAINED SHALL CONSTITUTE OR BE DEEMED TO CONSTITUTE A WAIVER, RELEASE OR RENUNCIATION OF ANY SUCH LOSSES, DAMAGES OR CLAIMS BY BUYER. CLAIMS BY BUYER AGAINST BRAD FOR CONTRIBUTION TOWARD THIRD-PARTY BODILY INJURY OR PROPERTY DAMAGE CLAIMS, TO THE EXTENT OF BRAD'S RELATIVE PERCENTAGE OF THE TOTAL FAULT OR OTHER LEGAL RESPONSIBILITY OF ALL PERSONS CAUSING SUCH BODILY INJURIES OR PROPERTY DAMAGE ARE ALSO EXCEPTED FROM THE TERMS OF THIS ARTICLE 19.

#### 19.4 INTENTIONALLY DELETED

#### ARTICLE 20 - ASSIGNMENT

20.1 Either party may assign, sell, transfer or dispose of (in whole or in part) any of its rights and obligations hereunder to an affiliate or a wholly owned subsidiary provided that there is no increase to the liability and/or responsibility of the non-assigning party and that the assigning party remains jointly and severally liable with any assignee for the performance of its obligation under this Agreement. In addition, either party may assign its interest to a corporation (ii) that results from any merger, consolidation, or a reorganization of such party;; or (ii) into which such party may be merged or with which it may be consolidated.

20.2 Except as provided in Article 20.1, Buyer shall not assign, sell, transfer or dispose of (in whole or in part) any of its rights or obligations hereunder without BRAD's prior written consent, such consent not to be unreasonably withheld. In the event of such assignment, sale, transfer or disposition Buyer shall remain jointly and severally liable with any assignee for the performance of all and any of Buyer's obligations under this Agreement and BRAD reserves the right as a condition of its consent to amend one or more of the terms and conditions of this Agreement.

20.3 Notwithstanding Article 20.2 above, Buyer may assign, after transfer of title of the Aircraft, its rights under the Agreement to a third party purchaser of any one of the Aircraft, upon obtaining from said third party an acknowledgement in writing to be bound by the applicable terms and conditions of this Agreement, including but not limited to the provisions and limitations as detailed Annex A, Customer Support Services, Annex B, Warranty and Service Life Policy and of the provisions and limitations in Limitation of Liability as

defined in Article 19 hereof and Indemnity Against Patent Infringement as defined in Article 18 hereof and any other on-going obligations of Buyer, which shall apply to it to the same extent as if said third party was Buyer hereunder and provided that there is no increase to the liability and/or responsibility of BRAD.

20.4 BRAD may assign any of its rights to receive money hereunder without the prior consent of Buyer.

20.5 Notwithstanding the other provisions of this Article 20, BRAD shall, at Buyer's cost and expense, if so requested in writing by Buyer, take any action reasonably required for the purpose of causing any of the Aircraft to be subjected (i) to, on or after the Delivery Date, an equipment trust, conditional sale or lien, or (ii) to another arrangement for the financing of the Aircraft by Buyer, providing, however, there shall be no increase to the liability and/or responsibility of BRAD arising through such financing, and no transfer of title of an Aircraft shall occur until payment therefore as provided in this Agreement.

#### ARTICLE 21 - SUCCESSORS

This Agreement shall inure to the benefit of and be binding upon each of BRAD and Buyer and their respective successors and permitted assignees.

#### ARTICLE 22 - APPLICABLE LAWS

22.1 THIS AGREEMENT SHALL BE SUBJECT TO AND CONSTRUED IN ACCORDANCE WITH AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY THE DOMESTIC LAWS OF THE PROVINCE OF ONTARIO, CANADA, EXCLUDING THE CHOICE OF LAW RULES, AND THE PARTIES HAVE AGREED THAT THE APPLICATION OF THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS IS HEREBY EXCLUDED.

22.2 BRAD's obligations under this Agreement shall be subject to and apply only to the extent permitted by applicable laws, regulations, directives and/or orders regarding export controls.

#### ARTICLE 23 - CONFIDENTIAL NATURE OF AGREEMENT

23.1 Except as required by law, this Agreement is confidential between the parties and shall not, without the prior written consent of the other party, be disclosed by either party in whole or in part to any other person or body except as may be necessary for either party to carry out its obligations under this Agreement. Nevertheless the parties agree to cooperate to keep this Agreement confidential.

23.2 Except as may be reasonably required for the normal operation, maintenance, overhaul and repair of the Aircraft or in the normal course of supporting the Aircraft, each party shall hold confidential all technical data and information supplied by or on behalf of the other party. Buyer shall not reproduce any technical data or information or divulge the same to any third party without obtaining a confidentiality agreement in favor of and acceptable to BRAD.

23.3 Either party may announce the signing of this Agreement by means of a notice to the press provided that the content and date of the notice has been agreed to by the other party.

#### ARTICLE 24 - AGREEMENT

24.1 This Agreement and the matters referred to herein constitute the entire Agreement between BRAD and Buyer and supersede and cancel all prior representations, brochures, alleged warranties, statements, negotiations, undertakings, letters, memoranda of agreement, acceptances, agreements, understandings, contracts and communications, whether oral or written, between BRAD and Buyer or their respective agents, with respect to or in connection with the subject matter of this Agreement and no agreement or understanding varying the terms and conditions hereof shall be binding on either BRAD or Buyer hereto unless an amendment to this Agreement is issued



and duly signed by their respective authorized representatives pursuant to the provisions of this Article hereof. In the event of any inconsistencies between this Agreement and any of the Appendices, Exhibits and Annexes or other documents referred to herein, the provisions of this Agreement shall prevail.

24.2 If any of the provisions of this Agreement are for any reason declared by judgment of a court of competent jurisdiction to be unenforceable or ineffective, those provisions shall be deemed severable from the other provisions of this Agreement and the remainder of this Agreement shall remain in full force and effect.

24.3 THE BENEFIT OF THE WAIVER, RELEASE, RENUNCIATION AND EXCLUSION OF LIABILITY IN EACH OF ARTICLES 7.3 (f), 12.5, 18.4, 19, ANNEX A ARTICLE 2.9.4.5 AND ANNEX B ARTICLE 5.1 EXTENDS ALSO TO THE OTHER DIVISIONS, OTHER SUBSIDIARIES, AND OTHER AFFILIATES OF BOMBARDIER INC., INCLUDING DE HAVILLAND INC. (COLLECTIVELY THE "BOMBARDIER GROUP") AND TO THE OFFICERS, DIRECTORS, EMPLOYEES AND REPRESENTATIVES OF THE BOMBARDIER GROUP, ON WHOSE BEHALF AND FOR WHOSE BENEFIT BRAD IS, FOR PURPOSES OF THIS ARTICLE 24.3, ACTING AS AGENT AND TRUSTEE.

24.4 BRAD and Buyer confirm to each other they have each obtained the required authorizations and fulfilled any conditions applicable to enable each of them to enter into this Agreement.

24.5 Buyer and BRAD agree that this Agreement has been the subject of discussion and negotiation and is fully understood by the parties hereto and that the price of the Aircraft and the other mutual agreements of the parties set forth herein were arrived at in consideration of the provisions contained in this Agreement, taken as a whole, including Article 19.

In witness whereof this Agreement was signed on the date written hereof:

For and on behalf of For and on behalf of

Horizon Air Industries, Inc.: Bombardier Inc.  
Bombardier Regional Aircraft Division:

\_\_\_\_\_  
Glenn Johnson Pierre Lortie  
V.P. Finance and C.F.O. President

\_\_\_\_\_  
Michel Bourgeois  
Vice President, Contracts

#### APPENDIX I

#### ECONOMIC ADJUSTMENT FORMULA

1. Economic Adjustment will be calculated using the following Economic Adjustment Formula:

$$PA = P1 - P0$$

$$\text{Where } P1 = P0 [0.65 (L1/L0) + 0.35 (M1/M0) ]$$

2.0 In the Economic Adjustment Formula:

a. PA = Aircraft Price Adjustment;

b. P0 = Base Price;

c. P1 = Base Price adjusted to the time of delivery to Buyer using

the formula set forth above;

d. L1 = the delivery year index for labour obtained by calculating the arithmetic average of the labour indexes published by Statistics Canada in Labour Earnings and Hours, Table 3.1, for the fourth, fifth and sixth months prior to the month of delivery of the Aircraft;

e. L0 = 19.19, being the index for labour obtained by calculating the arithmetic average of the labour indexes published by Statistics Canada in Labour (Canada), Aircraft and Aircraft Parts, Code 321, Earnings and Hours, Table 3.1 for January, February and March, 1995;

f. M1 = the delivery year index for material obtained by calculating as the arithmetic average of the material indexes published by the U.S. Department of Labor in Material (U.S.) Industrial Commodities, Producer Price Index, Table 6, for the fourth, fifth and sixth months prior to the month of delivery of the Aircraft.;

g. M0 = 124.3, being the index for material obtained by calculating the arithmetic average of the material indexes published by the U.S. Department of Labor in Material (U.S.) Industrial Commodities, Producer Price Index, Table 6 January, February and March, 1995.

3. In the calculation of the Aircraft Price Adjustment:

a. All indices used in the calculations made to determine the factor to apply to P0, and the calculations themselves, will be to four significant digits; and

b. The Aircraft Price Adjustment will be corrected to the nearest dollar.

4. In the event that at the time of Aircraft delivery BRAD is unable to determine the Aircraft Price Adjustment due to the unavailability of L1 or M1, then:

a. An interim Aircraft Price Adjustment amount will be calculated in accordance with the Economic Adjustment Formula utilizing the latest available delivery indexes and such amount shall be paid to BRAD in lieu of the Aircraft Price Adjustment of delivery; and

b. subsequent to delivery of the Aircraft and as soon as both L1 or M1 are available, BRAD will calculate the Aircraft Price Adjustment and will submit to Buyer a supplemental invoice for the amount due to BRAD or refund to Buyer the amount due Buyer, as appropriate.

5. In the event that any index referred to is discontinued, or if the methodology employed by the relevant authority in determining the index is substantially revised, then a mutually agreed to index will be substituted prior to delivery of the Aircraft.

## APPENDIX II DELIVERY SCHEDULE

First Aircraft:

[CTR]

Second Aircraft:

[CTR]

Third Aircraft:

[CTR]

Fourth Aircraft:

[CTR]

Fifth Aircraft:

[CTR]

Sixth Aircraft:

[CTR]

Seventh Aircraft:

[CTR]

Eighth Aircraft:

[CTR]  
Ninth Aircraft:  
[CTR]  
Tenth Aircraft:  
[CTR]  
Eleventh Aircraft:  
[CTR]  
Twelfth Aircraft:  
[CTR]  
Thirteenth Aircraft:  
[CTR]  
Fourteenth Aircraft:  
[CTR]  
Fifteenth Aircraft:  
[CTR]  
Sixteenth Aircraft:  
[CTR]  
Seventeenth Aircraft:  
[CTR]  
Eighteenth Aircraft:  
[CTR]  
Nineteenth Aircraft:  
[CTR]  
Twentieth Aircraft;  
[CTR]  
Twenty-First  
Aircraft:  
[CTR]  
Twenty-Second  
Aircraft:  
[CTR]  
Twenty-Third  
Aircraft:  
[CTR]  
Twenty-Fourth  
Aircraft:  
[CTR]  
Twenty-Fifth  
Aircraft:  
[CTR]  
Twenty-Sixth Aircraft  
[CTR]  
Twenty-Seventh  
Aircraft  
[CTR]  
Twenty-Eighth  
Aircraft  
[CTR]  
Twenty-Ninth Aircraft  
[CTR]  
Thirtieth Aircraft  
[CTR]  
Thirty-First Aircraft  
[CTR]  
Thirty-Second  
Aircraft  
[CTR]  
Thirty-Third Aircraft  
[CTR]  
Thirty-Fourth  
Aircraft  
[CTR]  
Thirty-Fifth Aircraft  
[CTR]  
Thirty-Sixth Aircraft  
[CTR]  
Thirty-Seventh  
Aircraft  
[CTR]  
Thirty-Eighth  
Aircraft  
[CTR]  
Thirty-Ninth Aircraft  
[CTR]  
Fortieth Aircraft

[CTR]  
CTR = [CONFIDENTIAL TREATMENT REQUESTED].

### APPENDIX III

#### SPECIFICATION

#### DETAIL SPECIFICATION

Number DS8-200 Issue 3

May 1996

### APPENDIX IV

#### BUYER SELECTED OPTIONAL FEATURES

CONFIDENTIAL TREATMENT REQUESTED for all prices of these features listed below

803SO00073 Dash 8 Series 200 Model 202  
804CH00048 Performance Guarantee for Horizon Air S200  
811CH00435 Installation of Airframe and Engine Mortgage Nameplates identifying the Owner and Lessor  
811CH00439 Exterior Paint Scheme - Horizon Air  
821CH00075 Passenger Exterior Air Intake Fan for Ground Operation - S200  
824CH82066 Batteries on line with Ground Power  
825CH01077 ELT (Pointer C-4000-11)  
825CH02003 Weather Proof Airstair Door Acoustic Curtain with Label to Indicate that curtain is to be Open during Take-Off and Landing Hunting Interior  
825CH02013 In-Arm Folding Meal Trays Row 1 only-S200-PTC Model 935  
825CH02112 First Aid Kit and Splint-Horizon Air Location-BFE-Series 200 2,642  
825CH02160 Interior configuration-Horizon Air-Leather Pax and FA Seat Dress Covers, Dado, Carpet & Aisle Curtain  
825CH02216 Modified Standard Series 200 Hunting Galley to provide three (3)  
Prong DC Power Hot Jugs in lieu of the Standard two (2) prong DC Powered Hot Jugs - Qty two (2), Three Prong Hot Jugs Provided with Galley  
831CH00055 Engine Trend Monitoring System Using the Flight Data Acquisition Unit (Plessey DFDAU)  
832CH00022 Nose Gear Lock Indicator on the Flight Deck-S200  
834CH00098-1 Audible Altitude Alert  
834CH00384 VHF Nav. Dual, Collins (VIR33), Installation of Receivers with Level I Software Compatible with an Heads-Up Guidance System  
834CH00432 Structural, Wiring and Space Provisions for "Combiner" for Flight Dynamics (FDI) Heads-Up Guidance System-Model 2800 with Litton LTN-101 IRS  
834CH82218 Single Cue Command on EADI  
835CH00041 Deletion of Portable Oxygen Bottle from Flight Compartment  
835CH00075 Increased Capacity Crew Member Fixed Oxygen Cylinder-Complete with on Board Recharging Capability-Nose Compartment  
[CTR] = [CONFIDENTIAL TREATMENT REQUESTED] FOR ALL PRICES

### APPENDIX IV

#### BUYER SELECTED OPTIONAL FEATURES

Cond't

879CH82380 Mobil Oil in lieu of Standard Exxon [CTR]  
823SO02000 Passenger Briefing and Music System-Hunting Interior  
823SO08041 VHF Comm. Dual-Collins Proline II (VHF22)  
823SO08050-5 Sundstrand Solid State Cockpit Voice Recorder-SSCVR 6,698  
824SO00054 D.C. Generation System-Removal of Phoenix Parts and  
Introduction of Lapec Parts-Converts Post Mod 8/1956  
Aircraft to pre mod Configuration-without APU  
831SO08049-1 Sundstrand Flight Data Recorder in lieu of Standard  
834SO08010-1 Electronic Flight Instrument System (Sperry EDZ800)  
834SO08014-1 Second Radio Altimeter (Sperry AA-300)  
834SO08043-1 ADF-Single, Collins Proline II (ADF60)  
834SO08045 DME No. 1, Collins Proline II (DME42)  
834SO08048-1 DME No. 2, Collins Proline II (DME42)  
835SO02008-5 Oxygen-Essex PBE-BFE-S300/Post Hunting Interior 8,462  
834SO08044-4 ATC #1 Collins Collins Proline II - Mode C Transponder  
Supplied BFE (New or Used Unit)  
854CH0002 Installation of the Series 300 Forward Upper Nacelle  
Structure and Lower Engine Mount Tubes and Busings  
in the Series 100

Total Optional Features

EXHIBIT I

CERTIFICATE OF ACCEPTANCE

The undersigned hereby acknowledges on behalf of Buyer acceptance of  
the Aircraft bearing manufacturer's serial number \_\_\_\_\_  
fitted with two (2) Pratt & Whitney of Canada, Ltd. PWC-123C engines  
bearing serial numbers \_\_\_\_\_ and \_\_\_\_\_  
and two (2) Hamilton Standard 14SF-7/15/23/ propellers as being in  
accordance with the terms and conditions of this Agreement signed on  
the \_\_\_\_\_ day of \_\_\_\_\_, 1996 between Bombardier Regional Aircraft  
Division and Buyer.

Place:     Date:

Signed for and on behalf of

[Buyer]

Per:

Title:

EXHIBIT II  
BILL OF SALE

1. FOR VALUABLE CONSIDERATION, de HAVILLAND INC., OWNER OF THE FULL LEGAL  
AND BENEFICIAL TITLE OF THE AIRCRAFT DESCRIBED AS FOLLOWS:

ONE DE HAVILLAND DHC-8-200/300 AIRCRAFT BEARING:

MANUFACTURER'S SERIAL NO.:     , WITH:

PWC-123 ENGINES SERIAL NOS.:

, AND

AUXILIARY POWER UNIT NO.:

DOES THIS DAY OF 19 HEREBY SELL, GRANT,  
TRANSFER AND DELIVER ALL RIGHT, TITLE AND INTEREST IN AND TO SUCH  
AIRCRAFT UNTO: [BUYER'S NAME].

BY VIRTUE OF THE EXECUTION OF THIS BILL OF SALE, DE HAVILLAND INC.  
HEREBY DIVESTS ITSELF OF ALL ITS RIGHT, TITLE AND INTEREST OF ANY KIND  
IN THE AIRCRAFT, IN FAVOUR OF BUYER AND WARRANTS THAT BUYER WILL HAVE  
GOOD TITLE TO THE AIRCRAFT, FREE OF LIENS AND ENCUMBRANCES.

BUYER:

PLACE: TIME:

For and on behalf of

DE HAVILLAND INC.:

Per:

Title:

EXHIBIT III

#### CERTIFICATE OF RECEIPT OF AIRCRAFT

THE UNDERSIGNED HEREBY ACKNOWLEDGES TO HAVE RECEIVED FROM BOMBARDIER  
REGIONAL AIRCRAFT DIVISION, AT THE DOWNSVIEW AIRPORT, ADJACENT TO BRAD'S  
PLANT IN DOWNSVIEW, PROVINCE OF ONTARIO, CANADA, ON THE DAY  
OF , AT THE HOUR OF O'CLOCK, ONE (1) de  
HAVILLAND DHC-8-200/300/ AIRCRAFT, BEARING SERIAL NUMBER ,  
INCLUDING WITH THE AIRCRAFT TWO (2) PWC-123 ENGINES BEARING MANUFACTURER'S  
SERIAL NUMBERS & AND TWO (2) HAMILTON  
STANDARD 14SF-7/15/23/ PROPELLORS AND OTHER MAJOR REPLACEABLE ACCESSORIES  
ATTACHED TO THE AIRCRAFT AND ENGINES.

Signed for and on behalf of  
[Buyer's name]:

Per:

Title:

EXHIBIT IV

CHANGE ORDER  
(PRO FORMA)

CONTRACT CHANGE ORDER

PURCHASER:

PURCHASE AGREEMENT NO.: AIRCRAFT TYPE:

C.C.O. NO.: DATED:

PAGE \_\_\_ of \_\_\_

REASON FOR CHANGE:

---

DESCRIPTION OF CHANGE:

---

ALL OTHER TERMS AND CONDITIONS OF THE AGREEMENT WILL REMAIN UNCHANGED

For administrative purposes only, a consolidation of the amendments contained in this CCO is attached. In the event of inconsistencies between the consolidation and this CCO, this CCO shall prevail.

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FOR AND ON BEHALF OF: FOR AND ON BEHALF OF:

Bombardier Regional Aircraft Division \_\_\_\_\_

Signed: \_\_\_\_\_ Signed: \_\_\_\_\_

Date: \_\_\_\_\_ Date: \_\_\_\_\_

#### CUSTOMER SUPPORT SERVICES

#### ANNEX A - TECHNICAL SUPPORT, SPARE PARTS, TRAINING AND TECHNICAL DATA

The following Customer Support Services are those services to which reference is made in Article 3 of the Agreement.

#### ARTICLE 1 - TECHNICAL SUPPORT

##### 1.1 Factory Service

BRAD agrees to maintain or cause to be maintained the capability to respond to Buyer's technical inquiries, to conduct investigations concerning repetitive maintenance problems and to issue findings and recommend action thereon. This service shall be provided for as long as ten (10) DHC-8-200/300 aircraft remain in commercial air transport service.

##### 1.2 Field Service Representative

###### 1.2.1 Services

BRAD shall [CONFIDENTIAL TREATMENT REQUESTED] Area Field Service Representative ("FSR") to Buyer's main base of operation or other location as may be mutually agreed.

###### 1.2.2 Term

Such assignment shall be for at least, [CONFIDENTIAL TREATMENT REQUESTED] and shall commence approximately one (1) month prior to the Delivery Date of the first Aircraft. The FSR assignment may be extended on terms and conditions to be mutually agreed.

###### 1.2.3 Responsibility

The FSR's responsibility shall be to provide technical advice to Buyer for the line maintenance and operation of the Aircraft systems and troubleshooting during scheduled and unscheduled

maintenance by Buyer's designated personnel ("FSR Services").

#### 1.2.4 Travel

If requested by Buyer, the FSR may, at Buyer's expense, travel to another location to provide technical advice to Buyer.

#### 1.2.5 Office Facilities

Buyer shall furnish the FSR, at no charge to BRAD, suitable and private office facilities and related equipment including desk, file cabinet, access to two telephone lines, facsimile and photocopy equipment conveniently located at Buyer's main base of operation or other location as may be mutually agreed.

#### 1.2.6 Additional Expenses

Buyer shall reimburse BRAD (net of any additional taxes on such reimbursement) the amount of any and all taxes (except Canadian taxes on the income of the FSR) and fees of whatever nature, including any customs duties, withholding taxes or fees together with any penalties or interest thereon except for penalties or interest resulting from BRAD's fault or negligence, paid or incurred by BRAD or the FSR or other BRAD employee as a result of or in connection with the rendering of the services.

#### 1.2.7 Right to Stop Work

BRAD shall not be required to commence or continue the FSR Services when:

- a.) there is a labour dispute or work stoppage in progress at Buyer's main maintenance facilities;
- b.) there exist war, risk of war or warlike operations, riots or insurrections which is likely to affect Buyer's facility;
- c.) there exist conditions that are dangerous to the safety or health of the FSR or other BRAD employee; or
- d.) the Government of the country where Buyer's facilities are located or where Buyer desires the FSR to travel refuses the BRAD employees permission to enter said country or Buyer's base of operations.

#### 1.2.8 Work Permits and Clearances

BRAD and Buyer shall cooperate to arrange for all necessary work permits and airport security clearances required for the FSR or other BRAD employee to permit timely accomplishment of the FSR services.

### 1.3 Maintenance Planning Support

#### 1.3.1 Scheduled Maintenance Task Cards

As described in Annex A Attachment A, BRAD shall provide Buyer BRAD's standard format scheduled maintenance task cards that shall conform to the Aircraft at the Delivery Date. At Buyer's request BRAD shall provide a proposal for task cards produced to Buyer's format.

#### 1.3.2 In-Service Maintenance Data

Buyer agrees to provide to BRAD in-service maintenance data in order to provide updates to BRAD's recommended maintenance program. Buyer and BRAD shall agree on standards and frequency for communication of such data.

### 1.4 Additional Services

At Buyer's request BRAD shall provide a proposal to provide such additional support services as the parties may agree upon, which may



include special investigations, maintenance and repair of the Aircraft.

## ARTICLE 2 - SPARE PARTS, GSE, TOOLS AND TEST EQUIPMENT

### 2.1.1 Definitions

#### a. "BRAD Parts":

any spare parts, ground support equipment, tools and test equipment which bear an inhouse Cage Code number in the BRAD Provisioning Files (as that expression is defined in ATA Specification 2000).

#### b. "Power Plant Parts":

any power plant or power plant part or assembly carrying the power plant manufacturer's part number or any part furnished by the power plant manufacturer for incorporation on the Aircraft.

#### c. "Vendor Parts":

any spare parts, ground support equipment, tools and test equipment for the Aircraft which are not BRAD Parts or Power Plant Parts.

#### d. "Spare Parts":

all materials, spare parts, assemblies, special tools and items of equipment, including ground support equipment, ordered for the Aircraft by Buyer from BRAD. The term Spare Parts includes BRAD Parts, Power Plant Part and Vendor Parts.

#### e. "Order":

any order for Spare Parts issued by Buyer to BRAD; and

#### f. "Technical Data":

shall have the meaning attributed to it in Annex A Article 4.1.

## 2.1 Term and Applicability

The term of this Annex A Article 2 shall become effective on the date hereof and shall remain in full force and effect with respect to the purchase and sale of Spare Parts for each Aircraft so long as at least ten (10) of the DHC-8-200/300 aircraft remain in commercial air transport service. The provisions of Annex A Articles 2.2, 2.6.5, 2.24 and Annex B Article 5.0 shall survive expiration or termination of this Agreement.

## 2.2 Order Terms

Terms and conditions hereof shall apply to all Orders placed by Buyer with BRAD in lieu of any terms and conditions in Buyer's purchase orders.

## 2.3 Purchase and Sale of Spare Parts

### 2.3.1 Agreement to Manufacture and Sell

BRAD shall manufacture, or procure, and make available for sale to Buyer suitable Spare Parts in quantities sufficient to meet the reasonably anticipated needs of Buyer for normal maintenance and normal spares inventory replacement for each Aircraft. During the term specified in Annex A Article 2.1 above, BRAD shall also maintain a shelf stock of certain BRAD Parts selected by BRAD to ensure reasonable re-order lead times and emergency support. BRAD shall maintain a reasonable quantity of BRAD insurance parts. Insurance parts as used herein shall include, but not be limited to, dispatch-essential parts such as major flight control surfaces.

## 2.4 Agreement to Purchase BRAD Parts

### 2.4.1 Purchase of BRAD Parts

In consideration of BRAD's obligation under Annex A Article 2.3.1, during the term stated in Annex A Article 2.1., Buyer agrees to purchase BRAD Parts only from BRAD or from airlines operating the same type aircraft purchased herein. Buyer may however purchase BRAD Parts from any source whatsoever, redesign BRAD Parts, or have them redesigned, manufacture BRAD Parts, or have them manufactured, under the following conditions:

a) When less than ten (10) aircraft of the type purchased hereunder are operated in scheduled commercial air transport service;

b) Any time BRAD Parts are needed to effect emergency repairs on the Aircraft, provided that such purchase, redesign or manufacture by or from sources other than BRAD allows Buyer to obtain BRAD Parts in less time than BRAD requires to furnish them; or

c) If Buyer has notified BRAD in writing that any BRAD Parts are defective or unsatisfactory in use and if within a reasonable period thereafter BRAD has not provided a satisfactory resolution or made redesigned BRAD Parts available.

d) The BRAD Part or Parts listed in the Spare Parts Price Catalog with a unit price of \$100.00 or less can be made by Buyer for a cost of less than \$100.00 as provided in this paragraph. BRAD grants Buyer the right to fabricate certain BRAD Parts as follows: (i) parts for which BRAD or one of its affiliates provides written authorization to Buyer to make, or (ii) normally simple cut-to-size parts fabricated with simple hand tools. Such fabrication is authorized for Buyer's use only and any parts manufactured under authorization are not for resale.

### 2.4.2 Purchase of BRAD Parts from Other Approved Sources

Buyer may obtain BRAD Parts from any source provided that such source is approved by BRAD and provided that such BRAD Parts are for Buyer's use only.

### 2.4.3 Buyer's Right to Purchase, Redesign or Manufacture

Buyer's right to purchase, redesign or to have redesigned or manufacture or to have manufactured BRAD Parts under the preceding Article shall not be construed as a granting of a license by BRAD and shall not obligate BRAD to disclose to anyone Technical Data or other information nor to the payment of any license fee or royalty or create any obligation whatsoever to BRAD and BRAD shall be relieved of any obligation or liability with respect to patent infringement in connection with any such redesigned part. Buyer shall be responsible for obtaining all regulatory authority approvals required by Buyer to repair the Aircraft using redesigned or manufactured BRAD Parts as described in the preceding Article. Any such redesigned part shall be identified with Buyer's part number only.

### 2.4.4 Notice to BRAD of Redesigned Parts

If Buyer redesigns or has had any BRAD Parts redesigned, Buyer shall immediately thereafter advise BRAD and make available to BRAD and its affiliates any such redesigned part or manufacturing process therefor or drawings thereof. If BRAD requests, Buyer shall negotiate with BRAD, within sixty (60) calendar days after such redesigned part or manufacturing process therefor or drawings thereof are made available to BRAD, for the granting to BRAD of exclusive (except for Buyer) manufacturing rights of the redesigned part.

## 2.5 Purchase of Vendor Parts & Power Plant Parts

BRAD shall not be obligated to maintain a stock of Vendor Parts or Power Plant Parts. BRAD may elect to maintain a spares stock of selected Vendor Parts at its own discretion to support provisioning and replenishment sales. BRAD agrees to use reasonable efforts to require its vendors to comply with the terms and conditions of this Annex A Article 2 as they apply to Vendor Parts. Vendor Parts shall be delivered in accordance with the vendor's quoted lead time plus BRAD's internal processing time.

## 2.6 Spare Parts Pricing

### 2.6.1 Spare Parts Price Catalogue

Prices for commonly used BRAD Parts stocked by BRAD shall be published in the spare parts price catalogue ("Spare Parts Price Catalogue"). BRAD shall hold the published prices firm for catalogue stock class items for a period of twelve (12) months and shall provide at least ninety (90) calendar days notice prior to changing the published price.

### 2.6.2 BRAD prices for Vendor Parts

If Buyer orders Vendor Parts from BRAD, the price shall be as published in the Spare Parts Catalogue.

### 2.6.3 Quotations

Price and delivery quotations for items not included in the Spare Parts Price Catalogue shall be provided at Buyer's request by BRAD. Price quotations will be held firm for a period of ninety (90) calendar days or as otherwise specified by BRAD. Responses to quotation requests will be provided within ten (10) calendar days.

### 2.6.4 Price Applicability

The purchase price of BRAD Parts shall be the applicable price set forth in the Spare Parts Price Catalogue at time of receipt by BRAD of Buyer's Order or as quoted by BRAD to Buyer upon request. If Buyer requests accelerated delivery or special handling for BRAD Parts not included in the Spare Parts Price Catalogue, BRAD may increase the price from the original quotation to cover any additional costs to BRAD.

### 2.6.5 Currency and Taxes

All Spare Parts Price Catalogue and quotation prices shall be in U.S. dollars and exclusive of transportation, taxes, duties and licenses.

Buyer shall pay to BRAD upon demand the amount of any sales, use, value-added, excise or similar taxes imposed by any federal, provincial or local taxing authority within Canada, and the amount of all taxes imposed by any taxing authority outside Canada, required to be paid by BRAD as a result of any sale, use, delivery, storage or transfer of any Spare Parts. If BRAD has reason to believe that any such tax is applicable, BRAD shall separately state the amount of such tax in its invoice. If a claim is made against BRAD for any such tax, BRAD shall promptly notify Buyer.

The parties hereto agree, subject to applicable laws, to work together to minimize the imposition of taxes and fees herein. In addition, Buyer shall pay to BRAD on demand the amount of any customs duties required to be paid by BRAD with respect to the importation by Buyer of any Spare Parts.

### 2.6.6 Vendor Pricing

BRAD shall use reasonable efforts to require its major vendors to maintain any published price for their parts for a period of at least twelve (12) months with a ninety (90) calendar day notice period prior to changing a published price.

## 2.7 Provisioning

### 2.7.1 Pre-provisioning/Provisioning Conference

Pre-provisioning and provisioning conferences shall be convened on dates to be mutually agreed between Buyer and BRAD in order to:

(i) discuss the operational parameters to be provided by Buyer to BRAD which BRAD considers necessary for preparing its quantity recommendations for initial provisioning of Spare Parts to be purchased from BRAD or vendors ("Provisioning Items");

(ii) review Buyer's ground support equipment and special tool requirements for the Aircraft;

(iii) discuss the format of the provisioning documentation to be provided to Buyer from BRAD for the selection of Provisioning Items; and

(iv) arrive at a schedule of events for the initial provisioning process, including the establishment of a date for the initial provisioning conference ("Initial Provisioning Conference") which shall be scheduled where possible at least twelve (12) months prior to delivery of the first Aircraft.

The time and location of the pre-provisioning conference shall be mutually agreed upon between the parties; however, BRAD and Buyer shall use their best efforts to convene such meeting within thirty (30) days after execution of the Agreement.

### 2.8 Initial Provisioning Documentation

Initial provisioning documentation for BRAD Parts and Vendor Parts shall be provided by BRAD as follows:

a) BRAD shall provide, as applicable to Buyer, no later than eighteen (18) months prior to the Scheduled Delivery Date of the first Aircraft, or as may be mutually agreed, the initial issue of provisioning files as required by ATA Specification 2000, Chapter 1 (as may be amended by BRAD);

Revisions to this provisioning data shall be issued by BRAD every ninety (90) calendar days until ninety (90) calendar days following the Delivery Date of the last Aircraft or as may be mutually agreed;

b) BRAD shall provide, as required by Buyer, all data files defined in Chapter 1 of ATA Specification 2000; and

c) the Illustrated Parts Catalogue designed to support provisioning shall be issued concurrently with provisioning data files and revised at ninety (90) calendar day intervals.

#### 2.8.1 Obligation to Substitute Obsolete Spare Parts

In the event that, prior to delivery of the first Aircraft, any Spare Part purchased by Buyer from BRAD is rendered obsolete or unusable due to the redesign of the Aircraft or of any accessory, equipment or part thereto (other than a redesign at Buyer's request), BRAD shall deliver to Buyer new and usable Spare Parts in substitution for such obsolete or unusable Spare Parts upon return of such Spare Parts to BRAD by Buyer. BRAD shall credit Buyer's account with BRAD with the price paid by Buyer for any such obsolete or unusable Spare Part and shall invoice Buyer for the purchase price of any such substitute Spare Part delivered to Buyer.

#### 2.8.2 Delivery of Obsolete Spare Parts and Substitutes

Obsolete or unusable Spare Parts returned by Buyer pursuant to

Annex A Article 2.8.1. shall be delivered to BRAD at its plant in Ontario or Quebec, or such other destination as BRAD may reasonably designate. Spare Parts substituted for such returned obsolete or unusable Spare Parts shall be delivered to Buyer from BRAD's plant in Ontario or Quebec, or such other BRAD shipping point as BRAD may reasonably designate. BRAD shall pay the freight charges for the shipment from Buyer to BRAD of any such obsolete or unusable Spare Part and for the shipment from BRAD to Buyer of any such substitute Spare Part.

#### 2.8.3 Obligation to Repurchase Surplus Provisioning Items

During a period commencing one (1) year after the Delivery Date of the first Aircraft, and ending five (5) years after such Delivery Date, BRAD shall, upon receipt of Buyer's written request and subject to the exceptions in Annex A Article 2.8.4, repurchase unused and undamaged Provisioning Items which: (i) were recommended by BRAD as initial provisioning for the Aircraft, (ii) were purchased by Buyer from BRAD, and (iii) are surplus to Buyer's needs.

#### 2.8.4 Exceptions

BRAD shall not be obligated under Annex A Article 2.8.3 to repurchase any of the following: (i) quantities of Provisioning Items in excess of those quantities recommended by BRAD in its Recommended Spare Parts List ("RSPL") for the Aircraft, (ii) Power Plant Parts, QEC Kits, standard hardware, bulk and raw materials, ground support equipment and special tools, (iii) Provisioning Items which have become obsolete or have been replaced by other Provisioning Items as a result of (a) Buyer's modification of the Aircraft or (b) design improvement by the Aircraft manufacturer or the vendor (other than Provisioning Items which have become obsolete because of a defect in design if such defect has not been remedied by an offer by BRAD or the vendor to provide no charge retrofit kits or replacement parts which correct such defect), and (iv) Provisioning Items which become surplus as a result of a change in Buyer's operating parameters provided to BRAD pursuant to Annex A Article 2.7, which were the basis of BRAD's initial provisioning recommendations for the Aircraft.

#### 2.8.5 Notification and Format

Buyer shall notify BRAD, in writing, when Buyer desires to return Provisioning Items which Buyer's review indicates are eligible for repurchase by BRAD under the provisions of Annex A Article 2.8.3. Buyer's notification shall include a detailed summary, in part number sequence, of the Provisioning Items Buyer desires to return. Such summary shall be in the form of listings as may be mutually agreed between BRAD and Buyer, and shall include part number, nomenclature, purchase order number, purchase order date and quantity to be returned.

Within five (5) business days after receipt of Buyer's notification BRAD shall advise Buyer, in writing, when BRAD's review of such summary from Buyer will be completed.

#### 2.8.6 Review and Acceptance by BRAD

Upon completion of BRAD's review of any detailed summary submitted by Buyer pursuant to Annex A Article 2.8.5., BRAD shall issue to Buyer a Material Return Authorization notice ("MRA") for those Provisioning Items BRAD agrees are eligible for repurchase in accordance with Annex A Article 2.8.3. BRAD will advise Buyer of the reason specified in Article 2.8.4 that any Provisioning Item included in Buyer's detailed summary is not eligible for return. The MRA notice shall state the date by which Provisioning Items listed in the MRA notice must be redelivered to BRAD and Buyer shall arrange for shipment of such Provisioning Items accordingly.

#### 2.8.7 Price and Payment

The price of each Provisioning Item repurchased by BRAD pursuant to Annex A Article 2.8.6[CONFIDENTIAL TREATMENT REQUESTED] BRAD shall pay the repurchase price [CONFIDENTIAL TREATMENT REQUESTED]

#### 2.8.8 Return of Surplus Provisioning Items

Provisioning Items repurchased by BRAD pursuant to Annex A Article 2.8.6 shall be delivered to BRAD Free Carrier (Incoterms), at its plant in Ontario or Quebec, or other such destination as BRAD may reasonably designate.

#### 2.8.9 Obsolete Spare Parts and Surplus Provisioning Items - Title and Risk of Loss

Title to and risk of loss of any obsolete or unusable Spare Parts returned to BRAD pursuant to Annex A Article 2.8.8 shall pass to BRAD upon delivery thereof to BRAD. Title to and risk of loss of any Spare Parts substituted for an obsolete or unusable Spare Part pursuant to Annex A Article 2.8.1 shall pass to Buyer upon delivery thereof to Buyer. Title to and risk of loss of any Provisioning Items repurchased by BRAD pursuant to Annex A Article 2.8.3 shall pass to BRAD upon delivery thereof to BRAD.

With respect to the obsolete or unusable Spare Parts which may be returned to BRAD and the Spare Parts substituted therefor, pursuant to Annex A Article 2.8.1, and the Provisioning Items which may be repurchased by BRAD, pursuant to Annex A Article 2.8.3, the party which has the risk of loss of any such Spare Part or Provisioning Item shall have the responsibility of providing any insurance coverage thereon desired by such party.

#### 2.9 Procedure for Ordering Spare Parts

Orders for Spare Parts may be placed by Buyer to BRAD by any method of order placement (including but not limited to SITA, ARINC, telecopier, letter, telex, facsimile, telephone or hard copy purchase order).

##### 2.9.1 Requirements

Orders shall include at a minimum order number, part number, nomenclature, quantity, delivery schedule requested, shipping instructions and BRAD's price, if available. Buyer agrees that orders placed with BRAD shall conform to the requirements and procedures contained in ATA Specification 2000, as applicable to Buyer.

##### 2.9.2 Processing of Orders

Upon acceptance of any Order, unless otherwise directed by Buyer, BRAD shall, if the Spare Parts are in stock, proceed immediately to prepare the Spare Parts for shipment to Buyer. If BRAD does not have the Spare Parts in stock, BRAD shall proceed immediately to acquire or manufacture the Spare Parts. Purchase order status and actions related to the shipment of Spare Parts shall be generally consistent with the provisions of the World Airline Suppliers Guide and the applicable portions of ATA Specification 2000, as applicable to Buyer.

##### 2.9.3 Changes

BRAD reserves the right, without Buyer's consent, to make any necessary corrections or changes in the design, part number and nomenclature of Spare Parts covered by an Order, to substitute Spare Parts and to adjust prices accordingly, provided that interchangeability is not affected and [CONFIDENTIAL TREATMENT REQUESTED] BRAD shall promptly give Buyer written notice of corrections, changes, substitutions and consequent price adjustments. Corrections, changes, substitutions and price adjustments which affect interchangeability or exceed the price limitations set forth above may be made only with Buyer's consent, which consent shall conclusively be deemed to have been given unless Buyer gives BRAD written notice of objection within fifteen (15) business days after receipt of BRAD's notice. In case of any objection, the affected Spare Part will be deemed to

be deleted from Buyer's Order.

## 2.9.4 Electronic Data Interchange

### 2.9.4.1 Use of Electronic Data Interchange (EDI)

The SPEC 2000 Protocol shall be used for any EDI transaction. Buyer and BRAD shall implement security procedures to ensure proper use of this communication. A message will be considered received only at the point where it is in a format which can be accepted by the receiving computer according to ATA SPEC 2000 rules on transmissions. If garbled transmissions are received, the receiver shall promptly notify the sender through use of the SIREJECT command.

### 2.9.4.2 Acceptance of EDI Transactions

The SIBOOKED transaction creates an obligation on the part of Buyer to purchase the material and quantities as specified in the transmission. BRAD is obliged to sell the material and quantities as specified except as may be identified in a subsequent SIORDEXC message. With respect to a S1QUOTES transaction, Buyer and BRAD are bound to respect the prices quoted in the transmission in any resultant S1BOOKED order transaction based upon that S1QUOTES message within the validity period of the S1QUOTES message. An S1NVOICE message will be considered as the official commercial invoice for the goods shipped. An S1STOCKS, S1SHIPPD, S1POSTAT or S1PNSTAT message creates no obligations on either the Buyer or BRAD. If an S1BOOKED acknowledgment is not sent within 24 hours by BRAD then Buyer shall resend the original message.

Any document which has been properly received shall not give rise to any obligation unless and until the party receiving such document has properly transmitted in return an acknowledgment document according to SPEC 2000 Protocol.

### 2.9.4.3 Systems Operations

Buyer and BRAD, at their own expense, shall provide and maintain the equipment, software, services and testing necessary to effectively and reliably transmit and receive documents.

### 2.9.4.4 Validity of Documents

Annex A Article 2.9.4 has been agreed to by Buyer and BRAD to evidence their mutual intent to create binding purchase and sale obligations pursuant to the electronic transmission and receipt of documents as described herein.

Such documents properly transmitted pursuant to this Annex A Article 2.9.4 shall be considered, in connection with any transaction or any other agreement, to be a "writing" or "in writing" and shall be deemed for all purposes (a) to have been "signed" and (b) to constitute an "original" when printed from electronic files or records established and maintained in the normal course of business.

Buyer and BRAD agree not to contest the validity or enforceability of signed documents under the provisions of any applicable law relating to whether certain agreements are to be in writing or signed by either party to be bound thereby. Signed documents, if introduced as evidence on paper in any judicial, arbitration, mediation or administrative proceedings, will be admissible as between Buyer and BRAD to the same extent and under the same conditions as other business records originated and

maintained in documentary form. Neither Buyer nor BRAD shall contest the admissibility of copies of signed documents under either the business records exception to the hearsay rule or the best evidence rule on the basis that the signed documents were not originated or maintained in documentary form.

#### 2.9.4.5 Limitation of Liability

NEITHER BUYER NOR BRAD SHALL BE LIABLE TO THE OTHER FOR ANY INDIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING FROM OR AS A RESULT OF ANY DELAY, OMISSION OR ERROR IN THE ELECTRONIC TRANSMISSION OR RECEIPT OF ANY DOCUMENTS PURSUANT TO THIS ANNEX A ARTICLE 2.9.4, EVEN IF EITHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

#### 2.10 Packing

All Spare Parts ordered shall receive standard commercial packing suitable for export shipment via air freight. Such standard packing will generally be to ATA 300 standards as amended from time to time. All AOG orders will be handled, processed, packed and shipped separately.

#### 2.11 Packing List

BRAD shall insert in each shipment a packing list/release note itemized to show:

- (i) the contents of the shipment,
- (ii) the approved signature of BRAD's TC authority attesting to the airworthiness of the Spare Parts.
- (iii) value of the shipment for customs clearance if required.

#### 2.12 Container Marks

Upon Buyer's request each container shall be marked with shipping marks as specified on the Order. In addition BRAD shall, upon request, include in the markings: gross weight and cubic measurements.

#### 2.13 Delivery, Title and Risk of Loss

##### 2.13.1 Delivery Point

Spare Parts shall be delivered to Buyer in one of the following manners at BRAD's sole option:

- (i) Free Carrier (Incoterms 1990) BRAD's plant in either Ontario or Quebec, Canada; or
- (ii) Free Carrier (Incoterms 1990) other BRAD depots or shipping points; or
- (iii) Free Carrier (Incoterms 1990) vendor's or subcontractor's plant.

##### 2.13.2 Delivery Time

BRAD shall use reasonable efforts so that shipment of BRAD Parts to Buyer be as follows:

###### a) AOG Orders

Ship AOG Orders within four (4) hours of receipt of Order. Buyer's affected Aircraft factory production number shall be required on AOG Orders;

###### b) Critical Orders (A1)

Ship critical Orders within twenty-four (24) hours of order receipt;

###### c) Expedite Orders (A2)



Ship expedite Orders within seven (7) calendar days of order receipt;

d) Initial Provisioning Orders

Prior to the Delivery Date of the first Aircraft or as may be mutually agreed; and

e) Other Orders

Shipment of stock items shall be approximately thirty (30) calendar days after BRAD's receipt of Buyer's Order. Shipment of non-stock items shall be in accordance with quoted lead times or lead times published in the current Spare Parts Price Catalogue, procurement data, or provisioning data.

2.14 Collect Shipments

Where collect shipments are not deemed practicable by BRAD, charges for shipment, insurance, prepaid freight charges and all other costs paid by BRAD shall be paid by Buyer promptly upon presentation to Buyer of invoices covering the same.

2.15 Freight Forwarder

If Buyer elects to use the services of a freight forwarder for the onward movement of Spare Parts, Buyer agrees to release BRAD from and indemnify it for any liability for any fines or seizures of Spare Parts imposed under any governmental Goods in Transit regulations. Any such fines levied against BRAD will be invoiced to Buyer and any Spare Parts seized under such regulations will be deemed to be received, inspected, and accepted by Buyer at the time of seizure.

2.16 Reimbursement of Expenses

If BRAD gives Buyer written notice that an Order is ready for shipment and shipment is delayed more than thirty (30) days at Buyer's request or without BRAD's fault or responsibility, Buyer shall promptly reimburse BRAD upon demand for all costs and expenses, including but not limited to reasonable amounts for storage, handling, insurance and taxes, incurred by BRAD as a result of such delay.

2.17 Title and Risk of Loss

Property and title to the Spare Parts will pass to Buyer upon payment for the Spare Parts in full. Until payment in full for Spare Parts, (a) title to them will not pass to Buyer, and (b) BRAD maintains a purchase money security interest in them. Risk of loss of the Spare Parts will pass to the Buyer upon delivery by BRAD. With respect to Spare Parts rejected by Buyer pursuant to Annex A Article 2.19, risk of loss shall remain with Buyer until such Spare Parts are re-delivered to BRAD .

BRAD agrees to notify Buyer when material is shipped and shall provide carrier's reference information (i.e., waybill number).

2.18 Inspection and Acceptance

All Spare Parts shall be subject to inspection by Buyer at destination. Use of Spare Parts or failure of Buyer to give notice of rejection within thirty (30) days after receipt shall constitute acceptance. Acceptance shall be final and Buyer waives the right to revoke acceptance for any reason, whether or not known to Buyer at the time of acceptance. Buyer's remedies for defects discovered before acceptance are exclusively provided for in Annex A Article 2.19 herein.

2.19 Rejection

Any notice of rejection referred to in Annex A Article 2.18 shall

specify the reasons for rejection. If BRAD concurs with a rejection, BRAD shall, at its option, correct, repair or replace the rejected Spare Parts. Buyer shall, upon receipt of BRAD's written instructions and Material Return Authorization ("MRA") number, return the rejected Spare Parts to BRAD at its specified plant, or other destination as may be mutually agreeable. The return of the rejected Spare Parts to BRAD and the return or delivery of a corrected or repaired rejected Spare Part or any replacement for any such Spare Part to Buyer shall be at BRAD's expense. Any corrected, repaired or replacement Spare Parts shall be subject to the provisions of this Agreement.

## 2.20 Payment

Except as provided in Annex A Article 2.22 below, payment terms shall be [CONFIDENTIAL TREATMENT REQUESTED] calendar days of invoice date for established open accounts. Any overdue amount shall bear interest from the due date until actual payment is received by BRAD at an annual rate of interest equal to the U.S. prime interest rate as established from time to time by the National Bank of Canada, plus two percent (2%) calculated and compounded monthly.

## 2.21 Payment for Provisioning Items

Payment for Provisioning Items shall be made by Buyer as follows:

- a) a deposit of [CONFIDENTIAL TREATMENT REQUESTED] of the total price of the Provisioning Items as selected by Buyer, upon signature of the spares provisioning document; and
- b) the balance of the total price of Provisioning Items upon their delivery.

## 2.22 Modified Terms of Payment

BRAD reserves the right to alter the terms of payment:

- (i) at any time by giving Buyer thirty (30) days' prior written notice of the new terms, and
- (ii) without prior notice if Buyer fails to pay when due an amount Buyer owes under any agreement with BRAD.

## 2.23 Regulations

Buyer shall comply with all applicable monetary and exchange control regulations and shall obtain any necessary authority from the governmental agencies administering such regulations to enable Buyer to make payments at the time and place and in the manner specified herein.

## 2.24 Warranty

ANNEX B HERETO EXCLUSIVELY SETS FORTH BRAD'S WARRANTY OBLIGATIONS WITH RESPECT TO SPARE PARTS. EXCEPT AS EXPRESSLY SET OUT IN ANNEX B, THERE ARE NO UNDERSTANDINGS, REPRESENTATIONS, CONDITIONS OR WARRANTIES, EXPRESS OR IMPLIED, BETWEEN THE PARTIES WITH RESPECT TO ANY DEFECT IN THE SPARE PARTS OR ANY OTHER THING DELIVERED UNDER THIS AGREEMENT.

## 2.25 Cancellation of Orders

Except as otherwise may apply to initial provisioning, if Buyer cancels an Order, BRAD, at its option, shall be entitled to recover its costs as specified below:

- a) if work accomplished on the Order has been limited to BRAD Spares Department, or the part has been identified as "shelf stock" in the Spare Parts Price Catalogue, no cancellation charges shall be made;
- b) if production planning has been completed on the Order and shop orders have been written, but no shop time or material charges have been made against the Order, the cancellation charge shall be 10% of the price but not to exceed \$100 per unit;

c) if shop time or material charges have been made against the Order, the cancellation charge shall be based on the cost of such time and materials, plus overhead; and

d) if the Spare Parts covered by the Order can be absorbed into BRAD's inventory without increasing BRAD's normal maximum stock level, no cancellation charges shall be made.

## 2.26 Lease

BRAD shall select and make available certain parts for lease, subject to availability. Buyer has the option to negotiate a lease agreement with BRAD separate from this Agreement.

## 2.27 Additional Terms and Conditions

BRAD's conditions of sale are deemed to incorporate the terms and conditions stated herein. Additional terms and conditions applicable at time of receipt of each order from Buyer may be added providing such terms and conditions do not conflict with the terms and conditions provided herein. Such additional terms and conditions shall be provided to Buyer at least ninety (90) calendar days prior to their effective date.

## ARTICLE 3 - TRAINING

### 3.1 General Terms

3.1.1 The objective of the training programs (the "Programs"), as described herein, shall be to familiarize and assist Buyer's personnel in the introduction, operation, and maintenance of the Aircraft.

BRAD shall offer to the Buyer the Programs in the English language at a BRAD designated facility; the Programs shall be completed prior to the Delivery Date of the last Aircraft purchased herein.

3.1.2 Buyer shall be responsible for all travel and living expenses, including local transportation, of Buyer's personnel incurred in connection with the Programs.

3.1.3 The Programs shall be designed to reflect the model and/or configuration of the Aircraft and may include differences training to identify such configuration or model. Manuals which are provided during the Programs exclude revision service.

3.1.4 A training conference shall be held where possible no later than twelve (12) months prior to the Scheduled Delivery Date of the first Aircraft to the Buyer, or as may be otherwise agreed, to establish the Programs' content and schedule.

### 3.2 Flight Crew Training

Intentionally deleted.

### 3.3 Maintenance Training

Intentionally deleted.

### 3.4 Insurance

Intentionally deleted.

## ARTICLE 4 - TECHNICAL DATA

### 4.1 Technical Data Provided

BRAD shall furnish to Buyer the Technical Data described in Attachment A hereto (the "Technical Data"). The Technical Data shall be in the English language and shall provide information on items manufactured according to BRAD's detailed design and in those units of measures used in the Specification or as may otherwise be required to reflect

Aircraft instrumentation as may be mutually agreed.

#### 4.2 Shipment

All Technical Data provided hereunder shall be delivered to Buyer Free Carrier (Incoterms) BRAD's designated facilities and at the time indicated in Attachment A.

#### 4.3 Proprietary Technical Data

It is understood and Buyer acknowledges that the Technical Data provided herein is proprietary to BRAD and all rights to copyright belong to BRAD and the Technical Data shall be kept confidential by Buyer. Buyer agrees to use the Technical Data solely to maintain, operate, overhaul or repair the Aircraft or to make installation or alteration thereto allowed by BRAD. In addition, Buyer may transfer the Technical Data to any party in connection with the sale or lease of an Aircraft from Buyer provided Buyer obtains a confidentiality agreement with such purchaser or lessee in favor of and acceptable to BRAD.

Technical Data shall not be disclosed to third parties or used by Buyer or furnished by Buyer for the design or manufacture of any aircraft or Spare Parts including BRAD Parts or items of equipment, except when manufacture or redesign is permitted under the provisions of Annex A Article 2.4 hereof and then only to the extent and for the purposes expressly permitted therein, and provided further the recipient shall provide a non-disclosure undertaking acceptable to BRAD.

#### ARTICLE 5 - HOLD HARMLESS

5.1 BUYER SHALL INDEMNIFY AND HOLD HARMLESS BRAD, ITS SUBSIDIARIES, AFFILIATES, SUBCONTRACTORS AND THE EMPLOYEES, DIRECTORS, OFFICERS AND AGENTS OF EACH OF THEM (COLLECTIVELY "BRAD") FROM AND AGAINST ALL LIABILITIES, CLAIMS, DAMAGES, LOSSES, COSTS AND EXPENSES FOR ALL DAMAGES TO OR LOSS OF PROPERTY INCLUDING ANY AIRCRAFT, AND LOSS OF USE THEREOF OR INJURIES TO OR DEATH OF ANY AND ALL PERSONS (INCLUDING CUSTOMER'S DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES BUT EXCLUDING BRAD'S DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES) ARISING DIRECTLY OR INDIRECTLY OUT OF OR IN CONNECTION WITH ANY SERVICE PROVIDED UNDER ANNEX A WHETHER OR NOT CAUSED BY THE NEGLIGENCE OF BRAD.

5.2 THE FOREGOING INDEMNITY AND HOLD HARMLESS SHALL NOT BE APPLICABLE IN THE EVENT OF LOSSES, DAMAGES OR CLAIMS RESULTING FROM THE WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF BRAD OR OF THOSE FOR WHOM IT IS IN LAW RESPONSIBLE, OR IN THE EVENT OF LOSSES, DAMAGES OR CLAIMS ARISING OUT OF AN ACCIDENT CAUSED BY A DEFECT IN THE DESIGN, MANUFACTURING, REPAIR OR MAINTENANCE ACTIVITIES OF BRAD (OR ITS AFFILIATES) AND THE RELATED LIABILITY (PRODUCT OR OTHERWISE) ARISING THEREFROM.

#### ATTACHMENT A TECHNICAL DATA

1. With the delivery of the Aircraft, BRAD will provide to Buyer at no additional charge [CONFIDENTIAL TREATMENT REQUESTED] of the following technical manuals and documents, prepared generally in accordance with Specification ATA 100 Revision 26, as applicable, and [CONFIDENTIAL TREATMENT REQUESTED] of the documents referred to in line items (e) and (f) below. With each additional Aircraft BRAD will also provide at no additional charge [CONFIDENTIAL TREATMENT REQUESTED] of the documents referred to in line items (a), (b), (c) and (d) below.

- 1.1 (a) Airplane Flight Manual
- (b) Quick Reference Handbook
- (c) Supplementary Operating Data
- (d) Weight and Balance Manual
- (e) Maintenance Program
- (f) Maintenance Task Cards
- (g) Maintenance Planning Manual

- (h) Maintenance Manual
- (i) Maintenance Manual-Customized Chapters (S300 only)
- (j) Engine Rigging Manual (S300 only)
- (k) Ramp Servicing Manual
- (l) Tools and Equipment Manual
- (m) Wiring Diagrams Manual
- (n) Wiring Manual-Customized Chapters (S300 only)
- (o) Structural Repair Manual
- (p) Illustrated Parts Manual
- (q) Component Maintenance Manual
- (r) Non-Destructive Testing Manual
- (s) Cargo Loading Manual
- (t) Power Plant Build-up Manual
- (u) Dash 8 Modifications Manual
- (v) Crash-Fire-Rescue Information
- (w) Master Minimum Equipment List and Minimum Equipment List and Procedures Manual
- (x) Corrosion Prevention and Control Manual
- (y) Service Bulletins
- (z) Service Letters

1.2. BRAD will provide Buyer with revision service for [CONFIDENTIAL TREATMENT REQUESTED] following the the Delivery Date of Buyer's last Aircraft. Subsequent revision service shall be provided dependent upon incorporation of BRAD issued Service Bulletins.

Revisions to the Technical Data to reflect the Aircraft at Delivery Date shall be provided to Buyer within [CONFIDENTIAL TREATMENT REQUESTED] following the Delivery Date of each of the Aircraft, respectively.

Provided the revision service is being supplied under the terms of this Agreement or by subsequent purchase order, BRAD shall incorporate in the applicable documents all applicable BRAD originated Service Bulletins in a regular revision following formal notification by Buyer that such Service Bulletins shall be accomplished on the Buyer's Aircraft. The manuals shall then contain both original and revised configuration until Buyer advises BRAD in writing that one configuration is no longer required.

2. BRAD will provide to Buyer at no additional charge, [CONFIDENTIAL TREATMENT REQUESTED] of the following vendor manuals:

- (a) Engine Maintenance Manual
- (b) Engine Illustrated Parts Catalog
- (c) Propeller Maintenance Manual (with Maintenance level Illustrated Parts Breakdown)

These all will be shipped by the vendors directly to Buyer.

3. All manuals, revisions or amendments will be in the English language.

## ANNEX B - WARRANTY AND SERVICE LIFE POLICY

### ARTICLE 1 - WARRANTY

The following warranty is that to which reference is made in Article 3 of the Agreement.

#### 1.1 Warranty

1.1.1 Subject to Annex B Articles 1.9, 1.10, and 2.0, BRAD warrants that, at the date of delivery of the Aircraft or BRAD Part, as applicable :

- a) the Aircraft shall conform to the Specification, except that any matter stated in the Specification as type characteristics, estimates or approximations is excluded from this Warranty;
- b) the Aircraft shall be free from defects caused by the failure of BRAD to install a Vendor Part or Powerplant Part

in accordance with reasonable instructions of the vendor;

c) the BRAD Parts shall be free from defects in material or workmanship; and

d.) the BRAD Parts shall be free from defects in design, having regard to the state of the art as of the date of such design.

1.1.2 The Warranty set forth in Annex B Article 1.1.1 (c) and (d) above shall also be applicable to BRAD Parts purchased as Spare Parts.

1.1.3 BRAD further warrants that, at the time of delivery, the Technical Data shall be free from error.

## 1.2 Warranty Period

1.2.1 The Warranty set forth in Annex B Article 1.1 shall remain in effect for any defect covered by the Warranty (a "Defect") becoming apparent during the following periods (individually, the "Warranty Period"):

a) for failure to conform to the Specification and in the installation referred to in Annex B Article 1.1.1 (a) and 1.1.1 (b), thirty-six (36) months from the Delivery Date;

b) for those Defects in material or workmanship in BRAD Parts referred to in Annex B Article 1.1.1 (c) and 1.1.2, thirty-six (36) months from the date of delivery of such parts;

c) for those Defects in design referred to in Annex B Article 1.1.1 (d), thirty-six (36) months from the date of delivery of such parts; and

d) for errors in the Technical Data referred to in Annex B Article 1.1.3, twelve (12) months from the date of delivery of the applicable Technical Data.

## 1.3 Repair, Replacement or Rework

As to each matter covered by this Warranty BRAD's sole obligation and liability under this Warranty is expressly limited to, at BRAD's election, correction by the repair, replacement or rework of the defective part or item of Technical Data. The repaired, replaced or reworked part or item of Technical Data which is the subject of the Warranty claim shall then be warranted under the same terms and conditions for the then unexpired portion of the Warranty Period.

In the case of a Defect relating to non-conformance with the Specification, BRAD shall correct that Defect in the equipment item or part in which the Defect appears, except that BRAD will not be obligated to correct any Defect which has no material adverse effect on the maintenance, use or operation of the Aircraft.

## 1.4 Claims Information

BRAD's obligations hereunder are subject to a Warranty claim to be submitted in writing to BRAD's warranty administrator, which claim shall include but not be limited to the following information:

a) the identity of the part or item involved, including the Part number, serial number if applicable nomenclature and the quantity claimed to be defective;

b) the manufacturer's serial number of the Aircraft from which the part was removed;

c) the date the claimed Defect became apparent to Buyer;

d) the total flight hours (and cycles if applicable) accrued on the part at the time the claimed Defect became apparent to Buyer; and

e) a description of the claimed Defect and the circumstances

pertaining thereto.

#### 1.5 BRAD's Approval

Within ten (10) working days following receipt of Buyer's Warranty claim for a Defect accompanied by Buyer's request for permission as applicable to correct a Defect, BRAD shall notify Buyer of its decision on the request. Approval under this Article shall not constitute a determination as to the existence of a Defect as described in Annex B Article 1.1 above.

#### 1.6 Timely Corrections

1.6.1 BRAD shall make the repair, replacement or rework, following receipt of the defective part or item, with reasonable care and dispatch.

1.6.2 In the event, BRAD does not respond or confirm receipt of a warranty claim from Buyer within ninety (90) days, said claim will be resolved in Buyer's favor subject to Buyer and BRAD agreeing on a non-receipt of a confirmation from BRAD within sixty (60) days from date of submittal of claim.

#### 1.7 Labour Reimbursement

For correction of Defects BRAD shall establish a reasonable estimate for the labour hours required for the repair, replacement or rework of the defective BRAD Part and, if the repair, replacement or rework is performed by Buyer, BRAD shall reimburse Buyer for BRAD estimated hours or for Buyer's actual labour hours, whichever is less, for the repair, replacement or rework of the defective BRAD Part excluding any work necessary to gain access to said BRAD Part. Such reimbursement shall be based upon Buyer's direct labour rate per manhour plus burden rate of fifty percent (50%), subject to annual review and adjustment of such labour rate as mutually agreed; provided, however, that this amount shall not exceed fifty percent (50%) of the BRAD published selling labour rate.

#### 1.8 Approval, Audit, Transportation and Waiver

All Warranty claims shall be subject to audit and approval by BRAD. BRAD will use reasonable efforts to advise in writing the disposition of Buyer's Warranty claim within thirty (30) days following the receipt of the claim and (if requested) return of the defective BRAD Part to BRAD's designated facility. BRAD shall notify Buyer of BRAD's disposition of each claim.

Buyer shall pay all costs of transportation of the defective part from Buyer to BRAD and shall pay all costs of transportation of the repaired, corrected or replacement parts back to Buyer.

#### 1.9 Limitations

1.9.1 BRAD shall be relieved of and shall have no obligation or liability under this Warranty if:

- a) the Aircraft was operated with any products or parts not specifically approved by BRAD, unless Buyer furnishes reasonable evidence that such products or parts were not a cause of the Defect; or
- b) the Aircraft was not operated or maintained in accordance with the Technical Data listed in Attachment A of Annex A and the manufacturer's documentation furnished to Buyer (including Service Bulletins and airworthiness directives) unless Buyer furnishes reasonable evidence that such operation or maintenance was not a cause of the Defect; or
- c) the Aircraft was not operated under normal airline use, unless Buyer furnishes reasonable evidence that such operation was not a cause of the Defect; or
- d) Buyer does not

1) report the Defect in writing to BRAD's Warranty administrator within thirty (30) calendar days following such Defect becoming apparent, and

2) retain the BRAD Part claimed to be defective until advised by BRAD to return such BRAD Part to BRAD's designated facility in order for BRAD to finalize its evaluation of the Warranty claim or to otherwise dispose of such BRAD Part; or

e) Buyer does not submit reasonable proof to BRAD within thirty (30) calendar days after the Defect becomes apparent that the Defect is due to a matter covered within this Warranty; or

f) Buyer does not allow BRAD reasonable opportunity to be present during the disassembly and inspection of the BRAD Part claimed to be defective. It is acknowledged that Buyer will not delay returning an AOG Aircraft to service to await a BRAD representative.

1.9.2 The above warranties do not apply to Buyer Furnished Equipment.

#### 1.10 Normal Usage

Normal wear and tear that does not render the part unserviceable and the need for regular maintenance and overhaul shall not constitute a Defect or failure under this Warranty.

#### 1.11 Overhaul of Warranty Parts

BRAD's liability for a BRAD Part which has a Defect and is overhauled by Buyer within the Warranty Period shall be limited only to that portion of the labour and material replacement related to the Defect.

#### 1.12 No Fault Found

In the event that a BRAD Part returned under a Warranty claim is subsequently established to be serviceable then BRAD shall be entitled to charge and recover from Buyer any reasonable costs incurred by BRAD in connection with such Warranty claim. Providing, however, in the event that repetitive in-service failure occurs on the particular BRAD Part which is subsequently identified by BRAD on a repeated basis to be "no fault found," then BRAD and Buyer shall discuss and mutually agree a course of further action to help identify the problem. In the event the fault is ultimately confirmed to be a legitimate Warranty claim then the above mentioned costs incurred by BRAD and charged to Buyer shall be waived.

### ARTICLE 2 - VENDOR WARRANTIES

#### 2.1 Warranties from Vendors

The Warranty provisions of this Annex B apply to BRAD Parts only. However, BRAD has made or shall make reasonable efforts to obtain favourable warranties from vendors, with respect to Vendor Parts and Power Plant Parts. Except as specifically provided under this Annex B Article 2, BRAD shall have no liability or responsibility for any such Vendor Parts and Power Plant Parts and the warranties for those Vendor Parts and Power Plant Parts shall be the responsibility of the vendor and a matter as between Buyer and vendor.

#### 2.2 Vendor Warranty Backstop

For those Vendor Parts installed on the Aircraft at the Delivery Date or subsequently purchased through BRAD, excluding the Powerplant or the Power Plant Parts, in the event the parties agree that a vendor is in default in the performance of any material obligation under any applicable warranty obtained by BRAD from such vendor pursuant to Annex B Article 2.1 above, the warranties and all other terms and



conditions of Annex B Article 1 shall become applicable as if the Vendor Parts had been a BRAD Part, except that the warranty period shall be the Warranty Period as set forth herein or by the vendor's warranty, whichever is shorter and all transportation costs associated with the Vendor Parts shall be borne by Buyer.

### 2.3 BRAD's Interface Commitment

In the event of a dispute in the application of a Vendor Part warranty, at Buyer's request addressed to BRAD's warranty administrator, BRAD shall, without charge, conduct an investigation and analysis of any such dispute resulting from a technical interface problem to determine, if possible, the cause of the interface problem and then recommend feasible corrective action. Buyer shall furnish to BRAD all data and information in Buyer's possession relevant to the interface problem and shall cooperate with BRAD in the conduct of its investigation and such tests as may be required. BRAD, at the conclusion of its investigation, shall advise Buyer in writing of BRAD's opinion as to the cause of the problem and BRAD's recommended corrective action.

## ARTICLE 3 - SERVICE LIFE POLICY

### 3.1 Applicability

The Service Life Policy ("SLP") described in this Annex B Article 3 shall apply if repetitive failures occur in any Covered Component which is defined in Annex B Article 3.7 below.

### 3.2 Term

3.2.1 Should such failures occur in any Covered Component within one hundred and forty-four (144) months following delivery of the Aircraft containing such Covered Component, BRAD shall, as promptly as practicable and at its option;

a) design and/or furnish a correction for such failed Covered Component; or

b) furnish a replacement Covered Component (exclusive of standard parts such as bearings, bushings, nuts, bolts, consumables and similar low value items).

### 3.3 Price

Any Covered Component which BRAD is required to furnish under this SLP shall be provided for at a price calculated in accordance with the following formula:

$$P = C \times T$$

144

Where:

P = Price of Covered Component to Buyer;

C = BRAD's then current price for the Covered Component;

T = The total time to the nearest month since the Aircraft containing the Covered Component was delivered by BRAD

### 3.4 Conditions and Limitations

3.4.1 The following general conditions and limitations shall apply to the SLP:

a) the transportation cost for the return to BRAD's designated facility, if practicable, of any failed Covered Component necessary for failure investigation or redesigning studies shall be borne by Buyer;

b) BRAD's obligations under this SLP are conditional upon the submission of reasonable proof acceptable to BRAD that the failure is covered hereby;

c) Buyer shall report any failure of a Covered Component in writing to BRAD's Warranty administrator within two (2) months after such failure becomes evident. Failure to give this required notice shall excuse BRAD from all obligations with respect to such failure;

d) the provisions of Annex B Article 1.9 of the Warranty (except for subparagraphs (d) and (e) thereof) are incorporated by this reference and shall condition BRAD's obligations under this SLP with respect to any Covered Component;

e) BRAD's obligations under this SLP shall not apply to any Aircraft which has not been correctly modified in accordance with the specifications or instructions contained in the relevant Service Bulletins which are furnished to Buyer prior to receipt by BRAD from Buyer of any notice of an occurrence which constitutes a failure in a Covered Component. The provisions of this subparagraph shall not apply in the event that Buyer furnishes reasonable evidence reasonably acceptable to BRAD that such failure was not caused by Buyer's failure to so modify the Aircraft;

f) this SLP shall not apply to a failure of a Covered Component if BRAD determines that such failure may not reasonably be expected to occur on a repetitive basis; and

g) this SLP shall not apply to a Covered Component where the failure results from an accident, abuse, misuse, degradation, negligence or wrongful act or omission, unauthorized repair or modification adversely affecting a Covered Component, impact or foreign object damage, to any Covered Component.

### 3.5 Coverage

This SLP is neither a warranty, performance guarantee nor an agreement to modify the Aircraft to conform to new developments in design and manufacturing art. BRAD's obligation is only to provide correction instructions to correct a Covered Component or furnish replacement at a reduced price as provided in this SLP.

### 3.6 Assignment

Buyer's rights under this SLP shall not be assigned, sold, leased, transferred or otherwise alienated by contract, operation of law or otherwise, without BRAD's prior written consent. Any unauthorized assignment, sale, lease, transfer, or other alienation of Buyer's rights under the SLP shall immediately void all of BRAD's obligations under the SLP.

### 3.7 Covered Component

Only those items or part thereof listed in Attachment A to this Annex B shall be deemed to be a Covered Component, and subject to the provisions of this SLP.

## ARTICLE 4 - GENERAL

4.1 It is agreed that BRAD shall not be obligated to provide to Buyer any remedy which is a duplicate of any other remedy which has been provided to Buyer under any other part of this Annex B.

## ARTICLE 5 - DISCLAIMER

5.1 BRAD SHALL HAVE NO OBLIGATION OR LIABILITY (AT LAW OR IN EQUITY) IN CONTRACT (INCLUDING, WITHOUT LIMITATION, WARRANTY), IN TORT (WHETHER OR NOT ARISING FROM THE ACTIVE, PASSIVE OR IMPUTED NEGLIGENCE OR STRICT PRODUCTS LIABILITY OF BRAD OR ITS AFFILIATES) OR OTHERWISE, FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION LOSS OF USE, LOSS OF REVENUE OR LOSS OF PROFIT, WITH RESPECT TO:

1) ANY DEFECT IN THE SPARE PARTS OR ANY OTHER THING DELIVERED UNDER THIS AGREEMENT,

2) ANY DELAY IN DELIVERY OR COMPLETE FAILURE TO DELIVER FOR ANY REASON WHATSOEVER, OR

3) ANY FAILURE TO PERFORM ANY OF ITS OTHER OBLIGATIONS UNDER THIS AGREEMENT.

NOTHING IN THIS ARTICLE SHALL BE CONSTRUED TO ALTER OBLIGATIONS EXPRESSLY ASSUMED BY BRAD IN OTHER PROVISIONS OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION THE PROVISIONS OF ANNEX "B".

#### Annex B - Attachment A

##### COVERED COMPONENTS

###### WING

- (a) Upper and lower wing skins and stringers between front to rear spars.
- (b) Wing spar caps, webs and uprights.
- (c) Main box (front spar to rear spar) wing ribs.
- (d) Main box splice plates, fittings.
- (e) Wing to nacelle structural attachments.
- (f) Wing to fuselage structural attachments.
- (g) Support structure in the wing to spoilers, spoiler actuators and ailerons.
- (h) Main gear support structure.
- (i) Engine support fittings.

###### FUSELAGE

- (a) External surface skins and doublers, stringers, circumferential frames between forward pressure bulkhead and aft pressure dome, excluding all systems, insulation, lining and decorative clips and brackets.
- (b) Window and windshield structure but excluding the windows and windshields.
- (c) Primary structure frames around body openings for passenger doors, cargo/baggage doors and emergency exits.
- (d) Nose gear support structure.
- (e) Floor beams and supporting structure in the flight compartment and cabin including the lavatory, excluding seat tracks in both areas.
- (f) Forward pressure bulkhead and aft pressure dome.
- (g) Floor beams and supporting structure in the baggage compartment providing same is not damaged through abusive handling of baggage or cargo.

#### Annex B - Attachment A

##### COVERED COMPONENTS

Con't

###### VERTICAL TAIL (including fuselage aft of aft pressure dome)

- (a) Fuselage external surface skins, stringers and frames between aft pressure dome and rear fin spar frame.
- (b) Fin skins and stiffeners between front and rear spars.
- (c) Fin front, centre and rear spar caps, webs and uprights.
- (d) Main box (front spar to rear spar) fin ribs.
- (e) Fin hinge and actuator support structure for rudder and elevator.
- (f) Fore rudder structure and hinge and actuator brackets.
- (g) Aft rudder forward cell structure and hinge and radius rod brackets.

###### HORIZONTAL TAIL

- (a) Tailplane skins and stringers.
- (b) Tailplane spar caps, webs and uprights.
- (c) Tailplane main box (front spar to rear spar) ribs.
- (d) Tailplane hinge support structure for elevator.
- (e) Elevator forward cell structure and hinge and actuator brackets.
- (f) Horizontal tail structure attachments.

August 27, 1996  
Our Ref: B96-ERS-80345-01

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-01

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

[CONFIDENTIAL TREATMENT REQUESTED]

2.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

3.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

4.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this            day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-01A

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B996-ERS-80345-01A

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

[CONFIDENTIAL TREATMENT REQUESTED]

3.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

4.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

5.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this            day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-02

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-02

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.  
[CONFIDENTIAL TREATMENT REQUESTED]

3.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

4.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

5.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this            day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-03

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Dear Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-03

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

[CONFIDENTIAL TREATMENT REQUESTED]

2.0 For more certainty, the parties agree that Buyer shall not have the right to terminate the first (1st) through twenty-fifth (25th) Aircraft.

3.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

4.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

5.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this            day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-04

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-04

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

#### OPTION AIRCRAFT

In consideration of Buyer's agreement to purchase the Aircraft, BRAD is pleased to offer to Buyer the option to purchase up to twenty-five (25) DHC-8 Series 200 aircraft (the "Option Aircraft") on the following terms and conditions.

1.1 The Option Aircraft will be as described in Article 2 of the Agreement.

1.2 The base price for each of the Option Aircraft excluding the Buyer Selected Optional Features, Ex Works (Incoterms 1990) BRAD's facilities in Downsview, Ontario, shall be [CONFIDENTIAL TREATMENT REQUESTED] The base price of the Buyer Selected Special Optional Features shall be [CONFIDENTIAL TREATMENT REQUESTED] The purchase price of each Option Aircraft shall be the aggregate of the Option Aircraft Base Price and the Buyer Selected Option Base Price for each Option Aircraft being [CONFIDENTIAL TREATMENT REQUESTED] subject to escalation in accordance with the Economic Adjustment Formula attached as Appendix I of the Agreement for the [CONFIDENTIAL TREATMENT REQUESTED] of each Option Aircraft ( the "Option Aircraft Purchase Price"). The Option Aircraft Purchase Price, or any part thereof, does not include any taxes, fees or duties.

1.3 [CONFIDENTIAL TREATMENT REQUESTED]

1.4 [CONFIDENTIAL TREATMENT REQUESTED]

1.5 Buyer shall make payment or cause payment to be made for each Option Aircraft as follows:

[CONFIDENTIAL TREATMENT REQUESTED]

1.6 [CONFIDENTIAL TREATMENT REQUESTED]

2.0 Upon exercise of Buyer's right to purchase the Option Aircraft, the parties shall consider all definitions, terms and conditions of the



Agreement as applicable to the purchase thereof, unless otherwise described herein, or shall enter into another definitive purchase agreement for the purchase of Option Aircraft in accordance with the terms and conditions hereof.

3.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

4.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

5.0 This Letter Agreement constitutes an integral part of the Agreement and is subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this            day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

ATTACHMENT I

SCHEDULED DELIVERY DATES

OPTION AIRCRAFT

Block No. 1 Scheduled Delivery Date  
CONFIDENTIAL TREATMENT REQUESTED as to all delivery dates

First Option Aircraft  
Second Option Aircraft  
Third Option Aircraft  
Fourth Option Aircraft  
Fifth Option Aircraft

Block No. 2 Scheduled Delivery Date  
Sixth Option Aircraft  
Seventh Option Aircraft  
Eight Option Aircraft  
Ninth Option Aircraft  
Tenth Option Aircraft  
Eleventh Option Aircraft  
Twelfth Option Aircraft  
Thirteenth Option Aircraft  
Fourteenth Option Aircraft  
Fifteenth Option Aircraft  
Sixteenth Option Aircraft  
Seventeenth Option Aircraft  
Eighteenth Option Aircraft  
Nineteenth Option Aircraft

Twentieth Option Aircraft  
Twenty-first Option Aircraft  
Twenty-second Option Aircraft  
Twenty-third Option Aircraft  
Twenty-fourth Option Aircraft  
Twenty-fifth Option Aircraft

August 27, 1996  
Our Ref: B96-ERS-80345-05

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-05

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

[CONFIDENTIAL TREATMENT REQUESTED]

1.1 The Special Option Aircraft will be as described in Article 2 of the Agreement.

1.2 The base price for each of the Special Option Aircraft excluding the Buyer Selected Optional Features, Ex Works (Incoterms 1990) BRAD's facilities in Downsview, Ontario, shall be [CONFIDENTIAL TREATMENT REQUESTED] The base price of the Buyer Selected Special Optional Features as shown in Appendix IV of the Agreement shall be [CONFIDENTIAL TREATMENT REQUESTED] The purchase price of each Special Option Aircraft shall be the aggregate of the Special Option Aircraft Base Price and the Buyer Selected Special Option Base Price for each Special Option Aircraft being [CONFIDENTIAL TREATMENT REQUESTED] subject to escalation in accordance with the Economic Adjustment Formula attached as Appendix I of the Agreement for [CONFIDENTIAL TREATMENT REQUESTED] of each Special Option Aircraft (the "Special Option Aircraft Purchase Price"). The Special Option Aircraft Purchase Price, or any part thereof does not include any taxes, fees or duties.

1.3 [CONFIDENTIAL TREATMENT REQUESTED]

1.4 [CONFIDENTIAL TREATMENT REQUESTED]

1.5 [CONFIDENTIAL TREATMENT REQUESTED]

1.6 [CONFIDENTIAL TREATMENT REQUESTED]

2.0 In the event that Buyer fails to exercise its rights to purchase a Special Option Aircraft on or before its respective Exercise Date, any and all rights of Buyer to such Special Option Aircraft shall immediately terminate.

3.0 Upon exercise of Buyer's right to purchase the Special Option Aircraft, the parties shall consider all definitions, terms and conditions of the Agreement as applicable, unless otherwise described herein,, and execute a Contract Change Order, or shall enter into another definitive purchase agreement for the purchase of Special Option Aircraft in accordance with the terms and conditions hereof.

4.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

5.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

6.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

\_\_\_\_\_  
Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this            day of August 1996

HORIZON AIR INDUSTRIES, INC.

\_\_\_\_\_  
Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-06

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-06

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will

evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

[CONFIDENTIAL TREATMENT REQUESTED]

1.0 [CONFIDENTIAL TREATMENT REQUESTED]

2.0 [CONFIDENTIAL TREATMENT REQUESTED]

3.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

4.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

5.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this            day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-07

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-07

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

[CONFIDENTIAL TREATMENT REQUESTED]

1.0 [CONFIDENTIAL TREATMENT REQUESTED]

2.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

3.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

4.0 [CONFIDENTIAL TREATMENT REQUESTED]

5.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

\_\_\_\_\_  
Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this            day of August 1996

HORIZON AIR INDUSTRIES, INC.

\_\_\_\_\_  
Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-08

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-08

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement")

between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

[CONFIDENTIAL TREATMENT REQUESTED]

1.0 [CONFIDENTIAL TREATMENT REQUESTED]

2.0 [CONFIDENTIAL TREATMENT REQUESTED]

3.0 [CONFIDENTIAL TREATMENT REQUESTED]

4.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

5.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

6.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

\_\_\_\_\_  
Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this            day of August 1996

HORIZON AIR INDUSTRIES, INC.

\_\_\_\_\_  
Glenn Johnson  
V.P. Finance and C.F.O.

ATTACHMENT I

[CONFIDENTIAL TREATMENT REQUESTED]

ATTACHMENT II

[CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

August 27, 1996  
Our Ref: B96-ERS-80345-09

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-09

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

[CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

1.0 [CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

2.0 [CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

3.0 [CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

4.0 [CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

5.0 [CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

6.0 [CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

7.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

8.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

9.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this            day of August 1996

HORIZON AIR INDUSTRIES, INC.

\_\_\_\_\_  
Glenn Johnson  
V.P. Finance and C.F.O.

ATTACHMENT I  
[CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

August 27, 1996  
Our Ref: B96-ERS-80345-10

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-10

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division, ("BRAD") and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

[CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

2.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

3.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

4.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

\_\_\_\_\_  
Michel Bourgeois



Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

\_\_\_\_\_  
Glenn Johnson  
V.P. Finance and C.F.O.

ATTACHMENT I

[CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

August 27, 1996  
Our Ref: B96-ERS-80345-11

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-11

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

[CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

2.0 [CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

3.0 [CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

4.0 [CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

5.0 [CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

6.0 [CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

7.0 [CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

8.0 [CONFIDENTIAL TREATMENT REQUESTED] 1,010,204

9.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

10.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

11.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-12

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-12

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD", and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

[CONFIDENTIAL TREATMENT REQUESTED]

2.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

3.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

4.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-13

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-13

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

CUSTOMER SERVICES

## 1.0 Differences Training

### 1.1 Series 200 Pilot Differences Training

BRAD will provide DHC-8 Series 200 differences training for up to [CONFIDENTIAL TREATMENT REQUESTED] of Buyer's instructor pilots or DHC-8 endorsed pilots at Buyer's facilities in Portland, Oregon or Seattle, Washington. Such differences training comprises a [CONFIDENTIAL TREATMENT REQUESTED] ground school.

### 1.2 Series 200 Maintenance Difference Training

BRAD will provide DHC-8 Series 200 differences training for up to [CONFIDENTIAL TREATMENT REQUESTED] of Buyer's maintenance instructors or DHC-8 endorsed mechanics at Buyer's facilities in Portland, Oregon or Seattle, Washington. Such differences training comprises [CONFIDENTIAL TREATMENT REQUESTED] ground school and shall be delivered over up to [CONFIDENTIAL TREATMENT REQUESTED] sessions. BRAD shall endeavor to have FlightSafety provide [CONFIDENTIAL TREATMENT REQUESTED] set of reproducible maintenance differences training materials to Buyer for Buyer's subsequent training requirements.

## 2.0 Simulator Rental

BRAD will provide Buyer, with each Aircraft delivered to a maximum aggregate of [CONFIDENTIAL TREATMENT REQUESTED] aircraft, [CONFIDENTIAL TREATMENT REQUESTED] hours simulator rental (excluding instructor) at a facility of FlightSafety.

3.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

4.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

5.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

\_\_\_\_\_  
Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this            day of August 1996

HORIZON AIR INDUSTRIES, INC.

\_\_\_\_\_  
Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-14

Mr. George Bagley

President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-14

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.  
[CONFIDENTIAL TREATMENT REQUESTED]

2.0 [CONFIDENTIAL TREATMENT REQUESTED]

3.0 [CONFIDENTIAL TREATMENT REQUESTED]

4.0 [CONFIDENTIAL TREATMENT REQUESTED]

5.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

6.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

7.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-15

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-15

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.  
[CONFIDENTIAL TREATMENT REQUESTED]

2.0 [CONFIDENTIAL TREATMENT REQUESTED]

3.0 [CONFIDENTIAL TREATMENT REQUESTED]

4.0 [CONFIDENTIAL TREATMENT REQUESTED]

5.0 BUYER AND BRAD AGREE THAT THIS LETTER AGREEMENT, INCLUDING BUT NOT LIMITED TO ARTICLE 3.0 ABOVE, HAS BEEN THE SUBJECT OF DISCUSSION AND NEGOTIATION AND IS FULLY UNDERSTOOD BY THE PARTIES HERETO AND THAT THE MUTUAL AGREEMENTS OF THE PARTIES SET FORTH IN THIS LETTER AGREEMENT WERE ARRIVED AT IN CONSIDERATION OF PROVISIONS CONTAINED IN THIS ARTICLE 8.AND THE OTHER PROVISIONS OF THIS LETTER AGREEMENT.

6.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

7.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

8.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-16

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-16

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.  
[CONFIDENTIAL TREATMENT REQUESTED]

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

Attachment A  
[CONFIDENTIAL TREATMENT REQUESTED]

August 27, 1996  
Our Ref: B96-ERS-80345-17

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-17

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.  
[CONFIDENTIAL TREATMENT REQUESTED]

3.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

4.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

5.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this            day of August 1996

HORIZON AIR INDUSTRIES, INC.

---



Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-18

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Dear Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-18

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of DHC-8 aircraft.

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement. In this Letter Agreement No. B96-ERS-80345-18 the term Aircraft shall apply only to the twenty-five (25) firm DHC-8 aircraft.

[CONFIDENTIAL TREATMENT REQUESTED]

122.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

133.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

144.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

\_\_\_\_\_  
Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-19

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-19

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division, ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.  
[CONFIDENTIAL TREATMENT REQUESTED]

5.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

6.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

7.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this            day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson

V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-20

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-20

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division, ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

[CONFIDENTIAL TREATMENT REQUESTED]

2.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

3.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

4.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-21

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-21

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division, ("BRAD") and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

[CONFIDENTIAL TREATMENT REQUESTED]

9.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

10.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

11.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

APPENDIX A

[CONFIDENTIAL TREATMENT REQUESTED]

August 27, 1996  
Our Ref: B96-ERS-80345-22

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B996-ERS-80345-22

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division, ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

This letter, when accepted and agreed to by Buyer contemporaneously with execution of the Agreement, will become part of the Agreement and will evidence our further agreement with respect to the matters set forth below.

All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

SPARE PARTS SUPPORT PROGRAM -FLEX PARTS

1.0 In the event a Spare Parts Support Program - Flex Parts become generally offerable by BRAD, BRAD will provide a quotation to Buyer and Buyer shall be given the opportunity to purchase Flex Parts subject to terms and conditions to be agreed upon.

2.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

3.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

4.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-23

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-23

1.0 Intentionally Deleted.

August 27, 1996  
Our Ref: B96-ERS-80345-240

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-240

1.0 Intentionally Deleted.

August 27, 1996  
Our Ref: B96-ERS-80345-25

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-25

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division, ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

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[CONFIDENTIAL TREATMENT REQUESTED]

2.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

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If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

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Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

ATTACHMENT 1

[CONFIDENTIAL TREATMENT REQUESTED]

August 27, 1996  
Our Ref: B96-ERS-80345-26

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-26

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division, ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

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[CONFIDENTIAL TREATMENT REQUESTED]

7.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

8.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

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Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

ATTACHMENT 1

[CONFIDENTIAL TREATMENT REQUESTED]

August 27, 1996  
Our Ref: B96-ERS-80345-27

Mr. George Bagley  
President and C.E.O.



Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-27

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division, ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

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[CONFIDENTIAL TREATMENT REQUESTED]

3.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

4.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

5.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-28

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson

V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-28

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division, ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

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All terms herein and in the Agreement and not defined herein shall have the same meanings as in the Agreement.

#### OPTIONAL FEATURES

1.0 In the event that Buyer wishes to add or delete a standard optional feature from the Aircraft, Buyer will provide written notification to BRAD at least thirty (30) weeks prior to the scheduled delivery date of such Aircraft. Any item deleted from or re-instated to the Buyer Selected Optional Features as set forth in Appendix IV to the Agreement shall be credited or charged at the price as specified in Appendix IV.

2.0 In the event of the termination of the Agreement, this Letter Agreement shall become automatically null and void.

3.0 The provisions of this Letter Agreement are personal to Buyer and shall not be assigned or otherwise disposed of by Buyer without the prior written consent of BRAD.

4.0 This Letter Agreement constitutes an integral part of the Agreement and subject to the terms and conditions contained therein.

If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

\_\_\_\_\_  
Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

\_\_\_\_\_  
Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-29

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Dear Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-29

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

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[CONFIDENTIAL TREATMENT REQUESTED]

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Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.

August 27, 1996  
Our Ref: B96-ERS-80345-30

Mr. George Bagley  
President and C.E.O.  
Mr. Glenn Johnson  
V.P. Finance and C.F.O.  
Horizon Air Industries, Inc.  
19521 Pacific Highway South  
Seattle, Washington  
98188

Dear Gentlemen,

Re: Letter Agreement No. B96-ERS-80345-30

Reference is made to Purchase Agreement No. PA 8-0345 (the "Agreement") between Bombardier Inc., represented by its Bombardier Regional Aircraft Division ("BRAD"), and Horizon Air Industries, Inc. ("Buyer") for the sale of forty (40) DHC-8 aircraft (the "Aircraft").

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[CONFIDENTIAL TREATMENT REQUESTED]

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If the foregoing correctly sets forth your understanding of our agreement with respect to the above matters, please indicate your acceptance and agreement below.

Yours truly,  
BOMBARDIER INC.

---

Michel Bourgeois  
Vice President, Contracts  
Bombardier Regional Aircraft Division

ACCEPTED AND AGREED TO:

this ..... day of August 1996

HORIZON AIR INDUSTRIES, INC.

---

Glenn Johnson  
V.P. Finance and C.F.O.



Alaska Air Group, Inc.  
Computation of Earnings Per Common Share  
(In thousands, except per share)

EXHIBIT 11

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
PRIMARY -				
Net income	\$32,816	\$27,352	\$43,611	\$18,033
Average number of shares outstanding	14,467	13,509	14,165	13,440
Assumed exercise of stock options reduced by the number of shares purchased with the proceeds from exercise of such options	121	66	110	10
Average shares as adjusted	14,588	13,575	14,275	13,450
Primary earnings per common share	\$2.25	\$2.01	\$3.06	\$1.34
FULLY DILUTED -				
Net income	\$32,816	\$27,352	\$43,611	\$18,033
After tax interest on convertible debt	2,038	2,580	6,070	6,868
Income applicable to common shares	\$34,854	\$29,932	\$49,681	\$24,901
Average number of shares outstanding	14,467	13,509	14,165	13,440
Assumed exercise of stock options	121	66	110	10
Assumed conversion of 6.5% debentures	6,151	6,151	6,151	2,141
Assumed conversion of 7.75% debentures	381	446	381	487
Assumed conversion of 6.875% debentures	1,608	1,608	1,608	1,608
Assumed conversion of 7.25% notes	0	1,254	0	2,745
Average shares as adjusted	22,728	23,034	22,415	20,431
Fully diluted earnings per common share	\$1.53	\$1.30	\$2.22	\$1.22

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ALASKA AIR GROUP INC. THIRD QUARTER 1996 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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