

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 11, 1994

REGISTRATION NO. 33-52265

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ALASKA AIR GROUP, INC. AND ALASKA AIRLINES, INC.
(Exact name of registrant as specified in its charter)

ALASKA-ALASKA AIRLINES, INC.	92-0009235-ALASKA AIRLINES, INC.
DELAWARE-ALASKA AIR GROUP, INC.	91-1292054-ALASKA AIR GROUP, INC.
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

19300 PACIFIC HIGHWAY SOUTH, SEATTLE, WASHINGTON 98188
(206) 433-3200
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING
AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

MARJORIE E. LAWS
VICE PRESIDENT/CORPORATE AFFAIRS AND CORPORATE SECRETARY
19300 PACIFIC HIGHWAY SOUTH, SEATTLE, WASHINGTON 98188
(206) 433-3131
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:
STEPHEN A. MCKEON, ESQ.
JACK L. SIEMERING, ESQ.
PERKINS COIE
1201 THIRD AVENUE, 40TH FLOOR
SEATTLE, WASHINGTON 98101-3099

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
FROM TIME TO TIME AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

If any of the securities being registered on this form are to be offered pursuant to dividend reinvestment plans, please check the following box. / /

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. /X/

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2)	AMOUNT OF REGISTRATION FEE
Convertible Debt Securities of Alaska Air Group, Inc.....		100%		
Common Stock, \$1.00 par value, of Alaska Air Group, Inc. (3).....		--		
Guarantees of Alaska Air Group, Inc.(4).....		--		
Debt Securities of Alaska Airlines, Inc.....		100%		
Equipment Trust Certificates of Alaska Airlines, Inc.....		100%		
Total.....	\$200,000,000		\$200,000,000	\$68,966(5)

<FN>

- (1) If any of these securities are issued at an original issue discount, the principal amount will be increased such that the aggregate proceeds will equal \$200,000,000.
- (2) Estimated solely for the purpose of computing the registration fee.
- (3) Such indeterminate number of shares of Common Stock as may be issuable upon conversion of Convertible Debt Securities. Includes rights to purchase Series A Participating Preferred Stock of Alaska Air Group, Inc. associated with the Common Stock.
- (4) To be issued in connection with Debt Securities and Equipment Trust Certificates of Alaska Airlines, Inc.
- (5) Previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

EXPLANATORY NOTE

This Registration Statement consists of three separate forms of Prospectuses, covering securities to be registered as follows:

- (1) Convertible Debt Securities of Alaska Air Group, Inc.
- (2) Debt Securities of Alaska Airlines, Inc. and Guarantees, if any, of Alaska Air Group, Inc.
- (3) Equipment Trust Certificates of Alaska Airlines, Inc. and Guarantees, if any, of Alaska Air Group, Inc.

None of these Prospectuses will be used to consummate sales of securities unless accompanied by a Prospectus Supplement applicable to the securities offered.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED MARCH 11, 1994

PROSPECTUS

ALASKA AIR GROUP, INC.

CONVERTIBLE DEBT SECURITIES

Alaska Air Group, Inc. ("Air Group") may from time to time offer its convertible debt securities (the "Convertible Debt Securities"), consisting of debentures, notes and/or other evidences of indebtedness representing unsecured obligations of Air Group convertible into Common Stock, par value \$1.00 per share ("Common Stock"). The Convertible Debt Securities offered pursuant to this Prospectus may be issued in one or more series or issuances and will be limited to \$200,000,000 aggregate public offering price. Certain specific terms of the Convertible Debt Securities in respect of which this Prospectus is being delivered are set forth in the accompanying Prospectus Supplement (the "Prospectus Supplement"), including, where applicable, the specific designation, aggregate principal amount, the denomination, maturity, premium, if any, the rate (which may be fixed or variable), time and method of calculating payment of interest, if any, the place or places where principal of, premium, if any, and interest, if any, on such Convertible Debt Securities will be payable, any terms of redemption at the option of Air Group or the holder, any sinking fund provisions, terms for conversion into Common Stock, the initial public offering price and other special terms. The Prospectus Supplement will indicate whether the Convertible Debt Securities will be Convertible Senior Debt Securities, which will rank equally with all other unsubordinated and unsecured indebtedness of Air Group, or as Convertible Subordinated Debt Securities which will be subordinated in right of payment to all Senior Indebtedness of Air Group (as hereinafter defined). See "Description of Convertible Debt Securities--Subordination of Convertible Subordinated Debt Securities."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Air Group may sell the Convertible Debt Securities to or through underwriters, through dealers or agents or directly to purchasers. See "Plan of Distribution." The accompanying Prospectus Supplement sets forth the names of any underwriters, dealers or agents involved in the sale of the Convertible Debt Securities in respect of which this Prospectus is being delivered, and any applicable fee, commission or discount arrangements with them.

This Prospectus may not be used to consummate sales of Convertible Debt Securities unless accompanied by a Prospectus Supplement applicable to the Convertible Debt Securities being sold.

THE DATE OF THIS PROSPECTUS IS , 1994.

No dealer, salesperson or other individual has been authorized to give any information or to make any representations not contained in this Prospectus in connection with the offering covered by this Prospectus. If given or made, such information or representations must not be relied upon as having been authorized by Air Group or the Underwriter. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the Convertible Debt Securities in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of Air Group since the date hereof.

AVAILABLE INFORMATION

Air Group is subject to the reporting requirements of the Securities

Exchange Act of 1934, as amended (the "1934 Act"), and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549; 75 Park Place, 14th Floor, New York, New York 10007; and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may also be obtained at prescribed rates from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, such material filed by Air Group may be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

This Prospectus constitutes a part of a registration statement on Form S-3 (together with all amendments and exhibits, the "Registration Statement") filed by Air Group and Alaska Airlines, Inc. ("Alaska") with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all of the information included in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Statements contained herein concerning the provisions of any document do not purport to be complete and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is subject to and qualified in its entirety by such reference. Reference is made to such Registration Statement and to the exhibits relating thereto for further information with respect to Air Group and the Convertible Debt Securities offered hereby.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the 1934 Act and are incorporated into this Prospectus by reference and made a part hereof: Air Group's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.

All documents filed by Air Group pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference in this Prospectus, and to be a part hereof from the date of filing of such documents. Any statement incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Air Group will provide without charge to each person to whom a copy of this Prospectus is delivered, upon the written or oral request of such person, a copy of any document incorporated by reference in this Prospectus (other than exhibits to such documents unless such exhibits are specifically incorporated by reference to such documents). Requests for such copies should be directed to the office of the Corporate Secretary, Alaska Air Group, Inc., P.O. Box 68947, Seattle, Washington 98168 (telephone (206) 433-3131).

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AIR GROUP AND ALASKA

Air Group is a holding company whose principal subsidiary is Alaska. Alaska accounted for approximately 80% of Air Group's consolidated 1993 operating revenues and 91% of its total assets at December 31, 1993. Alaska's all jet fleet provides scheduled air transportation to 37 airports in six states (Alaska, Washington, Oregon, California, Nevada and Arizona), five cities in Mexico and three cities in Russia. Air Group also owns Horizon Air Industries, Inc. ("Horizon"), a regional airline operating in the Pacific Northwest and western Canada. The principal executive offices of Air Group are located at 19300 Pacific Highway South, Seattle, Washington 98188 (telephone (206) 433-3200).

In 1993 Alaska carried 6.4 million passengers. In each year since 1973,

Alaska has carried more passengers between Alaska and the U.S. mainland than any other airline. Passenger traffic in the intra-Alaska markets and between Alaska and the U.S. mainland accounted for 29% of Alaska's total revenue passenger miles during 1993, while west coast traffic accounted for 59% and the Mexico markets 12%. Based on passenger enplanements, Alaska's leading airports are Seattle, Portland, Anchorage and Los Angeles. Based on revenues, the leading nonstop routes were Seattle-Anchorage, Seattle-Los Angeles and Seattle-San Francisco. Alaska's operating fleet at December 31, 1993 consisted of 66 jet aircraft.

USE OF PROCEEDS

Unless otherwise indicated in the accompanying Prospectus Supplement, the net proceeds to Air Group from the sale of the Convertible Debt Securities offered hereby will be added to the working capital of Air Group and will be available for general corporate purposes, among which may be the repayment of outstanding indebtedness and financing of capital expenditures by Alaska and Horizon, including the acquisition of aircraft and related equipment.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for Air Group for the periods indicated. Earnings represents earnings before accounting change, income tax expense and fixed charges (excluding interest capitalized). Fixed charges consist of interest and the portion of rental expense deemed representative of the interest factor.

	YEAR ENDED DECEMBER 31,				
	1993	1992	1991	1990	1989
Ratio.....	(a)	(a)	1.10	1.32	2.30

<FN>

(a) For the years ended December 31, 1993 and 1992, Air Group's earnings were inadequate to cover fixed charges by \$46.3 million and \$131.8 million, respectively.

DESCRIPTION OF CONVERTIBLE DEBT SECURITIES

The Convertible Senior Debt Securities are to be issued under an Indenture between Air Group and a Trustee (the "Convertible Senior Debt Indenture"). The Convertible Subordinated Debt Securities are to be issued under an Indenture between Air Group and a Trustee (the "Convertible Subordinated Debt Indenture"). The Convertible Senior Debt Securities Indenture and the Convertible Subordinated Debt Securities Indenture are referred to herein individually as the "Indenture" and collectively as the "Indentures." A copy of each Indenture is filed as an exhibit to the Registration Statement. Information regarding the Trustee will be set forth in the applicable Prospectus Supplement.

The Convertible Debt Securities offered pursuant to this Prospectus will be limited to \$200,000,000 aggregate principal amount (or such greater amount, if Convertible Debt Securities are issued at an original issue discount, as shall result in aggregate proceeds of \$200,000,000 to Air Group). The statements herein relating to the Convertible Debt Securities and the Indentures are

summaries and are subject to the detailed provisions of the Indentures. The following summaries of certain provisions of the Indentures do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indentures, including the definitions therein of certain terms capitalized in this Prospectus. Whenever particular Sections or defined terms of the Indentures are referred to herein or in a Prospectus Supplement, such Sections or defined terms are incorporated herein or therein by reference.

The Indentures do not limit the aggregate principal amount of Convertible Debt Securities which may be issued thereunder and provide that Convertible Debt Securities may be issued from time to time in one or more series. The Convertible Senior Debt Securities will be unsecured and unsubordinated obligations of Air Group and will rank on a parity with all other unsecured and unsubordinated indebtedness of Air Group. The Convertible Subordinated Debt Securities will be unsecured obligations of Air Group and, as set forth below under "Subordination of Convertible Debt Securities," will be subordinated in right of payment to all Senior Indebtedness. The Indenture does not limit Air Group's right to incur additional Senior Indebtedness. As of December 31, 1993, Senior Indebtedness of Air Group on a consolidated basis aggregated approximately \$308,700,000.

Reference is made to the Prospectus Supplement which accompanies this Prospectus for a description of the specific series of Convertible Debt Securities being offered thereby, including: (1) the specific designation of such Convertible Debt Securities; (2) any limit upon the aggregate principal amount of such Convertible Debt Securities; (3) the date or dates on which the principal of such Convertible Debt Securities will mature or the method of determining such date or dates; (4) the rate or rates (which may be fixed or variable) at which such Convertible Debt Securities will bear interest, if any, or the method of calculating such rate or rates; (5) the date or dates from which interest, if any, will accrue or the method by which such date or dates will be determined; (6) the date or dates on which interest, if any, will be payable and the record date or dates therefor; (7) the place or places where principal of, premium, if any, and interest, if any, on such Convertible Debt Securities will be payable; (8) the period or periods within which, the price or prices at which, and the terms and conditions upon which, such Convertible Debt Securities may be redeemed, in whole or in part, at the option of Air Group; (9) the obligation, if any, of Air Group to redeem or purchase such Convertible Debt Securities pursuant to any sinking fund or analogous provisions, upon the happening of a specified event or at the option of a holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which, such Convertible Debt Securities shall be redeemed or purchased, in whole or in part, pursuant to such obligations; (10) the denominations in which such Convertible Debt Securities are authorized to be issued; (11) the terms and conditions upon which conversion will be effected, including the conversion price, the conversion period and other conversion provisions in addition to or in lieu of those described below; (12) if other than the principal amount thereof, the portion of the principal amount of such Convertible Debt Securities which will be payable upon declaration of the acceleration of the maturity thereof or the method by which such portion shall be determined; (13) the person to whom any interest on any such Convertible Debt Security shall be payable if other than the person in whose name such Convertible Debt Security is registered on the applicable record date; (14) any addition to, or modification or deletion of, any Event of Default (as hereinafter defined) or any covenant of Air Group specified in the Indenture with respect to such Convertible Debt Securities; (15) the application, if any, of such means of covenant defeasance as may be specified for such Convertible Debt Securities; (16) if applicable, provisions related to the issuance of Convertible Debt Securities in book entry form; (17) any addition to, or modification or deletion of, any provision of the Indenture related to the subordination of such Convertible Debt Securities; and (18) any other special terms pertaining to such Convertible Debt Securities. Unless otherwise specified in the applicable Prospectus Supplement, the Convertible Debt Securities will not be listed on any securities exchange. (Section 3.1 of the Indentures.)

Unless otherwise specified in the applicable Prospectus Supplement, Convertible Debt Securities will be issued in fully registered form without coupons. Where Convertible Debt Securities of any

series are issued in bearer form, the special restrictions and considerations, including special offering restrictions and special federal income tax

considerations, applicable to any such Convertible Debt Securities and to payment on and transfer and exchange of such Convertible Debt Securities will be described in the applicable Prospectus Supplement.

Convertible Debt Securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. Certain federal income tax consequences and special considerations applicable to any such Convertible Debt Securities will be described in the applicable Prospectus Supplement.

The general provisions of the Indentures do not afford holders of the Convertible Debt Securities protection in the event of a highly leveraged or other transaction involving Air Group or Alaska that may adversely affect holders of Convertible Debt Securities. Any covenants or other provisions included in a supplement or amendment to any Indenture for the benefit of the holders of any particular series of Convertible Debt Securities will be described in the applicable Prospectus Supplement.

PAYMENT, REGISTRATION, TRANSFER AND EXCHANGE

Unless otherwise provided in the applicable Prospectus Supplement, payments in respect of the Convertible Debt Securities will be made at the office or agency of Air Group maintained for that purpose, as Air Group may designate from time to time, except that, at the option of Air Group, interest payments, if any, on Convertible Debt Securities in registered form may be made by (i) checks mailed by the Trustee to the holders of Convertible Debt Securities entitled thereto at their registered addresses or (ii) wire transfer to an account maintained by the Person entitled thereto as specified in the Register. (Sections 3.7 and 9.2 of the Indentures.) Unless otherwise indicated in an applicable Prospectus Supplement, payment of any installment of interest on Convertible Debt Securities in registered form will be made to the Person in whose name such Convertible Debt Security is registered at the close of business on the regular record date for such interest. (Section 3.7 of the Indentures.)

Unless otherwise provided in the applicable Prospectus Supplement, Convertible Debt Securities in registered form will be transferable or exchangeable at the agency of Air Group maintained for such purpose as designated by Air Group from time to time. (Sections 3.5 and 9.2 of the Indentures.) Convertible Debt Securities may be transferred or exchanged without service charge, other than any tax or other governmental charge imposed in connection therewith. (Section 3.5 of the Indentures.)

CONVERSION RIGHTS

The terms on which Convertible Debt Securities of any series are convertible into Common Stock will be set forth in the Prospectus Supplement relating thereto. Such terms shall include provisions as to whether conversion is mandatory, at the option of the holder, or at the option of Air Group, and may include provisions in which the number of shares of Common Stock to be received by the holders of Convertible Debt Securities would be calculated according to the market price of Common Stock as of a time stated in the Prospectus Supplement.

SUBORDINATION OF CONVERTIBLE SUBORDINATED DEBT SECURITIES

Unless otherwise provided in the applicable Prospectus Supplement, the obligation of Air Group to make payment on account of the principal of, and premium, if any, and interest on Convertible Subordinated Debt Securities will be subordinated and junior in right of payment, as set forth in the Convertible Subordinated Debt Securities Indenture and described below, to the prior payment in full of all Senior Indebtedness.

"Senior Indebtedness" means all Indebtedness of Air Group unless such

Indebtedness, by its terms or the terms of the instrument creating or evidencing it, is subordinate in right of payment to or PARI PASSU with the Convertible Subordinated Debt Securities. (Section 1.1 of the Convertible Subordinated Debt Securities Indenture.) Air Group's 7 1/4% Convertible Subordinated Notes Due 2006, 7 3/4% Convertible Subordinated Debentures Due 2010 and 6 7/8% Convertible Subordinated Debentures Due 2014 do not constitute Senior Indebtedness. "Indebtedness," when used with respect to Air Group,

means, without duplication, the principal of, and premium, if any, and accrued and unpaid interest (including post-petition interest) on (i) indebtedness of Air Group for money borrowed, (ii) Indebtedness guarantees by Air Group of indebtedness for money borrowed by any other person, (iii) indebtedness of Air Group evidenced by notes, debentures, bonds or other instruments of indebtedness for payment of which Air Group is responsible or liable, by Indebtedness guarantees or otherwise, (iv) obligations for the reimbursement of any obligor on any letter of credit, bankers' acceptance or similar credit transaction, (v) obligations of Air Group under Capital Leases and Flight Equipment leases, (vi) obligations under interest rate and currency swaps, caps, collars, options, forward or spot contracts or similar arrangements or with respect to foreign currency hedges, and (vii) commitment and other bank financing fees under contractual obligations associated with bank debt; PROVIDED, HOWEVER, that Indebtedness shall not include amounts owed to trade creditors in the ordinary course of business. (Section 1.1 of the Convertible Subordinated Debt Securities Indenture.)

No payment on account of principal of, or premium, if any, or interest on, the Convertible Subordinated Debt Securities may be made if (i) any Senior Indebtedness is not paid when due or (ii) the maturity of any Senior Indebtedness is accelerated unless, in either case, (a) such failure to pay or acceleration relates to such Senior Indebtedness in an aggregate amount equal to less than \$25 million, (b) the default has been cured or waived or has ceased to exist, (c) such acceleration has been rescinded, or (d) such Senior Indebtedness has been paid in full. During the continuance of any default (other than a default described in the preceding sentence) on Senior Indebtedness pursuant to which the maturity thereof may be accelerated immediately (I.E., without further notice and after the expiration of any applicable grace periods) and upon notice by holders of at least \$25 million of Senior Indebtedness to Air Group and the Trustee (a "Payment Notice"), Air Group may not make any payments (a "Payment Block") on the Convertible Subordinated Debt Securities until 120 days have elapsed following the receipt of such Payment Notice. After 120 days Air Group may resume payment on the Convertible Subordinate Debt Securities unless payment is prohibited by the first sentence of this paragraph. No more than one Payment Notice is permitted for any one default on Senior Indebtedness (which shall not bar subsequent Payment Notices for other such defaults). All events of default on Senior Indebtedness occurring within a 30-day period shall be treated as one event of default on such Senior Indebtedness for purposes of the preceding sentence. No more than two Payment Blocks are permitted within any 12-month period. Except as provided in the next paragraph, a failure to make any payment with respect to the Convertible Subordinated Debt Securities as a result of the foregoing provisions will not limit the right of the holders of the Convertible Subordinated Debt Securities to accelerate the maturity thereof as a result of such payment default. (Section 13.2 of the Convertible Subordinated Debt Securities Indenture.)

Upon any distribution of the assets of Air Group upon any dissolution, total or partial liquidation or reorganization of or similar proceeding relating to Air Group, the holders of Senior Indebtedness will be entitled to receive payment in full before the holders of the Convertible Subordinated Debt Securities are entitled to receive any payment. Upon any Event of Default with respect to the Convertible Subordinated Debt Securities, the Trustee or holders

of 25% of the Convertible Subordinated Debt Securities must give notice of such Event of Default and the intention to accelerate to Air Group and any other holders of Senior Indebtedness which have theretofore requested such notice, and such acceleration shall not become effective unless and until such Event of Default is continuing on the 60th day after the date of delivery of such notice of intention to accelerate; PROVIDED, HOWEVER, that the Convertible Subordinated Debt Securities shall become immediately due and payable upon notice in the event of a bankruptcy or insolvency of Air Group. (Section 13.3 of the Convertible Subordinated Debt Securities Indenture.) By reason of such subordination, in the event of insolvency, creditors of Air Group who are holders of Senior Indebtedness or of other unsubordinated Indebtedness of Air Group may recover more, ratably, than the holders of the Convertible Subordinated Debt Securities.

CONSOLIDATION, MERGER OR SALE BY THE ISSUER

The Indentures provides that Air Group may, without the consent of the holders of Convertible Debt Securities, merge or consolidate with or into any other corporation or sell, convey, transfer or otherwise dispose of all or substantially all of its assets to any person, firm or corporation, if (i) (a) in the case of a merger or consolidation, Air Group is the surviving corporation or (b) in the case of a merger or consolidation where Air Group is not the surviving corporation and in the case of such a sale, conveyance or other disposition, the successor or acquiring corporation is a corporation organized and existing under the laws of the United States of America or a State thereof and such corporation expressly assumes by supplemental indenture all the obligations of Air Group under the Convertible Debt Securities and any coupons appertaining thereto and under the Indentures, and (ii) immediately after giving effect to such merger or consolidation, or such sale, conveyance, transfer or other disposition, no Default (as hereinafter defined) or Event of Default shall have occurred and be continuing. In the event a successor corporation assumes the obligations of Air Group, such successor corporation shall succeed to and be substituted for Air Group under the Indentures and under the Convertible Debt Securities and any coupons appertaining thereto and all obligations of Air Group shall terminate. (Section 7.1 of the Indentures.)

EVENTS OF DEFAULT, NOTICE AND CERTAIN RIGHTS ON DEFAULT

The Indentures provide that, if an Event of Default specified therein occurs with respect to the Convertible Debt Securities of any series issued thereunder and is continuing, the Trustee for such series or the holders of 25% in aggregate principal amount of all of the outstanding Convertible Debt Securities of that series, by written notice to Air Group (and to the Trustee for such series, if notice is given by such holders of Convertible Debt Securities), may declare the principal (or, if the Convertible Debt Securities of that series are original issue discount Convertible Debt Securities or indexed Convertible Debt Securities, such portion of the principal amount specified in the Prospectus Supplement) of all the Convertible Debt Securities of that series to be due and payable, subject in the case of Convertible Subordinated Debt Securities to the 60 day prior notice requirement described above under "Subordination of Convertible Subordinated Debt Securities," PROVIDED that Convertible Debt Securities shall become immediately due and payable without prior notice upon a bankruptcy or insolvency of Air Group. (Section 5.2 of the Indentures.)

"Events of Default" with respect to Convertible Debt Securities of any series issued thereunder are defined in the Indentures as being: default for 30 days in payment of any interest on any Convertible Debt Security of that series or any coupon appertaining thereto or any additional amount payable with respect to Convertible Debt Securities of such series as specified in the applicable Prospectus Supplement when due; default for ten days in payment of principal,

premium, if any, or on redemption or otherwise, or in the making of a mandatory sinking fund payment of any Convertible Debt Securities of that series when due; default for 60 days after notice to Air Group by the Trustee for such series, or by the holders of 25% in aggregate principal amount of the Convertible Debt Securities of such series then outstanding, in the performance of any other agreement in the Convertible Debt Securities of that series, in the Indentures or in any supplemental indenture or board resolution referred to therein under which the Convertible Debt Securities of that series may have been issued; default resulting in acceleration of other indebtedness of Air Group for borrowed money where the aggregate principal amount so accelerated exceeds \$25 million and such acceleration is not rescinded or annulled within ten days after the written notice thereof to Air Group by the Trustee or to Air Group and the Trustee by the holders of 25% in aggregate principal amount of the Convertible Debt Securities of such series then outstanding, PROVIDED that such Event of Default will be cured or waived if the default that resulted in the acceleration of such other indebtedness is cured or waived; and certain events of bankruptcy, insolvency or reorganization of Air Group. (Section 5.1 of the Indentures.) Events of Default with respect to a specified series of Convertible Debt Securities may be added to the Indenture under which the series is issued and, if so added, will be described in the applicable Prospectus Supplement. (Sections 3.1 and 5.1(7) of the Indentures.)

The Indentures provide that the Trustee for any series of Convertible Debt Securities shall, within 90 days after the occurrence of a Default with respect to Convertible Debt Securities of that series, give to the holder of the Convertible Debt Securities of that series notice of all uncured Defaults known to it, PROVIDED that, except in the case of default in payment on the Convertible Debt Securities of that series, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers (as described therein) in good faith determines that withholding such notice is in the interest of the holders of the Convertible Debt Securities of that series. (Section 6.6 of the Indentures.) "Default" means any event which is, or, after notice or passage of time or both, would be, an Event of Default. (Section 1.1 of the Indentures.)

The Indentures provide that the holders of a majority in aggregate principal amount of the Convertible Debt Securities of each series affected (with each such series voting as a class) may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee for such series, or exercising any trust or power conferred on such Trustee. (Section 5.8 of the Indentures.)

The Indenture includes a covenant that Air Group will file annually with the Trustee a certificate as to Air Group's compliance with all conditions and covenants of the applicable Indenture. (Section 9.7 of the Indentures.)

The holders of a majority in aggregate principal amount of any series of Convertible Debt Securities by notice to the Trustee for such series may waive, on behalf of the holders of all Convertible Debt Securities of such series, any past Default or Event of Default with respect to that series and its consequences except a Default or Event of Default in the payment of the principal of, premium, if any, or interest, if any, on any Convertible Debt Security and certain other defaults. (Section 5.7 of the Indentures.)

MODIFICATION OF THE INDENTURES

The Indenture contains provisions permitting Air Group and the Trustee to

enter into one or more supplemental indentures without the consent of the holders of any of the Convertible Debt Securities in order (i) to evidence the succession of another corporation to Air Group and the assumption of the covenants of Air Group by a successor to Air Group; (ii) to add to the covenants of Air Group or surrender any right or power of Air Group; (iii) to add additional Events of Default with respect to any series; (iv) to add or change any provisions to such extent as necessary to permit or facilitate the issuance of Convertible Debt Securities in bearer form; (v) to add to, change or eliminate any provision affecting Convertible Debt Securities not yet issued; (vi) to secure the Convertible Debt Securities; (vii) to establish the form or terms of Convertible Debt Securities; (viii) to evidence and provide for successor Trustees; (ix) if allowed without penalty under applicable laws and regulations, to permit payment in respect of Convertible Debt Securities in bearer form in the United States; (x) to correct or supplement any inconsistent provisions or to make any other provisions with respect to matters or questions arising under the Indentures, PROVIDED that such action does not adversely affect the interests of any holder of Convertible Debt Securities of any series issued under such Indentures; or (xi) to cure any ambiguity or correct any mistake. (Section 8.1 of the Indentures.)

The Indenture also contains provisions permitting Air Group and the Trustee, with the consent of the holders of a majority in aggregate principal amount of the outstanding Convertible Debt Securities of each series affected by such supplemental indenture, to execute supplemental indentures adding any provisions to or changing or eliminating any of the provisions of the Indenture or any supplemental indenture or modifying the rights of the holders of Convertible Debt Securities of such series, except that no such supplemental Indenture may, without the consent of the holder of each Convertible Debt Security so affected; (i) change the time for payment of principal or interest on any Convertible Debt Security; (ii) reduce the principal of, or any installment of principal of, or interest on any Convertible Debt Security; (iii) reduce the amount of premium, if any, payable upon the redemption of any Convertible Debt Security; (iv) reduce the amount of principal payable upon acceleration of the maturity of an Original Issue Discount Convertible Debt Security; (v) impair the right to institute suit

for the enforcement of any payment on or with respect to any Convertible Debt Security; (vi) reduce the percentage in principal amount of the outstanding Convertible Debt Securities of any series the consent of whose holders is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indentures or for waiver of certain defaults; (vii) change the obligation of Air Group to maintain an office or agency in the places and for the purposes specified in the Indentures; or (viii) modify the provisions relating to waiver of certain defaults or any of the foregoing provisions. (Section 8.2 of the Indentures.)

COVENANT DEFEASANCE

If indicated in the Prospectus Supplement, Air Group may elect to be released from its obligations with respect to certain covenants applicable to the Convertible Debt Securities of or within any series ("covenant defeasance"), upon the deposit with the Trustee for such series (or other qualifying trustee), in trust for such purpose, of money and/or Government Obligations which through the payment of principal and interest in accordance with their terms will provide money in the amount sufficient to pay the principal of and any premium or interest on such Convertible Debt Securities to Maturity or redemption, as the case may be, and any mandatory sinking fund or analogous payment thereon. Upon the occurrence of a covenant defeasance, Air Group will be released only from its obligations to comply with certain covenants contained in the Indenture relating to such Convertible Debt Securities, will continue to be obligated in all other respects under such Convertible Debt Securities and will continue to be contingently liable with respect to the payment of principal, interest, if any, and premium, if any, with respect to such Convertible Debt Securities.

Unless otherwise specified in the applicable Prospectus Supplement and except as described below, the conditions to covenant defeasance are as follows: (i) such covenant defeasance must not result in a breach or violation of, or constitute a Default or Event of Default under, the Indentures, or result in a breach or violation of, or constitute a default under, any other material agreement or instrument of Air Group; (ii) certain bankruptcy related Defaults or Events of Default with respect to Air Group must not have occurred and be continuing during the period commencing on the date of the deposit of the trust funds to covenant defease such Convertible Debt Securities and ending on the 91st day after such date; (iii) Air Group must deliver to the Trustee an Opinion of Counsel to the effect that the holders of such Convertible Debt Securities will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts and in the same manner and at all the same times as would have been the case if such covenant defeasance had not occurred; (iv) Air Group must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel with respect to compliance with the conditions precedent to such covenant defeasance; and (v) any additional conditions to such covenant defeasance which may be imposed on Air Group pursuant to the Indentures. (Article 4 of the Indentures.) The Indenture requires that a nationally recognized firm of independent public accountants deliver to the Trustee a written certification as to the sufficiency of the trust funds deposited for the covenant defeasance of such Convertible Debt Securities. The Indenture does not provide the holders of such Convertible Debt Securities with recourse against such firm. As described above, in the event of a covenant defeasance, Air Group remains contingently liable with respect to the payment of principal, interest, if any, and premium, if any, with respect to the Convertible Debt Securities.

If Air Group exercises its covenant defeasance option, payment of such Convertible Debt Securities may not be accelerated by reason of a Default or an Event of Default with respect to the covenants to which such covenant defeasance is applicable. However, if such acceleration were to occur, the realizable value at the acceleration date of the money and Government Obligations in the defeasance trust could be less than the principal and interest then due on such Convertible Debt Securities, in that the required deposit in the defeasance trust is based upon scheduled cash flow rather than market value, which will vary depending upon interest rates and other factors.

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DESCRIPTION OF CAPITAL STOCK

Air Group is authorized to issue 30,000,000 shares of Common Stock, \$1.00 par value, and 5,000,000 shares of preferred stock.

VOTING RIGHTS. Each holder of Common Stock is entitled to one vote per share on all matters submitted to a vote of such class. Holders of Common Stock do not have cumulative rights. The Board of Directors is classified into three classes, with three or four Directors elected each year to three-year terms. A vote of three-fourths of the shares present at a meeting is required to elect each nominee as a Director and to approve any other matter brought before the stockholders for a vote.

DIVIDEND RIGHTS. Holders of Common Stock share ratably in dividends that may be declared by the Board of Directors out of funds legally available therefor.

LIQUIDATION RIGHTS. Upon any liquidation of Air Group, the holders of Common Stock are entitled to share ratably in the net assets of Air Group available for distribution on the Common Stock.

OTHER. The Common Stock has no preemptive or conversion rights and there are no redemption provisions applicable thereto. The Common Stock is listed on the New York Stock Exchange and the Pacific Stock Exchange. The registrar and transfer agent for the Common Stock is The First National Bank of Boston.

POTENTIAL RIGHTS OF PREFERRED STOCK. Under Air Group's Certificate of Incorporation, the Board of Directors has authority to issue up to 5,000,000 shares of preferred stock. Such shares would have such voting, dividend, liquidation, conversion, redemption and other rights as may be determined by the Board of Directors, subject to the provisions of the Certificate of Incorporation. Shares of Common Stock would be subject to the preferences, rights and powers of any such shares of preferred stock as set forth in Air Group's Certificate of Incorporation and in the resolutions establishing one or more series of preferred stock. No preferred stock was outstanding at the date of this Prospectus.

CERTAIN OTHER PROVISIONS. Air Group's Certificate of Incorporation contains certain provisions sometimes referred to as "anti-takeover" provisions. In the event that Air Group at any time has a stockholder who is a beneficial owner of more than 15% of the voting power of Air Group, these provisions would require the affirmative vote of the holders of not less than 80% of the outstanding shares of voting stock to approve a consolidation or merger of Air Group with any other corporation, the conveyance to any corporation or other person or any other disposition of all or substantially all of Air Group's assets, or the disposition by Air Group of all or substantially all of the stock or assets of any major subsidiary; provided, however, that this 80% voting requirement does not apply to a transaction which is approved by 80% of the disinterested members of the Board of Directors.

Air Group is party to a Rights Agreement designed to deter partial and two-tier tender offers, stock accumulation programs and other coercive tactics that might be used to gain control without giving the Board of Directors the opportunity to negotiate on behalf of the stockholders. In accordance with the Rights Agreement, one right is attached to each share of outstanding Common Stock. A holder of a right may, under certain circumstances, purchase at a discount from market value either shares of a special class of voting preferred stock of Air Group or shares of capital stock of a corporate entity attempting to acquire Air Group or surviving a merger or consolidation with Air Group.

PLAN OF DISTRIBUTION

Air Group may sell Convertible Debt Securities to one or more underwriters for public offering and sale by them or may sell Convertible Debt Securities to investors or other persons directly or through agents. Any such underwriter or agent involved in the offer and sale of the Convertible Debt Securities will be named in an applicable Prospectus Supplement.

Underwriters may offer and sell the Convertible Debt Securities at a fixed price or prices, which may be changed, or at prices related to prevailing market prices or at negotiated prices. Air Group also

may, from time to time, authorize underwriters acting as Air Group's agents to offer and sell the Convertible Debt Securities upon the terms and conditions as shall be set forth in any Prospectus Supplement. In connection with the sale of Convertible Debt Securities, underwriters may be deemed to have received compensation from Air Group in the form of underwriting discounts or commission and may also receive commissions from purchasers of Convertible Debt Securities for whom they may act as agent. Underwriters may sell Convertible Debt Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions (which may be changed from time to time) from the purchasers for whom they may act as agent.

Any underwriting compensation paid by Air Group to underwriters or agents in connection with the offering of Convertible Debt Securities, and any discounts, concessions or commissions allowed by underwriters to participating dealers, will be set forth in an applicable Prospectus Supplement. Underwriters, dealers and agents participating in the distribution of the Convertible Debt Securities

may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the Convertible Debt Securities may be deemed to be underwriting discounts and commissions under the Securities Act. Underwriters, dealers and agents may be entitled, under agreements with Air Group, to indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act, and to reimbursement by Air Group for certain expenses.

Underwriters, dealers and agents may engage in transactions with, or perform services for, Air Group and its subsidiaries in the ordinary course of business.

LEGAL OPINIONS

Unless otherwise indicated in the applicable Prospectus Supplement, the validity of the Convertible Debt Securities offered hereby will be passed upon for Air Group by Perkins Coie, Seattle, Washington.

EXPERTS

The financial statements and schedules of Air Group incorporated by reference in this Prospectus and in the Registration Statement have been audited by Arthur Andersen & Co., independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED MARCH 11, 1994

PROSPECTUS
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ALASKA AIRLINES, INC.

DEBT SECURITIES

Alaska Airlines, Inc. ("Alaska") may from time to time offer its Debt Securities, consisting of debentures, notes and/or other evidences of indebtedness representing unsecured obligations of Alaska, in amounts, at prices and on terms to be determined at the time of offering. The Debt Securities offered pursuant to this Prospectus may be issued in one or more series and will be limited to \$200,000,000 aggregate principal amount (or such greater amount, if Debt Securities are issued at an original issue discount, as shall result in aggregate proceeds of \$200,000,000). Certain specific terms of the Debt Securities in respect of which this Prospectus is being delivered are set forth in the accompanying Prospectus Supplement (the "Prospectus Supplement"), including, where applicable, the specific designation, aggregate principal amount, the denomination, maturity, premium, if any, the rate (which may be fixed or variable), time and method of calculating payment of interest, if any, the place or places where principal of, premium, if any, and interest, if any, on such Debt Securities will be payable, any terms of redemption at the option of Alaska or the holder, any sinking fund provisions, the terms of any guarantee by Alaska Air Group, Inc. ("Air Group"), the initial public offering price and other special terms, together with any other terms in connection with the offering and sale of the Debt Securities, and the net proceeds to Alaska from such offering. The Debt Securities may be issued in registered form or bearer

form, or both.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND
EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE
SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES
COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF
THIS PROSPECTUS. ANY REPRESENTATION TO THE
CONTRARY IS A CRIMINAL OFFENSE.

Alaska may sell the Debt Securities to or through underwriters, through
dealers or agents or directly to purchasers. See "Plan of Distribution." The
accompanying Prospectus Supplement sets forth the names of any underwriters,
dealers or agents involved in the sale of the Debt Securities in respect of
which this Prospectus is being delivered and any applicable fee, commission or
discount arrangements with them.

This Prospectus may not be used to consummate sales of Debt Securities
unless accompanied by a Prospectus Supplement.

THE DATE OF THIS PROSPECTUS IS , 1994.

No dealer, salesperson or other individual has been authorized to give any
information or to make any representations not contained in this Prospectus in
connection with the offering covered by this Prospectus. If given or made, such
information or representations must not be relied upon as having been authorized
by Air Group, Alaska or the Underwriter. This Prospectus does not constitute an
offer to sell, or a solicitation of an offer to buy, the Debt Securities in any
jurisdiction where, or to any person to whom, it is unlawful to make such offer
or solicitation. Neither the delivery of this Prospectus nor any sale made
hereunder shall, under any circumstances, create an implication that there has
not been any change in the facts set forth in this Prospectus or in the affairs
of Alaska since the date hereof.

AVAILABLE INFORMATION

Each of Alaska and Air Group is subject to the reporting requirements of the
Securities Exchange Act of 1934, as amended (the "1934 Act"), and, in accordance
therewith, files reports and other information with the Securities and Exchange
Commission (the "Commission"). Such reports and other information may be
inspected and copied at the public reference facilities maintained by the
Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549; 75 Park
Place, 14th Floor, New York, New York 10007; and Northwestern Atrium Center, 500
West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such
material may also be obtained at prescribed rates from the Public Reference
Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. In
addition, such material filed by Air Group may be inspected and copied at the
offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New
York 10005.

This Prospectus constitutes a part of a registration statement on Form S-3
(together with all amendments and exhibits, the "Registration Statement") filed
by Alaska and Air Group with the Commission under the Securities Act of 1933, as
amended (the "Securities Act"). This Prospectus does not contain all of the
information included in the Registration Statement, certain parts of which are
omitted in accordance with the rules and regulations of the Commission.
Statements contained herein concerning the provisions of any document do not
purport to be complete and, in each instance, reference is made to the copy of
such document filed as in exhibit to the Registration Statement or otherwise
filed with the Commission. Each such statement is subject to and qualified in
its entirety by such reference. Reference is made to such Registration Statement
and to the exhibits relating thereto for further information with respect to
Alaska, Air Group and the Debt Securities offered hereby.

So long as Alaska is subject to such periodic reporting requirements, it
will continue to furnish the information required thereby to the Commission and

will furnish copies of such reports and other information to the holders of Certificates. Alaska's obligation to file periodic reports with the Commission will be suspended if each class of Alaska's securities is held of record by fewer than 300 holders at the beginning of any fiscal year of Alaska other than a fiscal year in which a registration statement with respect to any such securities becomes effective. Accordingly, in such case, Alaska may cease to file reports with the Commission in respect of such fiscal year. In the event Alaska ceases to file periodic reports with the Commission, Alaska is obligated pursuant to the Indenture (as hereinafter defined) to distribute to the holders of Debt Securities annual reports containing audited consolidated financial statements and a report thereon by Alaska's independent public accountants and quarterly reports for the first three quarters of each fiscal year containing unaudited condensed financial information.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the 1934 Act and are incorporated into this Prospectus by reference and made a part hereof: Each of Alaska's and Air Group's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.

All documents filed by Alaska and Air Group pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference in this Prospectus, and to be a part hereof from the date of filing of such documents. Any statement incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Alaska and Air Group will provide without charge to each person to whom a copy of this Prospectus is delivered, upon the written or oral request of such person, a copy of any document incorporated by reference in this Prospectus (other than exhibits to such documents unless such exhibits are specifically incorporated by reference to such documents). Requests for such copies should be directed to the office of the Corporate Secretary, Alaska Airlines, Inc., P.O. Box 68947, Seattle, Washington 98168 (telephone (206) 433-3131).

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ALASKA AND AIR GROUP

Alaska is a wholly owned subsidiary of Air Group, a holding company. Alaska accounted for approximately 80% of Air Group's consolidated 1993 operating revenues and 91% of its total assets at December 31, 1993. Alaska's all jet fleet provides scheduled air transportation to 37 airports in six states (Alaska, Washington, Oregon, California, Nevada and Arizona), five cities in Mexico and three cities in Russia. Air Group also owns Horizon Air Industries, Inc. ("Horizon"), a regional airline operating in the Pacific Northwest and western Canada. The principal executive offices of Alaska and Air Group are located at 19300 Pacific Highway South, Seattle, Washington 98188 (telephone (206) 433-3200).

In 1993 Alaska carried 6.4 million passengers. In each year since 1973, Alaska has carried more passengers between Alaska and the U.S. mainland than any other airline. Passenger traffic in the intra-Alaska markets and between Alaska and the U.S. mainland accounted for 29% of Alaska's total revenue passenger miles during 1993, while west coast traffic accounted for 59% and the Mexico markets 12%. Based on passenger enplanements, Alaska's leading airports are Seattle, Portland, Anchorage and Los Angeles. Based on revenues, the leading nonstop routes were Seattle-Anchorage, Seattle-Los Angeles and Seattle-San Francisco. Alaska's operating fleet at December 31, 1993 consisted of 66 jet aircraft.

USE OF PROCEEDS

Unless otherwise indicated in the accompanying Prospectus Supplement, the

net proceeds to Alaska from the sale of the Debt Securities offered hereby will be added to the working capital of Alaska and will be available for general corporate purposes, among which may be repayment of outstanding indebtedness and the financing of capital expenditures by Alaska, including the acquisition by Alaska of aircraft and related equipment.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for Alaska and Air Group for the periods indicated. Earnings represents earnings before accounting change, income tax expense and fixed charges (excluding interest capitalized). Fixed charges consist of interest and the portion of rental expense deemed representative of the interest factor.

	YEAR ENDED DECEMBER 31,				
	1993	1992	1991	1990	1989
Alaska.....	(a)	(a)	1.14	1.35	2.67
Air Group.....	(b)	(b)	1.10	1.32	2.30
<FN>					

- (a) For the years ended December 31, 1993 and 1992, Alaska's earnings were inadequate to cover fixed charges by \$44.5 million and \$126.4 million, respectively.
- (b) For the years ended December 31, 1993 and 1992, Air Group's earnings were inadequate to cover fixed charges by \$46.3 million and \$131.8 million, respectively.

DESCRIPTION OF DEBT SECURITIES

The Debt Securities are to be issued under an Indenture between Alaska, Air Group and a Trustee (the "Indenture"). In the event that any Debt Securities are guaranteed by Air Group (see "Guarantees of Debt Securities"), the applicable Indenture will be supplemented by a Supplemental Indenture among Alaska, as issuer, Air Group, as Guarantor, and the Trustee (each, a "Supplemental Indenture"). A copy of the Indenture is filed as an exhibit to the Registration Statement. Any such Supplemental Indenture will be filed as an exhibit to a Current Report on Form 8-K, Quarterly Report

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on Form 10-Q or Annual Report on Form 10-K to be filed by Alaska with the Commission following the issuance of such series of guaranteed Debt Securities. Information regarding the Trustee will be set forth in the applicable Prospectus Supplement.

The Debt Securities offered pursuant to this Prospectus will be limited to \$200,000,000 aggregate principal amount (or such greater amount, if Debt Securities are issued at an original issue discount, as shall result in aggregate proceeds of \$200,000,000). The statements herein relating to the Debt Securities and the Indenture are summaries and reference is made to the detailed provisions of the Indenture, including the definitions therein of certain terms capitalized in this Prospectus. Whenever particular Sections or defined terms of the Indenture are referred to herein or in a Prospectus Supplement, such Sections or defined terms are incorporated herein or therein by reference.

GENERAL

The Indenture does not limit the aggregate principal amount of Debt Securities which may be issued thereunder. Debt Securities may be issued from time to time in one or more series. The Debt Securities will be unsecured and unsubordinated obligations of Alaska and will rank on a parity with all other unsecured and unsubordinated indebtedness of Alaska.

Reference is made to the Prospectus Supplement which accompanies this Prospectus for a description of the specific series of Debt Securities being offered thereby including: (1) the specific designation of such Debt Securities; (2) any limit upon the aggregate principal amount of such Debt Securities; (3)

the date or dates on which the principal of such Debt Securities will mature or the method of determining such date or dates; (4) the rate or rates (which may be fixed or variable) at which such Debt Securities will bear interest, if any, or the method of calculating such rate or rates; (5) the date or dates from which interest, if any, will accrue or the method by which such date or dates will be determined; (6) the date or dates on which interest, if any, will be payable and the record date or dates therefor; (7) the place or places where principal of, premium, if any, and interest, if any, on such Debt Securities will be payable; (8) the period or periods within which, the price or prices at which, and the terms and conditions upon which, such Debt Securities may be redeemed, in whole or in part, at the option of Alaska; (9) the obligation, if any, of Alaska to redeem or purchase such Debt Securities pursuant to any sinking fund or analogous provisions, upon the happening of a specified event, or at the option of a holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which, such Debt Securities shall be redeemed or purchased, in whole or in part, pursuant to such obligations; (10), if applicable, the terms of any Guarantee; (11) the denominations in which such Debt Securities are authorized to be issued; (12) if other than the principal amount thereof, the portion of the principal amount of such Debt Securities which will be payable upon declaration of the acceleration of the maturity thereof or the method by which such portion shall be determined; (13) the person to whom any interest on any such Debt Security shall be payable if other than the person in whose name such Debt Security is registered on the applicable record date; (14) any addition to, or modification or deletion of, any Event of Default (as hereinafter defined) or any covenant of Alaska specified in the Indenture with respect to such Debt Securities; (15) the application, if any, of such means of defeasance or covenant defeasance as maybe specified for such Debt Securities; (16) if applicable, provisions related to the issuance of Debt Securities in book entry form; and (17) any other special terms pertaining to such Debt Securities. Unless otherwise specified in the applicable Prospectus Supplement, the Debt Securities will not be listed on any securities exchange. (Section 3.1.)

Unless otherwise specified in the applicable Prospectus Supplement, Debt Securities will be issued in fully registered form without coupons. Where Debt Securities of any series are issued in bearer form, the special restrictions and considerations, including special offering restrictions and special Federal income tax considerations, applicable to any such Debt Securities and to payment on and transfer and exchange of such Debt Securities will be described in the applicable Prospectus Supplement.

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Debt Securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. Certain Federal income tax consequences and special considerations applicable to any such Debt Securities will be described in the applicable Prospectus Supplement.

The general provisions of the Indenture do not afford holders of the Debt Securities protection in the event of a highly leveraged or other transaction involving Air Group or Alaska that may adversely affect holders of Debt Securities. Any covenants or other provisions included in a supplement or amendment to any Indenture for the benefit of the holders of any particular series of Debt Securities will be described in the applicable Prospectus Supplement.

PAYMENT, REGISTRATION, TRANSFER AND EXCHANGE

Unless otherwise provided in the applicable Prospectus Supplement, payments in respect of the Debt Securities will be made at the office or agency of Alaska maintained for that purpose as Alaska may designate from time to time except that, at the option of Alaska, interest payments, if any, on Debt Securities in registered form may be made by (i) checks mailed by the Trustee to the holders of Debt Securities entitled thereto at their registered addresses or (ii) wire transfer to an account maintained by the Person entitled thereto as specified in the Register. (Sections 3.7(a) and 9.2.) Unless otherwise indicated in an applicable Prospectus Supplement, payment of any installment of interest on Debt

Securities in registered form will be made to the Person in whose name such Debt Security is registered at the close of business on the regular record date for such interest. (Section 3.7(a).)

Unless otherwise provided in the applicable Prospectus Supplement, Debt Securities in registered form will be transferable or exchangeable at the agency of Alaska maintained for such purpose as designated by Alaska from time to time. (Sections 3.5 and 9.2.) Debt Securities may be transferred or exchanged without service charge, other than any tax or other governmental charge imposed in connection therewith. (Section 3.5.)

GUARANTEES OF DEBT SECURITIES

Air Group shall unconditionally guarantee to the holders from time to time of any series of Debt Securities that is not Investment Grade at the time of issuance the full and prompt payment of principal, premium, if any, and interest when and as the same shall become due and payable, whether at maturity, upon redemption or otherwise. The terms of any such guarantees (each, a "Guarantee") will be set forth in the applicable Supplemental Indenture. Any such Guarantee will be an unsecured obligation of Air Group. A series of Debt Securities shall be "Investment Grade" if so designated by at least one nationally recognized statistical rating organization (as that term is used in Rule 15c3-1(c)(2)(vi)(F) under the 1934 Act).

If a Guarantee is applicable to Debt Securities offered hereby, reference is made to the related Supplemental Indenture and the accompanying Prospectus Supplement for a description of the specific terms of such Guarantee, including events of default relating thereto and, where applicable, subordination provisions of such Guarantee and covenants of Air Group.

The consolidated financial statements of Air Group are incorporated by reference herein. See "Incorporation of Certain Documents by Reference." As indicated by comparison of such consolidated financial statements with those of Alaska, the total assets, revenues and shareholders' equity of Alaska comprise a substantial portion of the consolidated total assets, revenues and shareholders' equity of Air Group.

CONSOLIDATION, MERGER OR SALE BY ALASKA

The Indenture provides that Alaska may merge or consolidate with or into any other corporation or sell, convey, transfer or otherwise dispose of all or substantially all of its assets to any person, firm or corporation, if (i) (a) in the case of a merger or consolidation, Alaska is the surviving corporation or (b) in the case of a merger or consolidation where Alaska is not the surviving corporation and in the case of such a sale, conveyance or other disposition, the successor or acquiring corporation is a corporation organized and existing under the laws of the United States of America or a State thereof

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and such corporation expressly assumes by supplemental indenture all the obligations of Alaska under the Debt Securities and any coupons pertaining thereto and under the Indenture, and (ii) immediately after giving effect to such merger or consolidation, or such sale, conveyance, transfer or other disposition, no Default (as hereinafter defined) or Event of Default shall have occurred and be continuing. In the event a successor corporation assumes the obligations of Alaska, such successor corporation shall succeed to and be substituted for Alaska under the Indenture and under the Debt Securities and any coupons appertaining thereto and all obligations of Alaska shall terminate. (Section 7.1.)

EVENTS OF DEFAULT, NOTICE AND CERTAIN RIGHTS ON DEFAULT

The Indenture provides that, if an Event of Default specified therein occurs with respect to the Debt Securities of any series issued thereunder and is continuing, the Trustee for such series or the holders of 25% in aggregate principal amount of all of the outstanding Debt Securities of that series, by written notice to Alaska (and to the Trustee for such series, if notice is given

by such holders of Debt Securities), may declare the principal (or, if the Debt Securities of that series are original issue discount Debt Securities or indexed Debt Securities, such portion of the principal amount specified in the Prospectus Supplement) of all the Debt Securities of that series to be due and payable.

"Events of Default" with respect to Debt Securities of any series issued thereunder are defined in the Indenture as being: default for 30 days in payment of any interest on any Debt Security of that series or any coupon appertaining thereto or any additional amount payable with respect to Debt Securities of such series as specified in the applicable Prospectus Supplement when due; default for ten days in payment of principal, premium, if any, or on redemption or otherwise, or in the making of a mandatory sinking fund payment of any Debt Securities of that series when due; default for 60 days after notice to Alaska by the Trustee for such series, or by the holders of 25% in aggregate principal amount of the Debt Securities of such series then outstanding, in the performance of any other agreement in the Debt Securities of that series, in the Indenture or in any supplemental indenture or board resolution referred to therein under which the Debt Securities of that series may have been issued; default resulting in acceleration of other indebtedness of Alaska for borrowed money where the aggregate principal amount so accelerated exceeds \$25 million and such acceleration is not rescinded or annulled within ten days after the written notice thereof to Alaska by the Trustee or to Alaska and the Trustee by the holders of 25% in aggregate principal amount of the Debt Securities of such series then outstanding, PROVIDED that such Event of Default will be cured or waived if the default that resulted in the acceleration of such other indebtedness is cured or waived; and certain events of bankruptcy, insolvency or reorganization of Alaska. (Section 5.1 of the Indenture.) Events of Default with respect to a specified series of Debt Securities may be added to the Indenture and, if so added, will be described in the applicable Prospectus Supplement. (Sections 3.1 and 5.1(7) of the Indenture.)

The Indenture provides that the Trustee for any series of Debt Securities shall, within ninety days after the occurrence of a Default with respect to Debt Securities of that series, give to the holder of the Debt Securities of that series notice of all uncured Defaults known to it, PROVIDED that, except in the case of default in payment on the Debt Securities of that series, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers (as defined therein) in good faith determines that withholding such notice is in the interest of the holders of the Debt Securities of that series. (Section 6.5.) "Default" means any event which is, or, after notice or passage of time or both, would be, an Event of Default. (Section 1.1.)

The Indenture provides that the holders of a majority in aggregate principal amount of the Debt Securities of each series affected (with each such series voting as a class) may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee for such series, or exercising any trust or power conferred on such Trustee. (Section 5.8.)

The Indenture includes a covenant that Alaska will file annually with the Trustee a certificate as to Alaska's compliance with all conditions and covenants of the Indenture. (Section 9.7.)

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The holders of a majority in aggregate principal amount of any series of Debt Securities by notice to the Trustee for such series may waive, on behalf of the holders of all Debt Securities of such series, any past Default or Event of Default with respect to that series and its consequences except a Default or Event of Default in the payment of the principal of, premium, if any, or interest, if any, on any Debt Security and certain other defaults. (Section 5.7.)

MODIFICATION OF THE INDENTURES

The Indenture contains provisions permitting Alaska and the Trustee to enter into one or more supplemental indentures without the consent of the holders of any of the Debt Securities in order (i) to evidence the succession of another

corporation to Alaska and the assumption of the covenants of Alaska by a successor to Alaska; (ii) to add to the covenants of Alaska or surrender any right or power of Alaska; (iii) to add additional Events of Default, with respect to any series; (iv) to add to, change or eliminate any provision affecting Debt Securities not yet issued; (v) to secure the Debt Securities; (vi) to establish the form or terms of Debt Securities; (vii) to evidence and provide for successor Trustees; (viii) if allowed without penalty under applicable laws and regulations, to permit payment in respect of Debt Securities in bearer form in the United States; (ix) to correct or supplement any inconsistent provisions or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action does not adversely affect the interests of any holder of Debt Securities of any series issued under the Indenture; or (x) to cure any ambiguity or correct any mistake. (Section 8.1.)

The Indenture also contains provisions permitting Alaska and the Trustee, with the consent of the holders of a majority in aggregate principal amount of the outstanding Debt Securities of each series affected by such supplemental Indenture, to execute supplemental indentures adding any provisions to or changing or eliminating any of the provisions of the indentures or any supplemental indenture or modifying the rights of the holders of Debt Securities of such series, except that no such supplemental indenture may, without the consent of the holder of each Debt Security so affected, (i) change the time for payment of principal or interest on any Debt Security; (ii) reduce the principal of, or any installment of principal of or interest on any Debt Security; (iii) reduce the amount of premium, if any, payable upon the redemption of any Debt Security; (iv) reduce the amount of principal payable upon acceleration of the maturity of an Original Issue Discount Debt Security; (v) impair the right to institute suit for the enforcement of any payment on or with respect to any Debt Security; (vi) reduce the percentage in principal amount of the outstanding Debt Securities of any series the consent of whose holders is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults; (vii) change the obligation of Alaska to maintain an office or agency in the places and for the purposes specified in the Indenture; or (viii) modify the provisions relating to waiver of certain defaults or any of the foregoing provisions. (Section 8.2 of the Indenture.)

DEFEASANCE AND COVENANT DEFEASANCE

If indicated in the Prospectus Supplement, Alaska may elect either (i) to defease and be discharged from any and all obligations with respect to the Debt Securities of or within any series (except as described below) ("defeasance") or (ii) to be released from its obligations with respect to certain covenants applicable to the Debt Securities of or within any series ("covenant defeasance"), upon the deposit with the Trustee for such series (or other qualifying trustee), in trust for such purpose, of money and/or Government Obligations which through the payment of principal and interest in accordance with their terms will provide money in the amount sufficient to pay the principal of and any premium or interest on such Debt Securities to Maturity or redemption, as the case may be, and any mandatory sinking fund or analogous payments thereon. Upon the occurrence of a defeasance, Alaska will be deemed to have paid and discharged the entire indebtedness represented by such Debt Securities and any coupons appertaining thereto and to have satisfied all of its other obligations under such Debt Securities and any coupons appertaining thereto (except for (i) the rights of holders of such Debt Securities to receive, solely from the trust funds deposited to defease such Debt Securities, payments in respect of the principal of, premium, if any, and interest, if any, on such Debt Securities or

any coupons appertaining thereto when such payments are due and (ii) certain other obligations as provided in the Indenture). Upon the occurrence of a covenant defeasance, Alaska will be released only from its obligations to comply with certain covenants contained in the Indenture relating to such Debt Securities, will continue to be obligated in all other respects under such Debt Securities and will continue to be contingently liable with respect to the

payment of principal, interest, if any, and premium, if any, with respect to such Debt Securities.

Unless otherwise specified in the applicable Prospectus Supplement and except as described below, the conditions to both defeasance and covenant defeasance are as follows: (i) such defeasance or covenant defeasance must not result in a breach or violation of, or constitute a Default or Event of Default under, the Indenture, or result in a breach or violation of, or constitute a default under, any other material agreement or instrument of Alaska; (ii) certain bankruptcy related Defaults or Events of Default with respect to Alaska must not have occurred and be continuing during the period commencing on the date of the deposit of the trust funds to defease such Debt Securities and ending on the 91st day after such date; (iii) Alaska must deliver to the Trustee an Opinion of Counsel to the effect that the holders of such Debt Securities will not recognize income, gain or loss for Federal income tax purposes a result of such defeasance or covenant defeasance and will be subject to Federal income tax on the same amounts and in the same manner and at all the same times as would have been the case if such defeasance or covenant defeasance had not occurred; (iv) Alaska must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel with respect to compliance with the conditions precedent to such defeasance or covenant defeasance; and (v) any additional conditions to such defeasance or covenant defeasance which may be imposed on Alaska pursuant to the Indenture. (Article 4.) The Indenture requires that a nationally recognized firm of independent public accountants deliver to the Trustee a written certification as to the sufficiency of the trust funds deposited for the defeasance or covenant defeasance of such Debt Securities. The Indentures do not provide the holders of such Debt Securities with recourse against such firm. If indicated in the Prospectus Supplement, in addition to obligations of the United States or an agency or instrumentality thereof, Government Obligations may include obligations of the government or an agency or instrumentality of the government issuing the currency in which Debt Securities of such series are payable. (Sections 1.1 and 3.1.) In the event that Government Obligations deposited with the Trustee for the defeasance of such Debt Securities decrease in value or default subsequent to their being deposited, Alaska will have no further obligation, and the holders of such Debt Securities will have no additional recourse against Alaska, as a result of such decrease in value or default. As described above, in the event of a covenant defeasance, Alaska remains contingently liable with respect to the payment of principal, interest, if any, and premium, if any, with respect to the Debt Securities.

Alaska may exercise its defeasance option with respect to such Debt Securities notwithstanding its prior exercise of its covenant defeasance option. If Alaska exercises its defeasance option, payment of such Debt Securities may not be accelerated because of a Default or an Event of Default. If Alaska exercises its covenant defeasance option, payment of such Debt Securities may not be accelerated by reason of a Default or an Event of Default with respect to the covenants to which such covenant defeasance is applicable. However, if such acceleration to occur, the realizable value at the acceleration date of the money and Government Obligations in the defeasance trust could be less than the principal and interest then due on such Debt Securities, in that the required deposit in the defeasance trust is based upon scheduled cash flow rather than market value, which will vary depending upon interest rates and other factors.

PLAN OF DISTRIBUTION

Alaska may sell Debt Securities to one or more underwriters for public offering and sale by them or may sell Debt Securities to investors or other persons directly or through agents. Any such underwriter or agent involved in the offer and sale of the Debt Securities will be named in an applicable Prospectus Supplement.

Underwriters may offer and sell the Debt Securities at a fixed price or prices, which may be changed, or from time to time at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. Alaska also may, from time to time, authorize underwriters

acting as Alaska's agents to offer and sell the Debt Securities upon the terms and conditions as shall be set forth in any Prospectus Supplement. In connection with the sale of Debt Securities, underwriters may be deemed to have received compensation from Alaska in the form of underwriting discounts or commissions and may also receive commissions from purchasers of Debt Securities for whom they may act as agent. Underwriters may sell Debt Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions (which may be changed from time to time) from the purchasers for whom they may act as agent.

Any underwriting compensation paid by Alaska to underwriters or agents in connection with the offering of Debt Securities, and any discounts, concessions or commissions allowed by underwriters to participating dealers, will be set forth in an applicable Prospectus Supplement. Underwriters, dealers and agents participating in the distribution of the Debt Securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the Debt Securities may be deemed to be underwriting discounts and commissions under the Securities Act. Underwriters, dealers and agents may be entitled, under agreements with Alaska, to indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act, and to reimbursement by Alaska for certain expenses.

Underwriters, dealers and agents may engage in transactions with, or perform services for, Alaska and its subsidiaries in the ordinary course of business.

LEGAL OPINIONS

Unless otherwise indicated in the applicable Prospectus Supplement, the validity of the Debt Securities offered hereby will be passed upon for Alaska by Perkins Coie, Seattle, Washington.

EXPERTS

The financial statements and schedules of Air Group and of Alaska incorporated by reference in this Prospectus and in the Registration Statement have been audited by Arthur Andersen & Co., independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED MARCH 11, 1994

PROSPECTUS

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ALASKA AIRLINES, INC.

EQUIPMENT TRUST CERTIFICATES

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Up to \$200,000,000 aggregate principal amount of Equipment Trust

Certificates (or such greater amount if Certificates are issued at an original issue discount, as shall result in aggregate proceeds of \$200,000,000) may be offered for sale from time to time pursuant to this Prospectus and related Prospectus Supplements (as hereinafter defined). Certificates may be issued in one or more series in amounts, at prices and on terms to be determined at the time of the offering. Certificates will be issued (a) on a nonrecourse basis by one or more Owner Trustees (as hereinafter defined) pursuant to separate leveraged lease transactions (the "Leased Aircraft Certificates") to finance or refinance a portion of the equipment cost of aircraft, including engines (each, a "Leased Aircraft" and collectively, the "Leased Aircraft"), which have been or will be leased to Alaska Airlines, Inc. ("Alaska") or (b) with recourse to Alaska (the "Owned Aircraft Certificates" and, together with any Leased Aircraft Certificates, the "Certificates") to finance all or a portion of the equipment cost of aircraft, including engines (each, an "Owned Aircraft" and collectively, the "Owned Aircraft" and, together with the Leased Aircraft, the "Aircraft"), which have been or will be purchased and owned by Alaska. Air Group will unconditionally guarantee to the holders from time to time of any series of Certificates that is not Investment Grade at the time of issuance (i) with respect to Owned Aircraft Certificates, the full and prompt payment of principal, premium, if any and interest thereon when and as the same shall become due and payable, whether at maturity, upon redemption or otherwise and (ii) with respect to Leased Aircraft Certificates, the full and prompt payment of all amounts payable by Alaska under the related Lease when and as the same shall become due and payable. See "Description of The Certificates -- Guarantees of Certificates."

Certain specific terms of the particular Certificates in respect of which this Prospectus is being delivered are set forth in the accompanying Prospectus Supplement (the "Prospectus Supplement"), including, where applicable, the specific designation, form, aggregate principal amount, initial public offering price, maturity, premium, if any, the rate (which may be fixed or variable), time and method of calculating payment of interest, if any, mandatory or optional redemption by the applicable Owner Trustee or Alaska, the Aircraft relating to such Certificates, the terms of the Guarantees by Air Group, if any, the leveraged lease transactions or financing arrangements, as the case may be, related thereto and other special terms relating to such Certificates and the net proceeds from the offering of such Certificates. The Certificates shall be issued in registered form only and may, if so specified in the applicable Prospectus Supplement, be issued in accordance with a book-entry system.

Certificates may be issued in respect of an Aircraft in one or more series, each series having its own interest rate and final maturity date. The Certificates issued with respect to each Aircraft will be secured by a security interest in such Aircraft and, in the case of the Leased Aircraft, by a security interest in the lease relating thereto, including the right to receive rentals payable in respect of such Leased Aircraft by Alaska. Although the Leased Aircraft Certificates will not be direct obligations of, or guaranteed by, Alaska, the amounts unconditionally payable by Alaska for lease of Leased Aircraft will be sufficient to pay in full when due all payments required to be made on the corresponding Leased Aircraft Certificates.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Certificates may be sold to or through underwriters, through dealers or agents or directly to purchasers. See "Plan of Distribution." The accompanying Prospectus Supplement sets forth the names of any underwriters, dealers or agents involved in the sale of the Certificates in respect of which this Prospectus is being delivered and any applicable fee, commission or discount arrangements with them. See "Plan of Distribution" for information concerning secondary trading of the Certificates.

This Prospectus may not be used to consummate sales of Certificates unless accompanied by a Prospectus Supplement.

THE DATE OF THIS PROSPECTUS IS , 1994.

No dealer, salesperson or other individual has been authorized to give any information or to make any representations not contained in this Prospectus in connection with the offering covered by this Prospectus. If given or made, such information or representations must not be relied upon as having been authorized by Alaska or the Underwriter. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the Certificates in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of Alaska since the date hereof.

AVAILABLE INFORMATION

Alaska is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549; 75 Park Place, 14th Floor, New York, New York 10007; and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may also be obtained at prescribed rates from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

This Prospectus constitutes a part of a registration statement on Form S-3 (together with all amendments and exhibits, the "Registration Statement") filed by Alaska and Alaska Air Group, Inc. ("Air Group") with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all of the information included in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Statements contained herein concerning the provisions of any document do not purport to be complete and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is subject to and qualified in its entirety by such reference. Reference is made to such Registration Statement and to the exhibits relating thereto for further information with respect to Alaska and the Certificates offered hereby.

So long as Alaska is subject to such periodic reporting requirements, it will continue to furnish the information required thereby to the Commission and will furnish copies of such reports and other information to the holders of Certificates. Alaska's obligation to file periodic reports with the Commission will be suspended if each class of Alaska's securities is held of record by fewer than 300 holders at the beginning of any fiscal year of Alaska other than a fiscal year in which a registration statement with respect to any such securities becomes effective. Accordingly, in such case, Alaska may cease to file reports with the Commission in respect of such fiscal year. In the event Alaska ceases to file periodic reports with the Commission, Alaska is obligated pursuant to the Indentures (as hereinafter defined) to distribute to the holders of Certificates annual reports containing audited consolidated financial statements and a report thereon by Alaska's independent public accountants and quarterly reports for the first three quarters of each fiscal year containing unaudited condensed financial information.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the 1934 Act and are incorporated into this Prospectus by reference and made a part hereof: Alaska's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.

All documents filed by Alaska pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference in this Prospectus, and to be a part hereof from the date of filing of such documents. Any statement incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Alaska will provide without charge to each person to whom a copy of this Prospectus is delivered, upon the written or oral request of such person, a copy of any document incorporated by reference in this Prospectus (other than exhibits to such documents unless such exhibits are specifically incorporated by reference to such documents). Requests for such copies should be directed to the office of the Corporate Secretary, Alaska Airlines, Inc., P.O. Box 68947, Seattle, Washington 98168 (telephone (206) 433-3131).

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THE COMPANY

Alaska is a wholly owned subsidiary of Air Group, a holding company. Alaska accounted for approximately 80% of Air Group's consolidated 1993 operating revenues and 91% of its total assets at December 31, 1993. Alaska's all jet fleet provides scheduled air transportation to 37 airports in six states (Alaska, Washington, Oregon, California, Nevada and Arizona), five cities in Mexico and three cities in Russia. The principal executive offices of Alaska and Air Group are located at 19300 Pacific Highway South, Seattle, Washington 98188 (telephone (206) 433-3200).

In 1993 Alaska carried 6.4 million passengers. In each year since 1973, Alaska has carried more passengers between Alaska and the U.S. mainland than any other airline. Passenger traffic in the intra-Alaska markets and between Alaska and the U.S. mainland accounted for 29% of Alaska's total revenue passenger miles during 1993, while west coast traffic accounted for 59% and the Mexico markets 12%. Based on passenger enplanements, Alaska's leading airports are Seattle, Portland, Anchorage and Los Angeles. Based on revenues, the leading nonstop routes were Seattle-Anchorage, Seattle-Los Angeles and Seattle-San Francisco. Alaska's operating fleet at December 31, 1993 consisted of 66 jet aircraft.

USE OF PROCEEDS

The proceeds from the sale of the Certificates offered pursuant to any Prospectus Supplement will be used (a) with respect to any Leased Aircraft Certificates, by the respective Owner Trustee or Owner Trustees to finance or refinance the debt portion of and, in certain cases, to refinance some of the equity portion of the equipment cost of the related Leased Aircraft as described in the applicable Prospectus Supplement, or (b) with respect to any Owned Aircraft Certificates, by Alaska to finance all or a portion of the aggregate principal amount of debt to be issued, or the purchase of all or a portion of the aggregate principal amount of the debt previously issued, by Alaska in respect of the equipment cost of the related Owned Aircraft as described in the applicable Prospectus Supplement.

With respect to each Leased Aircraft, the related Owner Participant will have provided or will provide from sources other than the Leased Aircraft Certificates a portion (as specified in the applicable Prospectus Supplement) of the equipment cost of the related Leased Aircraft. No Owner Participant, however, will be personally liable for any amount payable under the related Leased Aircraft Indenture or the Leased Aircraft Certificates issued thereunder. Simultaneously with the acquisition of each Leased Aircraft, the related Owner Trustee leased or will lease such Aircraft to Alaska pursuant to a separate lease agreement (each such lease agreement being herein referred to as a "Lease").

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for Alaska for the periods indicated. Earnings represents earnings before accounting change, income tax expense and fixed charges (excluding interest capitalized). Fixed charges consist of interest and the portion of rental expense deemed representative of the interest factor.

	YEAR ENDED DECEMBER 31,				
	1993	1992	1991	1990	1989
Ratio.....	(a)	(a)	1.14	1.35	2.67
<FN>					

(a) For the years ended December 31, 1993 and 1992, Alaska's earnings were inadequate to cover fixed charges by \$44.5 million, and \$126.4 million, respectively.					

DESCRIPTION OF THE CERTIFICATES

The Certificates offered pursuant to this Prospectus will be limited to \$200,000,000 aggregate principal amount (or such greater amount if Certificates are issued at an original issue discount, as shall result in aggregate proceeds of \$200,000,000).

The Leased Aircraft Certificates will be issued under a separate Supplement (each, a "Leased Aircraft Indenture Supplement") among Alaska, an Indenture Trustee and an institution specified in the related Prospectus Supplement acting, not in its individual capacity, but solely as owner trustee (an "Owner Trustee") of a separate trust for the benefit of one or more institutional investors (each, an "Owner Participant") to the Trust Indenture and Security Agreement between the Indenture Trustee and Alaska with respect to Leased Aircraft (the "Leased Aircraft Indenture"). Information regarding the Indenture Trustee and Owner Trustee will be set forth in the applicable Prospectus Supplement.

The Owned Aircraft Certificates will be issued under a separate Supplement (each, an "Owned Aircraft Indenture Supplement," any Owned Aircraft Indenture Supplement or Leased Aircraft Indenture Supplement being an "Indenture Supplement") to the Trust Indenture and Security Agreement between the Indenture Trustee, as trustee thereunder, and Alaska with respect to Owned Aircraft (the "Owned Aircraft Indenture," any Owned Aircraft Indenture or Leased Aircraft Indenture being an "Indenture"). A copy of each Indenture is filed as an exhibit to the Registration Statement.

The statements made under this caption are summaries and do not purport to be complete. The summaries relate to each of the Indentures and each of the Indenture Supplements and the Certificates of each series, except to the extent, if any, described in the applicable Prospectus Supplement. The summaries include descriptions of material terms and are qualified in their entirety by reference to all of the provisions of the Indentures. The Indenture Supplement relating to each series of Certificates, and, with respect to Leased Aircraft Certificates, the related Lease, Trust Agreement and Participation Agreement will be filed as exhibits to a Current Report on Form 8-K, Quarterly Report on Form 10-Q or Annual Report on Form 10-K to be filed by Alaska with the Commission following the issuance of such series of Certificates. Where no distinction is made between the Leased Aircraft Certificates and the Owned Aircraft Certificates or between their respective Indentures, such summaries refer to any Certificates and either Indenture.

GENERAL

Reference is made to the Prospectus Supplement that accompanies this Prospectus for a description of the specific series of Certificates being offered thereby, including: (1) the Aircraft in which a security interest is being granted to secure payment of the Certificates of such series; (2) the specific designation of such Certificates, including whether such Certificates are serial or installment Certificates; (3) if the Certificates are serial Certificates, the dates on which the principal of the Certificates of the series shall be payable; (4) if the Certificates are installment certificates, the dates on which each installment payment of principal of the Certificates shall be payable and the percentage of principal of the Certificates payable on each such date; (5) the rate or rates at which the Certificates shall bear interest or the method of calculating such rate or rates, the date or dates from which interest will accrue or the method by which such dates shall be determined and the date or dates on which interest will be payable and the record date or dates therefor; (6) the period or periods within which, the price or prices at which and the terms and conditions upon which such Certificates may or must be redeemed, in whole or in part, by Alaska; (7) the events of default, the remedies exercisable upon the occurrence of such events of default and any limitations on the exercise of such remedies with respect to such Certificates; (8) the application, if any, of such means of defeasance as may be specified for such Certificates; (9) if applicable, provisions related to the issuance of Certificates in book entry form; (10) the terms of the Guarantees, if any; and (11) any other special terms pertaining to such Certificates.

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Additionally, with respect to any Prospectus Supplement that relates to the offering of Leased Aircraft Certificates, such Prospectus Supplement will include the following: (1) the names of the related Owner Trustees; (2) the Leases in which an assignment is being granted to secure payment of the Certificates of such series; (3) the period or periods within which, the price or prices at which and the terms and conditions upon which such Certificates may or must be redeemed, in whole or in part, by the Owner Trustee; (4) the extent, if any, to which the provisions of the operative documents applicable to the Certificates of the series may be amended by the parties thereto without the consent of the holders of, or only upon the consent of the holders of a specified percentage of the aggregate principal amount of, the Certificates of such series; and (5) any other special terms pertaining to such Certificates.

With respect to each Leased Aircraft, the related Owner Trustee has acquired or will acquire such Aircraft from Alaska, or the manufacturer of such Aircraft, as the case may be, has granted or will grant a security interest in such Aircraft to the Indenture Trustee as security for the payment of the Certificates of the series related thereto, and has leased or will lease such Aircraft to Alaska under the related Lease which was or will be assigned to the Indenture Trustee. Pursuant to each Lease, Alaska will be obligated to make or cause to be made rental and other payments to the related Indenture Trustee on behalf of the related Owner Trustee in amounts that will be sufficient to make payments of the principal, interest and premium, if any, required to be made in respect of the series of Certificates issued with respect to such Aircraft when and as due and payable.

The rental obligations of Alaska under each Lease and the obligations of Alaska under the Owned Aircraft Indenture and the Owned Aircraft Certificates and Air Group's Guarantees of such obligations, if any, will be general obligations of Alaska. Except in certain circumstances involving Alaska's purchase of a Leased Aircraft and the assumption of the Leased Aircraft Certificates related thereto, the Leased Aircraft Certificates are not obligations of, or guaranteed by, Alaska or Air Group.

Payments in respect of Certificates will be made at the principal corporate trust office of the Indenture Trustee or at such other office of the Indenture Trustee or another institution maintained for such purpose (the "Paying Agent") as the Indenture Trustee shall provide for pursuant to the Indenture or the

applicable Indenture Supplement; payment of interest and installments of principal, if any, on each installment payment date other than at maturity, may, however, be made at the option of the Indenture Trustee or the Paying Agent by check mailed to the address of the person entitled thereto, as such address appears in the Register. (Sections 2.04 and 2.05 of the Indentures.)

The Certificates will be issued in fully registered form only in denominations as set forth in the applicable Prospectus Supplement. Certificates may be surrendered for registration of transfer or exchange for Certificates of the same series and maturity at the principal corporate trust office of the Indenture Trustee with respect to such series or the office of the Registrar. No service charge will be made for any registration of any transfer or exchange of Certificates, but payment may be required of any tax or other governmental charges that may be imposed in connection therewith. (Sections 2.04 and 2.09 of the Indentures.)

SECURITY

The Leased Aircraft Certificates will be secured by (i) an assignment by the related Owner Trustee to the Indenture Trustee of such Owner Trustee's rights (except for certain rights, including those described below) under the Lease with respect to such Aircraft, including the right to receive payments of rent thereunder, (ii) a mortgage granted to the Indenture Trustee on such Aircraft, subject to the rights of Alaska under such Lease, (iii) an assignment to the Indenture Trustee of certain of such Owner Trustee's rights with respect to such Aircraft under the purchase agreement between Alaska and the related manufacturer, and (iv) if applicable, Air Group's Guarantee of Alaska's obligations under the Lease. Under the terms of each Lease, Alaska's obligations in respect of each Leased Aircraft will be those of a lessee under a "net lease." Accordingly, Alaska will be obligated,

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among other things and at its expense, to cause each Leased Aircraft to be duly registered, to pay all costs of operating such Aircraft and to maintain, service, repair and overhaul (or cause to be maintained, serviced, repaired and overhauled) such Aircraft.

The Owned Aircraft Certificates will be secured by a mortgage granted to the Indenture Trustee of all of Alaska's right, title and interest in and to such Owned Aircraft and an assignment to the Indenture Trustee of certain of Alaska's rights with respect to such Aircraft under the purchase agreement between Alaska and the related manufacturer. Under the terms of the Owned Aircraft Indenture, Alaska will be obligated, among other things and at its expense, to cause each Owned Aircraft to be duly registered, to pay all costs of operating such Aircraft and to maintain, service, repair and overhaul (or cause to be maintained, serviced, repaired and overhauled) such Aircraft.

Alaska will be required, except under certain circumstances, to keep each Aircraft registered under the Federal Aviation Act of 1958, as amended (the "Aviation Act"), and to record the Indenture and the Lease, if any, among other documents, with respect to each Aircraft under the Aviation Act. Such recordation of the Indenture, the Lease, if any, and other documents with respect to each Aircraft will give the related Indenture Trustee a first priority perfected security interest in the related Aircraft wherever it is located in the United States or any of its territories and possessions; the Convention on the International Recognition of Rights in Aircraft (the "Convention") provides that such security will also be recognized, with certain limited exceptions, in those jurisdictions that have ratified or adhere to the Convention. Although Alaska has no current intention to do so, Alaska will have the right, subject to certain conditions, at its own expense to register each Aircraft in countries other than the United States. Unless otherwise specified in the applicable Prospectus Supplement, prior to any such change in the

jurisdiction of registry, the related Indenture Trustee shall have received an opinion of Alaska's counsel that, among other things, confirms the perfected status of the lien of the related Indenture and, in the case of Leased Aircraft, confirms the validity and enforceability of the related Lease in such jurisdiction, in each case subject, in certain cases, to certain filings, recordations or other actions. Each Aircraft may also be operated by Alaska or under lease, sublease or interchange arrangements in countries that are not parties to the Convention. The extent to which the related Indenture Trustee's security interest would be recognized in an Aircraft located in a country that is not a party to the Convention, and the extent to which such security interest would be recognized in a jurisdiction adhering to the Convention if the Aircraft is registered in a jurisdiction not a party to the Convention, is uncertain. Moreover, in the case of an event of default under an Indenture, the ability of the related Indenture Trustee to realize upon its security interest in an Aircraft could be adversely affected as a legal or practical matter if such Aircraft were registered or located outside the United States.

The Certificates are not cross-collateralized and consequently the Certificates issued in respect of any one Aircraft will not be secured by any other Aircraft or, in the case of Leased Aircraft Certificates, the Lease related thereto. With respect to the Leased Aircraft, the assignment by the related Owner Trustee to the Indenture Trustee of its rights under the related Lease will exclude, among other things, rights of such Owner Trustee and the related Owner Participant relating to indemnification by Alaska for certain matters, insurance proceeds payable to such Owner Trustee in its individual capacity and to such Owner Participant under liability insurance maintained by Alaska pursuant to such Lease or by such Owner Trustee or such Owner Participant, insurance proceeds payable to such Owner Trustee in its individual capacity or to such Owner Participant under certain casualty insurance maintained by such Owner Trustee or such Owner Participant pursuant to such Lease, and any rights of such Owner Participant or such Owner Trustee to enforce payment of the foregoing amounts and their respective rights to the proceeds of the foregoing.

Unless otherwise specified in the applicable Prospectus Supplement, Alaska will, at its expense, maintain or cause to be maintained all-risk aircraft hull insurance covering each Aircraft, fire and extended coverage and, to the extent available at reasonable cost, all-risk property damage insurance covering engines and parts while temporarily removed from an Aircraft and not replaced by similar components, at all times in an amount not less than, with respect to any Leased Aircraft, the

applicable stipulated loss value (which will be an amount at least equal to the aggregate unpaid principal of, together with all unpaid interest accrued on, the outstanding Leased Aircraft Certificates related to such Aircraft) or, with respect to any Owned Aircraft, the aggregate unpaid principal of, together with all unpaid interest accrued on, the applicable Owned Aircraft Certificates. Unless otherwise specified in the applicable Prospectus Supplement, during any period when an Aircraft is on the ground and not in operation Alaska may carry or cause to be carried, in lieu of the insurance required by the previous sentence, insurance otherwise conforming with the provisions of said sentence except that the scope of the risks covered and the type of insurance shall be the same as are from time to time applicable to aircraft owned or leased by Alaska of the same type as such Aircraft similarly on the ground and not in operation, in an amount at least equal to, with respect to any Leased Aircraft, the applicable stipulated loss value or, with respect to any Owned Aircraft, the aggregate unpaid principal of, together with the accrued interest on, the applicable Owned Aircraft Certificates. All policies covering loss of or damage to an Aircraft shall be made payable to the applicable Indenture Trustee for any loss in excess of that certain amount specified in the applicable Prospectus Supplement. Alaska may self-insure a portion of these risks, but in no case will the self-insurance with respect to all of the aircraft in Alaska's fleet (including the Aircraft) exceed the lesser of 50% of the largest replacement value of any single aircraft in Alaska's fleet or 1 1/2% of the average aggregate insurable value (during the preceding calendar year) of all aircraft on which Alaska carries insurance. In addition, unless otherwise specified in

the applicable Prospectus Supplement, Alaska will, at its expense, maintain or cause to be maintained comprehensive airline liability (including, without limitation, passenger, contractual, bodily injury and property damage liability) insurance (exclusive of manufacturer's product liability insurance) and cargo liability insurance with respect to each Aircraft (i) in amounts that are not less than the greater of the comprehensive airline liability insurance as is from time to time applicable to aircraft owned and operated by Alaska of the same type as such Aircraft, and an amount specified in the applicable Prospectus Supplement, and (ii) of the types and covering the same risks as are from time to time applicable to aircraft owned or operated by Alaska of the same type as such Aircraft and which is maintained in effect with insurers of recognized responsibility, provided that Alaska need not maintain cargo liability insurance, or may maintain such insurance in an amount less than that specified above for the respective Aircraft as long as the amount of cargo liability insurance, if any, maintained with respect to such Aircraft is the same as the cargo liability insurance, if any, maintained for other aircraft of the same model as such Aircraft owned or operated by Alaska. Unless otherwise specified in the applicable Prospectus Supplement, during any period when an Aircraft is on the ground and not in operation Alaska may carry or cause to be carried, in lieu of the insurance required by the previous sentence, insurance otherwise conforming with the provisions of said sentence except that the amounts of coverage shall not be required to exceed the amounts of comprehensive airline liability insurance, and the scope of risks covered and type of insurance shall be the same, as are from time to time in effect with respect to aircraft owned or leased by Alaska of the same type as such Aircraft similarly on the ground and not in operation. Alaska may also self-insure a portion of these risks subject to the same limitations described above for insurance for risks of loss of or damage to the Aircraft. The applicable Indenture Trustee, any applicable Owner Participant and any applicable Owner Trustee, in its individual capacity and as owner of the Aircraft, and Alaska will each be named as insured parties under all liability insurance policies required with respect to the related Aircraft. In addition, the insurance policies maintained under the Lease (with respect to any Leased Aircraft) or the Indenture (with respect to any Owned Aircraft), as the case may be, will provide that, in respect of the respective interests of the applicable Indenture Trustee, any applicable Owner Participant, and any Owner Trustee, relating to such Aircraft, the insurance shall not be invalidated by any action or inaction of Alaska and shall insure the respective interests of such Indenture Trustee, Owner Participant or Owner Trustee, as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Alaska.

Funds, if any, held from time to time by the Indenture Trustee, prior to the distribution thereof, will be invested and reinvested by the Indenture Trustee. Such investment and reinvestment will be at the direction of Alaska (except, with respect to a Leased Aircraft, in the case of an event of default

under the applicable Lease or, with respect to an Owned Aircraft, in the case of an event of default under the Owned Aircraft Indenture) in certain investments described in the related Indenture. The net amount of any loss resulting from such investments will be paid by Alaska. (Section 9.04(a) of the Indentures.)

Section 1110 of title 11 of the United States Code (the "Bankruptcy Code") provides that the right of lessors, conditional vendors and holders of purchase money security interests with respect to aircraft used by air carriers operating under certificates issued under Section 401 or 418 of the Aviation Act, to take possession of such aircraft in compliance with the provisions of the lease, conditional sale contract or purchase money equipment security agreement, as the case may be, is not affected by (i) the automatic stay provision of the Bankruptcy Code, which provision enjoins repossessions by creditors for the duration of the reorganization period, (ii) the provision of the Bankruptcy Code allowing the debtor in possession and/or the bankruptcy trustee to use property of the bankruptcy estate during the bankruptcy case and (iii) any power of the bankruptcy court to enjoin a repossession. Section 1110 provides, however, that

the right of a lessor, conditional vendor or holder of a purchase money equipment security interest to take possession of an aircraft in the event of any event of default may not be exercised for 60 days following the date of commencement of the reorganization proceedings (unless specifically permitted by the bankruptcy court) and may not be exercised at all if, within such 60-day period, the debtor in possession and/or the bankruptcy trustee agrees to perform the debtor's obligations that become due on or after such date and cures all existing defaults (other than defaults resulting solely from the financial condition, bankruptcy, insolvency or reorganization of the debtor).

In connection with any issuance of Certificates under this Prospectus and the applicable Prospectus Supplement, Alaska shall have received an opinion from its General Counsel to the effect that (i) with respect to any Leased Aircraft, the related Owner Trustee, as lessor under the related Lease, and the related Indenture Trustee, as assignee of such Owner Trustee's rights under such Lease pursuant to the related Indenture, should be entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to the Aircraft initially delivered under such Lease and subjected to the related Indenture or (ii) with respect to any Owned Aircraft, the related Indenture Trustee under the related Indenture should be entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to the Aircraft initially subjected to the related Indenture. Such opinions will not address the possible replacement of an Aircraft after an Event of Loss in the future.

PAYMENTS AND LIMITATION OF LIABILITY

Each Leased Aircraft will be leased separately by the related Owner Trustee to Alaska for a term commencing on the delivery date thereof to such Owner Trustee and expiring on a date not earlier than the latest maturity date of the Leased Aircraft Certificates, unless previously terminated as permitted by the terms of the related Lease. The basic rent and other payments under each such Lease will be payable by Alaska in accordance with the terms specified in the applicable Prospectus Supplement, and will be assigned by the related Owner Trustee under the related Indenture to provide the funds necessary to pay principal of, premium, if any, interest due from such Owner Trustee or the Leased Aircraft Certificates issued under such Indenture. In certain cases, the basic rent payments under a Lease may be adjusted, but each Lease will provide that under no circumstances will rent payments by Alaska be less than the scheduled payments on the related Leased Aircraft Certificates. The balance of any basic rent payment under each Lease, after payment of amounts due on the Leased Aircraft Certificates issued under the Indenture corresponding to such Lease, will be paid over to the applicable Owner Participant. Alaska's obligation to pay rent and to cause other payments to be made under each Lease will be general obligations of Alaska.

With respect to the Leased Aircraft Certificates, except in certain circumstances involving Alaska's purchase of a Leased Aircraft and the assumption of the Leased Aircraft Certificates related thereto, the Leased Aircraft Certificates will not be obligations of, or guaranteed by, Alaska or Air Group. With respect to the Leased Aircraft Certificates, none of the Owner Trustees, the Owner

Participants or the Indenture Trustee shall be personally liable to any holder of such Certificate for any amounts payable under such Certificates or, except as provided in the Indentures relating thereto in the case of the Owner Trustees and the Indenture Trustees, for any liability under such Indentures. Except in the circumstances referred to above, all amounts payable under the Leased Aircraft Certificates (other than payments made in connection with an optional redemption or purchase by the related Owner Trustee or the related Owner Participant) will be payable only from the assets subject to the lien of the Leased Aircraft Indenture or the income and proceeds received by the Indenture Trustee therefrom (including rent payable by Alaska and amounts payable by Air

Group pursuant to its Guarantee, if any, under the related Lease). (Section 2.10 of the Leased Aircraft Indenture.)

With respect to the Leased Aircraft Certificates, except as otherwise provided in the Leased Aircraft Indenture, no Owner Trustee shall be personally liable for any amount payable or for any statements, representations, warranties, agreements or obligations made under such Indenture or under such Leased Aircraft Certificates except for its own willful misconduct or gross negligence. None of the Owner Participants shall have any duty or responsibility under the Leased Aircraft Indenture or under such Leased Aircraft Certificates to the Indenture Trustee or to any holder of any such Certificate. (Leased Aircraft Indenture, Section 2.10 of the Leased Aircraft Indenture.)

Alaska's obligations under the Owned Aircraft Indenture and under the Owned Aircraft Certificates will be general obligations of Alaska.

MERGER, CONSOLIDATION AND TRANSFER OF ASSETS

Alaska will be prohibited from consolidating with or merging into any other corporation or transferring substantially all of its assets as an entirety to any other corporation unless (i) the surviving successor or transferee corporation shall (a) be a "citizen of the United States" as defined in the Aviation Act, (b) be a United States certificated air carrier and (c) expressly assume all of the obligations of Alaska contained in the Indentures, and, with respect to the Leased Aircraft Certificates, the Participation Agreements and the Leases, and any other operative documents; (ii) immediately after giving effect to such transaction, no Indenture event of default (with respect to the Owned Aircraft Certificates) or Lease event of default (with respect to the Leased Aircraft Certificates) shall have occurred and be continuing; and (iii) Alaska shall have delivered a certificate and an opinion or opinions of counsel indicating that such transaction, in effect, complies with such conditions. (Section 7.03 of the Indentures.)

The Indentures do not contain any covenants or provisions which may afford holders of Certificates issued thereunder protection in the event of a highly leveraged transaction, including transactions effected by management or affiliates, which may or may not result in a change in control of Alaska. No other instrument or agreement currently evidencing other indebtedness of Alaska contains covenants or provisions affording holders of Debt protection in the event of a change in control of Alaska.

EVENTS OF DEFAULT, NOTICE AND WAIVER

The applicable Prospectus Supplement will set forth the events of default applicable to a Leased Aircraft or an Owned Aircraft. There are no cross-default provisions in the Indentures. Therefore, events resulting in a default with respect to one series of Certificates will not in itself result in the occurrence of an event of default with respect to any other series of Certificates.

Each Indenture provides that the Indenture Trustee thereunder shall, after the occurrence of any event known to it to be an event of default with respect to such series of Certificates, promptly send written notice thereof to Alaska and, with respect to Leased Aircraft, the related Owner Trustee and the related Owner Participant, and within 90 days after the occurrence thereof if such default remains uncured, and notice thereof to the holders of outstanding Certificates of such series, but such Indenture Trustee may withhold such notice, except in the case of a default in the payment of the principal of, premium, if any, or interest on any Certificates of such series, if it in good faith determines that withholding such notice is in the interest of such holders. (Section 9.05 of the Indentures.)

The holders of at least a majority in principal amount of outstanding Certificates of the series to which an event of default relates, by notice to the applicable Indenture Trustee, may on behalf of all of such holders waive any existing event of default or default and its consequences except an event of default or a default in the payment of the principal of, premium, if any, or interest on any such Certificates or a default in respect of certain other matters. (Section 8.05 of the Indentures.)

REMEDIES

If an event of default with respect to a series of Certificates shall occur and be continuing, the Indenture Trustee thereunder or the holders of not less than 25% in unpaid principal amount of outstanding Certificates of such series may declare the principal of all Certificates of such series immediately due and payable. The holders of a majority in unpaid principal amount of all outstanding Certificates of such series may annul any such declaration by such Indenture Trustee or by the holders at any time prior to the sale of the related Aircraft after such an event of default if (i) there has been deposited with such Indenture Trustee an amount sufficient to pay all installments of principal of, and premium, if any, on any such Certificates that have become due otherwise than by such declaration of acceleration, and any interest thereon and interest due or past due, if any, and certain expenses, (ii) such annulment will not conflict with any judgment or decree and (iii) all other events of default and defaults have been cured or waived. (Section 8.02 of the Indentures.)

Each Indenture provides that, if an event of default under such Indenture has occurred and is continuing, the Indenture Trustee thereunder may exercise certain rights or remedies available to it under applicable law, including, with respect to Leased Aircraft (if an event of default under the related Lease has occurred and is continuing) one or more of the remedies with respect to the related Aircraft afforded to the applicable Owner Trustee by the related Lease for events of default thereunder. The applicable Prospectus Supplement will describe any limitation on the exercise of remedies by the Indenture Trustee. (Section 8.03 of the Indentures.)

The holders of a majority in principal amount of outstanding Certificates of each series may direct the time, method and place of conducting any proceeding for any remedy available to the related Indenture Trustee with respect to such series or of exercising any trust or power conferred on such Indenture Trustee, but in such event such Indenture Trustee shall be entitled to be indemnified by the holders of Certificates of such series before proceeding so to act and such Indenture Trustee may not be held liable for any such action taken in good faith. (Sections 8.06, 9.01 and 9.02 of the Indentures.)

The right of any holder of Certificates of any series to institute an action for any remedy with respect to such Certificates (except the right to enforce payment of the principal of, premium, if any, and interest on its Certificates when due) is subject to certain conditions precedent, including a request to the related Indenture Trustee by the holders of not less than 25% in principal amount of outstanding Certificates of the applicable series to take action, and an offer to such Indenture Trustee of satisfactory indemnification against liabilities incurred by it in so doing. (Sections 8.07 and 8.08 of the Indentures.)

If an event of default with respect to any series of Certificates occurs and is continuing, any sums held or received by the Indenture Trustee thereunder may be applied to reimburse such Indenture Trustee for any tax, expense or other loss incurred by it and to pay any other amounts due such Indenture Trustee prior to any payments to holders of such series. (Section 3.05 of the Indentures.)

With respect to a Leased Aircraft, in the event of insolvency proceedings involving an Owner Participant, the related Aircraft and the related Lease could become part of such insolvency proceedings. In such event, payments under such Lease or on the related Certificates might be interrupted and the ability of the Indenture Trustee to exercise its remedies under the applicable Indenture might be restricted, although the Indenture Trustee would retain its status as a secured creditor in respect of the Lease and the Aircraft.

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MODIFICATION OF AGREEMENTS

Without the consent of holders of a majority in principal amount of outstanding Certificates of a series, the provisions of the Indentures may be amended or modified (a) to cure any ambiguity, defect or inconsistency or to make any change consistent with the provisions of the Indenture and related supplement, PROVIDED that such change does not adversely affect the interests of any holder of such series of Certificates in any material respect, (b) to provide for a successor Indenture Trustee and, with respect to Leased Aircraft Certificates, a successor Owner Trustee, (c) to establish the forms or terms of Certificates of any series as permitted by the Indenture, (d) to facilitate the defeasance and discharge of a series of Certificates, PROVIDED that such change does not adversely affect the interests of the holders of such series of Certificates or any other series of Certificates in any material respect, (e) to convey, transfer, assign, mortgage or pledge any property to or with the Indenture Trustee or to make any other provisions with respect to matters or questions arising hereunder so long as such action shall not adversely affect the interests of the holders of such series of Certificates, (f) to correct or amplify the description of any property at any time subject to the lien of the Indenture or better to assure, convey and confirm until the Indenture Trustee any property subject to the lien of the Indenture, (g) to add to the covenants of Alaska and, with respect to Leased Aircraft Certificates, the Owner Trustee, or to surrender any rights or powers conferred upon, with respect to Owned Aircraft Certificates, Alaska and, with respect to Leased Aircraft Certificates, the related Owner Trustee or Owner Participant, (h) to comply with any requirements of the Commission, (i) to add to the rights of the holders of such series of Certificates, (j) with respect to Leased Aircraft Certificates, to provide for the assumption by Alaska of the obligations of the related Owner Trustee and (k) to include on the Certificates of any series any legend required by law. (Section 12.01(a) of the Indentures.)

The Indenture also contain provisions permitted Alaska, the Indenture Trustee and, with respect to Leased Aircraft Certificates, the related Owner Trustee, with the consent of the holders of the Certificates of any series aggregating not less than a majority interest of such series of Certificates, to execute supplemental indentures adding any provisions to or changing or eliminating any of the provisions of the Indentures, to the extent relating to such series of Certificates, or modifying the rights of the Certificate holders of such series, except that no such supplemental indenture may, without the consent of the holder of each outstanding Certificate of a series affected thereby, (a) reduce the principal amount, premium, if any, or any payment of interest due on any Certificate of such series, (b) change the date on which any principal, premium, if any, or interest is due or payable on any Certificate of such series, (c) create any security interest with respect to the property subject to the lien of the Indenture ranking prior to or on a parity with the security interest created by the Indenture or deprive any holder of a Certificate of such series of the lien of the Indenture upon the property

subject thereto, (d) reduce the percentage in principal amount of outstanding Certificates of such series necessary to modify or amend any provision of such Indenture or to waive compliance therewith, (e) modify any of the provisions relating to the rights of holders in respect of the waiver of events or default or receipt of payment, or (f) modify the obligation of Air Group to make payments under the Guarantees, if any. (Section 12.02 of the Indentures.)

With respect to Leased Aircraft Certificates, certain provisions of the Leases, the Participation Agreements and the Trust Agreements related thereto may not be modified by the parties thereto without the consent of the holders of all or a portion of the outstanding Certificates of the series related thereto as is specified in the applicable Prospectus Supplement. (Section 12.06 of the Leased Aircraft Indenture.)

DEFEASANCE OF THE INDENTURES AND THE CERTIFICATES IN CERTAIN CIRCUMSTANCES

Unless otherwise specified in the applicable Prospectus Supplement, the applicable Indenture provides that the obligation of the Indenture Trustee and, with respect to any series of Leased Aircraft Certificates, the Owner Trustee, and, with respect to any series of Owned Aircraft Certificates, Alaska under the applicable Indenture and Indenture Supplement with respect to such series shall be deemed to have been discharged and paid in full (except for certain obligations, including the obligation to

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register the transfer or exchange of Certificates, to replace stolen, lost, destroyed or mutilated Certificates and to maintain paying agencies and hold money for payment in trust) on the 91st day after the date of irrevocable deposit with the related Indenture Trustee of money or certain United States government obligations which, through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an aggregate amount sufficient to pay when due (including as a consequence of redemption in respect of which notice is given on or prior to the date of such deposit) principal of, premium, if any, and interest on all Certificates of such series issued thereunder in accordance with the terms of such Indenture and the applicable Indenture Supplement. Such discharge may occur only if, among other things, Alaska has delivered to the Indenture Trustee an Opinion of Counsel to the effect that holders of such Certificates will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit, defeasance and discharge had not yet occurred. (Sections 2.01, 10.01 and 10.04 of the Indentures.)

Upon such defeasance, or upon payment in full of the principal of, premium, if any, and interest on all Certificates in a series on the maturity date of such Certificates or deposit with the applicable Indenture Trustee of money sufficient therefor no earlier than one year prior to the date of such maturity, the holders of such Certificates will have no beneficial interest in or other rights with respect to the related Aircraft or other assets subject to the line of the Indenture and the related Indenture Supplement and such lien shall terminate. (Section 10.01 of the Indentures.)

ASSUMPTION OF OBLIGATIONS BY ALASKA

Unless otherwise specified by the applicable Prospectus Supplement, with respect to Leased Aircraft, upon the exercise by Alaska of any purchase options it may have under the related Lease prior to the end of the term of such Lease, Alaska may assume on a full recourse basis all of the obligations of the Owner

Trustee (other than its obligations in its individual capacity) under the indenture with respect to such Aircraft, including the obligations to make payments in respect of the related Leased Aircraft Certificates. In such event, certain relevant provisions of the related Lease, including (among others) provisions relating to maintenance, possession and use of the related Aircraft, liens, insurance and events of default will be incorporated into such Indenture, and the Leased Aircraft Certificates issued under such Indenture Supplement will not be redeemed and will continue to be secured by such Aircraft. It is a condition to such assumption that, if such Aircraft is registered under the laws of the United States, an opinion of counsel be delivered at the time of such assumption substantially to the effect that the Indenture Trustee should, immediately following such assumption, be entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to such Aircraft (including the engines related thereto), but such opinion need not be delivered to the extent that the benefits of such Section 1110 are not available to the Indenture Trustee with respect to such Aircraft or any engine related thereto immediately prior to such assumption. (Section 7.05 of the Leased Aircraft Indenture.)

GUARANTEES OF CERTIFICATES

Air Group will unconditionally guarantee to the holders from time to time of any series of Certificates that is not Investment Grade at the time of issuance (i) with respect to Owned Aircraft Certificates, the full and prompt payment of principal, premium, if any and interest thereon when and as the same shall become due and payable, whether at maturity, upon redemption or otherwise and (ii) with respect to Leased Aircraft Certificates, the full and prompt payment of all accounts payable by Alaska under the related Lease when and as the same shall become due and payable. Any such Guarantee will be an unsecured obligation of Air Group. A series of Certificates shall be "Investment Grade" if so designated by at least one nationally recognized statistical rating organization (as that term is used in Rule 15c03-1(c)(2)(vi)(F) under the 1934 Act).

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If a Guarantee is applicable to Certificates offered hereby, reference is made to the related Supplemental Indenture and the accompanying Prospectus Supplement for a description of the specific terms of such Guarantee, including events of default relating thereto and covenants of Air Group.

The consolidated financial statements of Air Group are incorporated by reference herein. See "Incorporation of Certain Documents by Reference." As indicated by comparison of such consolidated financial statements with those of Alaska, the total assets, revenues and shareholders' equity of Alaska comprise a substantial portion of the consolidated total assets, revenues and shareholders' equity of Air Group.

THE INDENTURE TRUSTEE

The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers. The Indenture Trustee shall be under no obligation to exercise any of its rights or powers under such Indenture unless it receives indemnity satisfactory to it for any loss, liability or expense. The Indentures provide that the Indenture Trustee in its individual or any other capacity may acquire and hold Certificates issued thereunder and, subject to certain conditions, may otherwise deal with Alaska and, with respect to Leased Aircraft, with any Owner Trustee with the same rights it would have if it were not the Indenture Trustee. (Sections 9.01, 9.02 and 9.03 of the Indentures.)

The Indenture Trustee may resign with respect to the Certificates of any series at any time, in which event Alaska or, with respect to any Leased Aircraft Certificates, the related Owner Trustee, will be obligated to appoint a successor indenture trustee. The holders of a majority in principal amount of the outstanding Certificates of any series may remove the related Indenture Trustee by giving at least 30 days' prior written notice to such Indenture Trustee and Alaska and, with respect to any Leased Aircraft Certificates, the related Owner Trustee, and may appoint a successor Indenture Trustee with the consent of Alaska and, with respect to any Leased Aircraft Certificates, the related Owner Trustee. If an Indenture Trustee ceases to be eligible to continue as Indenture Trustee with respect to a series of Certificates or becomes incapable of acting as Indenture Trustee or becomes insolvent, Alaska or, with respect to any Leased Aircraft Certificates, the related Owner Trustee, may remove such Indenture Trustee. Any resignation or removal of such Indenture Trustee and appointment of a successor indenture trustee for a series of Certificates does not become effective until acceptance of the appointment by the successor indenture trustee. (Section 9.8 of the Indentures.) Pursuant to such resignation and successor indenture trustee provisions, it is possible that a different indenture trustee could be appointed to act as the successor indenture trustee with respect to each series of Certificates. All references in this Prospectus to the Indenture Trustee should be read to take into account the possibility that each series of Certificates could have different successor indenture trustees in the event of such a resignation or removal.

The Indentures provide that Alaska or, with respect to any Leased Aircraft Certificates, the related Owner Trustee will pay the Indenture Trustee's fees and expenses. (Section 9.07 of the Indentures.)

FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of the anticipated material United States federal income tax consequences to the initial holders of the certificates of the purchase, ownership and disposition of the Certificates and should be read in conjunction with any additional discussion of federal income tax consequences included in the applicable Prospectus Supplement. The discussion is based on laws, regulations, rulings and decisions, all as in effect on the date of this Prospectus and all of which are subject to change or different interpretations. The discussion below does not purport to address all of the federal income tax consequences that may be applicable to particular categories of investors, some of which (for example, insurance companies and foreign investors) may be subject to special rules. The statements of law and legal conclusions set forth herein are based upon the opinion of Perkins Coie,

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counsel to Alaska. Investors should consult their own tax advisors in determining the federal, state, local, foreign and any other tax consequences to them of the purchase, ownership and disposition of the Certificates.

PAYMENT OF INTEREST

Subject to the discussion below under "Original Issue Discount," interest on a Certificate will generally be includible in income by a holder as ordinary income at the time it is accrued or received in accordance with the holder's method of accounting.

SALES OF CERTIFICATES

A holder that sells a Certificate should recognize gain or loss equal to the difference between its adjusted tax basis in the Certificate and the amount realized on the sale (except to the extent attributable to accrued and unpaid interest, which should be taxable as ordinary income). Any such gain or loss will be capital gain or loss if the Certificate was held as a capital asset and

will be long-term capital gain or loss if the Certificate was held for more than one year. Net capital gain (the excess of net long-term capital gain over net short-term capital loss) of individuals is, under certain circumstances, taxed at lower rates than items of ordinary income.

ORIGINAL ISSUE DISCOUNT

Certificates may be issued with original issue discount ("OID"), which may require the holders to include such OID in gross income in advance of receipt or accrual of the stated interest on such Certificates. The Prospectus Supplement will state whether the Certificates are issued with OID. Generally, a holder of a debt instrument issued with OID that is not de minimis (i.e., is not less than one-quarter of 1% of the redemption price at maturity multiplied by the number of complete years to maturity) must include such OID in income for federal income tax purposes as it accrues, in advance of the receipt of the cash attributable to such income, under a method that takes into account the compounding of interest.

BACKUP WITHHOLDING

Payments made on the Certificates, and proceeds from the sale of the Certificates to or through certain brokers, may be subject to a "backup" withholding tax of 31% unless the holder complies with certain reporting procedures or is exempt from such requirements under section 3406 of the Code. Any such withheld amounts are allowed as a credit against the holder's federal income tax.

INFORMATION REPORTING

Information reports will be made by the Indenture Trustee to the Internal Revenue Service, and to holders of record that are not exempt from the reporting requirements, annually or as otherwise required with respect to interest paid (or OID accrued, if any) on the Certificates.

ERISA CONSIDERATIONS

Unless otherwise indicated in the applicable Prospectus Supplement, the Certificates may, subject to certain legal restrictions, be purchased and held by an employee benefit plan (a "Plan") subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or an individual retirement account or an employee benefit plan subject to section 4975 of the Code. A fiduciary of a Plan must determine that the purchase and holding of a Certificate is consistent with its fiduciary duties under ERISA and does not result in a non-exempt prohibited transaction as defined in section 406 of ERISA or section 4975 of the Code. Employee benefit plans which are governmental plans (as defined in section 3(32) of ERISA) and certain church plans (as defined in section 3(33) of ERISA) are not subject to Title I of ERISA or section 4975 of the Code. The Certificates may, subject to certain legal restrictions, be purchased and held by such plans.

PLAN OF DISTRIBUTION

The Certificates being offered hereby may be sold in any one or more of the following ways from time to time: (i) through agents; (ii) to or through underwriters; (iii) through dealers; and (iv) directly to other purchasers.

The distribution of the Certificates may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

Offers to purchase the Certificates may be solicited by agents designated by Alaska from time to time. Any such agent involved in the offer or sale of the Certificates in respect of which this Prospectus is delivered will be named, and any commissions payable by Alaska to such agent will be set forth in the applicable Prospectus Supplement. Unless otherwise indicated in such Prospectus

Supplement, any such agent will be acting on a best efforts basis for the period of its appointment. Any such agent may be deemed to be an underwriter, as that term is defined in the Securities Act, of the Certificates so offered and sold.

If the Certificates are sold by means of an underwritten offering, Alaska will execute an underwriting agreement with an underwriter or underwriters at the time an agreement for such sale is reached, and the names of the specific managing underwriter or underwriters, as well as any other underwriters, and the terms of the transaction, including commissions, discounts and any other compensation of the underwriters and dealers, if any, will be set forth in the Prospectus Supplement which will be used by the underwriters to make offers and sales of the Certificates in respect of which this Prospectus is delivered to the public. If underwriters are utilized in the sale of the Certificates in respect of which this Prospectus is delivered, the Certificates will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at fixed public offering prices or at varying prices determined by the underwriters at the time of sale. The Certificates may be offered to the public either through underwriting syndicates represented by managing underwrites or directly by the managing underwriters. If any underwriter or underwriters are utilized in the sale of the Certificates, unless otherwise indicated in the Prospectus Supplement, the underwriting agreement will provide that the obligations of the underwriters are subject to certain conditions precedent and that the underwriters with respect to a sale of Certificates will be obligated to purchase all such Certificates if any are purchased. Alaska does not intend to apply for listing of the Certificates on a national securities exchange. If the Certificates are sold by means of an underwritten offering, the underwriters may make a market in the Certificates as permitted by applicable laws and regulations. No underwriter would be obligated, however, to make a market in the Certificates and any such market making could be discontinued at any time at the sole discretion of such underwriter. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Certificates.

If a dealer is utilized in the sale of the Certificates in respect of which this Prospectus is delivered, such Certificates will be sold to the dealer as principal. The dealer may then resell such Certificates to the public at varying prices to be determined by such dealer at the time of resale. Any such dealer may be deemed to be an underwriter, as such term is defined in the Securities Act, of the Certificates so offered and sold. The name of the dealer and the terms of the transactions will be set forth in the Prospectus Supplement relating thereto.

Offers to purchase the Certificates may be solicited directly and the sale thereof may be made directly to institutional investors or others, who may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale thereof. The terms of any such sales will be described in the Prospectus Supplement relating thereto.

Agents, underwriters and dealers may be entitled under relevant agreements to indemnification or contribution by Alaska against certain liabilities, including liabilities under the Securities Act.

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Agents, underwriters and dealers may engage in transactions with, or perform services for, Air Group, Alaska and Air Group's other subsidiaries in the ordinary course of business.

LEGAL OPINIONS

Unless otherwise indicated in the applicable Prospectus Supplement, the validity of the Certificates offered hereby will be passed upon for Alaska by Perkins Coie, Seattle, Washington. Unless otherwise indicated in the applicable Prospectus Supplement, Perkins Coie will rely on the opinion of counsel for the Owner Trustee for each series of Certificates as to certain matters relating to the authorization, execution and delivery of such series of Certificates by, and the valid and binding effect thereof on, such Owner Trustee.

EXPERTS

The financial statements and schedules of Alaska incorporated by reference in this Prospectus and in the Registration Statement have been audited by Arthur Andersen & Co., independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

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PART II INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The estimated expenses in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions, are set forth in the following table.

Securities and Exchange Commission registration fee.....	\$ 68,966
Blue Sky fees and expenses.....	*
Printing and engraving expenses.....	*
Legal fees and expenses.....	*
Rating agency fees.....	*
Accounting fees and expenses.....	*
Owner Trustee fees and expenses.....	*
Indenture Trustee fees and expenses.....	*
Miscellaneous.....	*

Total.....	\$ *

<FN>

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* Information to be added by amendment.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the General Corporation Law of Delaware and Section 10.06.490 of the Alaska Corporations Code each provide that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with specified actions or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation -- a "derivative action"), if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action, and the statutes require court approval before there can be any indemnification where the person seeking indemnification has been found liable for negligence or misconduct in the performance of the person's duty to the corporation. The statutes provide that they are not exclusive of other indemnification that may be granted by a corporation's bylaws, agreement, vote of shareholders or disinterested directors or otherwise.

Article VIII of Air Group's By-Laws and Article VI of Alaska's Bylaws require indemnification to the full extent permitted by the Delaware Corporation Law and the Alaska Corporations Code, respectively. Subject to any restrictions imposed by Delaware or Alaska law, respectively, the Bylaws of Air Group and

Alaska provide a right to indemnification for all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by any person in connection with any actual or threatened action, suit or proceeding by reason of the fact that such person is or was a director or officer of Air Group or Alaska or is or was serving at the request of Air Group or Alaska as a director or officer of another corporation. The Bylaws of Air Group and Alaska also provide that each of them may, by action of its Board of Directors, approve indemnification of any other person whom they have the power to indemnify under the Delaware Corporation Law and the Alaska Corporations Code, respectively.

Officers and directors of Air Group and Alaska are covered by insurance (with certain exceptions and within certain limitations) which indemnifies them against losses and liabilities arising from certain alleged "wrongful acts," including alleged errors or misstatements, or certain other alleged wrongful acts or omissions constituting neglect or breach of duty.

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The Underwriting Agreements, filed as Exhibits 1(a), 1(b) and 1(c) hereto, contain provisions whereby the Underwriters agree to indemnify the registrant, its directors and certain officers and certain other persons, and are incorporated herein by reference.

ITEM 16. EXHIBITS

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

Exhibit 1(a)	Form of Underwriting Agreement for Convertible Debt Securities of Air Group**
Exhibit 1(b)	Form of Underwriting Agreement for Debt Securities of Alaska*
Exhibit 1(c)	Form of Underwriting Agreement for Equipment Trust Certificates of Alaska**
Exhibit 4(a)(1)	Form of Convertible Senior Debt Securities Indenture for Air Group
Exhibit 4(a)(2)	Form of Convertible Senior Debt Securities of Air Group (included in Exhibit 4(a)(1))
Exhibit 4(a)(3)	Form of Convertible Subordinated Debt Securities Indenture for Air Group
Exhibit 4(a)(4)	Form of Convertible Subordinated Debt Securities of Air Group (included in Exhibit 4(a)(3))
Exhibit 4(b)(1)	Form of Debt Securities Indenture for Alaska*
Exhibit 4(b)(2)	Form of Debt Securities of Alaska (included in Exhibit 4(b)(1))*
Exhibit 4(c)(1)	Form of Leased Aircraft Trust Indenture and Security Agreement between the Indenture Trustee and Alaska relating to Equipment Trust Certificates of Alaska
Exhibit 4(c)(2)	Form of Leased Aircraft Equipment Trust Certificate of Alaska (included in Exhibit 4(c)(1))
Exhibit 4(c)(3)	Form of Owned Aircraft Trust Indenture and Security Agreement between the Indenture Trustee and Alaska relating to Equipment Trust Certificates of Alaska
Exhibit 4(c)(4)	Form of Owned Aircraft Equipment Trust Certificate of Alaska (included in Exhibit 4(c)(3))
Exhibit 4(d)	Certificate of Incorporation of Alaska Air Group, Inc., as amended to date*
Exhibit 4(e)	Bylaws of Alaska Air Group, Inc., as amended to date (incorporated by reference to Exhibit 3.(ii) to Form 10-K of Alaska Air Group, Inc. for the year ended December 31, 1993)

Exhibit 4(f) Rights Agreement dated as of December 2, 1986 between Alaska Air Group, Inc. and The First National Bank of Boston, as Rights Agent (incorporated by reference to Exhibit No. 1 to Form 8-A of Alaska Air Group, Inc. filed December 12, 1986)

Exhibit 5(a) Opinion of Perkins Coie, counsel for Alaska

Exhibit 5(b) Form of Opinion of counsel for Owner Trustee**

Exhibit 8 Tax Opinion of Perkins Coie**

Exhibit 12(a) Computation of Ratio of Earnings to Fixed Charges of Air Group*

Exhibit 12(b) Computation of Ratio of Earnings to Fixed Charges of Alaska*

Exhibit 23(a) Consent of Perkins Coie (included in Exhibit 5(a))

Exhibit 23(b) Consent of counsel for Owner Trustee (included in Exhibit 5(b))**

Exhibit 23(d) Consent of Perkins Coie (included in Exhibit 8)**

Exhibit 23(e) Consent of Arthur Andersen & Co.

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Exhibit 25 Power of Attorney (included on signature pages to the Registration Statement)*

Exhibit 26(a) Form T-1 Statement of Eligibility of Trustee under Convertible Debt Securities Indenture of Air Group**

Exhibit 26(b) Form T-1 Statement of Eligibility of Trustee under Debt Securities Indenture of Alaska**

Exhibit 26(c) Form T-1 Statement of Eligibility of Trustee under Trust Indenture and Security Agreement relating to Equipment Trust Certificates of Alaska**

<FN>

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* Previously filed.

** To be filed by amendment.

ITEM 17. UNDERTAKINGS

A. The undersigned registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(a) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "1933 Act");

(b) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(c) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; provided, however, that paragraphs A(1)(a) and A(1)(b) do not apply if the information required to be included in such post-effective amendment is contained in a periodic report filed by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and incorporated by reference in this

registration statement.

(2) That, for the purpose of determining any liability under the 1933 Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

B. The undersigned hereby undertake that, for purposes of determining any liability under the 1933 Act, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the 1934 Act (and, where applicable, each filing of an employee benefits plan's annual report pursuant to Section 15(d) of the 1934 Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

C. Insofar as indemnification for liabilities arising under the 1933 Act may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions described under Item 15 above, or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the 1933 Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director,

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officer or controlling person of the registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Alaska Air Group, Inc. has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seattle, Washington, this 11th day of March, 1994.

ALASKA AIR GROUP, INC.

By: Raymond J. Vecchi

Raymond J. Vecchi
Chairman of the Board, President
and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 to the Registration Statement has been signed below by the following persons in the capacities indicated on this 11th day of March, 1994.

SIGNATURE	TITLE

Chief Executive Officer:	
Raymond J. Vecchi	

(Raymond J. Vecchi)	Chairman of the Board, President and Chief Executive Officer
Chief Financial Officer:	
J. Ray Vingo*	

(J. Ray Vingo)	Vice President/Finance, Chief Financial Officer and Director
Chief Accounting Officer:	
Kathleen H. Iskra*	

(Kathleen H. Iskra)	Controller
William H. Clapp*	

(William H. Clapp)	Director
Ronald F. Cosgrave*	

(Ronald F. Cosgrave)	Director
Mary Jane Fate*	

(Mary Jane Fate)	Director
John F. Kelly*	

(John F. Kelly)	Director

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SIGNATURE	TITLE

Bruce R. Kennedy*	

(Bruce R. Kennedy)	Director
R. Marc Langland*	

(R. Marc Langland)	Director
Byron I. Mallott*	

(Byron I. Mallott)	Director
Robert L. Parker, Jr.*	

(Robert L. Parker, Jr.)	Director
Richard A. Wien*	

(Richard A. Wien)	Director
*By: Raymond J. Vecchi	

(Raymond J. Vecchi)	
Attorney-in-Fact	

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Alaska Airlines, Inc. has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seattle, Washington, this 11th day of March, 1994.

ALASKA AIRLINES, INC.

By: Raymond J. Vecchi

Raymond J. Vecchi
Chairman of the Board, President
and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 to the Registration Statement has been signed below by the following persons in the capacities indicated on this 11th day of March, 1994.

SIGNATURE	TITLE
----- Chief Executive Officer: Raymond J. Vecchi ----- (Raymond J. Vecchi)	Chairman of the Board, President and Chief Executive Officer
----- Chief Financial Officer: J. Ray Vingo* ----- (J. Ray Vingo)	Vice President/Finance, Chief Financial Officer and Director
----- Chief Accounting Officer: Kathleen H. Iskra* ----- (Kathleen H. Iskra)	Controller
----- William H. Clapp* ----- (William H. Clapp)	Director
----- Ronald F. Cosgrave* ----- (Ronald F. Cosgrave)	Director
----- R. Marc Langland* ----- (R. Marc Langland)	Director
----- *By: Raymond J. Vecchi ----- (Raymond J. Vecchi) Attorney-in-Fact	

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INDEX TO EXHIBITS

EXHIBIT NO.	EXHIBIT	SEQUENTIALLY NUMBERED PAGE
Exhibit 1(a)	Form of Underwriting Agreement for Convertible Debt Securities of Air Group**	
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<FN>

* Previously filed.

** To be filed by amendment

ALASKA AIR GROUP, INC., ISSUER

TO

_____, TRUSTEE

INDENTURE

DATED AS OF _____, 199__

CONVERTIBLE SENIOR DEBT SECURITIES

Reconciliation and tie between Indenture, dated as of _____, 199__,
and the Trust Indenture Act of 1939, as amended.

TRUST INDENTURE ACT
OF 1939 SECTION

INDENTURE
SECTION

310 (a) (1)	6.12
(a) (2)	6.12
(a) (3)	TIA
(a) (4)	Not applicable
(a) (5)	TIA
(b)	6.10; 6.12; TIA
311 (a)	TIA
(b)	TIA
312 (a)	6.8
(b)	TIA
(c)	TIA
313 (a)	6.7; TIA
(b)	TIA
(c)	TIA
(d)	TIA
314 (a)	9.6; 9.7; TIA
(b)	Not applicable
(c) (1)	1.2
(c) (2)	1.2
(c) (3)	Not applicable
(d)	Not applicable

(e)	TIA
(f)	TIA
315(a)	TIA
(b)	6.6
(c)	TIA
(d) (1)	TIA
(d) (2)	TIA
(d) (3)	TIA
(e)	TIA
316(a) (last sentence)	1.1
(a) (1) (A)	5.2; 5.8
(a) (1) (B)	5.7
(b)	5.9; 5.10
(c)	TIA
317(a) (1)	5.3
(a) (2)	5.4
(b)	9.3
318(a)	1.1
(b)	TIA
(c)	1.11; TIA

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This reconciliation and tie section does not constitute part of the Indenture.

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INDENTURE, dated as of _____, 199__, from ALASKA AIR GROUP, INC., a Delaware corporation (the "Company"), as issuer, to _____, a _____ corporation, as Trustee (the "Trustee").

RECITALS

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured convertible debentures, notes or other evidences of indebtedness ("Securities") to be issued in one or more series as herein provided.

All things necessary to make the Securities, when executed by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed as follows for the equal and ratable benefit of the Holders of the Securities:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.1 DEFINITIONS

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

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

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

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

(4) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"AFFILIATE" of any specified Person means any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether

through the ownership of voting securities, by contract or otherwise;

and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"AGENT" means any Paying Agent or Registrar.

AUTHENTICATING AGENT" means any authenticating agent appointed by the Trustee pursuant to Section 6.13.

"AUTHORIZED NEWSPAPER" means a newspaper of general circulation, in the English language, customarily published on each Business Day whether or not published on Saturdays, Sundays or holidays, and of general circulation in the place in connection with which the term is used or in the financial community of such place. Whenever successive publications in an Authorized Newspaper are required hereunder they may be made (unless otherwise expressly provided herein) on any Business Day and in the same or different Authorized Newspapers.

"BOARD" or "BOARD OF DIRECTORS" means the Board of Directors of the Company, the Executive Committee or any other duly authorized committee thereof.

"BOARD RESOLUTION" means a copy of a resolution of the Board of Directors, certified by the Corporate Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"BUSINESS DAY," when used with respect to any Place of Payment or any other particular location referred to in this Indenture or in the Securities, means, unless otherwise specified with respect to any Securities pursuant to Section 3.1, each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment or particular location are authorized or obligated by law or executive order to close.

"COMMISSION" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"COMMON STOCK" includes any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which is not subject to redemption by the Company. However, subject to the provisions of Section 12.11, shares issuable on conversion of Securities shall include only shares of the class designated as Common Stock of the Company at the date of this instrument or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which are not subject to redemption

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by the Company; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

"COMPANY" means the Person named as the Company in the first paragraph of this Indenture until one or more successor corporations shall have become such pursuant to the applicable provisions of this Indenture, and thereafter means such successors.

"COMPANY ORDER" and "COMPANY REQUEST" mean, respectively, a written

order or request signed in the name of the Company by the Chairman of the Board, the President, any Executive Vice President or any Senior Vice President, signing alone, by any Vice President signing together with the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary of the Company, or, with respect to Sections 3.3, 3.4, 3.5 and 6.1, any other employee of the Company named in an Officers' Certificate delivered to the Trustee.

"CORPORATE TRUST OFFICE" means the principal office of the Trustee at which at any particular time its corporate trust business shall be principally administered.

"CORPORATION" includes corporations, associations, companies and business trusts.

"DEFAULT" means any event which is, or after notice or passage of time, or both, would be, an Event of Default.

"GOVERNMENT OBLIGATIONS" means securities which are (i) direct obligations of the United States or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States, which are not callable or redeemable at the option of the issuer thereof, and shall also include a depositary receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depositary receipt, PROVIDED that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Government Obligation evidenced by such depositary receipt.

"HOLDER" means a person in whose name a Security is registered on the Register.

"INDENTURE" means this Indenture as originally executed or as amended or supplemented from time to time and shall include the forms and terms (but not defined terms established in an Officers' Certificate or a Board Resolution) of particular series of Securities established as contemplated by Section 2.1 and Section 3.1.

"INDEXED SECURITY" means a Security the terms of which provide that the principal amount thereof payable at Stated Maturity may be more or less than the principal face amount thereof at original issuance.

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"INTEREST," when used with respect to an Original Issue Discount Security which by its terms bears interest only after maturity, means interest payable after maturity.

"INTEREST PAYMENT DATE," when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"MATURITY," when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"OFFICER" means the Chairman of the Board of Directors, the President, any Executive Vice President, any Senior Vice President, any Vice President or the Corporate Secretary of the Company.

"OFFICERS' CERTIFICATE" means a certificate signed by the Chairman of

the Board, the President, any Executive Vice President or any Senior Vice President, signing alone, or by any Vice President signing together with the Corporate Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company.

"OPINION OF COUNSEL" means a written opinion of legal counsel, who may be (a) the senior attorney employed by the Company, (b) Perkins Coie, or (c) other counsel designated by the Company and who shall be reasonably acceptable to the Trustee.

"ORIGINAL ISSUE DISCOUNT SECURITY" means any Security which provides for an amount less than the stated principal amount thereof to be due and payable upon declaration of acceleration of the Maturity thereof pursuant to Section 5.2.

"OUTSTANDING," when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

- (i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

- (ii) Securities, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities PROVIDED that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provisions therefor satisfactory to the Trustee have been made;

- (iii) Securities, except to the extent provided in Sections 4.4 and 4.5, with respect to which the Company has effected defeasance and/or covenant defeasance as provided in Article 4; and

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- (iv) Securities which have been paid pursuant to Section 3.6 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

PROVIDED, HOWEVER, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, or whether sufficient funds are available for redemption or for any other purpose, and for the purpose of making the calculations required by section 313 of the Trust Indenture Act, (x) the principal amount of any Original Issue Discount Securities that may be counted in making such determination or calculation and that shall be deemed to be Outstanding for such purpose shall be equal to the amount of principal thereof that would be (or shall have been declared to be) due and payable, at the time of such determination, upon a declaration of acceleration of the maturity thereof pursuant to Section 5.2, and (y) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in making such calculation or in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"PAYING AGENT" means any Person authorized by the Company to pay the principal of, premium, if any, or interest on any Securities on behalf of the Company.

"PERIODIC OFFERING" means an offering of Securities of a series from time to time the specific terms of which Securities, including, without limitation, the rate or rates of interest or formula for determining the rate or rates of interest thereon, if any, the Stated Maturity or Stated Maturities thereof, the original issue date or dates thereof, the redemption provisions, if any, with respect thereto, and any other terms specified as contemplated by Section 3.1 with respect thereto, are to be determined by the Company upon the issuance of such Securities.

"PERSON" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PLACE OF PAYMENT," when used with respect to the Securities of or within any series, means the place or places where, subject to the provisions of Section 9.2 the principal of, premium, if any, and interest on such Securities are payable as specified as contemplated by Section 3.1.

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"PREDECESSOR SECURITY" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.6 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"REDEMPTION DATE," when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"REDEMPTION PRICE," when used with respect to any Security to be redeemed, in whole or in part, means the price at which it is to be redeemed pursuant to this Indenture.

"REGULAR RECORD DATE" for the interest payable on any Interest Payment Date on the Securities of or within any series means the date specified for that purpose as contemplated by Section 3.1.

"RESPONSIBLE OFFICER," when used with respect to the Trustee, shall mean the chairman or any vice chairman of the board of directors, the chairman or any vice chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any senior vice president, any vice president, any assistant vice president, the secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any senior trust officer, any trust officer, the controller, any assistant controller, or any other officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, and also means, with respect to a particular corporate trust matter, any other officer to whom such corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

"SECURITY" or "SECURITIES" has the meaning stated in the first recital of this Indenture and more particularly means any Security or Securities of the Company issued, authenticated and delivered under this Indenture.

"SPECIAL RECORD DATE" for the payment of any Defaulted Interest on the Securities of any issue means a date fixed by the Trustee pursuant to Section 3.7.

"STATED MATURITY," when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"SUBSIDIARY" means any corporation of which the Company at the time owns or controls, directly or indirectly, more than 50% of the shares of outstanding stock having general voting power under ordinary circumstances to elect a majority of the Board of Directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency).

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"TRADING DAY" means each Monday, Tuesday, Wednesday, Thursday and Friday, other than any day on which securities are not traded on the applicable securities exchange or in the applicable securities market.

"TRUSTEE" means the party named as such in the first paragraph of this Indenture until a successor Trustee replaces it pursuant to the applicable provisions of this Indenture, and thereafter means such successor Trustee and if, at any time, there is more than one Trustee, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to the Securities of that series.

"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939, as amended, as in effect on the date of this Indenture, except as provided in Section 8.3.

"YIELD TO MATURITY" means the yield to maturity, calculated by the Company at the time of issuance of a series of Securities or, if applicable, at the most recent determination of interest on such series, in accordance with accepted financial practice.

(b) The following terms shall have the meanings specified in the Sections referred to opposite such term below:

TERM ----	SECTION -----
"Act"	1.4(a)
"Bankruptcy Law"	5.1
"Custodian"	5.1
"Defaulted Interest"	3.7(b)
"Event of Default"	5.1
"Register"	3.5
"Registrar"	3.5
"Valuation Date"	3.7(c)

SECTION 1.2 COMPLIANCE CERTIFICATES AND OPINIONS

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than pursuant to Sections 2.3, 3.3 and 9.7) shall include:

(1) a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;

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(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 1.3 FORM OF DOCUMENT DELIVERED TO TRUSTEE

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificates or opinions of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations as to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 1.4 ACTS OF HOLDERS

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of

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execution of any such instrument or of a writing appointing any such agent shall

be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other reasonable manner which the Trustee deems sufficient.

(c) The ownership of Securities shall be proved by the Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(e) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to an Officers' Certificate delivered to the Trustee, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed to consent to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; PROVIDED that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of clause (a) of this Section 1.4 not later than six months after the record date.

SECTION 1.5 NOTICES, ETC., TO TRUSTEE AND COMPANY

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

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(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Trustee Administration, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at Alaska Airlines, Inc., P.O. Box 68947, Seattle, Washington 98168, Attention: Vice President-Finance or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 1.6 NOTICE TO HOLDERS; WAIVER

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided or otherwise agreed to by a Holder) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Register, within the time prescribed for the giving of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Any notice mailed to a Holder in the manner herein prescribed shall be conclusively deemed to have been received by such Holder, whether or not such Holder actually receives such notice.

If by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice as provided above, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 1.7 HEADINGS AND TABLE OF CONTENTS

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.8 SUCCESSORS AND ASSIGNS

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

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SECTION 1.9 SEPARABILITY

In case any provision of this Indenture or the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.10 BENEFITS OF INDENTURE

Nothing in this Indenture or in the Securities, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.11 GOVERNING LAW

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. This Indenture is subject to the Trust Indenture Act and if any provision hereof limits, qualifies or conflicts with the Trust Indenture Act, the Trust Indenture Act shall control.

SECTION 1.12 LEGAL HOLIDAYS

In any case where any Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity of any Security or the last date on which a Holder has the right to convert his Securities shall not be a

Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture of any Security other than a provision in the Securities of any series which specifically states that such provision shall apply in lieu of this Section) payment of principal, premium, if any, or interest or conversion of the Securities need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on such date; PROVIDED that no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity, or on such last day for conversion, as the case may be.

ARTICLE 2

SECURITY FORMS

SECTION 2.1 FORMS GENERALLY

The Securities of each series shall be in substantially the form set forth in this Article, or in such other form or forms as shall be established by delivery to the Trustee of an Officers' Certificate or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the

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officers executing such Securities as evidenced by their execution of the Securities. If temporary Securities of any series are issued as permitted by Section 3.4, the form thereof also shall be established as provided in the preceding sentence. If the form of Securities of any series are established by an Officers' Certificate, such Officers' Certificate shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 3.3 for the authentication and delivery of such Securities.

The permanent Securities shall be printed, lithographed or engraved or produced by any combination of these methods or may be produced in any other manner, all as determined by the officers executing such Securities as evidenced by their execution of such Securities.

SECTION 2.2 FORM OF FACE OF SECURITY

[IF THE SECURITY IS AN ORIGINAL ISSUE DISCOUNT SECURITY, INSERT--FOR PURPOSES OF SECTIONS 1273 AND 1275 OF THE UNITED STATES INTERNAL REVENUE CODE, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ON THIS SECURITY IS % OF ITS PRINCIPAL AMOUNT AND THE ISSUE DATE IS , 19 [, -- AND] THE YIELD TO MATURITY IS %. [THE METHOD USED TO DETERMINE THE YIELD IS AND THE AMOUNT OF ORIGINAL ISSUE DISCOUNT APPLICABLE TO THE SHORT ACCRUAL PERIOD OF , 19 TO , 19 IS % OF THE PRINCIPAL AMOUNT OF THIS SECURITY.]]

ALASKA AIR GROUP, INC.

_____% CONVERTIBLE SENIOR DUE _____

\$

No.

ALASKA AIR GROUP, INC., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company," which term includes any successor corporation under the Indenture hereinafter referred

to), for value received, hereby promises to pay to

or registered assigns, the principal sum of Dollars on
[IF THE SECURITY IS TO BEAR INTEREST PRIOR TO MATURITY, INSERT--, and to pay
interest thereon from or from the most recent Interest Payment Date
to which interest has been paid or duly provided for, semiannually on
 and in each year, commencing , [IF
THE SECURITY IS TO BEAR INTEREST AT A FIXED RATE, INSERT--at the rate of %
per annum] [IF THE SECURITY IS TO BEAR INTEREST AT AN ADJUSTABLE RATE,
INSERT--at a rate per annum computed or determined in accordance with the
provisions below], until the principal hereof is paid or made available for
payment [IF APPLICABLE, INSERT--, and (to the extent that the payment of
such interest shall be legally enforceable) at the rate of % per annum on
any overdue principal and premium and on any overdue installment of interest].
The interest so payable, and punctually paid or duly provided for, on any
Interest Payment Date will, as provided in such Indenture, be paid to the
Person in whose name this Security (or one or more Predecessor Securities) is
registered at the

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close of business on the Regular Record Date for such interest, which shall be
the or (whether or not a Business Day), as the case may be, next
preceding such Interest Payment Date. Any such interest not so punctually paid
or duly provided for will forthwith cease to be payable to the Holder on such
Regular Record Date and may either be paid to the Person in whose name this
Security (or one or more Predecessor Securities) is registered at the close of
business on a Special Record Date for the payment of such Defaulted Interest to
be fixed by the Trustee, notice whereof shall be given to Holders of Securities
of this series not less than 10 days prior to such Special Record Date, or be
paid at any time in any other lawful manner not inconsistent with the
requirements of any securities exchange on which the Securities of this series
may be listed, and upon such notice as may be required by such exchange, all as
more fully provided in said Indenture].

[IF THE SECURITY IS NOT TO BEAR INTEREST PRIOR TO MATURITY,
INSERT--The principal of this Security shall not bear interest except in the
case of a default in payment of principal upon acceleration or redemption or
at the Stated Maturity and in such case the overdue principal of this Security
shall bear interest at the rate of % per annum (to the extent that the
payment of such interest shall be legally enforceable), which shall accrue
from the date of such default in payment to the date payment of such principal
has been made or duly provided for. Interest on any overdue principal shall
be payable on demand. Any such interest on any overdue principal that is not
so paid on demand shall bear interest at the rate of % per annum (to
the extent that the payment of such interest shall be legally enforceable),
which shall accrue from the date of such demand for payment to the date
payment of such interest has been made or duly provided for, and such interest
shall also be payable on demand.]

Payment of the principal of (and premium, if any, on) and [IF
APPLICABLE, INSERT--any such] interest on this Security will be made at the
office or agency of the Company maintained for that purpose in the City and
State of New York in such coin or currency of the United States of America as
at the time of payment is legal tender for payment of public and private debts
[IF APPLICABLE, INSERT--; PROVIDED, HOWEVER, that at the option of the
Company payment of interest may be made by check mailed on or before the
relevant Interest Payment Date to the address of the Person entitled thereto
as such address shall appear in the Register].

Reference is hereby made to the further provisions of this Security set
forth on the reverse hereof, which further provisions shall for all purposes
have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the
Trustee referred to on the reverse hereof by manual signature, this Security

shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

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ALASKA AIR GROUP, INC.

By _____

Attest:

SECTION 2.3 FORM OF REVERSE OF SECURITY

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities") issued and to be issued in one or more series under an Indenture, dated as of _____, 1994 (herein called the "Indenture"), between the Company (which term includes any successor corporation under the Indenture) [, Alaska Air Group, Inc., as Guarantor (the "Guarantor")] and _____, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture with respect to the series of which this Security is a part), to which the Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof[, limited in aggregate principal amount to \$ _____].

Subject to and upon compliance with the provisions of the Indenture, the Holder of this Security is entitled, at his option, at any time on or before the close of business on _____, _____, or in case this Security or a portion hereof is called for redemption, then in respect of this Security or such portion hereof until and including, but (unless the Company defaults in making the payment due upon redemption) not after, the close of business on the Business Day which is ten days prior to the Redemption Date, to convert this Security (or any portion of the principal amount hereof which is \$1,000 or an integral multiple thereof), at the principal amount hereof, or of such portion, into fully paid and non-assessable shares (calculated as to each conversion to the nearest 1/100 of a share) of Common Stock of the Company at a conversion price equal to \$_____ aggregate principal amount of Securities for each share of Common Stock (or at the current adjusted conversion price if an adjustment has been made as provided in the Indenture) by surrender of this Security, duly endorsed or assigned to the Company or in blank, to the Company at its office or agency in _____, accompanied by written notice to the Company that the Holder hereof elects to convert this Security, or if less than the entire principal amount hereof is to be converted, the portion hereof to be converted, and, in case such surrender shall be made during the period from the close of business on any Regular Record Date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date (unless this Security or the portion thereof being converted has been called for redemption on a Redemption Date within such period), also accompanied by payment in New York Clearing House or other funds acceptable to the Company of an amount equal to the interest payable on such Interest Payment Date on the principal amount of this Security then being converted. Subject to the aforesaid requirement for payment and, in the case of a conversion after the Regular Record Date next preceding any

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Interest Payment Date and on or before such Interest Payment Date, to the right of the Holder of this Security (or any Predecessor Security) of record at such Regular Record Date to receive an installment of interest (with certain exceptions provided in the Indenture), no payment or adjustment is to be made on conversion for interest accrued hereon or for dividends on the Common Stock issued on conversion. No fractions of shares or scrip representing fractions of shares will be issued on conversion, but instead of any fractional interest the Company shall pay a cash adjustment as provided in the Indenture. The conversion price is subject to adjustment as provided in the Indenture. In addition, the Indenture provides that in case of certain consolidations or mergers to which the Company is a party or the transfer of substantially all of the assets of the Company, the Indenture shall be amended, without the consent of any Holders of Securities, so that this Security, if then outstanding, will be convertible thereafter, during the period this Security shall be convertible as specified above, only into the kind and amount of securities, cash and other property receivable upon the consolidation, merger or transfer by a holder of the number of shares of Common Stock into which this Security might have been converted immediately prior to such consolidation, merger or transfer (assuming such holder of Common Stock failed to exercise any rights of election and received per share the kind and amount received per share by a plurality of nonelecting shares).

[IF APPLICABLE, INSERT--The Securities of this series are subject to redemption upon not less than 30 days' notice by mail, [IF APPLICABLE, INSERT--(1) on _____ in any year commencing with the year _____ and ending with the year _____ at a Redemption Price equal to _____ % of the principal amount and (2)] at any time [on or after 19__], as a whole or in part, at the election of the Company, at the following Redemption Prices (expressed as percentages of the principal amount): If redeemed [on or before _____, _____%, and if redeemed] during the 12-month period beginning _____ of the years indicated,

Year	Redemption Price	Year	Redemption Price
----	-----	----	-----

and thereafter at a Redemption Price equal to ____% of the principal amount, together in the case of any such redemption with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Regular Record Dates referred to on the face hereof, all as provided in the Indenture.]

[IF APPLICABLE, INSERT--The Securities of this series are subject to redemption upon not less than 30 days' notice by mail, (1) on _____ in any year commencing with the year _____ and ending with the year _____ through operation of the sinking fund for

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this series at the Redemption Prices for redemption through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below and (2) at any time [on or after _____], as a whole or in part, at the election of the Company, at the Redemption Prices for redemption otherwise than through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below: If redeemed during the 12-month period beginning _____ of the years indicated,

	Redemption Price for Redemption Through Operation of the Year Sinking Fund	Redemption Price for Redemption Otherwise Than Through Operation of the Sinking Fund
	-----	-----

and thereafter at a Redemption Price equal to ____% of the principal amount, together in the case of any such redemption (whether through operation of the sinking fund or otherwise) with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Regular Record Dates referred to on the face hereof, all as provided in the Indenture.]

[Notwithstanding the foregoing, the Company may not, prior to _____, redeem any Securities of this series as contemplated by [Clause (2) of] the preceding paragraph as a part of, or in anticipation of, any refunding operation by the application, directly or indirectly, of moneys borrowed having an interest cost to the Company (calculated in accordance with generally accepted financial practice) of less than ____% per annum.]

[The sinking fund for this series provides for the redemption on _____ in each year beginning with the year _____ and ending with the year _____ of [not less than] \$_____ [("mandatory sinking fund")] and not more than \$_____ aggregate principal amount of Securities of this series. [Securities of this series converted pursuant to the Indenture or acquired or redeemed by the Company otherwise than through [mandatory] sinking fund payments may be credited against subsequent [mandatory] sinking fund payments otherwise required to be made in the [DESCRIBE ORDER] order in which they become due.]]

[In the event of redemption or conversion of this Security in part only, a new Security or Securities of this series for the unredeemed or unconverted portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.]

[IF APPLICABLE, INSERT--The Securities of this series are subject to the covenant defeasance provisions set forth in Article Four of the Indenture.]

[IF THE SECURITY IS NOT AN ORIGINAL ISSUE DISCOUNT SECURITY, INSERT--If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of

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the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.]

[IF THE SECURITY IS AN ORIGINAL ISSUE DISCOUNT SECURITY, INSERT--If an Event of Default with respect to Securities of this series shall occur and be continuing, an amount of principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture. Such amount shall be equal to--INSERT FORMULA FOR DETERMINING THE AMOUNT. Upon payment (i) of the amount of principal so declared due and payable and (ii) of interest on any overdue principal and overdue interest (in each case to the extent that the payment of such interest shall be legally enforceable), all the Company's obligations in respect of the payment of the principal of and interest, if any, on the Securities of this series shall terminate.]

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be

affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Outstanding Securities of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Outstanding Securities of each series, on behalf of the Holders of all Outstanding Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the amount of principal of (and premium, if any, on) and interest, if any, on this Security herein provided, and at the times, place and rate, and in the coin or currency, herein prescribed or to convert this Security as provided in the Indenture.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any, on) and interest, if any, on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of \$_____ and any integral multiple thereof. As provided in the

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Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of different authorized denominations as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company nor the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

FORM OF CONVERSION NOTICE

To: ALASKA AIR GROUP, INC.

The undersigned owner of this Security hereby irrevocably exercises the option to convert this Security, or portion hereof (which is \$1,000 or an integral multiple thereof) below designated, into shares of Common Stock of Alaska Air Group, Inc. in accordance with the terms of the Indenture referred to in this Security, and directs that the shares issuable and deliverable upon

the conversion, together with any check in payment for fractional shares and any Securities representing any unconverted principal amount hereof, be issued and delivered to the registered holder hereof unless a different name has been indicated below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. Any amount required to be paid by the undersigned on account of interest accompanies this Security.

Dated:

Fill in for registration of shares of Common Stock and Securities if to be issued otherwise than to the registered holder.

Principal Amount to be converted (in an integral multiple of \$1,000, if less than all):

\$ _____

Name

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Address

(Please print name and
address (including
zip code number))

Signature

SOCIAL SECURITY OR OTHER
TAXPAYER IDENTIFYING
NUMBER

SECTION 2.4 FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

The Trustee's certificate of authentication shall be in substantially the following form:

This is one of the Securities of a series issued under the within-mentioned Indenture.

_____,
as Trustee

By _____
Authorized Signatory

ARTICLE 3

THE SECURITIES

SECTION 3.1 AMOUNT UNLIMITED; ISSUABLE IN SERIES

(a) The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued from time to time in one or more series.

(b) The following matters shall be established and (subject to Section

3.3) set forth, or determined in the manner provided, in an Officers' Certificate and a Board Resolution of the Company or one or more indentures supplemental hereto:

(1) the title of the Securities of the series (which title shall distinguish the Securities of the series from all other Securities);

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(2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (which limit shall not pertain to (i) Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 3.4, 3.5, 3.6, 8.6, or 10.7 and (ii) any Securities which, pursuant to the last paragraph of Section 3.3, are deemed never to have been authenticated and delivered thereunder);

(3) the date or dates on which the principal of the Securities of the series is payable or the method of determination thereof;

(4) the rate or rates at which the Securities of the series shall bear interest, if any, or the method of calculating such rate or rates of interest, the date or dates from which such interest shall accrue or the method by which such date or dates shall be determined, the Interest Payment Dates on which any such interest shall be payable and the Regular Record Date, if any, for the interest payable on any Interest Payment Date;

(5) the place or places where, subject to the provisions of Section 9.2, the principal of, premium, if any, and interest, if any, on Securities of the series shall be payable;

(6) the period or periods within which, the price or prices at which, and the other terms and conditions upon which, Securities of the series may be redeemed, in whole or in part, at the option of the Company and, if other than as provided in Section 10.3, the manner in which the particular Securities of such series (if less than all Securities of such series are to be redeemed) are to be selected for redemption;

(7) the obligation, if any, of the Company to redeem or purchase Securities of the series pursuant to any sinking fund or analogous provisions or upon the happening of a specified event or at the option of a Holder thereof and the period or periods within which, the price or prices at which, and the other terms and conditions upon which, Securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(8) if other than denominations of \$1,000 and any integral multiple thereof, the denominations in which Securities of the series shall be issuable;

(9) if the amount of payments or principal of, premium, if any, and interest, if any, on the Securities of the series shall be determined with reference to an index, formula or other method, the index, formula or other method by which such amounts shall be determined;

(10) if other than the principal amount thereof, the portion of the principal amount of such Securities of the series which shall be payable upon declaration of the acceleration thereof pursuant to Section 5.2 or the method by which such portion shall be determined;

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(11) if other than as provided in Section 3.7, the Person to whom any

interest on any Security of the series shall be payable and the extent to which, or the manner in which (including any certification requirement and other terms and conditions under which), any interest payable on a temporary Security on an Interest Payment Date will be paid if other than in the manner provided in Section 3.4, as applicable;

(12) provisions, if any, granting special rights to the Holders of Securities of the series upon the occurrence of such events as may be specified;

(13) any deletions from, modifications of or additions to the Events of Default set forth in Section 5.1 or covenants of the Company set forth in Article 9 pertaining to the Securities of the series;

(14) under what circumstances, if any, the Company will pay additional amounts on the Securities of that series held by a Person who is not a U.S. Person in respect of taxes or similar charges withheld or deducted and, if so, whether the Company will have the option to redeem such Securities rather than pay such additional amounts (and the terms of any such option);

(15) the date as of which any temporary Security representing outstanding Securities of the series shall be dated if other than the date of original issuance of the first Security of the series to be issued;

(16) the applicability, if any, to the Securities of or within the series of Sections 4.4 and 4.5, or such other means of defeasance or covenant defeasance as may be specified for the Securities of such series;

(17) if other than the Trustee, the identity of the Registrar and any Paying Agent;

(18) any terms which may be related to warrants issued by the Company in connection with, or for the purchase of, Securities of such series, including whether and under what circumstances the Securities of any series may be used toward the exercise price of any such warrants;

(19) whether Guarantees will be endorsed on Securities of the series, and, if so, the terms of the Guarantees if other than as specified in Section 12.2;

(20) the terms and conditions upon which Securities of the series will be convertible into shares of Common Stock of the Company; and

(21) any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture), including any terms which may be required by or advisable under United States laws or regulations or advisable in connection with the marketing of Securities of the series.

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(c) All Securities of any one series shall be substantially identical except as to denomination and the rate or rates of interest, if any, and Stated Maturity, the date from which interest, if any, shall accrue and except as may otherwise be provided in or pursuant to an Officers' Certificate pursuant to this Section 3.1 or in an indenture supplemental hereto. All Securities of any one series need not be issued at the same time and, unless otherwise provided, a series may be reopened, without the consent of the Holders, for issuances of additional Securities of such series or for the establishment of additional terms with respect to the Securities of such series.

(d) If any of the terms of the Securities of any series are established by action taken pursuant to a Board Resolution, a copy of such Board Resolution shall be certified by the Corporate Secretary or an Assistant

Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth, or providing the manner for determining, the terms of the Securities of such series, and an appropriate record of any action taken pursuant thereto in connection with the issuance of any Securities of such series shall be delivered to the Trustee prior to the authentication and delivery thereof. With respect to Securities of a series subject to a Periodic Offering, such Board Resolution or Officers' Certificate may provide general terms for Securities of such series and provide either that the specific terms of particular Securities of such series shall be specified in a Company Order or that such terms shall be determined by the Company, or one or more of the Company's agents designated in an Officers' Certificate, in accordance with the Company Order as contemplated by the first proviso of the third paragraph of Section 3.3

SECTION 3.2 DENOMINATIONS

The Securities of each series shall be issuable only in definitive registered form without coupons and in such denominations as shall be specified as contemplated by Section 3.1. In the absence of any such provisions with respect to the Securities of any series, the Securities of such series shall be issuable in denominations of \$1,000 and any integral multiple thereof.

SECTION 3.3 EXECUTION, AUTHENTICATION, DELIVERY AND DATING

Securities shall be executed on behalf of the Company by the Chairman, President or Chief Executive Officer and attested to by the Secretary of the Company. The Company's seal shall be affixed to the Securities, or a facsimile of such seal shall be engraved, printed, or otherwise reproduced on the Securities. The signatures of such officers on the Securities may be manual or facsimile signatures of the present or any future such authorized officers and may be imprinted or otherwise reproduced on the Securities.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

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At any time and from time to time, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and make available for delivery such Securities, and the Trustee in accordance with the Company Order shall authenticate and deliver such Securities; PROVIDED, HOWEVER, that in the case of Securities offered in a Periodic Offering, the Trustee shall authenticate and deliver such Securities from time to time in accordance with such other procedures (including, without limitation, the receipt by the Trustee of oral or electronic instructions from the Company or its duly authorized agents, promptly confirmed in writing) acceptable to the Trustee as may be specified by or pursuant to a Company Order delivered to the Trustee prior to the time of the first authentication of Securities of such series.

If the form or terms of the Securities of a series have been established by or pursuant to one or more Officers' Certificates as permitted by Sections 2.1 and 3.1, in authenticating such Securities and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to section 315(a) through (d) of the Trust Indenture Act) shall be fully protected in relying upon, an Opinion of Counsel stating,

(1) that the forms and terms of such Securities have been established in conformity with the provisions of this Indenture; and

(2) that such Securities, when authenticated and delivered by the

Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to customary exceptions;

PROVIDED, HOWEVER, that, with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive such Opinion of Counsel only once at or prior to the time of the first authentication of Securities of such series and that the Opinion of Counsel above may state:

(x) that the forms of such Securities have been, and the terms of such Securities (when established in accordance with such procedures as may be specified from time to time in a Company Order, all as contemplated by and in accordance with a Board Resolution or an Officers' Certificate pursuant to Section 3.1, as the case may be) will have been, established in conformity with the provisions of this Indenture; and

(y) that such Securities, when (1) executed by the Company, (2) completed, authenticated and delivered by the Trustee in accordance with this Indenture, and (3) issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to customary exceptions.

With respect to Securities of a series subject to a Periodic Offering, the Trustee may conclusively rely, as to the authorization by the Company of any of such Securities, the form and terms thereof and the legality, validity, binding effect and enforceability thereof, upon the

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Opinion of Counsel and other documents delivered pursuant to Sections 2.1 and 3.1 of this Section, as applicable, at or prior to the time of the first authentication of Securities of such series unless and until it has received written notification that such opinion or other documents have been superseded or revoked. In connection with the authentication and delivery of Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to assume that the Company's instructions to authenticate and deliver such Securities do not violate any rules, regulations or orders of any governmental agency or commission having jurisdiction over the Company.

If the form or terms of the Securities of a series have been established by or pursuant to one or more Officers' Certificates as permitted by Sections 2.1 and 3.1, the Trustee shall have the right to decline to authenticate such Securities if the issue of such Securities pursuant to this Indenture will adversely affect the Trustee's own rights, duties or immunities under this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Notwithstanding the provisions of Section 3.1 and of the two preceding paragraphs, if all of the Securities of any series are not to be issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 3.1 at or prior to the time of the authentication of each Security of such series if the Officers' Certificate is delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefits under this Indenture or be valid or obligatory for any purpose until authenticated by the manual signature of one of the authorized signatories of the Trustee or an Authenticating Agent. Such signature upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered under this Indenture and is entitled to the benefits of this Indenture.

Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 3.9 together with a written statement (which need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall not be entitled to the benefits of this Indenture.

SECTION 3.4 TEMPORARY SECURITIES

Pending the preparation of definitive Securities of any series, the Company may execute and, upon Company Order, the Trustee shall authenticate and deliver temporary Securities of such series which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor and form of the definitive Securities in lieu of which they are issued and with such appropriate insertions,

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omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Company will cause permanent Securities of such series to be prepared without unreasonable delay. After preparation of such permanent Securities, the temporary Securities shall be exchangeable for such permanent Securities of like tenor upon surrender of the temporary Securities of such series at the office or agency of the Company pursuant to Section 9.2 in a Place of Payment for such series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of Permanent Securities of the same series of authorized denominations and of like tenor. Until so exchanged, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as permanent Securities of such series except as otherwise specified as contemplated by Section 3.1.

SECTION 3.5 REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE

The Company shall cause to be kept at the Corporate Trust Office of the Trustee or in any office or agency to be maintained by the Company in accordance with Section 9.2 in a Place of Payment a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and the registration of transfers of Securities. The Register shall be in written form or any other form capable of being converted into written form within a reasonable time. The Trustee is hereby appointed "Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security of any series at the office or agency maintained pursuant to Section 9.2 in a Place of Payment for that series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series, of any authorized denominations and of a like aggregate principal amount and tenor.

At the option of the Holder, Securities of any series may be exchanged for other Securities of the same series, of any authorized denominations and of like aggregate principal amount containing identical terms and provisions, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall

execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

Whenever any Securities are surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

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All Securities issued upon any registration of transfer or upon any exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of such transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company, the Registrar or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to those of the Company, the Registrar and the Trustee requiring such written instrument of transfer duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or for any exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration or transfer or exchange of Securities, other than exchanges pursuant to Section 3.4 or 10.7 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of, or exchange any Securities for a period beginning at the opening of business 15 days before any selection for redemption of Securities of like tenor and of the series of which such Security is a part and ending at the close of business on the earliest date on which the relevant notice of redemption is deemed to have been given to all Holders of Securities of like tenor and of such series to be redeemed or (ii) to register the transfer of or exchange of any Security so selected for redemption, in whole or in part, except the unredeemed portion of any Security being redeemed in part.

SECTION 3.6 REPLACEMENT SECURITIES

If a mutilated Security is surrendered to the Trustee, together with, in proper cases, such security or indemnity as may be required by the Company or the Trustee to save each of them harmless, the Company shall execute and the Trustee shall authenticate and deliver a replacement Security of the same series and date of maturity, if the Trustee's requirements are met.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agency of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver in lieu of any such destroyed, lost or stolen Security, a replacement Security of the same series and principal amount, containing identical terms and provisions and bearing a number not contemporaneously outstanding.

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In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion

may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee connected therewith).

Every new Security of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security, shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 3.7 PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED

Unless otherwise provided as contemplated by Section 3.1, interest, if any, on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest at the office or agency maintained for such purpose pursuant to Section 9.2; PROVIDED, HOWEVER, that, at the option of the Company, interest on any series of Securities that bear interest may be paid (i) by check mailed to the address of the Person entitled thereto as it shall appear on the Register of Holders of Securities of such series or (ii) to the extent specified as contemplated by Section 3.1, by wire transfer to an account maintained by the Person entitled thereto as specified in the Register of Holders of Securities of such series.

Unless otherwise provided as contemplated by Section 3.1, any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any interest payment date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall

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make arrangements satisfactory to the trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause (1) provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Securities of such series at his address as it appears in the Register, not less than 10 days prior to such Special

Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a specified date in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause (2), such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section and Section 3.5, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

In the case of any Security which is converted after any Regular Record Date and on or prior to the next succeeding Interest Payment Date (other than any Security whose Maturity is prior to such Interest Payment Date), interest whose Stated Maturity is on such Interest Payment Date shall be payable on such Interest Payment Date notwithstanding such conversion, and such interest (whether or not punctually paid or duly provided for) shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on such Regular Record Date. Except as otherwise expressly provided in the immediately preceding sentence, in the case of any Security which is converted, interest whose Stated Maturity is after the date of conversion of such Security shall not be payable.

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SECTION 3.8 PERSONS DEEMED OWNERS

Prior to due presentment of any Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of, premium, if any, and (subject to Section 3.7) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 3.9 CANCELLATION

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and any Paying Agent shall forward to the Trustee any Securities surrendered to them for replacement, for registration of transfer, or for exchange, conversion or payment. The Trustee shall cancel all Securities surrendered for replacement, for registration of transfer, or for exchange, conversion, payment, redemption or cancellation and may dispose of cancelled Securities and issue a certificate of destruction to the Company. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation, except as expressly permitted in the terms of Securities for any particular series or as permitted pursuant to the terms of this Indenture.

SECTION 3.10 COMPUTATION OF INTEREST

Except as otherwise specified as contemplated by Section 3.1 (i) interest of any Securities that bear interest at a fixed rate shall be computed on the basis of a 360-day year of twelve 30 day months and (ii)

interest on any Securities the bear interest at a variable rate shall be computed on the basis of the actual number of days in an interest period divided by 360 or the actual number of days in the year.

SECTION 3.11 CUSIP NUMBERS

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers (in addition to the other identification numbers printed on the Securities) in notices of redemption as a convenience to Holders; PROVIDED that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

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ARTICLE 4

SATISFACTION, DISCHARGE AND COVENANT DEFEASANCE

SECTION 4.1 TERMINATION OF COMPANY'S OBLIGATIONS UNDER THE INDENTURE

Except as otherwise provided as contemplated by Section 3.1, this Indenture shall upon Company Request cease to be of further effect with respect to Securities of or within any series (except as to any surviving rights of registration of transfer or exchange of such Securities and replacement of such Securities which may have been lost, stolen or mutilated as herein expressly provided for) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to such Securities when

(1) either

(A) all such Securities previously authenticated and delivered (other than (i) such Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.6, and (ii) such Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 9.3) have been delivered to the Trustee for cancellation; or

(B) all Securities of such series not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal, premium, if any, and interest, with respect thereto, to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture as to such series have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligation of the Company to the Trustee and any predecessor Trustee under Section 6.8, the obligations of the Company to any Authenticating Agent under Section 6.13 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 4.2 and the last paragraph of Section 9.3 shall survive.

SECTION 4.2 APPLICATION OF TRUST FUNDS

Subject to the provisions of the last paragraph of Section 9.3, all money deposited with the Trustee pursuant to Section 4.1 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal, premium, if any, and any interest for whose payment such money has been deposited with or received by the Trustee, but such money need not be segregated from other funds except to the extent required by law. All moneys deposited with the Trustee pursuant to Section 4.1 (and held by it or any Paying Agent) for the payment of Securities subsequently converted shall be returned to the Company upon Company Request.

SECTION 4.3 APPLICABILITY OF COVENANT DEFEASANCE PROVISIONS; COMPANY'S OPTION TO EFFECT COVENANT DEFEASANCE

If pursuant to Section 3.1 provision is made for covenant defeasance of the Securities of or within a series under Section 4.4, then the provisions of such Section, together with the provisions of Sections 4.5 through 4.8 inclusive, with such modifications thereto as may be specified pursuant to Section 3.1 with respect to any Securities, shall be applicable to such Securities, and the Company may at its option by Board Resolution, at any time, with respect to such Securities, elect to have Section 4.4 (if applicable) be applied to such Outstanding Securities upon compliance with the conditions set forth below in this Article.

SECTION 4.4 COVENANT DEFEASANCE

Upon the Company's exercise of the option specified in Section 4.3 applicable to this Section with respect to any Securities of or within a series, the Company shall be released from its obligations under Sections 7.1, 9.4 and 9.5, and, if specified pursuant to Section 3.1, its obligations under any other covenant, with respect to such Securities on and after the date the conditions set forth in Section 4.5 are satisfied (hereinafter, "covenant defeasance"), and such

Securities shall thereafter be deemed to be not "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with Sections 7.1, 9.4 and 9.5, or such other covenant, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to such Securities, the Company may omit to comply with and shall have

no liability in respect of any term, condition or limitation set forth in any such Section or such other covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or such other covenant or by reason of reference in any such Section or such other covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 5.1(3) or 5.1(7) or otherwise, as the case may be, but, except as specified above, the remainder of this Indenture and such Securities shall be unaffected thereby.

SECTION 4.5 CONDITIONS TO COVENANT DEFEASANCE

The following shall be the conditions to application of Section 4.4 to any Securities of or within a series:

(a) The Company shall have deposited or caused to be deposited irrevocably with the Trustee (or another trustee satisfying the requirements of Section 6.11 who shall agree to comply with, and shall be entitled to the benefits of, the provisions of Sections 4.3 through 4.8 inclusive and the last paragraph of Section 9.3 applicable to the Trustee, for purposes of such Sections also a "Trustee") as trust funds in trust for the purpose of making the payments referred to in clauses (x) and (y) of this Section 4.5(a), specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities, with instructions to the Trustee as to the application thereof, (A) money in an amount, or (B) if Securities of such series are not subject to repayment at the option of Holders, Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment referred to in clause (x) or (y) of this Section 4.5(a), money in an amount or (C) a combination thereof in an amount, sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee to pay and discharge, (x) the principal of, premium, if any, and interest, if any, on such Securities on the Maturity of such principal or installment of principal or interest and (y) any mandatory sinking fund payments applicable to such Securities on the day on which such payments are due and payable in accordance with the terms of this Indenture and such Securities. Before such a deposit the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date or dates in accordance with Article 10 which shall be given effect in applying the foregoing.

(b) Such covenant defeasance shall not result in a breach or violation of, or constitute a Default or Event of Default under, this Indenture or result in a breach or

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violation of, or constitute a default under, any other material agreement or instrument to which the Company is a party or by which it is bound.

(c) No Default or Event of Default under Section 5.1(5) or 5.1(6) with respect to such Securities shall have occurred and be continuing during the period commencing on the date of such deposit and ending on the 91st day after such date (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(d) The Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such Securities will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(e) The Company shall have delivered to the Trustee an Officers'

Certificate and an Opinion of Counsel, each stating that all conditions precedent to the covenant defeasance under Section 4.4 have been complied with and an Opinion of Counsel to the effect that either (i) as a result of a deposit pursuant to subsection (a) above and the related exercise of the Company's option under Section 4.4, registration is not required under the Investment Company Act of 1940, as amended, by the Company, with respect to the trust funds representing such deposit or by the trustee for such trust funds or (ii) all necessary registrations under said act have been effected.

(f) Such covenant defeasance shall be effected in compliance with any additional or substitute terms, conditions or limitations which may be imposed on the Company in connection therewith as contemplated by Section 3.1.

SECTION 4.6 DEPOSITED MONEY AND GOVERNMENT OBLIGATIONS TO BE HELD IN TRUST

Subject to the provisions of the last paragraph of Section 9.3, all money and Government Obligations (or other property as may be provided pursuant to Section 3.1) (including the proceeds thereof) deposited with the Trustee pursuant to Section 4.5 in respect of any Securities of any series shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities of all sums due and to become due thereon in respect of principal, premium, if any, and interest, if any, but such money need not be segregated from other funds except to the extent required by law.

SECTION 4.7 TRANSFERS AND DISTRIBUTION AT COMPANY REQUEST

To the extent permitted by the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 76, as amended or interpreted by the Financial Accounting Standards Board from time to time, or any successor thereto ("Standard No. 76"), or to the

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extent permitted by the Commission, the Trustee shall, from time to time, take one or more of the following actions as specified in a Company Request:

(a) Retransfer, reassign and deliver to the Company any securities deposited with the Trustee pursuant to Section 4.5(a), provided that the Company shall in substitution therefor, simultaneously transfer, assign and deliver to the Trustee other Government Obligations appropriate to satisfy the Company's obligations in respect of the relevant Securities; and

(b) The Trustee (and any Paying Agent) shall promptly pay to the Company upon Company Request any excess money or securities held by them at any time, including, without limitation, any assets deposited with the Trustee pursuant to Section 4.5(a) exceeding those necessary for the purposes of Section 4.5(a).

The Trustee shall not take the actions described in subsections (a) and (b) of this Section 4.7 unless it shall have first received a written report of Arthur Andersen & Co., or another nationally recognized independent public accounting firm, (i) expressing their opinion that the contemplated action is permitted by Standard No. 76 or the Commission, for transactions accounted for as extinguishment of debt under the circumstances described in paragraph 3.c of Standard No. 76 or any successor provision and (ii) verifying the accuracy, after giving effect to such action or actions, of the computations which demonstrate that the amounts remaining to be earned on the Government Obligations deposited with the Trustee pursuant to Section 4.5(a) will be sufficient for purposes of Section 4.5(a).

ARTICLE 5

DEFAULTS AND REMEDIES

SECTION 5.1 EVENTS OF DEFAULT

An "Event of Default" occurs with respect to the Securities of any series if (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) the Company defaults in the payment of interest on any Security of that series or any additional amount payable with respect to any Security of that series as specified pursuant to Section 3.1(b)(14) when the same becomes due and payable and such default continues for a period of 30 days;

(2) the Company defaults in the payment of the principal of or any premium on any Security of that series when the same becomes due and payable at its Maturity or on redemption or otherwise, or in the payment of a mandatory sinking fund payment when and as due by the terms of the Securities of that series, and in each case such default continues for a period of ten days;

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(3) the Company defaults in the performance of, or breaches, any covenant or warranty of the Company in this Indenture with respect to any Security of that series (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and such default or breach continues for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(4) the Company defaults under the terms of any agreement or instrument evidencing or under which the Company has at the date of this Indenture or hereafter outstanding any indebtedness for borrowed money and such indebtedness shall be accelerated so that the same shall be or become due and payable prior to the date on which the same would otherwise become due and payable and the aggregate principal amount thereof so accelerated exceeds \$_____ and such acceleration is not rescinded or annulled within ten days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series a written notice specifying such default and stating that such notice is a "Notice of Default" hereunder; (it being understood, however, that, subject to the provisions of Section 6.1, the Trustee shall not be deemed to have knowledge of such default under such agreement or instrument unless either (A) a Responsible Officer of the Trustee shall have actual knowledge of such default or (B) a Responsible Officer of the Trustee shall have received written notice thereof from the Company, from any Holder, from the holder of any such indebtedness or from the trustee under any such agreement or other instrument); PROVIDED, HOWEVER, that if such default under such agreement or instrument is remedied or cured by the Company or waived by the holders of such indebtedness, then the Event of Default hereunder by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of either the Trustee or any of such Holders;

(5) the Company pursuant to or within the meaning of any Bankruptcy Law (A) commences a voluntary case, (B) consents to the entry of an order for relief against it in an involuntary case, (C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or (D) makes a general assignment for the benefit of its creditors;

(6) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (A) is for relief against the Company in an involuntary case, (B) appoints a Custodian of the Company or for all or substantially all of its property, or (C) orders the liquidation of the Company; and the order or decree remains unstayed and in effect for 90 consecutive days; or

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(7) any other Event of Default provided as contemplated by Section 3.1 with respect to Securities of that series.

The term "Bankruptcy Law" means Title 11, U.S. Code, or any similar federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

SECTION 5.2 ACCELERATION, RESCISSION AND ANNULMENT

If an Event of Default with respect to the Securities of any series at the time Outstanding occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of all of the outstanding Securities of that series, by written notice to the Company (and, if given by the Holders, to the Trustee), may declare the principal (or, if the Securities of that series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be due and payable and upon any such declaration such principal (or, in the case of original Issue Discount Securities or Indexed Securities, such specified amount) shall be immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the outstanding Securities of that series, by written notice to the Trustee, may rescind and annul such declaration and its consequences if all existing Defaults and Events of Default with respect to Securities of that series, other than the nonpayment of the principal of Securities of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 5.7. No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 5.3 COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE

The Company covenants that if

(1) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof and such default continues for a period of 10 days,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal, premium, if any, and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any

overdue principal, premium, if any, and on any overdue interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as

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shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 5.4 TRUSTEE MAY FILE PROOFS OF CLAIM

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders of Securities allowed in any judicial proceedings relating to the Company, its creditors or its property.

SECTION 5.5 TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SECURITIES

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto.

SECTION 5.6 DELAY OR OMISSION NOT WAIVER

No delay or omission by the Trustee or any Holder of any Securities to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of or acquiescence in any such Event of Default.

SECTION 5.7 WAIVER OF PAST DEFAULTS

The Holders of a majority in aggregate principal amount of Outstanding Securities of any series by notice to the Trustee may waive on behalf of the Holders of all Securities of such series a past Default or Event of Default with respect to that series and its consequences except (i) a Default or Event of Default in the payment of the principal of, premium, if any, or interest on any Security of such series or (ii) in respect of a covenant or provision hereof which pursuant to Section 8.2 cannot be amended or modified without the consent of the Holder of each outstanding Security of such series adversely affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture.

SECTION 5.8 CONTROL BY MAJORITY

The Holders of a majority in aggregate principal amount of the Outstanding Securities of each series affected (with each such series voting as a class) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it with respect to Securities of that series;

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PROVIDED, HOWEVER, that (i) the Trustee may refuse to follow any direction that

conflicts with law or this Indenture, (ii) the Trustee may refuse to follow any direction that is unduly prejudicial to the rights of the Holders of Securities of such series not consenting, or that would in the good-faith judgment of the Trustee have a substantial likelihood of involving the Trustee in personal liability and (iii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 5.9 LIMITATION ON SUITS BY HOLDERS

No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) the Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series have made a written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to be, or which may be, incurred by the Trustee in pursuing the remedy;

(4) the Trustee for 60 days after its receipt of such notice, request and the offer of indemnity has failed to institute any such proceedings; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series has not given to the Trustee a direction inconsistent with such written request.

No one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 5.10 RIGHTS OF HOLDERS TO RECEIVE PAYMENT

Notwithstanding any other provision of this Indenture, the right of any Holder of a Security to receive payment of principal of, premium, if any, and, subject to Section 3.7, interest on the Security, on or after the respective due dates expressed in the Security (or, in case of redemption, on the redemption dates) and to convert such Security in accordance with Article 12, and, subject to Section 5.9, to bring suit for the enforcement of any such payment

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and right to convert on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 5.11 APPLICATION OF MONEY COLLECTED

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, premium, if any, or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: to the Trustee for amounts due under Section 6.9;

SECOND: to Holders of Securities in respect of which or for the benefit of which such money has been collected for amounts due and unpaid on such Securities for principal of, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal, premium, if any, and interest, respectively; and

THIRD: to the Company.

SECTION 5.12 RESTORATION OF RIGHTS AND REMEDIES

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 5.13 RIGHTS AND REMEDIES CUMULATIVE

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 3.6, no right or remedy herein conferred upon or reserved to the Trustee or the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

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ARTICLE 6

THE TRUSTEE

SECTION 6.1 CERTAIN DUTIES AND RESPONSIBILITIES

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing with respect to the Securities of any series, the Trustee shall exercise such of the rights and powers vested in it by this Indenture with respect to the Securities of such series, and use the same degree of care and skill in their

exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, EXCEPT that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities of any series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series.

(d) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties

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hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 6.2 RIGHTS OF TRUSTEE

Subject to the provisions of the Trust Indenture Act:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order (other than delivery of any Security to the Trustee for authentication and delivery pursuant to Section 3.3, which shall be sufficiently evidenced as provided therein) and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution.

(c) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate.

(d) The Trustee may consult with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall

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determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney.

(g) The Trustee may act through agents or attorneys and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(h) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(i) The Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 6.3 TRUSTEE MAY HOLD SECURITIES

The Trustee, any Paying Agent, any Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 310(b) and 311 of the Trust Indenture Act, may otherwise deal with the Company, an Affiliate or Subsidiary with the same rights it would have if it were not Trustee, Paying Agent, Registrar or such other agent.

SECTION 6.4 MONEY HELD IN TRUST

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 6.5 TRUSTEE'S DISCLAIMER

The recitals contained herein and in the Securities, except the Trustee's certificate of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities. The Trustee shall not be accountable for the Company's use of the proceeds from the Securities or for monies paid over to the Company pursuant to the Indenture.

SECTION 6.6 NOTICE OF DEFAULTS

If a Default occurs and is continuing with respect to the Securities of

any series and if it is known to the Trustee, the Trustee shall, within 90 days after it occurs, transmit, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, notice of all uncured Defaults known to it; PROVIDED, HOWEVER, that, in the case of a Default in payment on the Securities of any series, the Trustee may withhold the notice if and so long as the board of

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directors, the executive committee or a committee of its Responsible Officers in good faith determines that withholding such notice is in the interests of Holders of Securities of that series; PROVIDED FURTHER that, in the case of any default or breach of the character specified in Section 5.1(3) with respect to the Securities of such series, no such notice to Holders shall be given until at least 60 days after the occurrence thereof.

SECTION 6.7 REPORTS BY TRUSTEE TO HOLDERS

Within 60 days after each May 15 of each year commencing with the first May 15 after the first issuance of Securities pursuant to this Indenture, the Trustee shall transmit by mail to all Holders of Securities as provided in Section 313(c) of the Trust Indenture Act a brief report dated as of such May 15 if required by Section 313(a) of the Trust Indenture Act. The Trustee also shall comply with Section 313(b) and (d) of the Trust Indenture Act.

SECTION 6.8 SECURITYHOLDER LISTS

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders of Securities of each series. If the Trustee is not the Registrar, the Company shall furnish to the Trustee semiannually on or before the last day of June and December in each year, and at such other times as the Trustee may request in writing, a list, in such form and as of such date as the Trustee may reasonably require, containing all the information in the possession of the Registrar, the Company or any of its Paying Agents other than the Trustee as to the names and addresses of Holders of Securities of each such series.

SECTION 6.9 COMPENSATION AND INDEMNITY

(a) The Company shall pay to the Trustee from time to time such compensation as shall be agreed between the Company and the Trustee for all services rendered by it hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it in connection with the performance of its duties under this Indenture, except any such expense as may be attributable to its negligence or bad faith. Such expenses shall include the reasonable compensation and expenses of the Trustee's agents and counsel.

(b) The Company shall indemnify the Trustee for, and hold it harmless against, any loss, liability or expense incurred by it without negligence or bad faith on its part arising out of or in connection with its acceptance or administration of the trust or trusts hereunder. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent.

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(c) The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence or bad faith.

(d) To secure the payment obligations of the Company pursuant to this Section, the Trustee shall have a lien prior to the Securities of any series on all money or property held or collected by the Trustee, except that held in trust to pay principal, premium, if any, and interest on particular Securities.

(e) when the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 5.1(5) or Section 5.1(6), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

(f) The provisions of this Section shall survive the termination of this Indenture.

SECTION 6.10 REPLACEMENT OF TRUSTEE

(a) The resignation or removal of the Trustee and the appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in Section 6.11.

(b) The Trustee may resign at any time with respect to the Securities of any series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 6.11 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities or such series.

(c) The Holders of a majority in aggregate principal amount of the Outstanding Securities of any series may remove the Trustee with respect to that series by so notifying the Trustee and the Company and may appoint a successor Trustee for such series with the Company's consent.

(d) If at any time:

(1) the Trustee fails to comply with Section 310(b) of the Trust Indenture Act after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months; or

(2) the Trustee shall cease to be eligible under Section 310(a) of the Trust Indenture Act and shall fail to resign after written request therefor by the Company or by any Holder of a Security who has been a bona fide Holder of a Security for at least six months; or

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(3) the Trustee becomes incapable of acting, is adjudged a bankrupt or an insolvent or a receiver or public officer takes charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, (i) the Company by or pursuant to a Board Resolution may remove the Trustee with respect to all Securities, or (ii) subject to Section 315(e) of the Trust Indenture Act, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all other similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, with respect to Securities of one or more series, the Company, by or pursuant to Board Resolution, shall promptly appoint a successor Trustee with respect to the Securities of that or those

series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 6.11. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 6.11, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 6.11, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

SECTION 6.11 ACCEPTANCE OF APPOINTMENT BY SUCCESSOR

(a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

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(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and such successor Trustee shall execute and deliver an indenture supplemental hereto wherein such successor Trustee shall accept such appointment and which (i) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, such successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (ii) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (iii) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor

Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under the Trust Indenture Act.

(e) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series in the manner provided for notices to the Holders of Securities in Section 1.6. Each notice shall include the name of the successor Trustee with respect to the securities of such series and the address of its Corporate Trust office.

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SECTION 6.12 ELIGIBILITY; DISQUALIFICATION

There shall at all times be a Trustee hereunder which shall be eligible to act as Trustee under Section 310(a)(1) of the Trust Indenture Act and shall have a combined capital and surplus of at least \$50,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or the requirements of Federal, State Territorial or District of Columbia supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 6.13 MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 6.14 APPOINTMENT OF AUTHENTICATING AGENT

The Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue exchange, registration of transfer, partial conversion or partial redemption thereof, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Any such appointment shall be evidenced by an instrument in writing signed by a Responsible Officer of the Trustee, a copy of which instrument shall be promptly furnished to the Company. Wherever reference is made in this Indenture to the authenticating and delivery of Securities by the Trustee or the Trustee's certificate of

authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and, except as may otherwise be provided pursuant to Section 3.1, shall at all times be a bank or trust company or corporation organized and doing business and in good standing under the laws of the United States of America or of any State or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$10,000,000 and subject to supervision or

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examination by Federal or State authorities. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, PROVIDED, such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent for any series of Securities may at any time resign by giving written notice of resignation to the Trustee for such series and to the Company. The Trustee for any series of Securities may at any time terminate the agency of an Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee for such series may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall give notice of such appointment to all Holders of Securities of the series with respect to which such Authenticating Agent will serve in the manner set forth in Section 1.6. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent herein. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation, including reimbursement of its reasonable expenses for its services under this Section.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to or in lieu of the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

This is one of the Securities of a series issued under the within-mentioned Indenture.

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as Trustee

By _____
as Authenticating Agent

By _____
Authorized Officer

SECTION 6.15 TRUSTEE'S APPLICATION FOR INSTRUCTIONS FROM THE COMPANY

Any application by the Trustee for written instructions from the Company may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than fifteen Business Days after the date any officer of the Company actually receives such application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Trustee shall have received written instructions in response to such application specifying the action to be taken or omitted.

ARTICLE 7

CONSOLIDATION, MERGER OR SALE BY THE COMPANY

SECTION 7.1 CONSOLIDATION, MERGER OR SALE OF ASSETS PERMITTED

The Company may merge or consolidate with or into any other corporation or sell, convey, transfer or otherwise dispose of all or substantially all of its assets to any person, firm or corporation, if (i) (A) in the case of a merger or consolidation, the Company is the surviving corporation or (B) in the case of a merger or consolidation where the Company is not the surviving corporation and in the case of any such sale, conveyance or other disposition, the successor or acquiring corporation is a corporation organized and existing under the laws of the United States or a State thereof and such corporation expressly assumes by supplemental indenture all of the obligations of the Company under the Securities and under this Indenture and shall have provided for conversion rights in accordance with Section 12.11, (ii) immediately thereafter, giving effect to such merger or consolidation, or such sale, conveyance, transfer or other disposition, no Default or Event of Default shall have occurred and be continuing and (iii) the company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such merger or consolidation, or such sale, conveyance, transfer or other disposition, complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with. In the

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event of the assumption by a successor corporation of the obligations of the Company as provided in clause (i)(B) of the immediately preceding sentence, such successor corporation shall succeed to and be substituted for the Company hereunder and under the Securities and all such obligations of the Company shall terminate.

ARTICLE 8

SUPPLEMENTAL INDENTURES

SECTION 8.1 SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into indentures supplemental hereto, in form reasonably satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default with respect to all or any series of Securities; or

(4) to add to or change any of the provisions of this Indenture to such extent as shall be necessary to facilitate the issuance of Securities in bearer form, registrable or not registrable as to principal, and with or without interest coupons, or to facilitate the issuance of Securities in global form; or

(5) to add to, change or eliminate any of the provisions of this Indenture, PROVIDED that any such addition, change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or

(6) to secure the Securities; or

(7) to establish the form or terms of Securities of any series as permitted by Sections 2.1 and 3.2; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to

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or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.10; or

(9) to make provision with respect to the conversion rights of Holders pursuant to the requirements of Section 12.11; or

(10) to correct or supplement any provision herein which may be inconsistent with any other provision herein or to make any other provisions with respect to matters or questions arising under this Indenture, PROVIDED such action shall not adversely affect the interests of the Holders of Securities of any series, or to cure any ambiguity or correct any mistake.

SECTION 8.2 WITH CONSENT OF HOLDERS

With the written consent of the Holders of a majority of the aggregate principal amount of the Outstanding Securities of each series adversely affected by such supplemental indenture, the Company and the Trustee may enter into an indenture or indentures supplemental hereto to add any provisions to or to change or eliminate any provisions of this Indenture or of any other indenture supplemental hereto or to modify the rights of the Holders of Securities of each such series; PROVIDED, HOWEVER, that without the consent of the Holder of each Outstanding Security affected thereby, an

amendment under this Section may not:

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2, or change the coin or currency in which, any Securities or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or adversely affect the right to convert any Security as provided in Article 12 (except as permitted by Section 8.1(9));

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture;

(3) change any obligation of the Company to maintain an office or agency in the places and for the purposes specified in Section 9.2; or

(4) make any change in Section 5.7 or this 8.2(a) except to increase any percentage or to provide that certain other provisions of this Indenture cannot be

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modified or waived with the consent of the Holders of each Outstanding Security affected thereby.

A supplemental indenture that changes or eliminates any covenant or other provision of this Indenture, which has expressly been included solely for the benefit of one or more particular series of Securities, or that modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It is not necessary under this Section 8.2 for the Holders to consent to the particular form of any proposed supplemental indenture, but it is sufficient if they consent to the substance thereof.

SECTION 8.3 COMPLIANCE WITH TRUST INDENTURE ACT

Every supplemental indenture executed pursuant to this Article shall comply with the requirements of the Trust Indenture Act as then in effect.

SECTION 8.4 EXECUTION OF SUPPLEMENTAL INDENTURES

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 8.5 EFFECT OF SUPPLEMENTAL INDENTURES

Upon the execution of any supplemental indenture under this article, this Indenture shall be modified in accordance therewith, and such

supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 8.6 REFERENCE IN SECURITIES TO SUPPLEMENTAL INDENTURES

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

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ARTICLE 9

COVENANTS

SECTION 9.1 PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST

The Company covenants and agrees for the benefit of the Holders of each series of Securities that it will duly and punctually pay the principal of, premium, if any, and interest on the Securities of that series in accordance with the terms of the Securities of such series and this Indenture. An installment of principal or interest shall be considered paid on the date it is due if the Trustee or Paying Agent holds on that date money designated for and sufficient to pay the installment.

SECTION 9.2 MAINTENANCE OF OFFICE OR AGENCY

The Company will maintain in each Place of Payment for any series of Securities an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange, where Securities may be surrendered for conversion and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; PROVIDED, HOWEVER, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Unless otherwise specified as contemplated by Section 3.1, the Trustee shall initially serve as Paying Agent.

SECTION 9.3 MONEY FOR SECURITIES TO BE HELD IN TRUST; UNCLAIMED MONEY

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of, premium, if any, or interest on any of the Securities of

that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal, premium, if any, or interest so becoming

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due until such sums shall be paid to such persons or otherwise disposed of as herein provided and will promptly notify the Trustee in writing of its action or failure so to act.

The Company will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of, premium, if any, or interest on Securities of that series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of that series) in the making of any payment of principal, premium, if any, or interest on the Securities; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of any principal, premium or interest on any Security of any series and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; PROVIDED, HOWEVER, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, or cause to be mailed to such Holder, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

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SECTION 9.4 CORPORATE EXISTENCE

Subject to Article 7, the Company will at all times do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises; PROVIDED that nothing in

this Section 9.4 shall prevent the abandonment or termination of any right or franchise of the Company if, in the opinion of the Company, such abandonment or termination is in the best interests of the Company and does not materially adversely affect the ability of the Company to operate its business or to fulfill its obligations hereunder.

SECTION 9.5 INSURANCE

The Company covenants and agrees that it will maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations or through a program of self-insurance in such amounts and covering such risks as are consistent with sound business practice for corporations engaged in the same or a similar business similarly situated.

SECTION 9.6 REPORTS BY THE COMPANY

The Company covenants:

(a) to file with the Trustee, within 30 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended; or, if the Company is not required to file information, documents or reports pursuant to either of such sections, then to file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to section 13 of the Securities Exchange Act of 1934, as amended, in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture, as may be required from time to time by such rules and regulations; and

(c) to transmit to all Holders of Securities, within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports

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required to be filed by the Company pursuant to subsections (a) and (b) of this Section 9.6, as may be required by rules and regulations prescribed from time to time by the Commission.

SECTION 9.7 ANNUAL REVIEW CERTIFICATE; NOTICE OF DEFAULT

The Company covenants and agrees to deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, a brief certificate from the principal executive officer, principal financial officer, or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 9.7, such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture. The Company shall file with the Trustee written notice of occurrence of any Event of Default within 30 Business Days of its becoming aware of any such Event of Default.

SECTION 9.8 PROVISION OF FINANCIAL STATEMENTS

If the Company is not required to file with the Commission periodic reports and other information pursuant to section 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934, the Company shall furnish without cost to each Holder and file with the Trustee (i) within 135 days after the end of each fiscal year, annual reports containing the information required to be contained in Items 1, 2, 3, 5, 6, 7, 8 and 9 of Form 10-K promulgated under the Securities Exchange Act of 1934, or substantially the same information required to be contained in comparable items of any successor form, (ii) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, quarterly reports containing the information required to be contained in Form 10-Q promulgated under the Securities Exchange Act of 1934, or substantially the same information required to be contained in any successor form and (iii) promptly from the time after the occurrence of an event required to be therein reported, such other reports containing information required to be contained in Form 8-K promulgated under the Securities Exchange Act of 1934, or substantially the same information required to be contained in any successor form. The Company shall also make such reports available to prospective purchasers of the Securities, securities analysts and broker-dealers upon their request.

ARTICLE 10

REDEMPTION

SECTION 10.1 APPLICABILITY OF ARTICLE

Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 3.1 for Securities of any series) in accordance with this Article.

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SECTION 10.2 ELECTION TO REDEEM; NOTICE TO TRUSTEE

The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution or any Officers' Certificate. In the case of any redemption at the election of the Company of less than all the Securities, if any, of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date, of the principal amount of Securities of such series to be redeemed and, if applicable, of the tenor of the Securities to be redeemed. In the case of any redemption of Securities (i) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture or (ii) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

SECTION 10.3 SELECTION OF SECURITIES TO BE REDEEMED

Unless otherwise specified as contemplated by Section 3.1, if less than all the Securities of a series with the same original issue date, interest rate and Stated Maturity are to be redeemed, the Trustee, not more than 45 days prior to the redemption date, shall select the Securities of the series to be redeemed in such manner as the Trustee shall deem fair and appropriate. The Trustee shall make the selection from Securities of the series that are Outstanding and that have not previously been called for redemption and may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities of that series or any integral multiple thereof) of the principal amount of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of

that series. The Trustee shall promptly notify the Company in writing of the Securities selected by the Trustee for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

If any Security selected for partial redemption is converted in part before termination of the conversion right with respect to the portion of the Security so selected, the converted portion of such Security shall be deemed (so far as may be) to be the portion selected for redemption. Securities which have been converted during a selection of Securities to be redeemed shall be treated by the Trustee as Outstanding for the purpose of such selection.

For purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 10.4 NOTICE OF REDEMPTION

Unless otherwise specified as contemplated by Section 3.1, notice of redemption shall be given in the manner provided in Section 1.6 not less than 30 days nor more than 60 days prior to the Redemption Date to the Holders of the Securities to be redeemed.

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All notices of redemption shall state:

- (1) the Redemption Date;
- (2) the Redemption Price;
- (3) if fewer than all the Outstanding Securities of a series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Security or Securities to be redeemed;
- (4) in case any Security is to be redeemed in part only, the notice which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the holder will receive, without a charge, a new Security or Securities of authorized denominations for the principal amount thereof remaining unredeemed;
- (5) the conversion price, the date on which the right to convert the principal of the Securities to be redeemed will terminate and the place or places where such Securities may be surrendered for conversion;
- (6) the Place or Places of Payment where such Securities maturing after the Redemption Date, are to be surrendered for payment for the Redemption Price;
- (7) that Securities of the series called for redemption must be surrendered to the Paying Agent to collect the redemption price;
- (8) that, on the Redemption Date, the Redemption Price will become due and payable upon each such Security, or the portion thereof, to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date;
- (9) that the redemption is for a sinking fund, if such is the case; and

(10) CUSIP number.

Notice of redemption of Securities to be redeemed shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 10.5 DEPOSIT OF REDEMPTION PRICE

On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 9.3) an amount of money sufficient to pay on the Redemption Date the Redemption Price of, and (unless the Redemption Date shall be an Interest Payment Date) interest accrued to the Redemption Date on, all Securities or portions thereof which are to be redeemed on that date other than any Securities called for redemption on that date which have been converted prior to the date of such deposit.

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Unless any Security by its terms prohibits any sinking fund payment obligation from being satisfied by delivering and crediting Securities (including Securities redeemed otherwise than through a sinking fund), the Company may deliver such Securities to the Trustee for crediting against such payment obligation in accordance with the terms of such Securities and this Indenture.

If any Security called for redemption is converted, any money deposited with the Trustee or with any Paying Agent or so segregated and held in trust for the redemption of such Security shall (subject to any right of the Holder of such Security or any Predecessor Security to receive interest as provided in the last paragraph of Section 3.7) be paid to the Company upon Company Request or, if then held by the Company, shall be discharged from such trust.

SECTION 10.6 SECURITIES PAYABLE ON REDEMPTION DATE

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Except as provided in the next succeeding paragraph, upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; PROVIDED, HOWEVER, that, unless otherwise specified as contemplated by Section 3.1, installments of interest on Securities whose Stated Maturity is prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 3.7.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

SECTION 10.7 SECURITIES REDEEMED IN PART

Upon surrender of a Security that is redeemed in part at any Place of Payment therefor (with, if the Company or the Trustee so required, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute and the Trustee shall authenticate and deliver to the Holder of that Security, without service charge, a new Security or Securities of the same series, the same form

and the same Maturity in any authorized denomination equal in aggregate principal amount to the unredeemed portion of the principal of the Security surrendered.

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ARTICLE 11

SINKING FUNDS

SECTION 11.1 APPLICABILITY OF ARTICLE

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 3.1 for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment," and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment." If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 11.2. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

SECTION 11.2 SATISFACTION OF SINKING FUND PAYMENTS WITH SECURITIES

The Company (i) may deliver Outstanding Securities of a series (other than any previously called for redemption) and (ii) may apply as a credit Securities of a series which have been converted pursuant to Article 12 or which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; PROVIDED that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

SECTION 11.3 REDEMPTION OF SECURITIES FOR SINKING FUND

Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities of that series pursuant to Section 11.2 and will also deliver to the Trustee any Securities to be so delivered. Not less than 30 days before each such sinking fund payment date, the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 10.3 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 10.4. Such notice having been

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duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 10.6 and 10.7.

ARTICLE 12

CONVERSION OF SECURITIES

SECTION 12.1 CONVERSION PRIVILEGE

Subject to and upon compliance with the provisions of this Article, at the option of the Holder thereof, Securities of any series or any portion of the principal amount thereof which is \$1,000 or an integral multiple of \$1,000 may be converted at the principal amount thereof, or of such portion thereof, into fully paid and nonassessable shares (calculated as to each conversion to the nearest 1/100 of a share) of Common Stock of the Company, in accordance with the terms of such series of Securities and (except as otherwise specified as contemplated by Section 3.1) in accordance with this Article. In case a Security or portion thereof is called for redemption, such conversion right in respect of the Security or portion so called shall expire at the close of business on the Business Day which is ten days prior to the Redemption Date, unless the Company defaults in making the payment due upon redemption.

The price at which shares of Common Stock shall be delivered upon conversion, which shall be specified as contemplated by Section 3.1, shall be referred to herein as the "conversion price." The conversion price shall be adjusted in certain instances as provided in paragraphs (1), (2), (3), (4) and (7) of Section 12.4.

SECTION 12.2 EXERCISE OF CONVERSION PRIVILEGE

In order to exercise the conversion privilege, the Holder of any Security to be converted shall surrender such Security, duly endorsed or assigned to the Company or in blank, at any office or agency of the Company maintained for that purpose pursuant to Section 9.2, accompanied by written notice to the Company at such office or agency that the Holder elects to convert such Security or, if less than the entire principal amount thereof is to be converted, the portion thereof to be converted. Securities surrendered for conversion during the period from the close of business on any Regular Record Date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date shall (except in the case of Securities or portions thereof which have been called for redemption on a Redemption Date within such period) be accompanied by payment in New York Clearing House funds or other funds acceptable to the Company of an amount equal to the interest payable on such Interest Payment Date on the principal amount of Securities being surrendered for conversion. Except as provided in the preceding sentence and in Section 3.7, no payment or adjustment shall be made upon any conversion on account of any interest accrued on the Securities surrendered for conversion or on account of any dividends on the Common Stock issued upon conversion.

Securities shall be deemed to have been converted immediately prior to the close of business on the day of surrender of such Securities for conversion in accordance with the

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foregoing provisions, and at such time the rights of the Holders of such Securities as Holders shall cease, and the Person or Persons entitled to receive the Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Stock at such time. As promptly as practicable on or after the conversion date, the Company shall issue and shall deliver at such office or agency a certificate or certificates for the number of full shares of Common Stock issuable upon conversion, together with payment in lieu of any fraction of a share, as provided in Section 12.3.

In the case of any Security which is converted in part only, upon such conversion the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Security or Securities of authorized denominations in aggregate principal amount equal

to the uncontroverted portion of the principal amount of such Security.

SECTION 12.3 FRACTIONS OF SHARES

No fractional shares of Common Stock shall be issued upon conversion of Securities. If more than one Security shall be surrendered for conversion at one time by the same Holder, the number of full shares which shall be issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of the Securities (or specified portions thereof) so surrendered. Instead of any fractional share of Common Stock which would otherwise be issuable upon conversion of any Security or Securities (or specified portions thereof), the Company shall pay a cash adjustment in respect of such fraction in an amount equal to the same fraction of the market price per share of Common Stock (as determined by the Board of Directors or in any manner prescribed by the Board of Directors) at the close of business on the day of conversion.

SECTION 12.4 ADJUSTMENT OF CONVERSION PRICE

(1) In case the Company shall pay or make a dividend or other distribution on any class of capital stock of the Company in Common Stock, the conversion price in effect at the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such conversion price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this paragraph (1), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

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(2) In case the Company shall issue rights or warrants to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share (determined as provided in paragraph (6) of this Section) of the Common Stock on the date fixed for the determination of stockholders entitled to receive such rights or warrants, the conversion price in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying such conversion price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such current market price and the denominator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase, such reduction to become effective immediately after the opening of business on the day following the date fixed for determination. For the purposes of this paragraph (2), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not issue any rights or warrants in respect of shares of Common Stock held in the treasury of the Company.

(3) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the conversion price in effect at the opening of business on the day following the day upon which such

subdivision becomes effective shall be proportionately reduced, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the conversion price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(4) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness or assets (including securities, but excluding any rights or warrants referred to in paragraph (2) of this Section, any dividend or distribution paid in cash out of the retained earnings of the Company and any dividend or distribution referred to in paragraph (1) of this Section), the conversion price shall be adjusted so that the same shall equal the price determined by multiplying the conversion price in effect immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution by a fraction of which the numerator shall be the current market price share (determined as provided in paragraph (6) of this Section) of the Common Stock on the date fixed for such determination less the then fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution filed with the Trustee) of the portion of the assets or evidences of indebtedness so distributed applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such adjustment to become effective immediately prior

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to the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such distribution.

(5) The reclassification of Common Stock into securities including other than Common Stock (other than any reclassification upon a consolidation or merger to which Section 12.11 applies) shall be deemed to involve (a) a distribution of such securities other than Common Stock to all holders of Common Stock (and the effective date of such reclassification shall be deemed to be "the date fixed for the determination of stockholders entitled to receive such distribution" and "the date fixed for such determination" within the meaning of paragraph (4) of this Section) and (b) a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective" or "the day upon which such combination becomes effective," as the case may be, and "the day upon which such subdivision or combination becomes effective" within the meaning of paragraph (3) of this Section).

(6) For the purpose of any computation under paragraphs (2) and (4) of this Section, the current market price per share of Common Stock on any date shall be deemed to be the average of the daily closing prices for the five consecutive Trading Days selected by the Company commencing not more than 20 Trading Days before, and ending not later than, the earlier of the day in question and the day before the "ex" date with respect to the issuance or distribution requiring such computation. The closing price for each day shall be the last reported sales price regular way or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices regular way, in either case on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on such Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the Nasdaq National Market, or, if the Common Stock is not listed or admitted to trading on any national securities exchange or quoted on the Nasdaq National Market, the average of the closing bid and asked

prices in the over-the-counter market as furnished by any New York Stock Exchange member firm selected from time to time by the Company for that purpose. For purposes of this paragraph, the term "ex' date", when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on such exchange or in such market without the right to receive such issuance or distribution.

(7) The Company may make such reductions in the conversion price, in addition to those required by paragraphs (1), (2), (3) and (4) of this Section, as it considers to be advisable in order that any event treated for federal income tax purposes as a dividend of stock or stock rights shall not be taxable to the recipients.

SECTION 12.5 NOTICE OF ADJUSTMENTS OF CONVERSION PRICE

Whenever the conversion price is adjusted as herein provided:

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(a) the Company shall compute the adjusted conversion price in accordance with Section 12.4 and shall prepare a certificate signed by the Treasurer of the Company setting forth the adjusted conversion price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed at each office or agency maintained for the purpose of conversion of Securities pursuant to Section 9.2; and

(b) a notice stating that the conversion price has been adjusted and setting forth the adjusted conversion price shall forthwith be required, and as soon as practicable after it is required, such notice shall be mailed by the Company to all Holders at their last addresses as they shall appear in the Register.

SECTION 12.6 NOTICE OF CERTAIN CORPORATE ACTION

In case:

(a) the Company shall declare a dividend (or any other distribution) on its Common Stock payable otherwise than in cash out of its retained earnings; or

(b) the Company shall authorize the granting to the holders of its Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any other rights; or

(c) of any reclassification of the Common Stock of the Company (other than a subdivision or combination of its outstanding shares of Common Stock), or of any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of Securities pursuant to Section 9.2, and shall cause to be mailed to all Holders at their last addresses as they shall appear in the Register, at least 20 days (or ten days in any case specified in clause (a) or (b) above) prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that

holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up.

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SECTION 12.7 COMPANY TO RESERVE COMMON STOCK

The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, for the purpose of effecting the conversion of Securities, the full number of shares of Common Stock then issuable upon the conversion of all outstanding Securities.

SECTION 12.8 TAXES ON CONVERSIONS

The Company will pay any and all taxes that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of Securities pursuant hereto. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that of the Holder of the Security or Securities to be converted, and no such issue or delivery shall be made unless and until the Person requesting such issue has paid to the Company the amount of any such tax, or has established to the satisfaction of the Company that such tax has been paid.

SECTION 12.9 COVENANT AS TO COMMON STOCK

The Company covenants that all shares of Common Stock which may be issued upon conversion of Securities will upon issue be fully paid and nonassessable and, except as provided in Section 12.8, the Company will pay all taxes, liens and charges with respect to the issue thereof.

SECTION 12.10 CANCELLATION OF CONVERTED SECURITIES

All Securities delivered for conversion shall be delivered to the Trustee to be cancelled by or at the direction of the Trustee, which shall dispose of the same as provided in Section 3.9.

SECTION 12.11 PROVISIONS IN CASE OF CONSOLIDATION, MERGER OR SALE OF ASSETS

In case of any consolidation of the Company with, or merger of the Company into, any other Person, any merger of another Person into the Company (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company) or any sale or transfer of all or substantially all of the assets of the Company, the Person formed by such consolidation or resulting from such merger or which acquires such assets, as the case may be, shall execute and deliver to the Trustee a supplemental indenture providing that the Holder of each Security then outstanding shall have the right thereafter, during the period such Security shall be convertible as specified in Section 12.1, to convert such Security only into the kind and amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of Common Stock of the Company into which such Security might have been converted immediately prior to such consolidation, merger, sale or transfer, assuming such holder of Common Stock of the Company (i) is not a Person with which the Company

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consolidated or into which the Company merged or which merged into the Company or to which such sale or transfer was made, as the case may be ("constituent Person"), or an Affiliate of a constituent Person and (ii) failed to exercise

his rights of election, if any, as to the kind or amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer (provided that if the kind or amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer is not the same for each share of Common Stock of the Company held immediately prior to such consolidation, merger, sale or transfer by others than a constituent Person or an Affiliate thereof and in respect of which such rights of election shall not have been exercised ("nonelecting share"), then for the purpose of this Section the kind and amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer by each nonelecting share shall be deemed to be the kind and amount so receivable per share by a plurality of the nonelecting shares). Such supplemental indenture shall provide for adjustments which, for events subsequent to the effective date of such supplemental indenture, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article. The above provisions of this Section shall similarly apply to successive consolidations, mergers, sales or transfers.

The Company shall be solely responsible for performing the duties and responsibilities contained in this Article and the Trustee shall have no responsibility therefor.

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

ALASKA AIR GROUP, INC.

By: _____
Title: Vice President - Finance

[Seal]

Attest

- _____
Title: Vice President

_____, TRUSTEE

By: _____
Title:

[Seal]

Attest:

- _____
Title:

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ALASKA AIR GROUP, INC., ISSUER

TO

, TRUSTEE

INDENTURE

DATED AS OF _____, 199__

CONVERTIBLE SUBORDINATED DEBT SECURITIES

Reconciliation and tie between Indenture, dated as of _____, 199__,
and the Trust Indenture Act of 1939, as amended.

TRUST INDENTURE ACT
OF 1939 SECTION

INDENTURE
SECTION

310 (a) (1)	6.12
(a) (2)	6.12
(a) (3)	TIA
(a) (4)	Not applicable
(a) (5)	TIA
(b)	6.10; 6.12; TIA
311 (a)	TIA
(b)	TIA
312 (a)	6.8
(b)	TIA
(c)	TIA
313 (a)	6.7; TIA
(b)	TIA
(c)	TIA
(d)	TIA
314 (a)	9.6; 9.7; TIA
(b)	Not applicable
(c) (1)	1.2

(c) (2)	1.2
(c) (3)	Not applicable
(d)	Not applicable
(e)	TIA
(f)	TIA
315(a)	TIA
(b)	6.6
(c)	TIA
(d) (1)	TIA
(d) (2)	TIA
(d) (3)	TIA
(e)	TIA
316(a) (last sentence)	1.1
(a) (1) (A)	5.2; 5.8
(a) (1) (B)	5.7
(b)	5.9; 5.10
(c)	TIA
317(a) (1)	5.3
(a) (2)	5.4
(b)	9.3
318(a)	1.11
(b)	TIA
(c)	1.11; TIA

This reconciliation and tie section does not constitute part of the Indenture.

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INDENTURE, dated as of _____, 199__, from ALASKA AIR GROUP, INC., a Delaware corporation (the "Company"), as issuer, to _____, a _____ corporation, as Trustee (the "Trustee").

RECITALS

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured convertible subordinated debentures, notes or other evidences of indebtedness ("Securities") to be issued in one or more series as herein provided.

All things necessary to make the Securities, when executed by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed as follows for the equal and ratable benefit of the Holders of the Securities:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.1 DEFINITIONS

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

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

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

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

(4) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"AFFILIATE" of any specified Person means any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether

through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"AGENT" means any Paying Agent or Registrar.

AUTHENTICATING AGENT" means any authenticating agent appointed by the Trustee pursuant to Section 6.13.

"AUTHORIZED NEWSPAPER" means a newspaper of general circulation, in the English language, customarily published on each Business Day whether or not published on Saturdays, Sundays or holidays, and of general circulation in the place in connection with which the term is used or in the financial community of such place. Whenever successive publications in an Authorized Newspaper are required hereunder they may be made (unless otherwise expressly provided herein) on any Business Day and in the same or different Authorized Newspapers.

"BOARD" or "BOARD OF DIRECTORS" means the Board of Directors of the

Company, the Executive Committee or any other duly authorized committee thereof.

"BOARD RESOLUTION" means a copy of a resolution of the Board of Directors, certified by the Corporate Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"BUSINESS DAY," when used with respect to any Place of Payment or any other particular location referred to in this Indenture or in the Securities, means, unless otherwise specified with respect to any Securities pursuant to Section 3.1, each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment or particular location are authorized or obligated by law or executive order to close.

"COMMISSION" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"COMMON STOCK" includes any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which is not subject to redemption by the Company. However, subject to the provisions of Section 12.11, shares issuable on conversion of Securities shall include only shares of the class designated as Common Stock of the Company at the date of this instrument or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which are not subject to redemption

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by the Company; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

"COMPANY" means the Person named as the Company in the first paragraph of this Indenture until one or more successor corporations shall have become such pursuant to the applicable provisions of this Indenture, and thereafter means such successors.

"COMPANY ORDER" and "COMPANY REQUEST" mean, respectively, a written order or request signed in the name of the Company by the Chairman of the Board, the President, any Executive Vice President or any Senior Vice President, signing alone, by any Vice President signing together with the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary of the Company, or, with respect to Sections 3.3, 3.4, 3.5 and 6.1, any other employee of the Company named in an Officers' Certificate delivered to the Trustee.

"CORPORATE TRUST OFFICE" means the principal office of the Trustee at which at any particular time its corporate trust business shall be principally administered.

"CORPORATION" includes corporations, associations, companies and business trusts.

"DEFAULT" means any event which is, or after notice or passage of time, or

both, would be, an Event of Default.

"GOVERNMENT OBLIGATIONS" means securities which are (i) direct obligations of the United States or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States, which are not callable or redeemable at the option of the issuer thereof, and shall also include a depositary receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depositary receipt, PROVIDED that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Government Obligation evidenced by such depositary receipt.

"HOLDER" means a person in whose name a Security is registered on the Register.

"INDENTURE" means this Indenture as originally executed or as amended or supplemented from time to time and shall include the forms and terms (but not defined terms established in an Officers' Certificate or a Board Resolution) of particular series of Securities established as contemplated by Section 2.1 and Section 3.1.

"INDEXED SECURITY" means a Security the terms of which provide that the principal amount thereof payable at Stated Maturity may be more or less than the principal face amount thereof at original issuance.

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"INTEREST," when used with respect to an Original Issue Discount Security which by its terms bears interest only after maturity, means interest payable after maturity.

"INTEREST PAYMENT DATE," when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"MATURITY," when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"OFFICER" means the Chairman of the Board of Directors, the President, any Executive Vice President, any Senior Vice President, any Vice President or the Corporate Secretary of the Company.

"OFFICERS' CERTIFICATE" means a certificate signed by the Chairman of the Board, the President, any Executive Vice President or any Senior Vice President, signing alone, or by any Vice President signing together with the Corporate Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company.

"OPINION OF COUNSEL" means a written opinion of legal counsel, who may be (a) the senior attorney employed by the Company, (b) Perkins Coie, or (c) other counsel designated by the Company and who shall be reasonably acceptable to the Trustee.

"ORIGINAL ISSUE DISCOUNT SECURITY" means any Security which provides for an amount less than the stated principal amount thereof to be due and payable upon declaration of acceleration of the Maturity thereof pursuant to Section 5.2.

"OUTSTANDING," when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities PROVIDED that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provisions therefor satisfactory to the Trustee have been made;

(iii) Securities, except to the extent provided in Sections 4.4 and 4.5, with respect to which the Company has effected defeasance and/or covenant defeasance as provided in Article 4; and

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(iv) Securities which have been paid pursuant to Section 3.6 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

PROVIDED, HOWEVER, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, or whether sufficient funds are available for redemption or for any other purpose, and for the purpose of making the calculations required by section 313 of the Trust Indenture Act, (x) the principal amount of any Original Issue Discount Securities that may be counted in making such determination or calculation and that shall be deemed to be Outstanding for such purpose shall be equal to the amount of principal thereof that would be (or shall have been declared to be) due and payable, at the time of such determination, upon a declaration of acceleration of the maturity thereof pursuant to Section 5.2, and (y) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in making such calculation or in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"PAYING AGENT" means any Person authorized by the Company to pay the principal of, premium, if any, or interest on any Securities on behalf of the Company.

"PERIODIC OFFERING" means an offering of Securities of a series from time to time the specific terms of which Securities, including, without limitation, the rate or rates of interest or formula for determining the rate or rates of interest thereon, if any, the Stated Maturity or Stated Maturities thereof, the original issue date or dates thereof, the redemption provisions, if any,

with respect thereto, and any other terms specified as contemplated by Section 3.1 with respect thereto, are to be determined by the Company upon the issuance of such Securities.

"PERSON" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PLACE OF PAYMENT," when used with respect to the Securities of or within any series, means the place or places where, subject to the provisions of Section 9.2 the principal of, premium, if any, and interest on such Securities are payable as specified as contemplated by Section 3.1.

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"PREDECESSOR SECURITY" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.6 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"REDEMPTION DATE," when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"REDEMPTION PRICE," when used with respect to any Security to be redeemed, in whole or in part, means the price at which it is to be redeemed pursuant to this Indenture.

"REGULAR RECORD DATE" for the interest payable on any Interest Payment Date on the Securities of or within any series means the date specified for that purpose as contemplated by Section 3.1.

"RESPONSIBLE OFFICER," when used with respect to the Trustee, shall mean the chairman or any vice chairman of the board of directors, the chairman or any vice chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any senior vice president, any vice president, any assistant vice president, the secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any senior trust officer, any trust officer, the controller, any assistant controller, or any other officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, and also means, with respect to a particular corporate trust matter, any other officer to whom such corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

"SECURITY" or "SECURITIES" has the meaning stated in the first recital of this Indenture and more particularly means any Security or Securities of the Company issued, authenticated and delivered under this Indenture.

"SENIOR INDEBTEDNESS" means all Indebtedness of the Company (other than the Securities), unless such Indebtedness, by its terms or the terms of the instrument creating or evidencing it, is subordinate in right of payment to or PARI PASSU with the Securities.

"SPECIAL RECORD DATE" for the payment of any Defaulted Interest on the Securities of any issue means a date fixed by the Trustee pursuant to Section 3.7.

"STATED MATURITY," when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified

in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"SUBSIDIARY" means any corporation of which the Company at the time owns or controls, directly or indirectly, more than 50% of the shares of outstanding stock having general voting power under ordinary circumstances to elect a majority of the Board of

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Directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency).

"TRADING DAY" means each Monday, Tuesday, Wednesday, Thursday and Friday, other than any day on which securities are not traded on the applicable securities exchange or in the applicable securities market.

"TRUSTEE" means the party named as such in the first paragraph of this Indenture until a successor Trustee replaces it pursuant to the applicable provisions of this Indenture, and thereafter means such successor Trustee and if, at any time, there is more than one Trustee, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to the Securities of that series.

"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939, as amended, as in effect on the date of this Indenture, except as provided in Section 8.3.

"YIELD TO MATURITY" means the yield to maturity, calculated by the Company at the time of issuance of a series of Securities or, if applicable, at the most recent determination of interest on such series, in accordance with accepted financial practice.

(b) The following terms shall have the meanings specified in the Sections referred to opposite such term below:

TERM	SECTION
"Act"	1.4(a)
"Bankruptcy Law"	5.1
"Custodian"	5.1
"Defaulted Interest"	3.7(b)
"Event of Default"	5.1
"Register"	3.5
"Registrar"	3.5
"Valuation Date"	3.7(c)

SECTION 1.2 COMPLIANCE CERTIFICATES AND OPINIONS

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture

relating to such particular application or request, no additional certificate or opinion need be furnished.

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Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than pursuant to Sections 2.3, 3.3 and 9.7) shall include:

- (1) a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and
- (4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 1.3 FORM OF DOCUMENT DELIVERED TO TRUSTEE

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificates or opinions of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations as to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 1.4 ACTS OF HOLDERS

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar

tenor signed by such Holders in

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person or by agent duly appointed in writing. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other reasonable manner which the Trustee deems sufficient.

(c) The ownership of Securities shall be proved by the Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(e) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to an Officers' Certificate delivered to the Trustee, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed to consent to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; PROVIDED that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of clause (a) of this Section 1.4 not later than six months after the record date.

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SECTION 1.5 NOTICES, ETC., TO TRUSTEE AND COMPANY

Any request, demand, authorization, direction, notice, consent, waiver or

Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Trustee Administration, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at Alaska Airlines, Inc., P.O. Box 68947, Seattle, Washington 98168, Attention: Vice President-Finance or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 1.6 NOTICE TO HOLDERS; WAIVER

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided or otherwise agreed to by a Holder) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Register, within the time prescribed for the giving of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Any notice mailed to a Holder in the manner herein prescribed shall be conclusively deemed to have been received by such Holder, whether or not such Holder actually receives such notice.

If by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice as provided above, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 1.7 HEADINGS AND TABLE OF CONTENTS

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

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SECTION 1.8 SUCCESSORS AND ASSIGNS

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.9 SEPARABILITY

In case any provision of this Indenture or the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.10 BENEFITS OF INDENTURE

Nothing in this Indenture or in the Securities, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.11 GOVERNING LAW

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. This Indenture is subject to the Trust Indenture Act and if any provision hereof limits, qualifies or conflicts with the Trust Indenture Act, the Trust Indenture Act shall control.

SECTION 1.12 LEGAL HOLIDAYS

In any case where any Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity of any Security or the last date on which a Holder has the right to convert his Securities shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture of any Security other than a provision in the Securities of any series which specifically states that such provision shall apply in lieu of this Section) payment of principal, premium, if any, or interest or conversion of the Securities need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on such date; PROVIDED that no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity, or on such last day for conversion, as the case may be.

ARTICLE 2

SECURITY FORMS

SECTION 2.1 FORMS GENERALLY

The Securities of each series shall be in substantially the form set forth in this Article, or in such other form or forms as shall be established by delivery to the Trustee of an Officers'

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Certificate or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities as evidenced by their execution of the Securities. If temporary Securities of any series are issued as permitted by Section 3.4, the form thereof also shall be established as provided in the preceding sentence. If the form of Securities of any series are established by an Officers' Certificate, such Officers' Certificate shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 3.3 for the authentication and delivery of such Securities.

The permanent Securities shall be printed, lithographed or engraved or produced by any combination of these methods or may be produced in any other manner, all as determined by the officers executing such Securities as evidenced by their execution of such Securities.

SECTION 2.2 FORM OF FACE OF SECURITY

[IF THE SECURITY IS AN ORIGINAL ISSUE DISCOUNT SECURITY, INSERT--FOR PURPOSES OF SECTIONS 1273 AND 1275 OF THE UNITED STATES INTERNAL REVENUE CODE,

THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ON THIS SECURITY IS % OF ITS
PRINCIPAL AMOUNT AND THE ISSUE DATE IS , 19 [, -- AND] THE YIELD TO
MATURITY IS %. [THE METHOD USED TO DETERMINE THE YIELD IS
AND THE AMOUNT OF ORIGINAL ISSUE DISCOUNT APPLICABLE TO THE SHORT ACCRUAL
PERIOD OF , 19 TO , 19 IS
% OF THE PRINCIPAL AMOUNT OF THIS SECURITY.]]

ALASKA AIR GROUP, INC.

0% CONVERTIBLE SUBORDINATED

DUE

\$

No.

ALASKA AIR GROUP, INC., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company," which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to

or registered assigns, the principal sum of _____ Dollars on _____ [IF THE SECURITY IS TO BEAR INTEREST PRIOR TO MATURITY, INSERT--, and to pay interest thereon from _____ or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on _____ and _____ in each year, commencing _____, [IF THE SECURITY IS TO BEAR INTEREST AT A FIXED RATE, INSERT--at the rate of _____ % per annum] [IF THE SECURITY IS TO BEAR INTEREST AT AN ADJUSTABLE RATE, INSERT--at a rate per annum computed or determined in accordance with the provisions below], until the principal hereof is paid or made available for _____

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payment [IF APPLICABLE, INSERT--, and (to the extent that the payment of such interest shall be legally enforceable) at the rate of % per annum on any overdue principal and premium and on any overdue installment of interest]. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the or (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture].

[IF THE SECURITY IS NOT TO BEAR INTEREST PRIOR TO MATURITY, INSERT--The principal of this Security shall not bear interest except in the case of a default in payment of principal upon acceleration or redemption or at the Stated Maturity and in such case the overdue principal of this Security shall bear interest at the rate of _____ % per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such default in payment to the date payment of such principal has been made or duly provided for. Interest on any overdue principal shall be payable on demand. Any such interest on any overdue principal that is not so paid on demand shall bear interest at the rate of _____ % per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such demand for payment to the date payment of such

interest has been made or duly provided for, and such interest shall also be payable on demand.]

Payment of the principal of (and premium, if any, on) and [IF APPLICABLE, INSERT--any such] interest on this Security will be made at the office or agency of the Company maintained for that purpose in the City and State of New York in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts [IF APPLICABLE, INSERT--; PROVIDED, HOWEVER, that at the option of the Company payment of interest may be made by check mailed on or before the relevant Interest Payment Date to the address of the Person entitled thereto as such address shall appear in the Register].

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

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IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

ALASKA AIR GROUP, INC.

By _____

Attest:

SECTION 2.3 FORM OF REVERSE OF SECURITY

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities") issued and to be issued in one or more series under an Indenture, dated as of _____, 1994 (herein called the "Indenture"), between the Company (which term includes any successor corporation under the Indenture) [, Alaska Air Group, Inc., as Guarantor (the "Guarantor")] and _____, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture with respect to the series of which this Security is a part), to which the Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof[, limited in aggregate principal amount to \$ _____].

Subject to and upon compliance with the provisions of the Indenture, the Holder of this Security is entitled, at his option, at any time on or before the close of business on _____, _____, or in case this Security or a portion hereof is called for redemption, then in respect of this Security or such portion hereof until and including, but (unless the Company defaults in making the payment due upon redemption) not after, the close of business on the Business Day which is ten days prior to the Redemption Date, to convert this Security (or any portion of the principal amount hereof which is \$1,000 or an integral multiple thereof), at the principal amount hereof, or of such portion, into fully paid and non-assessable shares (calculated as to each

conversion to the nearest 1/100 of a share) of Common Stock of the Company at a conversion price equal to \$_____ aggregate principal amount of Securities for each share of Common Stock (or at the current adjusted conversion price if an adjustment has been made as provided in the Indenture) by surrender of this Security, duly endorsed or assigned to the Company or in blank, to the Company at its office or agency in _____, accompanied by written notice to the Company that the Holder hereof elects to convert this Security, or if less than the entire principal amount hereof is to be converted, the portion hereof to be converted, and, in case such surrender shall be made during the period from the close of business on any Regular Record Date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date (unless this Security or the portion thereof

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being converted has been called for redemption on a Redemption Date within such period), also accompanied by payment in New York Clearing House or other funds acceptable to the Company of an amount equal to the interest payable on such Interest Payment Date on the principal amount of this Security then being converted. Subject to the aforesaid requirement for payment and, in the case of a conversion after the Regular Record Date next preceding any Interest Payment Date and on or before such Interest Payment Date, to the right of the Holder of this Security (or any Predecessor Security) of record at such Regular Record Date to receive an installment of interest (with certain exceptions provided in the Indenture), no payment or adjustment is to be made on conversion for interest accrued hereon or for dividends on the Common Stock issued on conversion. No fractions of shares or scrip representing fractions of shares will be issued on conversion, but instead of any fractional interest the Company shall pay a cash adjustment as provided in the Indenture. The conversion price is subject to adjustment as provided in the Indenture. In addition, the Indenture provides that in case of certain consolidations or mergers to which the Company is a party or the transfer of substantially all of the assets of the Company, the Indenture shall be amended, without the consent of any Holders of Securities, so that this Security, if then outstanding, will be convertible thereafter, during the period this Security shall be convertible as specified above, only into the kind and amount of securities, cash and other property receivable upon the consolidation, merger or transfer by a holder of the number of shares of Common Stock into which this Security might have been converted immediately prior to such consolidation, merger or transfer (assuming such holder of Common Stock failed to exercise any rights of election and received per share the kind and amount received per share by a plurality of nonelecting shares).

The indebtedness evidenced by the Securities is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all indebtedness and obligations of the Company as are defined in the Indenture as "Senior Indebtedness," and this Security is issued subject to the provisions of the Indenture with respect thereto, and each Holder of this Security, by accepting the same, agrees to and shall be bound by such provisions. Each Holder of this Security, by accepting the same, agrees that each holder of Senior Indebtedness, whether created or acquired before or after the issuance of this Security, shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Indebtedness.

[IF APPLICABLE, INSERT--The Securities of this series are subject to redemption upon not less than 30 days' notice by mail, [IF APPLICABLE, INSERT--(1) on _____ in any year commencing with the year _____ and ending with the year _____ at a Redemption Price equal to _____ % of the principal amount and (2)] at any time [on or after 19], as a whole or in part, at the election of the Company, at the following Redemption Prices (expressed as percentages of the principal amount): If redeemed [on or before _____, _____ %, and if redeemed] during the 12-month period beginning _____ of the years indicated,

Year	Redemption Price	Year	Redemption Price
----	-----	----	-----

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and thereafter at a Redemption Price equal to __% of the principal amount, together in the case of any such redemption with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Regular Record Dates referred to on the face hereof, all as provided in the Indenture.]

[IF APPLICABLE, INSERT--The Securities of this series are subject to redemption upon not less than 30 days' notice by mail, (1) on _____ in any year commencing with the year _____ and ending with the year _____ through operation of the sinking fund for this series at the Redemption Prices for redemption through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below and (2) at any time [on or after _____], as a whole or in part, at the election of the Company, at the Redemption Prices for redemption otherwise than through operation of the sinking fund (expressed as percentages of the principal amount) set forth in the table below: If redeemed during the 12-month period beginning _____ of the years indicated,

	Redemption Price for Redemption Through Operation of the Sinking Fund	Redemption Price for Redemption Otherwise Than Through Operation of the Sinking Fund
Year	-----	-----
----	-----	-----

and thereafter at a Redemption Price equal to ____% of the principal amount, together in the case of any such redemption (whether through operation of the sinking fund or otherwise) with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Regular Record Dates referred to on the face hereof, all as provided in the Indenture.]

[Notwithstanding the foregoing, the Company may not, prior to _____, redeem any Securities of this series as contemplated by [Clause (2) of] the preceding paragraph as a part of, or in anticipation of, any refunding operation by the application, directly or indirectly, of moneys borrowed having an interest cost to the Company (calculated in accordance with generally accepted financial practice) of less than ____% per annum.]

[The sinking fund for this series provides for the redemption on _____ in each year beginning with the year _____ and ending with the year _____ of [not less than] \$_____ [("mandatory sinking fund")] and not more than

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\$_____ aggregate principal amount of Securities of this series.
[Securities of this series converted pursuant to the Indenture or acquired or redeemed by the Company otherwise than through [mandatory] sinking fund

payments may be credited against subsequent [mandatory] sinking fund payments otherwise required to be made in the [DESCRIBE ORDER] order in which they become due.]]

[In the event of redemption or conversion of this Security in part only, a new Security or Securities of this series for the unredeemed or unconverted portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.]

[IF APPLICABLE, INSERT--The Securities of this series are subject to the covenant defeasance provisions set forth in Article Four of the Indenture.]

[IF THE SECURITY IS NOT AN ORIGINAL ISSUE DISCOUNT SECURITY, INSERT--If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.]

[IF THE SECURITY IS AN ORIGINAL ISSUE DISCOUNT SECURITY, INSERT--If an Event of Default with respect to Securities of this series shall occur and be continuing, an amount of principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture. Such amount shall be equal to--INSERT FORMULA FOR DETERMINING THE AMOUNT. Upon payment (i) of the amount of principal so declared due and payable and (ii) of interest on any overdue principal and overdue interest (in each case to the extent that the payment of such interest shall be legally enforceable), all the Company's obligations in respect of the payment of the principal of and interest, if any, on the Securities of this series shall terminate.]

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Outstanding Securities of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Outstanding Securities of each series, on behalf of the Holders of all Outstanding Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the amount of principal of (and premium, if any, on) and interest, if any,

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on this Security herein provided, and at the times, place and rate, and in the coin or currency, herein prescribed or to convert this Security as provided in the Indenture.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any, on) and interest, if any, on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the

Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of \$_____ and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of different authorized denominations as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company nor the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

FORM OF CONVERSION NOTICE

To: ALASKA AIR GROUP, INC.

The undersigned owner of this Security hereby irrevocably exercises the option to convert this Security, or portion hereof (which is \$1,000 or an integral multiple thereof) below designated, into shares of Common Stock of Alaska Air Group, Inc. in accordance with the terms of the Indenture referred to in this Security, and directs that the shares issuable and deliverable upon the conversion, together with any check in payment for fractional shares and any Securities representing any unconverted principal amount hereof, be issued and delivered to the registered holder hereof unless a different name has been indicated below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all

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transfer taxes payable with respect thereto. Any amount required to be paid by the undersigned on account of interest accompanies this Security.

Dated:

Fill in for registration of shares
of Common Stock and Securities if
to be issued otherwise than to the
registered holder.

Principal Amount to be converted
(in an integral multiple of \$1,000,
if less than all):

\$_____

- -----
Name

- -----
Address

(Please print name and
address (including
zip code number))

Signature

SOCIAL SECURITY OR OTHER
TAXPAYER IDENTIFYING
NUMBER

SECTION 2.4 FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

The Trustee's certificate of authentication shall be in substantially the following form:

This is one of the Securities of a series issued under the within-mentioned Indenture.

_____,
as Trustee

By

Authorized Signatory

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ARTICLE 3

THE SECURITIES

SECTION 3.1 AMOUNT UNLIMITED; ISSUABLE IN SERIES

(a) The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued from time to time in one or more series.

(b) The following matters shall be established and (subject to Section 3.3) set forth, or determined in the manner provided, in an Officers' Certificate and a Board Resolution of the Company or one or more indentures supplemental hereto:

(1) the title of the Securities of the series (which title shall distinguish the Securities of the series from all other Securities);

(2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (which limit shall not pertain to (i) Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 3.4, 3.5, 3.6, 8.6, or 10.7 and (ii) any Securities which, pursuant to the last paragraph of Section 3.3, are deemed never to have been authenticated and delivered thereunder);

(3) the date or dates on which the principal of the Securities of the series is payable or the method of determination thereof;

(4) the rate or rates at which the Securities of the series shall bear interest, if any, or the method of calculating such rate or rates of interest, the date or dates from which such interest shall accrue or the method by which such date or dates shall be determined, the Interest Payment Dates on which any such interest shall be payable and the Regular

Record Date, if any, for the interest payable on any Interest Payment Date;

(5) the place or places where, subject to the provisions of Section 9.2, the principal of, premium, if any, and interest, if any, on Securities of the series shall be payable;

(6) the period or periods within which, the price or prices at which, and the other terms and conditions upon which, Securities of the series may be redeemed, in whole or in part, at the option of the Company and, if other than as provided in Section 10.3, the manner in which the particular Securities of such series (if less than all Securities of such series are to be redeemed) are to be selected for redemption;

(7) the obligation, if any, of the Company to redeem or purchase Securities of the series pursuant to any sinking fund or analogous provisions or upon the happening of a specified event or at the option of a Holder thereof and the period or

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periods within which, the price or prices at which, and the other terms and conditions upon which, Securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(8) if other than denominations of \$1,000 and any integral multiple thereof, the denominations in which Securities of the series shall be issuable;

(9) if the amount of payments or principal of, premium, if any, and interest, if any, on the Securities of the series shall be determined with reference to an index, formula or other method, the index, formula or other method by which such amounts shall be determined;

(10) if other than the principal amount thereof, the portion of the principal amount of such Securities of the series which shall be payable upon declaration of the acceleration thereof pursuant to Section 5.2 or the method by which such portion shall be determined;

(11) if other than as provided in Section 3.7, the Person to whom any interest on any Security of the series shall be payable and the extent to which, or the manner in which (including any certification requirement and other terms and conditions under which), any interest payable on a temporary Security on an Interest Payment Date will be paid if other than in the manner provided in Section 3.4, as applicable;

(12) provisions, if any, granting special rights to the Holders of Securities of the series upon the occurrence of such events as may be specified;

(13) any deletions from, modifications of or additions to the Events of Default set forth in Section 5.1 or covenants of the Company set forth in Article 9 pertaining to the Securities of the series;

(14) under what circumstances, if any, the Company will pay additional amounts on the Securities of that series held by a Person who is not a U.S. Person in respect of taxes or similar charges withheld or deducted and, if so, whether the Company will have the option to redeem such Securities rather than pay such additional amounts (and the terms of any such option);

(15) the date as of which any temporary Security representing outstanding Securities of the series shall be dated if other than the date of original issuance of the first Security of the series to be issued;

(16) the applicability, if any, to the Securities of or within the series of Sections 4.4 and 4.5, or such other means of defeasance or covenant defeasance as may be specified for the Securities of such series;

(17) if other than the Trustee, the identity of the Registrar and any Paying Agent;

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(18) any terms which may be related to warrants issued by the Company in connection with, or for the purchase of, Securities of such series, including whether and under what circumstances the Securities of any series may be used toward the exercise price of any such warrants;

(19) whether Guarantees will be endorsed on Securities of the series, and, if so, the terms of the Guarantees if other than as specified in Section 12.2;

(20) the terms and conditions upon which Securities of the series will be convertible into shares of Common Stock of the Company; and

(21) any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture), including any terms which may be required by or advisable under United States laws or regulations or advisable in connection with the marketing of Securities of the series.

(c) All Securities of any one series shall be substantially identical except as to denomination and the rate or rates of interest, if any, and Stated Maturity, the date from which interest, if any, shall accrue and except as may otherwise be provided in or pursuant to an Officers' Certificate pursuant to this Section 3.1 or in an indenture supplemental hereto. All Securities of any one series need not be issued at the same time and, unless otherwise provided, a series may be reopened, without the consent of the Holders, for issuances of additional Securities of such series or for the establishment of additional terms with respect to the Securities of such series.

(d) If any of the terms of the Securities of any series are established by action taken pursuant to a Board Resolution, a copy of such Board Resolution shall be certified by the Corporate Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth, or providing the manner for determining, the terms of the Securities of such series, and an appropriate record of any action taken pursuant thereto in connection with the issuance of any Securities of such series shall be delivered to the Trustee prior to the authentication and delivery thereof. With respect to Securities of a series subject to a Periodic Offering, such Board Resolution or Officers' Certificate may provide general terms for Securities of such series and provide either that the specific terms of particular Securities of such series shall be specified in a Company Order or that such terms shall be determined by the Company, or one or more of the Company's agents designated in an Officers' Certificate, in accordance with the Company Order as contemplated by the first proviso of the third paragraph of Section 3.3

SECTION 3.2 DENOMINATIONS

The Securities of each series shall be issuable only in definitive registered form without coupons and in such denominations as shall be specified as contemplated by Section 3.1. In the absence of any such provisions with respect to the Securities of any series, the Securities of such series shall be issuable in denominations of \$1,000 and any integral multiple thereof.

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SECTION 3.3 EXECUTION, AUTHENTICATION, DELIVERY AND DATING

Securities shall be executed on behalf of the Company by the Chairman, President or Chief Executive Officer and attested to by the Secretary of the Company. The Company's seal shall be affixed to the Securities, or a facsimile of such seal shall be engraved, printed, or otherwise reproduced on the Securities. The signatures of such officers on the Securities may be manual or facsimile signatures of the present or any future such authorized officers and may be imprinted or otherwise reproduced on the Securities.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and make available for delivery such Securities, and the Trustee in accordance with the Company Order shall authenticate and deliver such Securities; PROVIDED, HOWEVER, that in the case of Securities offered in a Periodic Offering, the Trustee shall authenticate and deliver such Securities from time to time in accordance with such other procedures (including, without limitation, the receipt by the Trustee of oral or electronic instructions from the Company or its duly authorized agents, promptly confirmed in writing) acceptable to the Trustee as may be specified by or pursuant to a Company Order delivered to the Trustee prior to the time of the first authentication of Securities of such series.

If the form or terms of the Securities of a series have been established by or pursuant to one or more Officers' Certificates as permitted by Sections 2.1 and 3.1, in authenticating such Securities and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to section 315(a) through (d) of the Trust Indenture Act) shall be fully protected in relying upon, an Opinion of Counsel stating,

(1) that the forms and terms of such Securities have been established in conformity with the provisions of this Indenture; and

(2) that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to customary exceptions;

PROVIDED, HOWEVER, that, with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive such Opinion of Counsel only once at or prior to the time of the first authentication of Securities of such series and that the Opinion of Counsel above may state:

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(x) that the forms of such Securities have been, and the terms of such Securities (when established in accordance with such procedures as may be specified from time to time in a Company Order, all as contemplated by and in accordance with a Board Resolution or an Officers' Certificate pursuant to Section 3.1, as the case may be) will have been, established in conformity with the provisions of this Indenture; and

(y) that such Securities, when (1) executed by the Company, (2) completed, authenticated and delivered by the Trustee in accordance with this Indenture, and (3) issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to customary exceptions.

With respect to Securities of a series subject to a Periodic Offering, the Trustee may conclusively rely, as to the authorization by the Company of any of such Securities, the form and terms thereof and the legality, validity, binding effect and enforceability thereof, upon the Opinion of Counsel and other documents delivered pursuant to Sections 2.1 and 3.1 of this Section, as applicable, at or prior to the time of the first authentication of Securities of such series unless and until it has received written notification that such opinion or other documents have been superseded or revoked. In connection with the authentication and delivery of Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to assume that the Company's instructions to authenticate and deliver such Securities do not violate any rules, regulations or orders of any governmental agency or commission having jurisdiction over the Company.

If the form or terms of the Securities of a series have been established by or pursuant to one or more Officers' Certificates as permitted by Sections 2.1 and 3.1, the Trustee shall have the right to decline to authenticate such Securities if the issue of such Securities pursuant to this Indenture will adversely affect the Trustee's own rights, duties or immunities under this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Notwithstanding the provisions of Section 3.1 and of the two preceding paragraphs, if all of the Securities of any series are not to be issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 3.1 at or prior to the time of the authentication of each Security of such series if the Officers' Certificate is delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefits under this Indenture or be valid or obligatory for any purpose until authenticated by the manual signature of one of the authorized signatories of the Trustee or an Authenticating Agent. Such signature upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered under this Indenture and is entitled to the benefits of this Indenture.

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Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 3.9 together with a written statement (which need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall not be entitled to the benefits of this Indenture.

SECTION 3.4 TEMPORARY SECURITIES

Pending the preparation of definitive Securities of any series, the Company may execute and, upon Company Order, the Trustee shall authenticate and deliver temporary Securities of such series which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor and form of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Company will cause

permanent Securities of such series to be prepared without unreasonable delay. After preparation of such permanent Securities, the temporary Securities shall be exchangeable for such permanent Securities of like tenor upon surrender of the temporary Securities of such series at the office or agency of the Company pursuant to Section 9.2 in a Place of Payment for such series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of Permanent Securities of the same series of authorized denominations and of like tenor. Until so exchanged, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as permanent Securities of such series except as otherwise specified as contemplated by Section 3.1.

SECTION 3.5 REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE

The Company shall cause to be kept at the Corporate Trust Office of the Trustee or in any office or agency to be maintained by the Company in accordance with Section 9.2 in a Place of Payment a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and the registration of transfers of Securities. The Register shall be in written form or any other form capable of being converted into written form within a reasonable time. The Trustee is hereby appointed "Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security of any series at the office or agency maintained pursuant to Section 9.2 in a Place of Payment for that series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated

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transferee or transferees, one or more new Securities of the same series, of any authorized denominations and of a like aggregate principal amount and tenor.

At the option of the Holder, Securities of any series may be exchanged for other Securities of the same series, of any authorized denominations and of like aggregate principal amount containing identical terms and provisions, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

Whenever any Securities are surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or upon any exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of such transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company, the Registrar or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to those of the Company, the Registrar and the Trustee requiring such written instrument of transfer duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or for any exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration or transfer or exchange of Securities,

other than exchanges pursuant to Section 3.4 or 10.7 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of, or exchange any Securities for a period beginning at the opening of business 15 days before any selection for redemption of Securities of like tenor and of the series of which such Security is a part and ending at the close of business on the earliest date on which the relevant notice of redemption is deemed to have been given to all Holders of Securities of like tenor and of such series to be redeemed or (ii) to register the transfer of or exchange of any Security so selected for redemption, in whole or in part, except the unredeemed portion of any Security being redeemed in part.

SECTION 3.6 REPLACEMENT SECURITIES

If a mutilated Security is surrendered to the Trustee, together with, in proper cases, such security or indemnity as may be required by the Company or the Trustee to save each of them harmless, the Company shall execute and the Trustee shall authenticate and deliver a

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replacement Security of the same series and date of maturity, if the Trustee's requirements are met.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agency of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver in lieu of any such destroyed, lost or stolen Security, a replacement Security of the same series and principal amount, containing identical terms and provisions and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee connected therewith).

Every new Security of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security, shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 3.7 PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED

Unless otherwise provided as contemplated by Section 3.1, interest, if any, on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest at the office or agency maintained for such purpose pursuant to Section 9.2; PROVIDED, HOWEVER, that, at the option of the Company, interest on any series of Securities that

bear interest may be paid (i) by check mailed to the address of the Person entitled thereto as it shall appear on the Register of Holders of Securities of such series or (ii) to the extent specified as contemplated by Section 3.1, by wire transfer to an account maintained by the Person entitled thereto as specified in the Register of Holders of Securities of such series.

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Unless otherwise provided as contemplated by Section 3.1, any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any interest payment date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause (1) provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Securities of such series at his address as it appears in the Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a specified date in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause (2), such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section and Section 3.5, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

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In the case of any Security which is converted after any Regular Record

Date and on or prior to the next succeeding Interest Payment Date (other than any Security whose Maturity is prior to such Interest Payment Date), interest whose Stated Maturity is on such Interest Payment Date shall be payable on such Interest Payment Date notwithstanding such conversion, and such interest (whether or not punctually paid or duly provided for) shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on such Regular Record Date. Except as otherwise expressly provided in the immediately preceding sentence, in the case of any Security which is converted, interest whose Stated Maturity is after the date of conversion of such Security shall not be payable.

SECTION 3.8 PERSONS DEEMED OWNERS

Prior to due presentment of any Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of, premium, if any, and (subject to Section 3.7) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 3.9 CANCELLATION

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and any Paying Agent shall forward to the Trustee any Securities surrendered to them for replacement, for registration of transfer, or for exchange, conversion or payment. The Trustee shall cancel all Securities surrendered for replacement, for registration of transfer, or for exchange, conversion, payment, redemption or cancellation and may dispose of cancelled Securities and issue a certificate of destruction to the Company. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation, except as expressly permitted in the terms of Securities for any particular series or as permitted pursuant to the terms of this Indenture.

SECTION 3.10 COMPUTATION OF INTEREST

Except as otherwise specified as contemplated by Section 3.1 (i) interest of any Securities that bear interest at a fixed rate shall be computed on the basis of a 360-day year of twelve 30 day months and (ii) interest on any Securities the bear interest at a variable rate shall be computed on the basis of the actual number of days in an interest period divided by 360 or the actual number of days in the year.

SECTION 3.11 CUSIP NUMBERS

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers (in addition to the other identification

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numbers printed on the Securities) in notices of redemption as a convenience to Holders; PROVIDED that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE 4

SATISFACTION, DISCHARGE AND COVENANT DEFEASANCE

SECTION 4.1 TERMINATION OF COMPANY'S OBLIGATIONS UNDER THE INDENTURE

Except as otherwise provided as contemplated by Section 3.1, this Indenture shall upon Company Request cease to be of further effect with respect to Securities of or within any series (except as to any surviving rights of registration of transfer or exchange of such Securities and replacement of such Securities which may have been lost, stolen or mutilated as herein expressly provided for) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to such Securities when

(1) either

(A) all such Securities previously authenticated and delivered (other than (i) such Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.6, and (ii) such Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 9.3) have been delivered to the Trustee for cancellation; or

(B) all Securities of such series not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

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and the Company, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal, premium, if any, and interest, with respect thereto, to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture as to such series have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligation of the Company to the Trustee and any predecessor Trustee under Section 6.8, the obligations of the Company to any Authenticating Agent under Section 6.13 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 4.2 and the last paragraph of Section 9.3 shall survive.

SECTION 4.2 APPLICATION OF TRUST FUNDS

Subject to the provisions of the last paragraph of Section 9.3, all money deposited with the Trustee pursuant to Section 4.1 shall be held in trust and

applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal, premium, if any, and any interest for whose payment such money has been deposited with or received by the Trustee, but such money need not be segregated from other funds except to the extent required by law. All moneys deposited with the Trustee pursuant to Section 4.1 (and held by it or any Paying Agent) for the payment of Securities subsequently converted shall be returned to the Company upon Company Request.

SECTION 4.3 APPLICABILITY OF COVENANT DEFEASANCE PROVISIONS; COMPANY'S OPTION TO EFFECT COVENANT DEFEASANCE

If pursuant to Section 3.1 provision is made for covenant defeasance of the Securities of or within a series under Section 4.4, then the provisions of such Section, together with the provisions of Sections 4.5 through 4.8 inclusive, with such modifications thereto as may be specified pursuant to Section 3.1 with respect to any Securities, shall be applicable to such Securities, and the Company may at its option by Board Resolution, at any time, with respect to such Securities, elect to have Section 4.4 (if applicable) be applied to such Outstanding Securities upon compliance with the conditions set forth below in this Article.

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SECTION 4.4 COVENANT DEFEASANCE

Upon the Company's exercise of the option specified in Section 4.3 applicable to this Section with respect to any Securities of or within a series, the Company shall be released from its obligations under Sections 7.1, 9.4 and 9.5, and, if specified pursuant to Section 3.1, its obligations under any other covenant, with respect to such Securities on and after the date the conditions set forth in Section 4.5 are satisfied (hereinafter, "covenant defeasance"), and such Securities shall thereafter be deemed to be not "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with Sections 7.1, 9.4 and 9.5, or such other covenant, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to such Securities, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Section or such other covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or such other covenant or by reason of reference in any such Section or such other covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 5.1(3) or 5.1(7) or otherwise, as the case may be, but, except as specified above, the remainder of this Indenture and such Securities shall be unaffected thereby.

SECTION 4.5 CONDITIONS TO COVENANT DEFEASANCE

The following shall be the conditions to application of Section 4.4 to any Securities of or within a series:

- (a) The Company shall have deposited or caused to be deposited irrevocably with the Trustee (or another trustee satisfying the requirements of Section 6.11 who shall agree to comply with, and shall be entitled to the benefits of, the provisions of Sections 4.3 through 4.8 inclusive and the last paragraph of Section 9.3 applicable to the Trustee, for purposes of such Sections also a "Trustee") as trust funds in trust for the purpose of making the payments referred to in clauses (x) and (y) of this Section 4.5(a), specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities, with instructions to the Trustee as to the application thereof, (A) money in an amount, or

(B) if Securities of such series are not subject to repayment at the option of Holders, Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment referred to in clause (x) or (y) of this Section 4.5(a), money in an amount or (C) a combination thereof in an amount, sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee to pay and discharge, (x) the principal of, premium, if any, and interest, if any, on such Securities on the Maturity of such principal or installment of principal or interest and (y) any mandatory sinking fund payments applicable to such Securities on the day on which such payments are due and payable in accordance with the terms of this Indenture and

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such Securities. Before such a deposit the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date or dates in accordance with Article 10 which shall be given effect in applying the foregoing.

(b) Such covenant defeasance shall not result in a breach or violation of, or constitute a Default or Event of Default under, this Indenture or result in a breach or violation of, or constitute a default under, any other material agreement or instrument to which the Company is a party or by which it is bound.

(c) No Default or Event of Default under Section 5.1(5) or 5.1(6) with respect to such Securities shall have occurred and be continuing during the period commencing on the date of such deposit and ending on the 91st day after such date (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(d) The Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such Securities will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(e) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the covenant defeasance under Section 4.4 have been complied with and an Opinion of Counsel to the effect that either (i) as a result of a deposit pursuant to subsection (a) above and the related exercise of the Company's option under Section 4.4, registration is not required under the Investment Company Act of 1940, as amended, by the Company, with respect to the trust funds representing such deposit or by the trustee for such trust funds or (ii) all necessary registrations under said act have been effected.

(f) Such covenant defeasance shall be effected in compliance with any additional or substitute terms, conditions or limitations which may be imposed on the Company in connection therewith as contemplated by Section 3.1.

SECTION 4.6 DEPOSITED MONEY AND GOVERNMENT OBLIGATIONS TO BE HELD IN TRUST

Subject to the provisions of the last paragraph of Section 9.3, all money and Government Obligations (or other property as may be provided pursuant to Section 3.1) (including the proceeds thereof) deposited with the Trustee pursuant to Section 4.5 in respect of any Securities of any series shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through

any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities of all sums due and to become due thereon in respect of principal, premium, if any, and interest, if any, but such money need not be segregated from other funds except to the extent required by law.

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SECTION 4.7 TRANSFERS AND DISTRIBUTION AT COMPANY REQUEST

To the extent permitted by the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 76, as amended or interpreted by the Financial Accounting Standards Board from time to time, or any successor thereto ("Standard No. 76"), or to the extent permitted by the Commission, the Trustee shall, from time to time, take one or more of the following actions as specified in a Company Request:

(a) Retransfer, reassign and deliver to the Company any securities deposited with the Trustee pursuant to Section 4.5(a), provided that the Company shall in substitution therefor, simultaneously transfer, assign and deliver to the Trustee other Government Obligations appropriate to satisfy the Company's obligations in respect of the relevant Securities; and

(b) The Trustee (and any Paying Agent) shall promptly pay to the Company upon Company Request any excess money or securities held by them at any time, including, without limitation, any assets deposited with the Trustee pursuant to Section 4.5(a) exceeding those necessary for the purposes of Section 4.5(a).

The Trustee shall not take the actions described in subsections (a) and (b) of this Section 4.7 unless it shall have first received a written report of Arthur Andersen & Co., or another nationally recognized independent public accounting firm, (i) expressing their opinion that the contemplated action is permitted by Standard No. 76 or the Commission, for transactions accounted for as extinguishment of debt under the circumstances described in paragraph 3.c of Standard No. 76 or any successor provision and (ii) verifying the accuracy, after giving effect to such action or actions, of the computations which demonstrate that the amounts remaining to be earned on the Government Obligations deposited with the Trustee pursuant to Section 4.5(a) will be sufficient for purposes of Section 4.5(a).

ARTICLE 5

DEFAULTS AND REMEDIES

SECTION 5.1 EVENTS OF DEFAULT

An "Event of Default" occurs with respect to the Securities of any series if (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) the Company defaults in the payment of interest on any Security of that series or any additional amount payable with respect to any Security of that series as specified pursuant to Section 3.1(b)(14) when the same becomes due and payable and such default continues for a period of 30 days;

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(2) the Company defaults in the payment of the principal of or any

premium on any Security of that series when the same becomes due and payable at its Maturity or on redemption or otherwise, or in the payment of a mandatory sinking fund payment when and as due by the terms of the Securities of that series, and in each case such default continues for a period of ten days;

(3) the Company defaults in the performance of, or breaches, any covenant or warranty of the Company in this Indenture with respect to any Security of that series (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and such default or breach continues for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(4) the Company defaults under the terms of any agreement or instrument evidencing or under which the Company has at the date of this Indenture or hereafter outstanding any indebtedness for borrowed money and such indebtedness shall be accelerated so that the same shall be or become due and payable prior to the date on which the same would otherwise become due and payable and the aggregate principal amount thereof so accelerated exceeds \$_____ and such acceleration is not rescinded or annulled within ten days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series a written notice specifying such default and stating that such notice is a "Notice of Default" hereunder; (it being understood, however, that, subject to the provisions of Section 6.1, the Trustee shall not be deemed to have knowledge of such default under such agreement or instrument unless either (A) a Responsible Officer of the Trustee shall have actual knowledge of such default or (B) a Responsible Officer of the Trustee shall have received written notice thereof from the Company, from any Holder, from the holder of any such indebtedness or from the trustee under any such agreement or other instrument); PROVIDED, HOWEVER, that if such default under such agreement or instrument is remedied or cured by the Company or waived by the holders of such indebtedness, then the Event of Default hereunder by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of either the Trustee or any of such Holders;

(5) the Company pursuant to or within the meaning of any Bankruptcy Law (A) commences a voluntary case, (B) consents to the entry of an order for relief against it in an involuntary case, (C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or (D) makes a general assignment for the benefit of its creditors;

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(6) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (A) is for relief against the Company in an involuntary case, (B) appoints a Custodian of the Company or for all or substantially all of its property, or (C) orders the liquidation of the Company; and the order or decree remains unstayed and in effect for 90 consecutive days; or

(7) any other Event of Default provided as contemplated by Section 3.1 with respect to Securities of that series.

The term "Bankruptcy Law" means Title 11, U.S. Code, or any similar federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy

Law.

SECTION 5.2 ACCELERATION, RESCISSION AND ANNULMENT

If an Event of Default with respect to the Securities of any series at the time Outstanding occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of all of the outstanding Securities of that series, by written notice to the Company (and, if given by the Holders, to the Trustee), may declare the principal (or, if the Securities of that series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be due and payable and upon any such declaration such principal (or, in the case of original Issue Discount Securities or Indexed Securities, such specified amount) shall be immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the outstanding Securities of that series, by written notice to the Trustee, may rescind and annul such declaration and its consequences if all existing Defaults and Events of Default with respect to Securities of that series, other than the nonpayment of the principal of Securities of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 5.7. No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 5.3 COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE

The Company covenants that if

- (1) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or
- (2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof and such default continues for a period of 10 days,

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the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal, premium, if any, and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal, premium, if any, and on any overdue interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 5.4 TRUSTEE MAY FILE PROOFS OF CLAIM

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders of Securities allowed in any judicial proceedings relating to the

Company, its creditors or its property.

SECTION 5.5 TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SECURITIES

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto.

SECTION 5.6 DELAY OR OMISSION NOT WAIVER

No delay or omission by the Trustee or any Holder of any Securities to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of or acquiescence in any such Event of Default.

SECTION 5.7 WAIVER OF PAST DEFAULTS

The Holders of a majority in aggregate principal amount of Outstanding Securities of any series by notice to the Trustee may waive on behalf of the Holders of all Securities of such series a past Default or Event of Default with respect to that series and its consequences except (i) a Default or Event of Default in the payment of the principal of, premium, if any, or interest on any Security of such series or (ii) in respect of a covenant or provision hereof which pursuant to Section 8.2 cannot be amended or modified without the consent of the Holder of each outstanding Security of such series adversely affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture.

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SECTION 5.8 CONTROL BY MAJORITY

The Holders of a majority in aggregate principal amount of the Outstanding Securities of each series affected (with each such series voting as a class) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it with respect to Securities of that series; PROVIDED, HOWEVER, that (i) the Trustee may refuse to follow any direction that conflicts with law or this Indenture, (ii) the Trustee may refuse to follow any direction that is unduly prejudicial to the rights of the Holders of Securities of such series not consenting, or that would in the good-faith judgment of the Trustee have a substantial likelihood of involving the Trustee in personal liability and (iii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 5.9 LIMITATION ON SUITS BY HOLDERS

No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) the Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series have made a written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to be, or which may be, incurred by the Trustee in pursuing the remedy;

(4) the Trustee for 60 days after its receipt of such notice, request and the offer of indemnity has failed to institute any such proceedings; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series has not given to the Trustee a direction inconsistent with such written request.

No one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

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SECTION 5.10 RIGHTS OF HOLDERS TO RECEIVE PAYMENT

Notwithstanding any other provision of this Indenture, the right of any Holder of a Security to receive payment of principal of, premium, if any, and, subject to Section 3.7, interest on the Security, on or after the respective due dates expressed in the Security (or, in case of redemption, on the redemption dates) and to convert such Security in accordance with Article 12, and, subject to Section 5.9, to bring suit for the enforcement of any such payment and right to convert on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 5.11 APPLICATION OF MONEY COLLECTED

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, premium, if any, or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: to the Trustee for amounts due under Section 6.9;

SECOND: to Holders of Securities in respect of which or for the benefit of which such money has been collected for amounts due and unpaid on such Securities for principal of, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal, premium, if any, and interest, respectively; and

THIRD: to the Company.

SECTION 5.12 RESTORATION OF RIGHTS AND REMEDIES

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 5.13 RIGHTS AND REMEDIES CUMULATIVE

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 3.6, no right or remedy herein conferred upon or reserved to the

Trustee or the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right

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or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

ARTICLE 6

THE TRUSTEE

SECTION 6.1 CERTAIN DUTIES AND RESPONSIBILITIES

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing with respect to the Securities of any series, the Trustee shall exercise such of the rights and powers vested in it by this Indenture with respect to the Securities of such series, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, EXCEPT that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities of any series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series.

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(d) No provision of this Indenture shall require the Trustee to expend or

risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 6.2 RIGHTS OF TRUSTEE

Subject to the provisions of the Trust Indenture Act:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order (other than delivery of any Security to the Trustee for authentication and delivery pursuant to Section 3.3, which shall be sufficiently evidenced as provided therein) and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution.

(c) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate.

(d) The Trustee may consult with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note or other paper or

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document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney.

(g) The Trustee may act through agents or attorneys and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(h) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its

rights or powers.

(i) The Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 6.3 TRUSTEE MAY HOLD SECURITIES

The Trustee, any Paying Agent, any Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 310(b) and 311 of the Trust Indenture Act, may otherwise deal with the Company, an Affiliate or Subsidiary with the same rights it would have if it were not Trustee, Paying Agent, Registrar or such other agent.

SECTION 6.4 MONEY HELD IN TRUST

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 6.5 TRUSTEE'S DISCLAIMER

The recitals contained herein and in the Securities, except the Trustee's certificate of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities. The Trustee shall not be accountable for the Company's use of the proceeds from the Securities or for monies paid over to the Company pursuant to the Indenture.

SECTION 6.6 NOTICE OF DEFAULTS

If a Default occurs and is continuing with respect to the Securities of any series and if it is known to the Trustee, the Trustee shall, within 90 days after it occurs, transmit, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, notice of all

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uncured Defaults known to it; PROVIDED, HOWEVER, that, in the case of a Default in payment on the Securities of any series, the Trustee may withhold the notice if and so long as the board of directors, the executive committee or a committee of its Responsible Officers in good faith determines that withholding such notice is in the interests of Holders of Securities of that series; PROVIDED FURTHER that, in the case of any default or breach of the character specified in Section 5.1(3) with respect to the Securities of such series, no such notice to Holders shall be given until at least 60 days after the occurrence thereof.

SECTION 6.7 REPORTS BY TRUSTEE TO HOLDERS

Within 60 days after each May 15 of each year commencing with the first May 15 after the first issuance of Securities pursuant to this Indenture, the Trustee shall transmit by mail to all Holders of Securities as provided in Section 313(c) of the Trust Indenture Act a brief report dated as of such May 15 if required by Section 313(a) of the Trust Indenture Act. The Trustee also shall comply with Section 313(b) and (d) of the Trust Indenture Act.

SECTION 6.8 SECURITYHOLDER LISTS

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders of Securities of each series. If the Trustee is not the Registrar, the Company shall furnish to the Trustee semiannually on or before the last day of June and December in each year, and at such other times as the Trustee may request in writing, a list, in such form and as of such date as the Trustee may reasonably require, containing all the information in the possession of the Registrar, the Company or any of its Paying Agents other than the Trustee as to the names and addresses of Holders of Securities of each such series.

SECTION 6.9 COMPENSATION AND INDEMNITY

(a) The Company shall pay to the Trustee from time to time such compensation as shall be agreed between the Company and the Trustee for all services rendered by it hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it in connection with the performance of its duties under this Indenture, except any such expense as may be attributable to its negligence or bad faith. Such expenses shall include the reasonable compensation and expenses of the Trustee's agents and counsel.

(b) The Company shall indemnify the Trustee for, and hold it harmless against, any loss, liability or expense incurred by it without negligence or bad faith on its part arising out of or in connection with its acceptance or administration of the trust or trusts hereunder. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent.

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(c) The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence or bad faith.

(d) To secure the payment obligations of the Company pursuant to this Section, the Trustee shall have a lien prior to the Securities of any series on all money or property held or collected by the Trustee, except that held in trust to pay principal, premium, if any, and interest on particular Securities.

(e) when the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 5.1(5) or Section 5.1(6), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

(f) The provisions of this Section shall survive the termination of this Indenture.

SECTION 6.10 REPLACEMENT OF TRUSTEE

(a) The resignation or removal of the Trustee and the appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in Section 6.11.

(b) The Trustee may resign at any time with respect to the Securities of any series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 6.11 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities or such series.

(c) The Holders of a majority in aggregate principal amount of the Outstanding Securities of any series may remove the Trustee with respect to that series by so notifying the Trustee and the Company and may appoint a successor Trustee for such series with the Company's consent.

(d) If at any time:

(1) the Trustee fails to comply with Section 310(b) of the Trust Indenture Act after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months; or

(2) the Trustee shall cease to be eligible under Section 310(a) of the Trust Indenture Act and shall fail to resign after written request therefor by the Company or by any Holder of a Security who has been a bona fide Holder of a Security for at least six months; or

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(3) the Trustee becomes incapable of acting, is adjudged a bankrupt or an insolvent or a receiver or public officer takes charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, (i) the Company by or pursuant to a Board Resolution may remove the Trustee with respect to all Securities, or (ii) subject to Section 315(e) of the Trust Indenture Act, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all other similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, with respect to Securities of one or more series, the Company, by or pursuant to Board Resolution, shall promptly appoint a successor Trustee with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 6.11. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 6.11, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 6.11, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

SECTION 6.11 ACCEPTANCE OF APPOINTMENT BY SUCCESSOR

(a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers and duties of the retiring Trustee; but, on the request of the Company or the

successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

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(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and such successor Trustee shall execute and deliver an indenture supplemental hereto wherein such successor Trustee shall accept such appointment and which (i) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, such successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (ii) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (iii) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under the Trust Indenture Act.

(e) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series in the manner provided for notices to the Holders of Securities in Section 1.6. Each notice shall include the name of the successor Trustee with respect to the securities of such series and the address of its Corporate Trust office.

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SECTION 6.12 ELIGIBILITY; DISQUALIFICATION

There shall at all times be a Trustee hereunder which shall be eligible to act as Trustee under Section 310(a)(1) of the Trust Indenture Act and shall

have a combined capital and surplus of at least \$50,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or the requirements of Federal, State Territorial or District of Columbia supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 6.13 MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 6.14 APPOINTMENT OF AUTHENTICATING AGENT

The Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue exchange, registration of transfer, partial conversion or partial redemption thereof, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Any such appointment shall be evidenced by an instrument in writing signed by a Responsible Officer of the Trustee, a copy of which instrument shall be promptly furnished to the Company. Wherever reference is made in this Indenture to the authenticating and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and, except as may otherwise be provided pursuant to Section 3.1, shall at all times be a bank or trust company or corporation organized and doing business and in good standing under the laws of the United States of America or of any State or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$10,000,000 and subject to supervision or

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examination by Federal or State authorities. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent

shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, PROVIDED, such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent for any series of Securities may at any time resign by giving written notice of resignation to the Trustee for such series and to the Company. The Trustee for any series of Securities may at any time terminate the agency of an Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee for such series may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall give notice of such appointment to all Holders of Securities of the series with respect to which such Authenticating Agent will serve in the manner set forth in Section 1.6. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent herein. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation, including reimbursement of its reasonable expenses for its services under this Section.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to or in lieu of the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

This is one of the Securities of a series issued under the within-mentioned Indenture.

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_____,
as Trustee

By _____
as Authenticating Agent

By _____
Authorized Officer

SECTION 6.15 TRUSTEE'S APPLICATION FOR INSTRUCTIONS FROM THE COMPANY

Any application by the Trustee for written instructions from the Company may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than fifteen Business Days after the date any officer of the Company actually receives such application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Trustee shall have received written instructions in response to such application specifying the action to be taken or omitted.

ARTICLE 7

CONSOLIDATION, MERGER OR SALE BY THE COMPANY

SECTION 7.1 CONSOLIDATION, MERGER OR SALE OF ASSETS PERMITTED

The Company may merge or consolidate with or into any other corporation or sell, convey, transfer or otherwise dispose of all or substantially all of its assets to any person, firm or corporation, if (i) (A) in the case of a merger or consolidation, the Company is the surviving corporation or (B) in the case of a merger or consolidation where the Company is not the surviving corporation and in the case of any such sale, conveyance or other disposition, the successor or acquiring corporation is a corporation organized and existing under the laws of the United States or a State thereof and such corporation expressly assumes by supplemental indenture all of the obligations of the Company under the Securities and under this Indenture and shall have provided for conversion rights in accordance with Section 12.11, (ii) immediately thereafter, giving effect to such merger or consolidation, or such sale, conveyance, transfer or other disposition, no Default or Event of Default shall have occurred and be continuing and (iii) the company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such merger or consolidation, or such sale, conveyance, transfer or other disposition, complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with. In the

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event of the assumption by a successor corporation of the obligations of the Company as provided in clause (i)(B) of the immediately preceding sentence, such successor corporation shall succeed to and be substituted for the Company hereunder and under the Securities and all such obligations of the Company shall terminate.

ARTICLE 8

SUPPLEMENTAL INDENTURES

SECTION 8.1 SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into indentures supplemental hereto, in form reasonably satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default with respect to all or any series of Securities; or

(4) to add to or change any of the provisions of this Indenture to such extent as shall be necessary to facilitate the issuance of Securities in bearer form, registrable or not registrable as to principal, and with or without interest coupons, or to facilitate the issuance of Securities in global form; or

(5) to add to, change or eliminate any of the provisions of this Indenture, PROVIDED that any such addition, change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or

(6) to secure the Securities; or

(7) to establish the form or terms of Securities of any series as permitted by Sections 2.1 and 3.2; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to

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or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.10; or

(9) to make provision with respect to the conversion rights of Holders pursuant to the requirements of Section 12.11; or

(10) to correct or supplement any provision herein which may be inconsistent with any other provision herein or to make any other provisions with respect to matters or questions arising under this Indenture, PROVIDED such action shall not adversely affect the interests of the Holders of Securities of any series, or to cure any ambiguity or correct any mistake.

SECTION 8.2 WITH CONSENT OF HOLDERS

With the written consent of the Holders of a majority of the aggregate principal amount of the Outstanding Securities of each series adversely affected by such supplemental indenture, the Company and the Trustee may enter into an indenture or indentures supplemental hereto to add any provisions to or to change or eliminate any provisions of this Indenture or of any other indenture supplemental hereto or to modify the rights of the Holders of Securities of each such series; PROVIDED, HOWEVER, that without the consent of the Holder of each Outstanding Security affected thereby, an amendment under this Section may not:

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2, or change the coin or currency in which, any Securities or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or adversely affect the right to convert any Security as provided in Article 12 (except as permitted by Section 8.1(9)), or modify the provisions of this Indenture with respect to the subordination of the Securities in a manner adverse to the Holders;

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture;

(3) change any obligation of the Company to maintain an office or agency in the places and for the purposes specified in Section 9.2; or

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(4) make any change in Section 5.7 or this 8.2(a) except to increase any percentage or to provide that certain other provisions of this Indenture cannot be modified or waived with the consent of the Holders of each Outstanding Security affected thereby.

A supplemental indenture that changes or eliminates any covenant or other provision of this Indenture, which has expressly been included solely for the benefit of one or more particular series of Securities, or that modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It is not necessary under this Section 8.2 for the Holders to consent to the particular form of any proposed supplemental indenture, but it is sufficient if they consent to the substance thereof.

SECTION 8.3 COMPLIANCE WITH TRUST INDENTURE ACT

Every supplemental indenture executed pursuant to this Article shall comply with the requirements of the Trust Indenture Act as then in effect.

SECTION 8.4 EXECUTION OF SUPPLEMENTAL INDENTURES

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 8.5 EFFECT OF SUPPLEMENTAL INDENTURES

Upon the execution of any supplemental indenture under this article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 8.6 REFERENCE IN SECURITIES TO SUPPLEMENTAL INDENTURES

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

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ARTICLE 9

COVENANTS

SECTION 9.1 PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST

The Company covenants and agrees for the benefit of the Holders of each series of Securities that it will duly and punctually pay the principal of, premium, if any, and interest on the Securities of that series in accordance with the terms of the Securities of such series and this Indenture. An installment of principal or interest shall be considered paid on the date it is due if the Trustee or Paying Agent holds on that date money designated for and sufficient to pay the installment.

SECTION 9.2 MAINTENANCE OF OFFICE OR AGENCY

The Company will maintain in each Place of Payment for any series of Securities an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange, where Securities may be surrendered for conversion and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; PROVIDED, HOWEVER, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Unless otherwise specified as contemplated by Section 3.1, the Trustee shall initially serve as Paying Agent.

SECTION 9.3 MONEY FOR SECURITIES TO BE HELD IN TRUST; UNCLAIMED MONEY

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of, premium, if any, or interest on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal, premium, if any, or interest so becoming

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due until such sums shall be paid to such persons or otherwise disposed of as herein provided and will promptly notify the Trustee in writing of its action or failure so to act.

The Company will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

- (1) hold all sums held by it for the payment of the principal of, premium, if any, or interest on Securities of that series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of that series) in the making of any payment of principal, premium, if any, or interest on the Securities; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of any principal, premium or interest on any Security of any series and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; PROVIDED, HOWEVER, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, or cause to be mailed to such Holder, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

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SECTION 9.4 CORPORATE EXISTENCE

Subject to Article 7, the Company will at all times do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises; PROVIDED that nothing in this Section 9.4 shall prevent the abandonment or termination of any right or franchise of the Company if, in the opinion of the Company, such abandonment or termination is in the best interests of the Company and does not materially adversely affect the ability of the Company to operate its business or to fulfill its obligations hereunder.

SECTION 9.5 INSURANCE

The Company covenants and agrees that it will maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations or through a program of self-insurance in such amounts and covering such risks as are consistent with sound business practice for corporations engaged in the same or a similar business similarly situated.

SECTION 9.6 REPORTS BY THE COMPANY

The Company covenants:

(a) to file with the Trustee, within 30 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by

rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended; or, if the Company is not required to file information, documents or reports pursuant to either of such sections, then to file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to section 13 of the Securities Exchange Act of 1934, as amended, in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture, as may be required from time to time by such rules and regulations; and

(c) to transmit to all Holders of Securities, within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports

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required to be filed by the Company pursuant to subsections (a) and (b) of this Section 9.6, as may be required by rules and regulations prescribed from time to time by the Commission.

SECTION 9.7 ANNUAL REVIEW CERTIFICATE; NOTICE OF DEFAULT

The Company covenants and agrees to deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, a brief certificate from the principal executive officer, principal financial officer, or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 9.7, such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture. The Company shall file with the Trustee written notice of occurrence of any Event of Default within 30 Business Days of its becoming aware of any such Event of Default.

SECTION 9.8 PROVISION OF FINANCIAL STATEMENTS

If the Company is not required to file with the Commission periodic reports and other information pursuant to section 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934, the Company shall furnish without cost to each Holder and file with the Trustee (i) within 135 days after the end of each fiscal year, annual reports containing the information required to be contained in Items 1, 2, 3, 5, 6, 7, 8 and 9 of Form 10-K promulgated under the Securities Exchange Act of 1934, or substantially the same information required to be contained in comparable items of any successor form, (ii) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, quarterly reports containing the information required to be contained in Form 10-Q promulgated under the Securities Exchange Act of 1934, or substantially the same information required to be contained in any successor form and (iii) promptly from the time after the occurrence of an event required to be therein reported, such other reports containing information required to be contained in Form 8-K promulgated under the Securities Exchange Act of 1934, or substantially the same information required to be contained in any successor form. The Company shall also make such reports available to prospective purchasers of the Securities, securities analysts and broker-dealers upon their request.

REDEMPTION

SECTION 10.1 APPLICABILITY OF ARTICLE

Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 3.1 for Securities of any series) in accordance with this Article.

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SECTION 10.2 ELECTION TO REDEEM; NOTICE TO TRUSTEE

The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution or any Officers' Certificate. In the case of any redemption at the election of the Company of less than all the Securities, if any, of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date, of the principal amount of Securities of such series to be redeemed and, if applicable, of the tenor of the Securities to be redeemed. In the case of any redemption of Securities (i) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture or (ii) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

SECTION 10.3 SELECTION OF SECURITIES TO BE REDEEMED

Unless otherwise specified as contemplated by Section 3.1, if less than all the Securities of a series with the same original issue date, interest rate and Stated Maturity are to be redeemed, the Trustee, not more than 45 days prior to the redemption date, shall select the Securities of the series to be redeemed in such manner as the Trustee shall deem fair and appropriate. The Trustee shall make the selection from Securities of the series that are Outstanding and that have not previously been called for redemption and may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities of that series or any integral multiple thereof) of the principal amount of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of that series. The Trustee shall promptly notify the Company in writing of the Securities selected by the Trustee for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

If any Security selected for partial redemption is converted in part before termination of the conversion right with respect to the portion of the Security so selected, the converted portion of such Security shall be deemed (so far as may be) to be the portion selected for redemption. Securities which have been converted during a selection of Securities to be redeemed shall be treated by the Trustee as Outstanding for the purpose of such selection.

For purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 10.4 NOTICE OF REDEMPTION

Unless otherwise specified as contemplated by Section 3.1, notice of redemption shall be given in the manner provided in Section 1.6 not less than 30 days nor more than 60 days prior to the Redemption Date to the Holders of

the Securities to be redeemed.

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All notices of redemption shall state:

- (1) the Redemption Date;
- (2) the Redemption Price;
- (3) if fewer than all the Outstanding Securities of a series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Security or Securities to be redeemed;
- (4) in case any Security is to be redeemed in part only, the notice which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the holder will receive, without a charge, a new Security or Securities of authorized denominations for the principal amount thereof remaining unredeemed;
- (5) the conversion price, the date on which the right to convert the principal of the Securities to be redeemed will terminate and the place or places where such Securities may be surrendered for conversion;
- (6) the Place or Places of Payment where such Securities maturing after the Redemption Date, are to be surrendered for payment for the Redemption Price;
- (7) that Securities of the series called for redemption must be surrendered to the Paying Agent to collect the redemption price;
- (8) that, on the Redemption Date, the Redemption Price will become due and payable upon each such Security, or the portion thereof, to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date;
- (9) that the redemption is for a sinking fund, if such is the case;
and
- (10) CUSIP number.

Notice of redemption of Securities to be redeemed shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 10.5 DEPOSIT OF REDEMPTION PRICE

On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 9.3) an amount of money sufficient to pay on the Redemption Date the Redemption Price of, and (unless the Redemption Date shall be an Interest Payment Date) interest accrued to the Redemption Date on, all Securities or portions thereof which are to be redeemed on that date other than any Securities called for redemption on that date which have been converted prior to the date of such deposit.

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Unless any Security by its terms prohibits any sinking fund payment obligation from being satisfied by delivering and crediting Securities

(including Securities redeemed otherwise than through a sinking fund), the Company may deliver such Securities to the Trustee for crediting against such payment obligation in accordance with the terms of such Securities and this Indenture.

If any Security called for redemption is converted, any money deposited with the Trustee or with any Paying Agent or so segregated and held in trust for the redemption of such Security shall (subject to any right of the Holder of such Security or any Predecessor Security to receive interest as provided in the last paragraph of Section 3.7) be paid to the Company upon Company Request or, if then held by the Company, shall be discharged from such trust.

SECTION 10.6 SECURITIES PAYABLE ON REDEMPTION DATE

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Except as provided in the next succeeding paragraph, upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; PROVIDED, HOWEVER, that, unless otherwise specified as contemplated by Section 3.1, installments of interest on Securities whose Stated Maturity is prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 3.7.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

SECTION 10.7 SECURITIES REDEEMED IN PART

Upon surrender of a Security that is redeemed in part at any Place of Payment therefor (with, if the Company or the Trustee so required, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute and the Trustee shall authenticate and deliver to the Holder of that Security, without service charge, a new Security or Securities of the same series, the same form and the same Maturity in any authorized denomination equal in aggregate principal amount to the unredeemed portion of the principal of the Security surrendered.

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ARTICLE 11

SINKING FUNDS

SECTION 11.1 APPLICABILITY OF ARTICLE

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 3.1 for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment," and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment." If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 11.2. Each sinking fund payment shall be

applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

SECTION 11.2 SATISFACTION OF SINKING FUND PAYMENTS WITH SECURITIES

The Company (i) may deliver Outstanding Securities of a series (other than any previously called for redemption) and (ii) may apply as a credit Securities of a series which have been converted pursuant to Article 12 or which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; PROVIDED that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

SECTION 11.3 REDEMPTION OF SECURITIES FOR SINKING FUND

Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities of that series pursuant to Section 11.2 and will also deliver to the Trustee any Securities to be so delivered. Not less than 30 days before each such sinking fund payment date, the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 10.3 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 10.4. Such notice having been

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duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 10.6 and 10.7.

ARTICLE 12

CONVERSION OF SECURITIES

SECTION 12.1 CONVERSION PRIVILEGE

Subject to and upon compliance with the provisions of this Article, at the option of the Holder thereof, Securities of any series or any portion of the principal amount thereof which is \$1,000 or an integral multiple of \$1,000 may be converted at the principal amount thereof, or of such portion thereof, into fully paid and nonassessable shares (calculated as to each conversion to the nearest 1/100 of a share) of Common Stock of the Company, in accordance with the terms of such series of Securities and (except as otherwise specified as contemplated by Section 3.1) in accordance with this Article. In case a Security or portion thereof is called for redemption, such conversion right in respect of the Security or portion so called shall expire at the close of business on the Business Day which is ten days prior to the Redemption Date, unless the Company defaults in making the payment due upon redemption. The price at which shares of Common Stock shall be delivered upon conversion, which shall be specified as contemplated by Section 3.1, shall be referred to herein as the "conversion price." The conversion price shall be adjusted in certain instances as provided in paragraphs (1), (2), (3), (4) and (7) of Section 12.4.

SECTION 12.2 EXERCISE OF CONVERSION PRIVILEGE

In order to exercise the conversion privilege, the Holder of any Security to be converted shall surrender such Security, duly endorsed or assigned to the Company or in blank, at any office or agency of the Company maintained for that purpose pursuant to Section 9.2, accompanied by written notice to the Company at such office or agency that the Holder elects to convert such Security or, if less than the entire principal amount thereof is to be converted, the portion thereof to be converted. Securities surrendered for conversion during the period from the close of business on any Regular Record Date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date shall (except in the case of Securities or portions thereof which have been called for redemption on a Redemption Date within such period) be accompanied by payment in New York Clearing House funds or other funds acceptable to the Company of an amount equal to the interest payable on such Interest Payment Date on the principal amount of Securities being surrendered for conversion. Except as provided in the preceding sentence and in Section 3.7, no payment or adjustment shall be made upon any conversion on account of any interest accrued on the Securities surrendered for conversion or on account of any dividends on the Common Stock issued upon conversion.

Securities shall be deemed to have been converted immediately prior to the close of business on the day of surrender of such Securities for conversion in accordance with the

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foregoing provisions, and at such time the rights of the Holders of such Securities as Holders shall cease, and the Person or Persons entitled to receive the Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Stock at such time. As promptly as practicable on or after the conversion date, the Company shall issue and shall deliver at such office or agency a certificate or certificates for the number of full shares of Common Stock issuable upon conversion, together with payment in lieu of any fraction of a share, as provided in Section 12.3.

In the case of any Security which is converted in part only, upon such conversion the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Security or Securities of authorized denominations in aggregate principal amount equal to the uncontroverted portion of the principal amount of such Security.

SECTION 12.3 FRACTIONS OF SHARES

No fractional shares of Common Stock shall be issued upon conversion of Securities. If more than one Security shall be surrendered for conversion at one time by the same Holder, the number of full shares which shall be issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of the Securities (or specified portions thereof) so surrendered. Instead of any fractional share of Common Stock which would otherwise be issuable upon conversion of any Security or Securities (or specified portions thereof), the Company shall pay a cash adjustment in respect of such fraction in an amount equal to the same fraction of the market price per share of Common Stock (as determined by the Board of Directors or in any manner prescribed by the Board of Directors) at the close of business on the day of conversion.

SECTION 12.4 ADJUSTMENT OF CONVERSION PRICE

(1) In case the Company shall pay or make a dividend or other distribution on any class of capital stock of the Company in Common Stock, the conversion price in effect at the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying

such conversion price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this paragraph (1), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

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(2) In case the Company shall issue rights or warrants to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share (determined as provided in paragraph (6) of this Section) of the Common Stock on the date fixed for the determination of stockholders entitled to receive such rights or warrants, the conversion price in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying such conversion price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such current market price and the denominator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase, such reduction to become effective immediately after the opening of business on the day following the date fixed for determination. For the purposes of this paragraph (2), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not issue any rights or warrants in respect of shares of Common Stock held in the treasury of the Company.

(3) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the conversion price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the conversion price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(4) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness or assets (including securities, but excluding any rights or warrants referred to in paragraph (2) of this Section, any dividend or distribution paid in cash out of the retained earnings of the Company and any dividend or distribution referred to in paragraph (1) of this Section), the conversion price shall be adjusted so that the same shall equal the price determined by multiplying the conversion price in effect immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution by a fraction of which the numerator shall be the current market price share (determined as provided in paragraph (6) of this Section) of the Common Stock on the date fixed for such determination less the then fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution filed with the Trustee) of the portion of

the assets or evidences of indebtedness so distributed applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such adjustment to become effective immediately prior

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to the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such distribution.

(5) The reclassification of Common Stock into securities including other than Common Stock (other than any reclassification upon a consolidation or merger to which Section 12.11 applies) shall be deemed to involve (a) a distribution of such securities other than Common Stock to all holders of Common Stock (and the effective date of such reclassification shall be deemed to be "the date fixed for the determination of stockholders entitled to receive such distribution" and "the date fixed for such determination" within the meaning of paragraph (4) of this Section) and (b) a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective" or "the day upon which such combination becomes effective," as the case may be, and "the day upon which such subdivision or combination becomes effective" within the meaning of paragraph (3) of this Section).

(6) For the purpose of any computation under paragraphs (2) and (4) of this Section, the current market price per share of Common Stock on any date shall be deemed to be the average of the daily closing prices for the five consecutive Trading Days selected by the Company commencing not more than 20 Trading Days before, and ending not later than, the earlier of the day in question and the day before the "ex" date with respect to the issuance or distribution requiring such computation. The closing price for each day shall be the last reported sales price regular way or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices regular way, in either case on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on such Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the Nasdaq National Market, or, if the Common Stock is not listed or admitted to trading on any national securities exchange or quoted on the Nasdaq National Market, the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm selected from time to time by the Company for that purpose. For purposes of this paragraph, the term "'ex' date", when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on such exchange or in such market without the right to receive such issuance or distribution.

(7) The Company may make such reductions in the conversion price, in addition to those required by paragraphs (1), (2), (3) and (4) of this Section, as it considers to be advisable in order that any event treated for federal income tax purposes as a dividend of stock or stock rights shall not be taxable to the recipients.

SECTION 12.5 NOTICE OF ADJUSTMENTS OF CONVERSION PRICE

Whenever the conversion price is adjusted as herein provided:

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(a) the Company shall compute the adjusted conversion price in accordance with Section 12.4 and shall prepare a certificate signed by the Treasurer of the Company setting forth the adjusted conversion price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed at each office or agency maintained for the purpose of conversion of Securities pursuant to Section 9.2; and

(b) a notice stating that the conversion price has been adjusted and setting forth the adjusted conversion price shall forthwith be required, and as soon as practicable after it is required, such notice shall be mailed by the Company to all Holders at their last addresses as they shall appear in the Register.

SECTION 12.6 NOTICE OF CERTAIN CORPORATE ACTION

In case:

(a) the Company shall declare a dividend (or any other distribution) on its Common Stock payable otherwise than in cash out of its retained earnings; or

(b) the Company shall authorize the granting to the holders of its Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any other rights; or

(c) of any reclassification of the Common Stock of the Company (other than a subdivision or combination of its outstanding shares of Common Stock), or of any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of Securities pursuant to Section 9.2, and shall cause to be mailed to all Holders at their last addresses as they shall appear in the Register, at least 20 days (or ten days in any case specified in clause (a) or (b) above) prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up.

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SECTION 12.7 COMPANY TO RESERVE COMMON STOCK

The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, for the purpose of effecting the conversion of Securities, the full number of shares of Common Stock then issuable upon the conversion of all outstanding Securities.

SECTION 12.8 TAXES ON CONVERSIONS

The Company will pay any and all taxes that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of Securities pursuant hereto. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that of the Holder of the Security or Securities to be converted, and no such issue or delivery shall be made unless and until the Person requesting such issue has paid to the Company the amount of any such tax, or has established to the satisfaction of the Company that such tax has been paid.

SECTION 12.9 COVENANT AS TO COMMON STOCK

The Company covenants that all shares of Common Stock which may be issued upon conversion of Securities will upon issue be fully paid and nonassessable and, except as provided in Section 12.8, the Company will pay all taxes, liens and charges with respect to the issue thereof.

SECTION 12.10 CANCELLATION OF CONVERTED SECURITIES

All Securities delivered for conversion shall be delivered to the Trustee to be cancelled by or at the direction of the Trustee, which shall dispose of the same as provided in Section 3.9.

SECTION 12.11 PROVISIONS IN CASE OF CONSOLIDATION, MERGER OR SALE OF ASSETS

In case of any consolidation of the Company with, or merger of the Company into, any other Person, any merger of another Person into the Company (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company) or any sale or transfer of all or substantially all of the assets of the Company, the Person formed by such consolidation or resulting from such merger or which acquires such assets, as the case may be, shall execute and deliver to the Trustee a supplemental indenture providing that the Holder of each Security then outstanding shall have the right thereafter, during the period such Security shall be convertible as specified in Section 12.1, to convert such Security only into the kind and amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of Common Stock of the Company into which such Security might have been converted immediately prior to such consolidation, merger, sale or transfer, assuming such holder of Common Stock of the Company (i) is not a Person with which the Company

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consolidated or into which the Company merged or which merged into the Company or to which such sale or transfer was made, as the case may be ("constituent Person"), or an Affiliate of a constituent Person and (ii) failed to exercise his rights of election, if any, as to the kind or amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer (provided that if the kind or amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer is not the same for each share of Common Stock of the Company held immediately prior to such consolidation, merger, sale or transfer by others than a constituent Person or an Affiliate thereof and in respect of which such rights of election shall not have been exercised ("nonelecting share"), then for the purpose of this Section the kind and amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer by each nonelecting share shall be deemed to be the kind and amount so receivable per share by a plurality of the nonelecting shares). Such supplemental indenture shall provide for adjustments which, for events subsequent to the effective date of such supplemental indenture, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article. The above provisions of this Section shall similarly apply to successive consolidations, mergers, sales or transfers.

The Company shall be solely responsible for performing the duties and responsibilities contained in this Article and the Trustee shall have no responsibility therefor.

ARTICLE 13

SUBORDINATION OF SECURITIES

SECTION 13.1 SECURITIES SUBORDINATED TO SENIOR INDEBTEDNESS

(a) The Company agrees, and each Holder of the Securities by acceptance thereof likewise agrees, that the payment of the principal of, premium, if any, and interest on the Securities is subordinated, to the extent and in the manner provided in this Article 13, to the prior payment in full of all Senior Indebtedness of the Company.

(b) All provisions of this Article 13 shall be subject to Section 13.14.

SECTION 13.2 COMPANY NOTE TO MAKE PAYMENTS WITH RESPECT TO SECURITIES IN CERTAIN CIRCUMSTANCES; LIMITATIONS ON ACCELERATION OF SECURITIES

(a) Upon the maturity of any Senior Indebtedness of the Company by lapse of time, acceleration or otherwise, all obligations with respect thereto shall first be paid in full, or such payment duly provided for in cash or in a manner satisfactory to the holders of such Senior Indebtedness, before any payment is made on account of the principal of, premium, if any, or interest on the Securities or to redeem, retire, purchase, deposit moneys for the defeasance of or acquire any of the Securities.

(b) Upon the happening of (i) any default in payment of any Senior Indebtedness of the Company, or (ii) any other default on Senior Indebtedness of the Company and the

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maturity of such Senior Indebtedness is accelerated in accordance with its terms, then, unless (w) such default relates to Senior Indebtedness of the Company in an aggregate amount equal to or less than \$20 million, (x) such default shall have been cured or waived or shall have ceased to exist, (y) any such acceleration has been rescinded, or (z) such Senior Indebtedness has been paid in full, no direct or indirect payment in cash, property or securities, by set-off or otherwise (except payment of the Securities from funds previously deposited in accordance with Section 4.1 at any time such deposit was not prohibited by this Indenture), shall be made or agreed to be made by the Company on account of the principal of or premium, if any, or interest on the Securities, or in respect of any redemption, retirement, purchase, deposit of moneys for the covenant defeasance or other acquisition of any of the Securities in the case of such a default in Senior Indebtedness of the Company and the Company shall not deposit money for any such payment or distribution with the Trustee or any Paying Agent nor shall the Company (if the Company is acting as its own Paying Agent) segregate and hold in trust money for any such payment or distribution.

(c) Upon the happening of an event of default (other than under circumstances when the terms of paragraph (b) of this Section 13.2 are applicable) with respect to any Senior Indebtedness of the Company pursuant to which the holders thereof are entitled under the terms of such Senior Indebtedness to immediately accelerate the maturity thereof (without further notice or expiration of any applicable grace periods), upon written notice thereof given to each of the Company and the Trustee by the trustee or other representative of the holders of at least \$25 million of Senior Indebtedness of the Company (a "Payment Notice"), then, unless and until such event of default shall have been cured or waived or shall have ceased to exist, no direct or indirect payment in cash, property or securities, by set-off or otherwise (except payment of the Securities from funds previously deposited in

accordance with Section 4.1 at any time such deposit was not prohibited by this Indenture), shall be made or agreed to be made by the Company on account of the principal of or premium, if any, or interest on the Securities, or in respect of any redemption, retirement, purchase, deposit of moneys for the covenant defeasance or other acquisition of any of the Securities, in the case of Senior Indebtedness of the Company, and the Company shall not deposit money for any such payment or distribution with the Trustee or any Paying Agent nor shall the Company or a Subsidiary (if the Company or such Subsidiary is acting as Paying Agent) segregate and hold in trust money for any such payment or distribution (a "Payment Block"); PROVIDED, HOWEVER, that this Section 13.2(c) shall not prevent the making of any payment for more than 120 days after a Payment Notice shall have been given unless the Senior Indebtedness in respect of which such event of default exists has been declared due and payable in its entirety, in which case no such payment shall be made until such acceleration has been rescinded or annulled or such Senior Indebtedness has been paid in full in accordance with its terms. Notwithstanding the foregoing, (i) not more than one Payment Notice shall be given with respect to a particular event of default (which shall not bar subsequent Payment Notices for other such events of default), (ii) all events of default under Senior Indebtedness occurring within any 30-day period shall be treated as one event of default to the extent that one or more Payment Notices are issued in connection therewith and (iii) no more than two Payment Blocks shall be permitted

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within any period of 12 consecutive months. Any payment made in contravention of the provisions of this Section 13.2(c) shall be returned to the Company.

(d) In the event that, notwithstanding the provisions of Section 13.2(a) or 13.2(b), the Trustee or the Holder of any Security shall have received any payment on account of the principal of or premium, if any, or interest on the Securities in contravention of Section 13.2(a) or 13.2(b) or after the happening of a default in payment of any Senior Indebtedness of the Company or any acceleration of the maturity of any Senior Indebtedness of the Company then, in either such case, except in the case of any such default which shall have been cured or waived or shall have ceased to exist, such payment (subject to the provisions of Sections 1306 and 1307) shall be held for the benefit of, and shall be paid over and delivered to, the holders of such Senior Indebtedness of the Company (PRO RATA as to each of such holders on the basis of the respective amounts of Senior Indebtedness of the Company held by them) or their representative or the trustee under the indenture or other agreement (if any) pursuant to which Senior Indebtedness of the Company may have been issued, as their respective interests may appear, for application to the payment of all Senior Indebtedness of the Company remaining unpaid to the extent necessary to pay all Senior Indebtedness of the Company in full in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness of the Company.

(e) (1) Upon the occurrence of an Event of Default under Section 5.1(1) through (4) and (7), the Trustee or holders of 25% of the outstanding principal amount of the Securities of any series must give notice of such Event of Default and the intention to accelerate to the Company and any holders of Senior Indebtedness which have theretofore requested of the Trustee such notice, and no acceleration of the Securities of any series shall be effective unless and until such Event of Default is continuing on the 60th day after the date of delivery of such notice. The Company may pay the holders of the Securities of any series any defaulted payment and all other amounts due following any such acceleration of the maturity of the Securities if this Section 13.2(a) would not prohibit such payment to be made at that time.

(2) Nothing in this Article 13 shall prevent or delay the Trustee or the holders of the Securities from taking any action in connection with the acceleration of the maturity of the Securities pursuant to Section 5.2 upon the occurrence of an Event of Default under either of Section 5.1(5) or

5.1(6).

(3) Except as provided in Section 13.2(e)(1), a failure to make any payment with respect to the Securities as a result of the rights of holders of Senior Indebtedness of the Company described in Section 13.2(b) or 13.2(c) will not have any effect on the right of holders of the Securities to accelerate the maturities thereof as a result of such payment default. The Company shall give prompt written notice to the Trustee of any default in the payment of principal of or interest on any Senior Indebtedness of the Company and in the event of any such default, shall provide to the Trustee, in the form of an Officers' Certificate, the names, addresses and respective amounts due holders of such Senior Indebtedness or the name and address of the trustee acting on their behalf, if any. The Trustee shall be entitled to rely conclusively on such Officers' Certificate without independent verification.

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SECTION 13.3 SECURITIES SUBORDINATED TO PRIOR PAYMENT OF ALL SENIOR
INDEBTEDNESS ON DISSOLUTION, LIQUIDATION OR REORGANIZATION OF THE COMPANY

Upon the distribution of assets of the Company in any dissolution, winding up, liquidation (total or partial) or similar proceeding relating to the Company (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or otherwise):

(1) the holders of all Senior Indebtedness of the Company shall first be entitled to receive payment in full of all Senior Indebtedness (or to have such payment duly provided for in a manner satisfactory to them) in cash or in a manner satisfactory to the holders of Senior Indebtedness of the Company before the Holders of the Securities are entitled to receive any payment on account of the principal of, premium, if any, or interest on the Securities;

(2) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than securities of the Company as reorganized or readjusted or securities of the Company or any other company, trust or corporation provided for by a plan of reorganization or readjustment, the payment of which is junior or otherwise subordinate, at least to the extent provided in this Article 13 with respect to the Securities to the payment of all Senior Indebtedness of the Company at the time outstanding and to the payment of all securities issued in exchange therefor to the holders of the Senior Indebtedness of the Company or Senior Indebtedness of the Guarantor, as the case may be, at the time outstanding), to which the Holders of the Securities or the Trustee on behalf of the Holders of the Securities would be entitled except for the provisions of this Article 13, shall be paid by the liquidating trustee or agent or other person making such payment or distribution directly to the holders of the Senior Indebtedness of the Company or their representatives or to the trustee under any indenture under which such Senior Indebtedness may have been issued (PRO RATA as to each such holder, representative or trustee on the basis of respective amounts of unpaid Senior Indebtedness held or represented by each), to the extent necessary to make payment in full of all Senior Indebtedness of the Company remaining unpaid, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness; and

(3) in the event that notwithstanding the foregoing provisions of this Section 13.3, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than securities of the Company as reorganized or readjusted or securities of the Company or Guarantor or any other company, trust or corporation provided for by a plan of reorganization or readjustment, the payment of which is junior or otherwise subordinate, at least to the extent provided in this Article 13 with respect to the Securities to the payment of all Senior Indebtedness of the Company at the time outstanding and to the payment of all securities issued in exchange therefor to the holders of the Senior Indebtedness of the Company as the case

may be, at the time outstanding), shall be received by the Trustee or the Holders of the Securities on account of principal of, premium, if any, or interest on the Securities before all Senior Indebtedness of the Company is paid in full in cash

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or in a manner satisfactory to the holders of such Senior Indebtedness in accordance with its terms, or effective provision made for its payment, such payment or distribution (subject to the provisions of Sections 13.6 and 13.7) shall be received and held for the benefit of and paid over to the holders of the Senior Indebtedness of the Company remaining unpaid or unprovided for or their representative, or to the trustee under any indenture under which such Senior Indebtedness of the Company or Senior Indebtedness of the Guarantor, as the case may be, may have been issued (PRO RATA as provided in paragraph (2) above), for application to the payment of such Senior Indebtedness of the Company to the extent necessary to pay all such Senior Indebtedness of the Company in full in cash or in a manner satisfactory to the holders of Senior Indebtedness of the Company in accordance with its terms, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness of the Company.

The Company shall give prompt written notice to the Trustee of any dissolution, winding up, liquidation or reorganization of the Company or any assignment for the benefit of the Company's creditors, tending toward the liquidation of the business and assets of the Company.

SECTION 13.4 HOLDERS TO BE SUBROGATED TO RIGHTS OF HOLDERS OF SENIOR INDEBTEDNESS

Upon the payment in full of all Senior Indebtedness of the Company in cash or in a manner satisfactory to the holders of such Senior Indebtedness, the Holders of the Securities shall be subrogated equally and ratably to the rights of the holders of Senior Indebtedness of the Company to receive payments or distributions of assets of the Company applicable to the Senior Indebtedness of the Company until all amounts owing on the Securities shall be paid in full, and for the purpose of such subrogation no payments or distributions to the holders of Senior Indebtedness of the Company by or on behalf of the Company or by or on behalf of Holders of the Securities by virtue of this Article 13 which otherwise would have been made to the Holders of the Securities shall, as between the Company and the Holders of the Securities be deemed to be payment by the Company to or on account of Senior Indebtedness of the Company it being understood that the provisions of this Article 13 are intended solely for the purpose of defining the relative rights of the Holders of the Securities, on the one hand, and the holders of Senior Indebtedness of the Company, on the other hand.

SECTION 13.5 OBLIGATION OF THE COMPANY UNCONDITIONAL

Nothing contained in this Article 13 or elsewhere in this Indenture or in any Security is intended to or shall impair, as between the Company and the Holders of the Securities the obligations of the Company which are absolute and unconditional, to pay to the Holders of the Securities the principal of (premium, if any) and interest on the Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Securities and creditors of the Company other than the holders of Senior Indebtedness of the Company nor, except as expressly provided in this Article 13, shall anything herein or in the Securities prevent the Trustee or the Holder of

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any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article 13 of the holders of Senior Indebtedness of the Company, in respect of cash, property or securities of the Company received upon the exercise of any such remedy. Upon any distribution of assets of the Company referred to in this Article 13, the Trustee, subject to the provisions of Section 6.1, and the Holders of the Securities endorsed thereon shall be entitled to rely upon any order or decree by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or the Holders of the Securities for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of Senior Indebtedness of the Company and Senior Indebtedness of the Guarantor and other indebtedness of the Company the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 13.

Nothing contained in this Article 13 or elsewhere in this Indenture or in any Security is intended to or shall affect the obligations of the Company to make, or prevent the Company from making, at any time except during the pendency of any dissolution, winding up, liquidation (total or partial) or similar proceeding, and except during the continuance of any event specified in Section 13.2 (not cured or waived), payments at any time of the principal of (or premium, if any) or interest on the Securities.

SECTION 13.6 KNOWLEDGE OF TRUSTEE

Notwithstanding any provision of this Indenture, the Trustee shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment of moneys to or by the Trustee until three Business Days after a Responsible Officer of the Trustee on behalf of the Trustee shall have received at the Corporate Trust Office of the Trustee written notice thereof from the Company, any Holder, or the holder or representative of any class of Senior Indebtedness of the Company identifying the specific sections of this Indenture involved and describing in detail the facts that would obligate the Trustee to withhold payments to Holders of Securities, and prior to such time, the Trustee, subject to the provisions of Section 6.1, shall be entitled in all respects conclusively to assume that no such facts exist. The Trustee shall be entitled to rely on the delivery to it of a written notice by an individual representing himself to be a holder of Senior Indebtedness of the Company (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of any such Senior Indebtedness or a trustee on behalf of any such holder.

In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any person as a holder of Senior Indebtedness of the Company to participate in any payment or distribution pursuant to this Article, the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to amount of Senior Indebtedness of the Company held by such person, the extent to which such person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such person under this Article, and if such evidence is not furnished, the Trustee may defer

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any payment to such person pending judicial determination as to the right of such person to receive such payment.

SECTION 13.7 APPLICATION BY TRUSTEE OF MONEYS DEPOSITED WITH IT

If two Business Days prior to the date on which by the terms of this Indenture any moneys deposited with the Trustee or any Paying Agent (other than the Company or a Subsidiary) may become payable for any purpose

(including, without limitation, the payment of the principal of, premium, if any, or interest on any Security) the Trustee shall not have received with respect to such moneys the notice provided for in Section 13.6, then the Trustee shall have full power and authority to receive such moneys and to apply the same to the purpose for which they were received and shall not be affected by any notice to the contrary which may be received by it on or after such date. This Section 13.7 shall be construed solely for the benefit of the Trustee and Paying Agent and shall not otherwise affect the rights of holders of such Senior Indebtedness.

SECTION 13.8 SUBORDINATION RIGHTS NOT IMPAIRED BY ACTS OR OMISSIONS OF COMPANY OR HOLDERS OF SENIOR INDEBTEDNESS

No right of any present or future holders of any Senior Indebtedness of the Company to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act by any such holder, or by any noncompliance by the Company with the terms of this Indenture, regardless of any knowledge thereof which any such holder may have or be otherwise charged with.

SECTION 13.9 HOLDERS AUTHORIZE TRUSTEE TO EFFECTUATE SUBORDINATION OF SECURITIES

Each Holder of the Securities by his acceptance thereof authorizes and expressly directs the Trustee on his behalf to take such action as may be necessary or appropriate in the discretion of the Trustee to effectuate the subordination provided in this Article 13 and appoints the Trustee his attorney-in-fact for such purpose, including, without limitation, in the event of any dissolution, winding up, liquidation or reorganization of the Company (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or otherwise) tending towards liquidation of the business and assets of the Company the timely filing of a claim for the unpaid balance of its or his Securities in the form required in said proceedings. If the Trustee does not file a proper claim or proof of debt in the form required in such proceedings before the expiration of the time to file such claim or claims, then the holders of Senior Indebtedness of the Company are hereby authorized to have the right to file and are hereby authorized to file an appropriate claim for and on behalf of the Holders of said Securities.

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SECTION 13.10 RIGHT OF TRUSTEE TO HOLD SENIOR INDEBTEDNESS

The Trustee shall be entitled to all of the rights set forth in this Article 13 in respect of any Senior Indebtedness of the Company at any time held by it to the same extent as any other holder of such Senior Indebtedness of the Company and nothing in this Indenture shall be construed to deprive the Trustee of any of its rights as such holder. With respect to the holders of Senior Indebtedness of the Company the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article 13, and no implied covenants or obligations with respect to the holders of Senior Indebtedness of the Company shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness of the Company and the Trustee shall not be liable to any holder of Senior Indebtedness of the Company if it shall mistakenly pay over or deliver to Holders of Securities, the Company or any other Person monies or assets to which any holder of such Senior Indebtedness shall be entitled by virtue of this Article 13 or otherwise.

SECTION 13.11 ARTICLE 13 NOT TO PREVENT EVENTS OF DEFAULT

The failure to make a payment on account of principal or interest by reason

of any provision in this Article 13 shall not be construed as preventing the occurrence of an Event of Default under Section 5.1.

SECTION 13.12 PAYING AGENTS OTHER THAN THE TRUSTEE

In case at any time any Paying Agent (including, without limitation, the Company or any Subsidiary) other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article 13 shall in such case (unless the context shall otherwise require) be construed as extending to and including such Paying Agent (except the Company and their subsidiaries in the case of Sections 13.6 and 13.7) within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article 13 in addition to or in place of the Trustee.

SECTION 13.13 TRUSTEE'S COMPENSATION NOT PREJUDICED

Nothing in this Article 13 shall apply to amounts due to the Trustee pursuant to Section 6.9.

SECTION 13.14 TRUST MONEYS NOT SUBORDINATED

Notwithstanding anything contained herein to the contrary, payments from money held in trust under Article 4 by the Trustee for the payment of principal of, premium, if any, and interest on the Securities shall not be subordinated to the prior payment of any Senior Indebtedness of the Company or subject to the restrictions set forth in this Article 13 and none of the Holders shall be obligated to pay over any such amount to the Company or any holder of Senior Indebtedness of the Company or any other creditor of the Company.

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This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

ALASKA AIR GROUP, INC.

By: _____
Title: Vice President - Finance

[Seal]

Attest

Title: Vice President

_____, TRUSTEE

By: _____
Title:

[Seal]

Attest:

Title: _____

[LEASED AIRCRAFT]
TRUST INDENTURE
AND SECURITY AGREEMENT

DATED AS OF _____, 199__

BETWEEN

ALASKA AIRLINES, INC.

AND

_____,
AS INDENTURE TRUSTEE

Reconciliation and tie between Trust Indenture and Security Agreement,
dated as of February 1, 1992, and the Trust Indenture Act of 1939.
This reconciliation section does not constitute part of the Trust
Indenture and Security Agreement

Trust Indenture Act of 1939 Section		Trust Indenture and Security Agreement Section
Section 310	(a) (1)	9.10 (a)
	(a) (2)	9.10 (a)
Section 312	(a)	2.06 (a)
	(c)	13.03
Section 313	(a)	9.06
Section 314	(a)	7.02 (a) - (d)
	(b)	7.02 (e)
	(c) (1)	13.04
	(c) (2)	13.04
	(d) (1)	5.01 (c)
		9.04 (b)
	(d) (2)	9.04 (b)
	(d) (3)	5.01 (c)
	(e)	13.05
Section 315	(b)	9.05
	(e)	8.10
Section 316	(a) (last sentence)	1.01 (b)
	(a) (1) (A)	8.06

	(a) (1) (B)	8.05
	(b)	8.08
	(c)	13.11 (c)
Section 317	(a) (1)	8.03 (h)
	(a) (2)	8.09
	(b)	2.09 (c)
Section 318	(a)	13.01

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TRUST INDENTURE AND SECURITY AGREEMENT

THIS TRUST INDENTURE AND SECURITY AGREEMENT, dated as of _____,
199____, between ALASKA AIRLINES, INC., an Alaska corporation, and

_____, as Indenture Trustee hereunder.

WHEREAS, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its equipment trust certificates (hereinafter called the "Certificates"), unlimited as to principal amount, to be issued to finance or refinance the debt portion of leveraged leases of aircraft in one or more series, to be secured by an assignment of such rental and certain other amounts payable by the Company under such leveraged leases and by a security interest in such aircraft to bear such rates of interest, to mature at such times and to have such other provisions as shall from time to time be fixed as hereinafter provided;

WHEREAS, this Agreement is subject to the provisions of the Trust Indenture Act of 1939, as amended, that are required to be a part of this Agreement and shall, to the extent applicable, be governed by such provisions; and

WHEREAS, all things necessary to make this Agreement a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Certificates by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Certificates or of any series thereof as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.01 DEFINITIONS

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

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

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them

therein; except that the "obligor" within the meaning of the Trust Indenture Act shall be the Company for all purposes of this Agreement;

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

(4) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;

(5) all references in this Indenture to Articles, Sections and Exhibits refer to Articles, Sections and Exhibit of this Indenture; and

(6) with respect to the Certificates of any series or with respect to an Operative Document related to such series of Certificates, "this Agreement" means this Indenture as supplemented by the Indenture Supplement applicable to such series of Certificates.

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

"Affiliate," with respect to a specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control," when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent," with respect to the Certificate, of any series, means any Paying Agent or Registrar applicable to the Certificates of such series.

"Aircraft," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Airframe," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Appraiser" means a Person engaged in the business of making appraisals and, in the case of the Aircraft, familiar with aviation equipment.

"Bankruptcy Code" means the United States Bankruptcy Code of 1978, as amended.

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"Basic Rent," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Board of Directors" means the board of directors of the Company or the executive committee or any other committee of such board duly authorized to act on behalf of the Company with respect to the financing of aircraft, including the borrowing of money in respect thereof.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification and delivered to the Indenture Trustee.

"Business Day," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of

such series.

"Certificate" or "Certificates" means any Certificate or Certificates issued under this Agreement.

"Company" means Alaska Airlines, Inc., an Alaska corporation, and, subject to the provisions hereof, its permitted successors and assigns, or any other obligor with respect to the Certificates (within the meaning of the Trust Indenture Act).

"Company Request" means a written request of the Company executed on its behalf by a Responsible Company Officer.

"Co-Registrar" has the meaning specified therefor in Section 2.04.

"Debt" means any liability for borrowed money, or any liability for the payment of money in connection with any letter of credit transaction, or other liabilities evidenced or to be evidenced by bonds, debentures, notes or other similar instruments.

"Defaulted Installment" has the meaning specified therefor in Section 2.09.

"Defaulted Interest" has the meaning specified therefor in Section 2.09.

"Delivery Date," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Engine," with respect to the Certificates of any series, shall have the meaning specified therefor or in the Lease applicable to the Certificates of such series.

"Event of Loss," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

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"Excluded Payments," with respect to the Certificates of any series, shall have the meaning specified therefor in the Indenture Supplement entered into in respect of the Certificates of such series pursuant to Section 2.01.

"Federal Aviation Act" means the Federal Aviation Act of 1958, as amended, or any similar legislation of the United States enacted to supersede, amend or supplement such Act.

"Guarantee" means Alaska Air Group, Inc.'s unconditional guarantee of the Certificates of one or more series as more fully described in an Indenture Supplement.

"Holder," with respect to the Certificates of any series, means a person in whose name such a Certificate is registered on the Register for such series.

"Indenture" means this Trust Indenture and Security Agreement, as the same may from time to time be supplemented, amended or modified with effect for all series of Certificates as are or may be issued pursuant to Article 2.

"Indenture Default" with respect to the Certificates of any series, means any event which is, or after notice or passage of time, or both, would be, an Indenture Event of Default applicable to the Certificates of such series.

"Indenture Estate," with respect to the Certificates of any series, shall have the meaning specified therefor in the Indenture Supplement entered into in respect of the Certificates of such series pursuant to Section 2.01.

"Indenture Event of Default" with respect to the Certificates of any

series, shall have the meaning specified therefor in the Indenture Supplement applicable to the Certificates of such series.

"Indenture Supplement" means a supplement to this Indenture entered into by the Company, the Indenture Trustee and the Owner Trustee with respect to the Certificates of a particular series, as the same may be amended and restated from time to time.

"Indenture Trustee" means _____ and each other Person which may from time to time be acting as Indenture Trustee with respect to any series in accordance with the provisions of this Agreement.

"Independent," when used with respect to an engineer, Appraiser or other expert who (i) is in fact independent, (ii) does not have any direct financial interest or any material indirect financial interest in the Company or any Affiliate of the Company, and (iii) is not connected with the Company or any Affiliate of the Company as an officer,

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employee, promoter, underwriter, trustee, partner, director or Person performing similar functions.

"Installment Certificate" means a Certificate substantially in the form of Exhibit A-1.

"Installment Payment Amount" means, with respect to each Installment Certificate of any series, the amount of the installment payment of principal due and payable on each Installment Payment Date applicable to such Installment Certificate, which amount shall be equal to the product of the original principal amount of such Certificate and the Installment Payment Percentage (as adjusted in the case of any partial redemption) for such Installment Payment Date.

"Installment Payment Date," with respect to Installment Certificates of any series, means each date on which an installment payment of principal is due and payable on such Installment Certificates, as set forth in the Indenture Supplement applicable to the Certificates of such series.

"Installment Payment Percentage" means, with respect to each Installment Payment Date applicable to the Installment Certificates of any series, the percentage set forth opposite such Installment Payment Date in the Indenture Supplement applicable to the Certificates of such series.

"Interest Payment Date," with respect to the Certificates of any series, shall have the meaning specified therefor in the Indenture Supplement applicable to the Certificates of such series.

"Lease," with respect to any Aircraft, Airframe or any Engine, means the Lease Agreement applicable to the Certificates of such series, between the Owner Trustee, as lessor, and the Company, as lessee, identified in the Indenture Supplement entered into in respect of the Certificate of such series pursuant to Section 2.01, as such Lease Agreement may from time to time be supplemented, amended or modified in accordance with the terms thereof and this Agreement.

"Lease Default," with respect to the Certificates of any series, shall have the meaning specified for the term "Default" in the Lease applicable to the Certificates of such series.

"Lease Event of Default," with respect to the Certificates of any series, shall have the meaning specified for the term "Event of Default" in the Lease applicable to the Certificates of such series.

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"Lease Loss Payment Date," with respect to the Certificates of any series, shall have the meaning specified for the term "Loss Payment Date" in the Lease applicable to the Certificates of such series.

"Lease Termination Date," with respect to the Certificates of any series, shall have the meaning specified for the term "Termination Date" in the Lease applicable to the Certificates of such series.

"Lessor's Liens," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Lien" means any mortgage, pledge, lien, charge, encumbrance, lease, exercise of rights, security interest or claim.

"Maturity Date" means (a) in the case of a Serial Certificate, the date on which the principal amount thereof is stated to mature and (b) in the case of an Installment Certificate, the stated final maturity date thereof.

"Officers' Certificate" means a certificate signed (a) in the case of the Company, by (i) the Chairman of the Board of Directors, the President, any Executive Vice President, any Senior Vice President or any Vice President of Finance of the Company, signing alone, or (ii) any other Vice President of the Company signing together with the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company or (b) in the case of any Owner Trustee, by a Responsible Officer of such Owner Trustee.

"Operative Documents" with respect to the Certificates of any series, means this Agreement, the Participation Agreement applicable to the Certificates of such series, the Lease applicable to the Certificates of such series, the Purchase Agreement applicable to the Certificates of such series (to the extent assigned by the Owner Trustee to the Indenture Trustee pursuant to this Agreement), the Certificates of such series, and the Trust Agreement applicable to the Certificates of such series.

"Opinion of Counsel" means a written opinion of legal counsel, who (a) in the case of counsel for the Company may be (i) a senior attorney employed by the Company (ii) Perkins Coie or (iii) other counsel designated by the Company and who shall be reasonably satisfactory to the Indenture Trustee or (b) in the case of legal counsel for any Owner Trustee, may be any counsel designated by such Owner Trustee who shall be reasonably satisfactory to the Indenture Trustee.

"Outstanding," when used with respect to Certificates of any series, means, as of the date of determination, all Certificates of such series theretofore executed and delivered under this Agreement other than:

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(i) Certificates of such series theretofore cancelled by the Indenture Trustee or delivered to the Indenture Trustee for cancellation pursuant to Section 2.08 or otherwise;

(ii) Certificates of such series for whose payment or redemption money in the necessary amount has been theretofore deposited with the Indenture Trustee in trust for the Holders of the Certificates of such series; provided that, if the Certificates of such series are to be redeemed, notice of such redemption has been duly given pursuant to this Agreement or provision therefor satisfactory to the Indenture Trustee has been made; and

(iii) Certificates of such series in exchange for or in lieu of which other Certificates of such series have been executed and delivered pursuant to this Agreement;

PROVIDED, HOWEVER, that, in determining whether the Holders of the requisite aggregate principal amount of Outstanding Certificates of any series have given any request, demand, authorization, declaration, direction, notice, consent or waiver hereunder, Certificates of such series owned by or pledged to the Company or any Affiliate of the Company or the related Owner Trustee or the related Owner Participant or any Affiliate thereof, shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, declaration, direction, notice, consent or waiver, only Certificates which the Indenture Trustee knows to be so owned or so pledged shall be disregarded. Certificates of any series owned by the Company, the Owner Trustee applicable to the Certificates of such series or the Owner Participant applicable to the Certificates of such series, which have been pledged in good faith may be regarded as Outstanding if the Company, the Owner Trustee applicable to the Certificates of such series or the Owner Participant applicable to the Certificates of such series, as the case may be, establishes to the satisfaction of the Indenture Trustee the pledgee's right to act with respect to such Certificates and that the pledgee is not the Company, such Owner Trustee or such Owner Participant or any Affiliate thereof.

"Owner Participant," with respect to the Certificates of any series, means the Owner Participant applicable to the Certificates of such series, as specified in the Indenture Supplement entered into in respect of the Certificates of such series pursuant to Section 2.01, and, to the extent permitted by the Trust Agreement and the Participation Agreement applicable to the Certificates of such series, its permitted successors and assigns.

"Owner Trustee," with respect to the Certificates of any series, means the Owner Trustee applicable to the Certificates of such series, as specified in the Indenture Supplement in respect of the Certificates of such series entered into pursuant to Section 2.01, not in its individual capacity, but solely as trustee under the Trust Agreement

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applicable to the Certificates of such series, and each other Person which may from time to time be acting as such Owner Trustee in accordance with the provisions of the Operative Documents applicable to the Certificates of such series.

"Owner Trustee's Purchase Agreement," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Participation Agreement," with respect to the Certificates of any series, means the Participation Agreement applicable to the Certificates of such series identified in the Indenture Supplement entered into in respect of the Certificates of such series pursuant to Section 2.01.

"Parts," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Paying Agent," with respect to the Certificates of any series, means any person acting as Paying Agent for such series pursuant to Section 2.04.

"Permitted Investment" means each of (i) obligations of, or guaranteed by, the United States Government or agencies thereof, (ii) open market commercial paper of any corporation incorporated under the laws of the United States of America or any State thereof rated at least P-2 or its equivalent by Moody's Investors Service, Inc. or at least A-2 or its equivalent by Standard & Poor's Corporation, (iii) certificates of deposit issued by commercial banks organized under the laws of the United States or of any political subdivision thereof having a combined capital and surplus in excess of \$500,000,000 which banks or their holding companies have a rating of A or its equivalent by Moody's Investors Service, Inc. or Standard & Poor's Corporation; PROVIDED, HOWEVER,

that the aggregate amount at any one time so invested in certificates of deposit issued by any one bank shall not exceed 5% of such bank's capital and surplus, (iv) U.S. dollar denominated offshore certificates of deposit issued by, or offshore time deposits with, any commercial bank described in (iii) or any subsidiary thereof and (v) repurchase agreements with any financial institution having combined capital and surplus of at least \$500,000,000 with any of the obligations described in clauses (i) through (iv) as collateral.

"Permitted Lien," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Premium," with respect to the Certificates of any series, shall have the meaning specified therefor in the Indenture Supplement applicable to the Certificates of such series.

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"Purchase Agreement," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Record Date" with respect to the Certificates of any series, shall have the meaning specified therefor in the Indenture Supplement entered into in respect of the Certificates of such series pursuant to Section 2.01.

"Redemption Date," with respect to any redemption of the Certificates of any series, means the date of such redemption as determined pursuant to Section 6.01 or Section 6.02 or pursuant to the provision of the Indenture Supplement entered into with respect to such series of Certificates.

"Redemption Price," with respect to any redemption of the Certificates of any series, means the price at which such Certificates are to be redeemed, determined as of the applicable Redemption Date pursuant to Section 6.01 or Section 6.02 or pursuant to the provision of the Indenture Supplement entered into with respect to such series of Certificates.

"Register," with respect to the Certificates of any series, has the meaning specified therefor in Section 2.04.

"Registrar" with respect to the Certificates of any series, means any person acting as Registrar hereunder pursuant to Section 2.04.

"Rent," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Replacement Airframe," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Replacement Engine," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Responsible Company Officer" means the Chairman of the Board, the President, any Executive Vice President, any Senior Vice President, the Chief Financial Officer, any Vice President or the Treasurer of the Company or, with respect to the Certificates of any series, any other management employee of the Company (a) working under the direct supervision of such Chairman of the Board, President, Executive Vice President, Senior Vice President, Chief Financial Officer, Vice President or Treasurer and (b) whose responsibilities include the

administration of the transactions and agreements applicable to the Certificates of such series.

"Responsible Officer," in the case of an Owner Trustee or the Indenture Trustee, shall mean an any officer in such institution's Corporate Trust Administration Department

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(or comparable department) or any other officer customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of their knowledge of and familiarity with a particular subject.

"SEC" means the Securities and Exchange Commission.

"Serial Certificate" means a Certificate substantially in the form of Exhibit A-1.

"Special Purchase Option Date," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Stipulated Loss Value," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Supplemental Rent," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Tax Indemnity Agreement," with respect to the Certificates of any series, shall have the meaning specified therefor in the Lease applicable to the Certificates of such series.

"Termination Value," with respect to the Certificates of any series, shall have the training specified therefor in the Lease applicable to the Certificates of such series.

"Trust Agreement," with respect to the Certificates of any series, means the Trust Agreement applicable to the Certificates of such series between the Owner Trustee specified therein and the Owner Participant specified therein, identified in the Indenture Supplement entered into in respect of the Certificates of such series pursuant to Section 2.01.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

"Trust Office," with respect to the Certificates of any series, means the principal corporate trust office of the Owner Trustee applicable to the Certificates of such series, as such office is specified in the Trust Agreement applicable to the Certificates of such series, or at such other office at which such Owner Trustee's corporate trust business shall be administered which such Owner Trustee shall have specified by notice in writing to the Company, the Indenture Trustee and each Holder of a Certificate of such series.

"Trustee's Liens" has the meaning specified therefor in Section 9.11.

"U.S. Government Obligations" means securities that are direct obligations of the United States of America or agencies or instrumentalities thereof for the payment of which

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the full faith and credit of the United States of America is pledged which are not callable or redeemable, and shall also include a depository receipt issued

by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian or the account of the holder of a depository receipt so long as such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

ARTICLE 2

THE CERTIFICATES

SECTION 2.01 AMOUNT UNLIMITED; ISSUABLE IN SERIES

The aggregate principal amount of Certificates which may be authenticated and delivered under this Indenture is unlimited.

The Certificates may be issued in one or more series. The following matters shall be established with respect to the Certificates of each series issued hereunder by an Indenture Supplement executed and delivered by and among the Company, the Owner Trustee and the Indenture Trustee:

(1) the names of the Owner Participant and Owner Trustee with respect to the Certificates of such series;

(2) the information identifying the Lease and Airframe and Engines in which an assignment and security interest is being granted to secure payment of the Certificates of such series;

(3) the title of such Certificates of the series (which shall distinguish the Certificates of such series from all other series of Certificates), and whether the Certificates of such series are one or both of Serial Certificates or Installment Certificates;

(4) any limit upon the aggregate principal amount of the Certificates of such series that may be authenticated and delivered (except for Certificates authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Certificates of such series pursuant to Section 2.03, 2.05, 2.07 or 12.04);

(5) if the Certificates of such series are Serial Certificates, the dates on which the principal of the Certificates of such series shall be payable;

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(6) If the Certificates of such series are Installment Certificates, the Installment Payment Percentages and Installment Payment Dates;

(7) the rate or rates at which the Certificates of such series shall bear or accrue interest or the method by which such rate or rates shall be determined, the date or dates from which such Interest shall accrue or the method by which such date or dates shall be determined, the Interest Payment Dates on which such interest shall be payable and the Record Date, if any, for the Interest payable on such Certificates on each Interest Payment or the method by which such date or dates shall be determined, and the basis upon which interest shall be calculated if other than that of a 360-day year of twelve 30-day months;

(8) the period or periods within which, the price or prices, including the Premium, if any, at which, the timing of notice and other terms and conditions upon which Certificates of such series may be redeemed, in whole or in part, at the option of the Company or the Owner Trustee applicable to the series of such Certificates, if the Company or

such Owner Trustee is to have the option, including the rights, if any, of such Owner Trustee to redeem the Certificates of such series in the event of a Lease Event of Default applicable to the Certificates of such series, as such right is referred to in Sections 6.02 and 8.03(e)(ii);

(9) the obligation, if any, of the Company or the Owner Trustee with respect to the Certificates of such series to redeem Certificates of such series, and the period or periods within which or the date or dates on which, the price or prices at which, the timing of notice and other terms and conditions upon which Certificates of such series shall be redeemed pursuant to such obligation;

(10) the limits, if any, on the transferability of the Certificates and any legend to be included on such Certificates deemed desirable by the applicable Owner Trustee, the Company and the Indenture Trustee;

(11) if other than the Indenture Trustee, the identity of each Registrar and/or Paying Agent with respect to the Certificates of such series;

(12) the Indenture Events of Default for the Certificates of such series, the remedies exercisable upon the occurrence of such Event of Default, to the extent not set forth herein, and the limitations, if any, on the exercise of such remedies;

(13) whether any Certificates of such series are to be issuable initially in temporary global form and whether any Certificates of such series are to be issuable in permanent global form and, if so, whether beneficial owners of interests in any such permanent global Certificates may exchange such interests for Certificates of such series and of like tenor of any authorized form and denomination and the

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circumstances under which any such exchanges may occur, if other than in the manner provided in Section 2.05, and, if Certificates of such series are to be issuable as a global Certificate, the Identity of the depository for such series;

(14) any provisions in modification of, in addition to or in lieu of any of the provisions of Article 10;

(15) if the Certificates of such series are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Certificate of such series) only upon receipt of certain certificates or other documents or satisfaction of other conditions, then the form and/or terms of such certificates, documents or conditions;

(16) the agreements, if any, of the Owner Trustee applicable to the Certificates of such series the performance of which such Owner Trustee shall be personally liable for, as referred to in the proviso to the last paragraph of Section 2.10;

(17) the period, if any, after which amounts payable in respect of the Certificates of such series shall be distributed after a Lease Event of Default with respect to the Certificates of such series has occurred and during which the Certificates of such series could have been but were not accelerated, as such period is referred to in the proviso to clause FOURTH of Section 3.05;

(18) the extent, if any, to which the Owner Trustee applicable to the Certificates of such series is not required to indemnify the Indenture Trustee with respect to a breach of its representations and warranties by the Indenture Trustee, as referred to in Section 9.07(a)(iii);

(19) the extent, if any, to which the provisions of the Participation

Agreement, Lease and Trust Agreement applicable to the Certificates of such series may be amended by the parties thereto without the consent of the Holders of or only upon the consent of the Holders of a specified percentage of aggregate principal amount of, the Certificates of such series as referred to in Section 12.06;

(20) provisions with respect to the terms for which the definitions set forth in Article 1 hereof permit or require further specification in the Indenture Supplement; and

(21) whether Guarantees will be endorsed on Certificates of the series and, if so, the terms of the Guarantees; and

(22) any other terms, conditions, rights and preferences (or limitations on such rights or preferences) relating to the Certificates of such series (which terms

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shall not be inconsistent with the requirements of the Trust Indenture Act or the provisions of this Indenture).

If any of the terms of the Certificates of any series are established by action taken pursuant to one or more Board Resolutions, a copy of an appropriate record of such action(s) shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Indenture Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the Certificates of such series.

SECTION 2.02 EXECUTION, AUTHENTICATION, DELIVERY AND DATING

(a) At any time and from time to time, the Company may cause the Owner Trustee applicable thereto to deliver Certificates of a series, executed by such Owner Trustee for authentication, together with a Company Request for the authentication and delivery of such Certificates, and the Indenture Trustee in accordance with such Company Request shall authenticate and deliver such Certificates. In authenticating such Certificates, and accepting the additional responsibilities under this Agreement in relation to such Certificates, the Indenture Trustee shall be entitled to receive (separately or in connection with the satisfaction of any conditions precedent to the delivery of the Certificates of such series as provided for in the Operative Documents related thereto), and (subject to Section 315(a) through 315(d) of the Trust Indenture Act) shall be fully protected in relying upon an Opinion of Counsel of the Company stating:

(A) that the form or forms of such Certificates have been established in conformity with the provisions of this Agreement; and

(B) that the terms of such Certificates have been established in conformity with the provisions of this Agreement.

The Indenture Trustee shall not be required to authenticate and deliver any such Certificates if the issue of such Certificates pursuant to this Agreement will affect the Indenture Trustee's own rights, duties or immunities under the Certificates and this Agreement or otherwise in a manner which is not reasonably acceptable to the Indenture Trustee.

(b) Certificates of each series shall be executed on behalf of the related Owner Trustee or by the manual or facsimile signature of the president, any senior vice president, any vice president, any assistant vice president, the treasurer, the secretary, any assistant secretary or any assistant treasurer of such Owner Trustee.

(c) If any officer of the Owner Trustee executing any Certificate no longer holds that office at the time the Certificate is authenticated on behalf of the Indenture Trustee and issued, the Certificate shall be valid nevertheless.

(d) At any time and from time to time after the execution of the Certificates of any series, the related Owner Trustee may deliver such Certificates to the Indenture Trustee for authentication and the Indenture Trustee shall authenticate the Certificates by manual signature upon written orders of such Owner Trustee. Certificates shall be authenticated on behalf of the Indenture Trustee by any authorized officer or signatory of the Indenture Trustee.

(e) A Certificate of any series shall not be valid or obligatory for any purpose or entitled to any security or benefit hereunder until executed on behalf of the related Owner Trustee by the manual or facsimile signature of the officer of such Owner Trustee specified in the first sentence of Section 2.02(b) and until authenticated on behalf of the Indenture Trustee by the manual signature of the officer or signatory of the Indenture Trustee specified in the second sentence of Section 2.02(d). Such signatures shall be conclusive evidence that such Certificate has been duly executed, authenticated and issued under this Agreement.

(f) Each Certificate shall be issued in registered form only and shall be dated the date of its authentication.

SECTION 2.03 TEMPORARY CERTIFICATES

Until definitive Certificates are ready for delivery, the Indenture Trustee may prepare, and the Owner trustee may execute, temporary Certificates. Temporary Certificates shall be substantially in the form of definitive Certificates but may have variations that the Indenture Trustee considers appropriate for temporary Certificates. Every temporary Certificate shall be executed by the Owner Trustee applicable to the Certificates of the series in question, and authenticated by the Indenture Trustee, and registered by the Registrar upon the same conditions, and with like effect, as a definitive Certificate. The Owner Trustee applicable to the Certificates of the series in question shall execute, and the Indenture Trustee shall authenticate, definitive Certificates in exchange for temporary Certificates without unreasonable delay.

SECTION 2.04 REGISTRAR AND PAYING AGENT

The Indenture Trustee shall maintain an office or agency where the Certificates of each series may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where (subject to Sections 2.05 and 2.09) the Certificates of each series may be presented for payment or for exchange (the "Paying Agent"). The Registrar shall keep a register (the "Register") with respect to the Certificates of such series and their transfer and exchange. The Indenture Trustee may appoint one or more co-registrars (the "Co-Registrars") and one or more additional Paying Agents for the Certificates and the Indenture Trustee may terminate the appointment of any Co-Registrar or Paying Agent at any time upon written notice. The term "Registrar" includes any Co-Registrar. The term "Paying Agent" includes any additional Paying Agent.

The Indenture Trustee shall initially act as Registrar and Paying Agent for the Certificates of each series.

SECTION 2.05 TRANSFER AND EXCHANGE

At the option of the Holder thereof, Certificates of any series may be exchanged for an equal aggregate principal amount of other Certificates of the same series and maturity and of any authorized denominations upon surrender of the Certificates to be exchanged at the principal corporate trust office of the

Indenture Trustee, or at any office or agency maintained for such purpose pursuant to Section 2.04. Whenever Certificates of any series are so surrendered for exchange, the related Owner Trustee shall execute, and the Indenture Trustee shall authenticate and deliver, the replacement Certificates of such series which the Holder making the exchange is entitled to receive. Upon surrender for registration of transfer of Certificates of any series at the principal corporate trust office of the Indenture Trustee, or at any office or agency maintained for such purpose pursuant to Section 2.04, the Owner Trustee applicable to the Certificates of such series shall execute, and the Indenture Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, an equal aggregate principal amount of other Certificates of the same series and maturity and of any authorized denominations.

All Certificates of any series issued upon any registration of transfer or exchange of Certificates shall be the valid obligations of the Owner Trustee applicable to the Certificates of such series, evidencing the same obligations, and entitled to the same security and benefits under this Agreement, as the Certificates of such series surrendered upon such registration of transfer or exchange.

Every Certificate presented or surrendered for registration of transfer or exchange shall (if so required by the Registrar) be duly endorsed by, or be accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made to a Holder for any registration of transfer or exchange of Certificates, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Certificates, other than exchanges pursuant to Section 2.03 not involving any transfer.

The Registrar shall not be required to register the transfer of or to exchange any Certificate called for redemption or purchase pursuant to such Section 6.01 or Section 6.02 or pursuant to the Indenture Supplement for the Certificates of such series.

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SECTION 2.06 HOLDER LISTS; OWNERSHIP OF CERTIFICATES

(a) The Indenture Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders of the Certificates of each series, which list shall be available to the Company for inspection. If the Indenture Trustee is not the Registrar, the Registrar shall furnish (and the Company shall cause the Registrar to furnish) to the Indenture Trustee semiannually on or before each Interest Payment Date, and at such other times as the Indenture Trustee may request in writing, a list, in such form and as of such date as the Indenture Trustee may reasonably require, containing all the information in the possession or control of the Registrar as to the names and addresses of Holders of the Certificates of each series.

(b) Ownership of the Certificates of each series shall be proved by the Register kept by the Registrar. Prior to due presentment for registration or transfer of a Certificate of any series, the Owner Trustee applicable to the Certificates of such series, the Indenture Trustee, the Paying Agent, the Registrar and the Company may deem and treat the Person in whose name such Certificate is registered as the absolute owner of such Certificate for the purpose of receiving payments of principal of, Premium, if any, and interest on such Certificate and for all other purposes whatsoever, whether or not such Certificate is overdue, and none of such Owner Trustee, the Indenture Trustee, the Paying Agent, the Registrar or the Company shall be affected by notice to the contrary.

SECTION 2.07 MUTILATED, DESTROYED, LOST OR STOLEN CERTIFICATES

If a Certificate of any series shall become mutilated, destroyed, lost or stolen, the Owner Trustee applicable to the Certificates of such series shall, upon the written request of the Holder of such Certificate, issue and execute, and the Indenture Trustee shall authenticate and deliver, in replacement thereof, as applicable, a new Certificate of the same series and maturity, payable to the same Holder in the same principal amount as the Certificate so mutilated, destroyed, lost or stolen. If the Certificate being replaced has become mutilated, such Certificate shall be surrendered to the Indenture Trustee. If the Certificate being replaced has been destroyed, lost or stolen, the Holder of such Certificate shall furnish to the applicable Owner Trustee and the Indenture Trustee such security or indemnity as may be required by it to save such Owner Trustee and the Indenture Trustee harmless and evidence satisfactory to such Owner Trustee and the Indenture Trustee of the destruction, loss or theft of such Certificate and of the ownership thereof.

SECTION 2.08 CANCELLATION

The Registrar and any Paying Agent shall forward to the Indenture Trustee all Certificates surrendered to them for replacement, redemption, registration of transfer, exchange or payment. The Indenture Trustee shall cancel all Certificates surrendered for replacement, redemption, registration of transfer, exchange, payment or cancellation and shall destroy cancelled Certificates.

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SECTION 2.09 PAYMENT ON CERTIFICATES; DEFAULTED AMOUNTS

(a) The Indenture Trustee will arrange directly with any Paying Agent for the payment, or the Indenture Trustee will make payment, all pursuant to Section 2.10, of the principal of (including Installment Payment Amounts), and Premium, if any, and interest payable on or in respect of each Certificate. Payment on Serial Certificates of each series and Installment Certificates of each series in respect of interest, and payment on Installment Certificates of each series in respect of Installment Payment Amounts (other than the final Installment Payment Amount), shall be paid in lawful currency of the United States on each Interest Payment Date or Installment Payment Date (other than the final Installment Payment Date), as the case may be, to the Holder thereof at the close of business on the relevant Record Date at the principal corporate trust office of the Indenture Trustee or at any office or agency maintained for such purpose pursuant to Section 2.04; PROVIDED, HOWEVER, that the Paying Agent will, at the request of the Indenture Trustee and may, at its option, pay such interest and Installment Payment Amounts by check mailed to such Holder's address as it appears on the Register. Principal of Serial Certificates, the final Installment Payment Amount payable on any Installment Certificates, and Premium, if any, payable on any Certificates, shall be payable in U.S. currency only against presentation and surrender thereof at the principal corporate trust office of the Indenture Trustee or at the office or agency maintained for such purpose pursuant to Section 2.04.

A Holder of a Certificate of any series shall have no further interest in, or other right with respect to, the Indenture Estate applicable to the Certificates of such series when and if the principal amount of and Premium, if any, and interest on all Certificates of such series held by such Holder and all other sums payable to such Holder hereunder, shall have been paid in full.

(b) Any Installment Payment Amount payable in respect of any Installment Certificate of any series on an Installment Payment Date (other than the final Installment Payment Amount) which is not punctually paid on such Installment Payment Date or any interest payable in respect of any Serial or Installment Certificate of any series on any Interest Payment Date which is not punctually paid on such Interest Payment Date, as the case may be (herein called, respectively, a "Defaulted Installment" and "Defaulted Interest"), shall forthwith cease to be payable to the Holder on the relevant Record Date by virtue of his having been such Holder; and such Defaulted Installment or Defaulted Interest may be paid by the Indenture Trustee, at its election in each

case, as provided in clause (1) or (2) below:

(1) The Indenture Trustee may elect to make payment of any Defaulted Installment or Defaulted Interest, as the case may be, to the Person in whose name any such Certificate is registered at the close of business on a special record date for the payment of such Defaulted Installment or Defaulted Interest, as the case may be, which shall be fixed in the following manner. The Indenture Trustee shall

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notify the Paying Agent in writing of the amount of Defaulted Installment or Defaulted Interest, as the case may be, proposed to be paid on each such Certificate and the date of the proposed payment, and at the same time the Indenture Trustee shall make arrangements to set aside an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Installment or Defaulted Interest, as the case may be, prior to the date of the proposed payment, to be held in trust for the benefit of the Persons entitled to such Defaulted Installment or Defaulted Interest, as the case may be, as this clause provides and shall fix a special record date for the payment of such Defaulted Installment or Defaulted Interest, as the case may be, which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment. The Indenture Trustee shall promptly notify the Owner Trustee applicable to the Certificates of the series in question, the Company and the Registrar of such special record date and shall cause notice of the proposed payment of such Defaulted Installment or Defaulted Interest, as the case may be, and the special record date therefor to be mailed, first class postage prepaid, to each Holder of a Certificate of such series at its address as it appears in the Register, not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Installment or Defaulted Interest, as the case may be, and the special record date therefor having been mailed, as aforesaid, such Defaulted Installment or Defaulted Interest, as the case may be, shall be paid to the Persons in whose names the applicable Certificates are registered on such special record date and shall no longer be payable pursuant to the following clause (2).

(2) The Indenture Trustee may make, or cause to be made, payment of any Defaulted Installment or Defaulted Interest, as the case may be, in any other lawful manner not inconsistent with the requirements of any securities exchange on which Certificates of the series in question may be listed, and upon such notice as may be required by such exchange, if such payment shall be deemed practicable by the Indenture Trustee.

(c) The Indenture Trustee shall require each Paying Agent to agree in writing that such Paying Agent will hold in trust, for the benefit of each Holder of a Certificate of any series and the Indenture Trustee, all money held by the Paying Agent for the payment of the principal of, Premium, if any, and interest on the Certificates of such series and for all other amounts payable hereunder and will give to the Indenture Trustee notice of any default by any obligor upon the Certificates of such series in the making of any such payment upon the Certificates of such series. The Indenture Trustee at any time may require a Paying Agent to repay to the Indenture Trustee all money held by it. Upon so doing the Paying Agent shall have no further liability for the money so paid.

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SECTION 2.10 PAYMENT FROM INDENTURE ESTATE ONLY

All amounts payable by the Indenture Trustee and the Owner Trustee applicable to the Certificates of any series under the Certificates of such series and this Agent shall be made only from the income and proceeds of the Indenture Estate applicable to the Certificates of such series. Each holder of

a Certificate of any series, by its acceptance of such Certificate, agrees that (a) it will look solely to the income and proceeds of such Indenture Estate for the payment of such amounts, to the extent available for distribution to it as herein provided, and (b) none of the Owner Trustee applicable to the Certificates of such series, the Owner Participant applicable to the Certificates of such series or the Indenture Trustee is or shall be personally liable to such Holder for any such amounts or, except as expressly provided in this Agreement in the case of such Owner Trustee and the Indenture Trustee, for any liability thereunder.

It is understood and agreed that an Owner Trustee which enters into an Indenture Supplement with respect to the Certificates of any series shall do so solely as Owner Trustee under the Trust Agreement applicable to the Certificates of such series and not in its individual capacity, and in no case whatsoever shall such Owner Trustee in its individual capacity (or any entity acting as successor trustee under the applicable Trust Agreement) be personally liable for, or for any loss in respect of, any statements, representations, warranties, agreements or obligations hereunder or thereunder; PROVIDED that such Owner Trustee shall be liable under this Agreement in its individual capacity (i) for the performance of its agreements under such sections of the Indenture Supplement applicable to the Certificates of such series which expressly provide that such Owner Trustee will be so liable and (ii) for its own willful misconduct or gross negligence. If a successor Owner Trustee is appointed in accordance with the terms of the applicable Trust Agreement and Participation Agreement, such successor Owner Trustee shall, without any further act, succeed to all of the rights, duties, immunities and obligations hereunder, and its predecessor Owner Trustee (as such and in its individual capacity) shall be released from all further duties and obligations hereunder, without prejudice to any claims against such Owner Trustee (as such and in its individual capacity) for any default by it (as such and in its individual capacity) in the performance of its obligations hereunder prior to such appointment.

ARTICLE 3

RECEIPT, DISTRIBUTION AND APPLICATION OF FUNDS IN INDENTURE ESTATE

SECTION 3.01 APPLICATION OF PROCEEDS OF INITIAL ISSUANCE OF CERTIFICATES

(a) The Indenture Trustee shall apply the proceeds of the issuance of Certificates of any series as follows:

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(i) if such proceeds are received on the Delivery Date applicable to the Certificates of such series, the Indenture Trustee shall apply such proceeds in accordance with clause (x) of the last sentence of this Section 3.01;

(ii) if such proceeds are received subsequent to the Delivery Date and are intended to be applied to refinance existing indebtedness of the Owner Trustee applicable to the Certificates of such series incurred to finance the acquisition of the Aircraft applicable to the Certificates of such series, the Indenture Trustee shall apply such proceeds to refinance such indebtedness as more particularly set forth in the Indenture Supplement applicable to the Certificates of such series; and

(iii) if such proceeds are not applied in accordance with either of the foregoing clauses (i) and (ii), the Indenture Trustee shall deposit such proceeds in an account to be held as part of the Indenture Estate applicable to the Certificates of such series, to be invested and reinvested as provided in Section 9.04, and to be distributed and applied as provided in this Article 3.

On the date the Aircraft applicable to the Certificates of such series is subjected to the Lien of this Agreement, upon execution by the Indenture

Trustee, the Company and the Owner Trustee applicable to the Certificates of such series of the Indenture Supplement applicable to the Certificates of such series, and subject to fulfillment to the satisfaction of or waiver by the Indenture Trustee of the conditions thereto specified in the Participation Agreement applicable to the Certificates of such series and satisfaction of the additional conditions specified in Section 3.01(b), the Indenture Trustee shall (x) make available an amount equal to the proceeds to the Indenture Trustee from the sale of the Certificates of such series to such Owner Trustee to finance or refinance the acquisition of the Aircraft applicable to the Certificates of such series in accordance with this Agreement and (y) pay to the Company an amount equal to any net income or net gain, if any, realized from the investment by the Indenture Trustee of any funds held in the Indenture Estate applicable to the Certificates of such series for the period from the date of issuance of the Certificates of such series to and including the date immediately preceding such Delivery Date.

(b) The payment by the Indenture Trustee specified in the last sentence of Section 3.01(a) shall be subject to the additional condition that on the date the Aircraft applicable to the Certificates of any series is subjected to the Lien of this Agreement the Indenture Trustee shall have received:

(i) a certificate of an Independent Appraiser with respect to the fair value of the Aircraft as at such Delivery Date applicable to the Certificates of such series;

(ii) an Officer's Certificate of the Company to the effect that such payment will not be inconsistent with any of the provisions of this Agreement and that all conditions precedent to such payment have been satisfied;

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(iii) an Opinion of Counsel of the Company stating that the certificates, opinions and other instruments which have been or are therewith delivered to the Indenture Trustee conform to the requirements of this Agreement and that all conditions precedent herein provided for relating to the release of funds provided for in Section 3.01(a) have been complied with; and

(iv) such other documents, certificates, opinions and other evidence with respect to the Company, the manufacturer of such Aircraft, the Owner Trustee and Owner Participant applicable to the Certificates of such series and the consummation of the transactions contemplated hereunder as the Indenture Trustee may reasonably request.

SECTION 3.02 PAYMENT IN CASE OF REDEMPTION OF CERTIFICATES

(a) In the event the Certificates of any series are redeemed (or purchased in lieu of redemption) in accordance with the provisions of paragraph (a) of Section 6.01, the Indenture Trustee shall apply on the applicable Redemption Date any amounts then held by it in the Indenture Estate applicable to the Certificates of such series in the following order of priority;

FIRST, so much of such amount as shall be required to pay the Redemption Price of the Outstanding Certificates of such series pursuant to paragraph (a) of Section 6.01 on the applicable Redemption Date shall be applied to the redemption (or purchase in lieu of redemption) of the Certificates of such series on such Redemption Date; and

SECOND, the balance, if any, of such amount remaining thereafter shall be distributed to the Company.

(b) Except as otherwise provided in Section 3.05, the aggregate amount received by the Indenture Trustee in respect of the Certificates of any series upon a Lease Termination Date or Special Purchase Option Date applicable to the Certificates of such series, if any, shall be distributed on such Lease Termination Date or Special Purchase Option Date by the Indenture Trustee in the

following order of priority:

FIRST, so much of such amount as shall be required to pay any amount due the Indenture Trustee pursuant to Section 9.07 in respect of the Certificates of such series shall be applied to pay the Indenture Trustee such amount;

SECOND, so much of such amount remaining as shall be required to pay the Redemption Price (or the estimated Redemption Price) of the Certificates of such series to be redeemed on or with reference to such Lease Termination Date or Special Purchase Option Date (such estimated Redemption Price to be reduced by the aggregate principal amount of, and estimated Premium, if any, computed as

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provided for in the related Indenture Supplement, and interest accrued and to accrue to but excluding the Redemption Date on, the Certificates of such series, if any, being applied as a credit to such redemption payment pursuant to Section 3.08) shall be held by the Indenture Trustee as part of the Indenture Estate applicable to the Certificates of such series until applied to the redemption (or purchase in lieu of redemption) of the Certificates of such series on the Redemption Date as provided in Section 3.02(c); and

THIRD, the balance, if any, of such amount remaining thereafter shall be distributed to the Owner Trustee applicable to the Certificates of such series, to be held or distributed in accordance with the terms of the Operative Documents applicable to the Certificates of such series.

(c) In the event the Certificates of any series are redeemed, in whole or in part, in accordance with the provisions of paragraphs (b) through (d) of Section 6.01 or Section 6.02 or pursuant to the provisions of the Indenture Supplement, the Indenture Trustee shall apply on the applicable Redemption Date any amounts then held by it in the Indenture Estate applicable to the Certificates of such series and received by it from or on behalf of the Company or the Owner Trustee applicable to the Certificates of such series, including, without limitation, any amounts held by the Indenture Trustee in respect of such series pursuant to clause SECOND of Section 3.02(b), in the following order of priority:

FIRST, so much of such amount as shall be required to pay the Redemption Price of the Outstanding Certificates of such series pursuant to paragraphs (b) through (d) of Section 6.01 or Section 6.02 or pursuant to the provisions of the related Indenture Supplement, as the case may be, on the applicable Redemption Date shall be applied to the redemption of the Certificates of such series on such Redemption Date; and

SECOND, the balance, if any, of such amount remaining thereafter shall be distributed to the Owner Trustee applicable to the Certificates of such series to be held or distributed in accordance with the terms of the Operative Document, applicable to the Certificates of such series.

SECTION 3.03 APPLICATION OF RENT WHEN NO INDENTURE EVENT OF DEFAULT IS CONTINUING

Each amount of Rent applicable to the Certificates of any series received by the Indenture Trustee from the Owner Trustee applicable to the Certificates of such series or from the Company in respect of the Certificates of such series, shall, except as otherwise provided in Section 3.02, 3.04 or 3.05, be distributed by the Indenture Trustee in the following order of priority:

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FIRST, so much of such amount as shall be required to pay in full the principal of, and Premium, if any, and interest then due on all Outstanding Certificates of such series shall be distributed to the Persons entitled thereto;

SECOND, so much of such amount remaining thereafter as shall be required to pay any amount due the Indenture Trustee pursuant to Section 9.07 in respect of the Certificates of such series shall be applied to pay the Indenture Trustee such amount; and

THIRD, the balance, if any, of such amount remaining thereafter shall be distributed to such Owner Trustee to be held or distributed in accordance with the terms of the Operative Documents applicable to the Certificates of such series.

SECTION 3.04 APPLICATION OF CERTAIN PAYMENTS IN CASE OF REQUISITION OR EVENT OF LOSS

Except as otherwise provided in Section 3.05, any amounts received directly or through the Company from any governmental authority or other party pursuant to the Lease applicable to the Certificates of any series as the result of an Event of Loss, to the extent that such amounts are not at the time required to be paid to the Company pursuant to such Lease, and any amounts of Insurance proceeds for damage to the Indenture Estate applicable to the Certificates of such series received directly or through the Company from any insurer pursuant to such Lease as the result of such event of Loss, to the extent such amounts are not at the time required to be paid to the Company pursuant to such Lease, shall, except as otherwise provided in the next sentence, be applied in reduction of the Company's obligations to pay Stipulated Loss Value in respect of the Certificates of such series and the other amounts payable by the Company pursuant to such Lease and the remainder, if any, shall, except as provided in the next sentence, be distributed to the Owner Trustee applicable to the Certificates of such series to be held or distributed in accordance with the terms of such Lease. Any portion of any such amount referred to in the preceding sentence which is not required to be so paid to the Company pursuant to such Lease, solely because a Lease Default or Lease Event of Default applicable to the Certificates of such series shall have occurred, shall be held by the Indenture Trustee as security for the obligations of the Company under such Lease and at such time as there shall not be continuing any such Lease Default or Lease Event of Default or such earlier time as shall be provided for in such Lease, such portion shall be paid to the Owner Trustee applicable to the Certificates of such series to be held or distributed in accordance with the term of such Lease, unless the Indenture Trustee shall have theretofore declared such Lease to be in default pursuant to the provisions thereof, in which event such portion shall be distributed forthwith upon such declaration in accordance with the provisions of Section 3.05.

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SECTION 3.05 PAYMENTS DURING CONTINUANCE OF INDENTURE EVENT OF DEFAULT

All payments received and amounts held or realized by the Indenture Trustee after an Indenture Event of Default applicable to the Certificates of any series shall have occurred and be continuing (including any amounts realized by the Indenture Trustee from the exercise of any remedies in respect of the Certificates of such series pursuant to Article 8), as well as all payments or amounts then held or thereafter received by the Indenture Trustee as part of the Indenture Estate applicable to the Certificates of such series while such Indenture Event of Default shall be continuing, shall be distributed by the Indenture Trustee in the following order of priority:

FIRST, so much of such payments or amounts as shall be required to pay the Indenture Trustee any amount then due it pursuant to Section 9.07 in respect of the Certificates of such series shall be applied to pay the Indenture Trustee such amount;

SECOND, so much of such payments or amounts remaining as shall be required to pay the expenses incurred (including unbilled expenses in respect of property delivered or contracted for or services rendered or contracted for if the amount of such expenses is liquidated) in using, operating, storing, leasing, controlling or managing such Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements of and to such Indenture Estate and to make all payments which the Indenture Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon such Indenture Estate or any part thereof (including the employment of engineers and accountants to examine and make reports upon the properties, books and records of the Owner Trustee applicable to the Certificates of such series and, to the extent permitted under the Lease applicable to the Certificates of such series, the Company), all in accordance with Section 8.03(c), shall be applied for such purposes;

THIRD, so much of such payments or amounts remaining as shall be required to pay the principal of, and Premium, if any, and accrued interest on, all Outstanding Certificates of such series then due, whether upon redemption, by declaration of acceleration pursuant to Section 8.02 or otherwise, shall be applied ratably to the payment of such principal, Premium, if any, and interest; and in case such payments or amounts shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment of such principal, Premium, if any, and interest, without any preference or priority of one Certificate of such series over another, ratably according to the aggregate amount so due for principal, Premium, if any, and interest at the date fixed by the Indenture Trustee for the distribution of such payments or amounts; and

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FOURTH, the balance, if any, of such payments or amounts remaining thereafter shall be held by the Indenture Trustee as collateral security for the obligations secured hereby until such time as no Indenture Event of Default applicable to the Certificates of such series shall be continuing hereunder or the Certificates of such series have been accelerated and all amounts due thereon have been paid, at which time such payments or amounts shall be distributed to the Owner Trustee applicable to the Certificates of such series to be held or distributed in accordance with the terms of the Operative Documents applicable to the Certificates of such series; PROVIDED that at such time as one or more Lease Events of Default applicable to the Certificates of such series shall have occurred and any such Lease Event of Default shall have continued for the period, if any, specified in the Indenture Supplement applicable to the Certificates of such series during which time the Certificates of such series could, but shall not, have been accelerated pursuant to Section 8.02, such amounts shall be distributed to the Owner Trustee applicable to the Certificates of such series to be held or distributed in accordance with the terms of the Operative Documents applicable to the Certificates of such series so long as no Indenture Event of Default applicable to the Certificates of such series exists other than by virtue of such Lease Event of Default.

SECTION 3.06 PAYMENTS FOR WHICH APPLICATION IS PROVIDED IN OTHER DOCUMENTS

Except as otherwise provided in this Agreement applicable to the Certificates of any series, any payment received by the Indenture Trustee in respect of the Certificates of such series for which provision as to the application thereof is made in the Lease or Participation Agreement applicable to the Certificates of such series shall be distributed to the Person for whose benefit such payments were made. The Indenture Trustee shall be obligated to distribute to the Owner Participant or Owner Trustee applicable to the Certificates of any series, as the case may be, any Excluded Payments in respect of the Certificates of such series received by the Indenture Trustee promptly upon receipt thereof by the Indenture Trustee.

SECTION 3.07 PAYMENTS FOR WHICH NO APPLICATION IS OTHERWISE PROVIDED

Except as otherwise provided in Section 3.05:

(a) any payment in respect of the Certificates of any series received by the Indenture Trustee for which no provision as to the application thereof is made elsewhere in this Agreement, and

(b) any payment in respect of the Certificates of such series received and amounts realized by the Indenture Trustee with respect to the Aircraft applicable to the Certificates of such series to the extent received or realized at any time after the conditions set forth in Article 10 for the satisfaction and discharge of this

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Agreement as applicable to the Certificates of such series or for the defeasance of the Certificates of such series shall have been satisfied, as well as any other amounts remaining as part of the Indenture Estate applicable to the Certificates of such series after such satisfaction shall be distributed by the Indenture Trustee in the following order of priority:

FIRST, so much of such amount as shall be required to pay the Indenture Trustee any amount then due it pursuant to Section 9.07 in respect of the Certificates of such series shall be applied to pay the Indenture Trustee such amount; and

SECOND, the balance, if any, of such amount remaining thereafter shall be distributed to the Owner Trustee applicable to the Certificates of such series to be held or distributed in accordance with the terms of the Operative Documents applicable to the Certificates of such series.

SECTION 3.08 CREDIT IN RESPECT OF CERTIFICATES SURRENDERED FOR CANCELLATION

(a) To the extent permitted in the Lease applicable to a series of Certificates, in satisfaction of the obligation of the related Owner Trustee to pay all or any part of principal of, Premium, if any, and interest on the Certificates of such series due on any date. Such Owner Trustee (or the Company acting on behalf of such Owner Trustee) may surrender, or cause to be surrendered, Certificates of such series the principal of which is or will be due on such date to the Indenture Trustee for cancellation pursuant to Section 2.08 not later than 10 Business Days prior to such date, in which case there shall be credited against the amounts so payable by such Owner Trustee in respect of the Certificates of such series as of such date the aggregate principal amount as of such date of the Certificates of such series so surrendered, the Premium, if any, thereon as of such date and the amount of interest which would have been payable on the Certificates of such series so surrendered on such date had they not been surrendered for cancellation and had they remained Outstanding; PROVIDED that an Installment Certificate may be surrendered only after the penultimate Installment Payment Date for credit in accordance with the provisions of this Section 3.08(a).

(b) To the extent permitted in the Lease applicable to a series of Certificates, in satisfaction of the obligation of the related Owner Trustee to pay the Redemption Price upon a redemption of the Certificates of such series pursuant to Section 6.01, Section 6.02 or the provisions of the related Indenture Supplement, such Owner Trustee (or the Company acting on behalf of such Owner Trustee) may surrender Certificates of such series the principal of which is or will be due on the applicable Redemption Date to the Indenture Trustee for cancellation pursuant to Section 2.08 not later than 10 Business Days prior to such date, in which case there shall be credited against the amount so payable by such Owner Trustee in respect of the Certificates of such series as of such date, the principal amount as of such date of the Certificates of such series so surrendered, the

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Premium, if any, thereon as of such date and the amount of the interest which would have been payable on the Certificates of such series so surrendered on such date had they not been surrendered for cancellation and had they remained Outstanding.

(c) In the event of a credit against the amounts payable by the Owner Trustee in respect of the Certificates of any series on any date as aforesaid, as a result of the surrender of any Certificates of such series by the Company acting on behalf of such Owner Trustee to the Indenture Trustee, the Indenture Trustee and such Owner Trustee shall credit an amount equal to the amount of such credit against the Basic Rent or Supplemental Rent payable under the Lease applicable to the Certificates of such series on such date or on the Lease Termination Date, Lease Loss Payment Date or Special Purchase Option Date applicable to the Certificates of such series, as the case may be.

ARTICLE 4

COVENANTS OF OWNER TRUSTEE

SECTION 4.01 COVENANTS OF OWNER TRUSTEE

Each Owner Trustee entering into the Indenture Supplement in respect of the Certificates of any series pursuant to Section 2.01 shall thereby be deemed to covenant and agree that:

(i) such Owner Trustee will duly and punctually pay the principal of, and Premium, if any, and interest on, and other amounts due under, the Certificates of such series, provided it or the Indenture Trustee has funds in the Indenture Estate applicable to the Certificates of such series for such purpose;

(ii) such Owner Trustee will, in its individual capacity, not directly or indirectly create, incur, assume or suffer to exist any Lessor's Lien attributable to it in its individual capacity with respect to any of the properties or assets of such Indenture Estate;

(iii) in the event an officer in the Corporate Trust Administration Department of such Owner Trustee shall have actual knowledge of an Indenture Event of Default, Indenture Default or Event of Loss applicable to the Certificates of such series, such Owner Trustee will give prompt written notice of such Indenture Event of Default, Indenture Default or Event of Loss to the Indenture Trustee, the Owner Participant applicable to the Certificates of such series and the Company;

(iv) such Owner Trustee will furnish to the Indenture Trustee, promptly upon receipt thereof, true and correct duplicates or copies of all reports, notices, requests, demands, certificates, financial statements and other instruments furnished

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to such Owner Trustee under the Lease applicable to the Certificates of such series, to the extent that the same shall not have been furnished to the Indenture Trustee pursuant to such Lease;

(v) except as contemplated by the Operative Documents applicable to the Certificates of such series, such Owner Trustee will not contract for, create, incur, assume or suffer to exist any Debt, and will not guarantee (directly or indirectly or by an instrument having the effect of assuring another payment or performance on any obligation or capability of so doing, or otherwise), endorse or otherwise be or become contingently liable, directly or indirectly, in connection with the Debt of any other Person; and

(vi) such Owner Trustee will not enter into any business or other activity other than owning the Aircraft applicable to the Certificates of such series, the leasing thereof to the Company and the carrying out of the transactions contemplated hereby and by the Operative Documents applicable to the Certificates of such series.

ARTICLE 5

DISPOSITION, SUBSTITUTION AND RELEASE OF PROPERTY INCLUDED IN INDENTURE ESTATE DURING CONTINUATION OF LEASE

SECTION 5.01 DISPOSITION, SUBSTITUTION AND RELEASE OF PROPERTY INCLUDED IN INDENTURE ESTATE DURING CONTINUATION OF LEASE

With respect to the Certificates of any series, so long as the Lease applicable to the Certificates of any series is in effect:

(a) PARTS. Any Parts applicable to the Certificates of such series and alterations, improvements and modifications in and additions to the Aircraft applicable to the Certificates of such series shall, to the extent required or specified by such Lease, become subject to the Lien of this Agreement and be leased to the Company under such Lease; PROVIDED that, to the extent permitted by and as provided in such Lease, the Company shall have the right, at any time and from time to time, without any release from or consent by the Owner Trustee applicable to the Certificates of such series or the Indenture Trustee, to remove, replace and pool such Parts and to make alterations, improvements and modifications in, and additions to, such Aircraft. The Indenture Trustee agrees that, to the extent permitted by and as provided in such Lease, title to any such Part shall vest in the Company. The Indenture Trustee shall from time to time execute an appropriate written instrument or instruments to confirm the release of the security interest of the Indenture Trustee in any such Part as provided in this Section 5.01, in each case

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upon receipt by the Indenture Trustee of a Company Request stating that said action was duly taken by the Company in conformity with this Section 5.01 and that the execution of such written instrument or instruments is appropriate to evidence such release of a security interest under this Section 5.01.

(b) SUBSTITUTION UNDER LEASE UPON AN EVENT OF LOSS OCCURRING TO AIRFRAME OR ENGINES OR UPON VOLUNTARY TERMINATION OF LEASE WITH RESPECT TO ENGINES. Upon (i) the occurrence of an Event of Loss to the Airframe or any Engine applicable to the Certificates of any series, or (ii) a voluntary termination of the Lease applicable to the Certificates of any series with respect to such an Engine, the Company may, in the case of an Event of Loss which has occurred to such Airframe, or shall (except to the extent otherwise provided in the Indenture Supplement), in the case of an Event of Loss which has occurred to or termination of the Lease with respect to such an engine, substitute an airframe or engine, as the case may be, in which case, upon satisfaction of all conditions to such substitution specified in such Lease and the additional condition specified in Section 5.01(c), if applicable, the Indenture Trustee shall release all of its right, interest and Lien in and to such Airframe or Engine in accordance with the provisions of the following two sentences. The Indenture Trustee shall execute and deliver to the Owner Trustee applicable to the Certificates of such series an instrument releasing its Lien in and to such Airframe or Engine and shall execute for recording in public offices, at the expense of such Owner Trustee (if requested by such Owner Trustee) or the Company (if requested by the Company), such instruments in writing as such Owner Trustee or the Company shall reasonably request and as shall be reasonably acceptable to the Indenture Trustee in order to make

clear upon public records that such Lien has been released under the laws of the applicable jurisdiction. Each of such Owner Trustee and the Company hereby waives and releases any and all rights existing or that may be acquired to and penalties, forfeit or damages from or against the Indenture Trustee for failure to execute and deliver any document in connection with the release of any Lien or to file any certificate in compliance with any law or statute requiring the filing of the same in connection with the release of any Lien, except for failure by the Indenture Trustee to execute and deliver any document or to file any certificate as may be specifically requested in writing by such Owner Trustee or the Company.

(c) CONDITION TO RELEASE. The Indenture Trustee's release of all of its right, interest and Lien in and to an Airframe or Engine applicable to the Certificates of any series, as provided for in Section 5.01(b), shall be subject to the condition that the Indenture Trustee shall have received (i) a certificate of an Independent Appraiser reasonably acceptable to the Owner Trustee applicable to the Certificates of such series and the Indenture Trustee, following a physical inspection, stating the fair value to the Company of the airframe or engine to be substituted for such Airframe or Engine and the value, utility and, solely with

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respect to the Airframe, useful life thereof, and (ii) a certificate of an Appraiser as to the fair value of such Airframe or Engine, as the case may be, to be released from such Lien and stating that in the opinion of such Appraiser the proposed release will not impair the security under this Agreement in contravention of the provisions hereof, which certificate shall be prepared by an Independent Appraiser if the fair value of such Airframe or Engine, as the case may be, to be released from the Lien of this Agreement and of all other property and securities released since the commencement of the then current calendar year, as set forth in the certificates required by Section 314(d)(1) of the Trust Indenture Act, is 10% or more of the aggregate principal amount of the Certificates of such series at the time Outstanding.

ARTICLE 6

REDEMPTION OF CERTIFICATES

SECTION 6.01 REDEMPTION OF CERTIFICATES IN THE EVENT OF NON-DELIVERY OF AIRCRAFT OR UPON EVENT OF LOSS, TERMINATION OF LEASE OR REFUNDING

(a) In the event that the Aircraft applicable to the Certificates of any series is not subjected to the Lease applicable to the Certificates of such series and not subjected to the Lien of this Agreement prior to the date therefor specified in the Indenture Supplement, each Outstanding Certificate of such series shall be redeemed in whole at a Redemption Price equal to 100% of the outstanding principal amount of such Certificate plus accrued and unpaid interest thereon to but excluding the applicable Redemption Date, without Premium. The Redemption Date for Certificates redeemed pursuant to this Section 6.01(a) shall be the date specified therefor in the Indenture Supplement.

(b) Upon the occurrence of an Event of Loss to the Airframe or Engine applicable to the Certificates of any series, if such Aircraft is not replaced pursuant to the Lease applicable to the Certificates of such series, each Outstanding Certificate of such series shall be redeemed at a Redemption Price equal to 100% of the outstanding principal amount of the Certificates to be redeemed plus accrued and unpaid interest thereon to but excluding the applicable Redemption Date, without Premium. As provided in the Indenture Supplement for such series of Certificates, if the Engine is not replaced pursuant to the Lease applicable to the Certificates of such series, the principal amount of Certificates redeemed and the Redemption Price therefor will be set forth in such Indenture Supplement. The Redemption Date for Certificates redeemed pursuant to this Section 6.01(b) shall be the Lease Loss Payment Date

applicable to the Certificates of such series.

(c) Upon termination of the Lease applicable to the Certificates of any series by the Company upon exercise of any termination option it may have thereunder or upon the

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purchase of such Aircraft by the Company upon exercise of any purchase option it may have under such Lease (unless the Company shall have elected to assume the rights and obligations of the Owner Trustee applicable to the Certificates of such series in accordance with Section 7.05), each Outstanding Certificate of such series shall be redeemed in whole at a Redemption Price determined in accordance with the provisions of the Indenture Supplement applicable to such series of Certificates. The Redemption Date for Certificates to be redeemed pursuant to this Section 6.01(c) shall be the date specified in such Indenture Supplement.

(d) If and to the extent specifically provided in the Indenture Supplement applicable to the Certificates of any series, the Certificates of such series may be redeemed in whole as part of a refunding or refinancing, upon satisfaction of all conditions to such refunding or refinancing set forth in the Operative Documents applicable to the Certificates of such series. In such event, each Outstanding Certificate of such series shall be redeemed at a Redemption Price determined in accordance with the provisions set forth in the Indenture Supplement applicable to such series of Certificates. The Redemption Date for Certificates to be redeemed pursuant to this Section 6.01(d) shall be the date specified in such Indenture Supplement.

SECTION 6.02 REDEMPTION OF CERTIFICATES BY OWNER TRUSTEE UPON LEASE EVENT OF DEFAULT

If and to the extent specifically provided in the Indenture Supplement applicable to the Certificates of any series each Outstanding Certificate of such series may be redeemed (or purchased in lieu of redemption) in whole, at the option of the Owner Trustee applicable to the Certificates of such series pursuant to such Indenture Supplement and Section 8.03(e)(ii), (a) in the event that one or more Lease Events of Default applicable to the Certificates of such series shall have occurred and shall have continued for not less than the period specified therefor in such Indenture Supplement, during which time the Certificates could, but shall not have been accelerated, or in the event that the Certificate of such series shall have been accelerated pursuant to Section 8.02, or (b) in the event that one or more Lease Events of Default applicable to the Certificates of such series shall have occurred and shall have continued for not less than the minimum number of days and not more than the maximum number of days specified therefor in such Indenture Supplement during which time the Certificates could, but shall not have been accelerated. The Redemption Price for Certificates redeemed (or purchased in lieu of redemption) pursuant to this Section 6.02 shall be equal to 100% of the outstanding principal amount thereof plus accrued and unpaid interest thereon to but excluding the applicable Redemption Date, without Premium, in the case of a redemption pursuant to the foregoing clause (a), or together with a Premium, if any, determined in accordance with the provisions of the Indenture Supplement, in the case of a redemption pursuant to the foregoing clause (b). The Redemption Date for Certificates redeemed (or purchased in lieu of redemption)

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pursuant to this Section 6.02 shall be the date provided therefor in such Indenture Supplement.

SECTION 6.03 NOTICE OF REDEMPTION TO HOLDERS

Notice of redemption with respect to Certificates of any series shall be given by first-class mail, postage prepaid, mailed not less than the minimum nor

more than the maximum number of days specified in the Indenture Supplement prior to the Redemption Date, to each Holder of such Certificates to be redeemed, at such Holder's address appearing in the Register.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the applicable basis for determining the Redemption Price,
- (3) that on the Redemption Date, the Redemption Price will become due and payable upon each such Certificate, and that interest on such Certificates shall cease to accrue on and after such Redemption Date, and
- (4) the place or places where such Certificates are to be surrendered for payment of the Redemption Price.

Notice of redemption of such Certificates to be redeemed shall be given by the Indenture Trustee.

SECTION 6.04 DEPOSIT OF REDEMPTION PRICE

On or before the Redemption Date for the Certificates of any series, the Owner Trustee applicable to the Certificates of the series being redeemed (or any person on behalf of such Owner Trustee) shall, to the extent an amount equal to the Redemption Price for such Certificates shall not then be held in the Indenture Estate applicable to the Certificates of such series, deposit or cause to be deposited with the Indenture Trustee or the Paying Agent by 12:00 noon in immediately available funds an amount equal to such Redemption Price.

SECTION 6.05 CERTIFICATES PAYABLE ON REDEMPTION DATE

Notice of redemption of the Certificates of any series having been given as aforesaid, such Certificates shall, on the Redemption Date, become due and payable at the principal corporate trust office of the Indenture Trustee or at any office or agency maintained for such purposes pursuant to Section 2.04, and from and after such Redemption Date (unless there shall be a default in the payment of the Redemption Price) any such Certificates then Outstanding shall cease to bear interest. Upon surrender of any

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such Certificates for redemption in accordance with said notice such Certificates shall be redeemed at the Redemption Price. If any Certificate of any series called for redemption shall not be so paid upon surrender thereof for redemption, the principal amount thereof shall, until paid, continue to bear interest from the applicable Redemption Date at the interest rate applicable to such Certificate.

ARTICLE 7

COVENANTS OF THE COMPANY

SECTION 7.01 REPAYMENT OF MONIES FOR CERTIFICATE PAYMENTS HELD BY INDENTURE TRUSTEE

Any money held by the Indenture Trustee or any Paying Agent in trust for any payment of the principal of, or Premium, if any, or interest on the Certificates of any series (including without limitation any money deposited pursuant to Article 10) and remaining unclaimed for two years and eleven months after the due date for such payment, shall be paid to the Owner Trustee applicable to the Certificates of such series; and the Holders of any Outstanding Certificates of such series shall thereafter, as unsecured general creditors, look only to the Company on behalf of such Owner Trustee, or to the Owner Trustee as specified in the applicable Participation Agreement for payment thereof, and all liability of the Indenture Trustee or any such Paying Agent

with respect to such trust money shall thereupon cease; PROVIDED that the Indenture Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be mailed to each Holder of a Certificate of such series notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of mailing, any unclaimed balance of such money then remaining will be repaid to such Owner Trustee as provided herein.

SECTION 7.02 REPORTS BY THE COMPANY

The Company shall:

(a) file with the Indenture Trustee, within 30 days after the Company is required to file the same with the SEC, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may from time to time by rules and regulations prescribe) which the Company is required to file with the SEC pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended; or, if the Company is not required to file information, documents or reports pursuant to either of such sections, then to file with the Indenture Trustee and the SEC, in accordance with rules and regulations prescribed by the SEC, such of the supplementary and periodic information, documents and reports which may be required pursuant to section 13 of the Securities Exchange Act of 1934, as

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amended, in respect of a security listed and registered on a national securities exchange as may be prescribed in such rules and regulations;

(b) file with the Indenture Trustee and the SEC, in accordance with the rules and regulations prescribed by the SEC, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Agreement, as may be required by such rules and regulations, including, in the case of annual reports, if required by such rules and regulations, certificates or opinions of independent public accountants, conforming to the requirements of Section 13.05;

(c) transmit to all Holders, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports required to be filed by the Company pursuant to subsections (a) and (b) of this Section 7.02 as may be required by rules and regulations prescribed by the SEC;

(d) furnish to the Indenture Trustee, not less often than annually, a brief certificate from the principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Agreement (it being understood that for purposes of this paragraph (d), such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Agreement); and

(e) furnish to the Indenture Trustee:

(1) promptly after the execution and delivery of the Indenture Supplement, an Opinion of Counsel either stating that in the opinion of such counsel such Indenture Supplement has been properly recorded and filed so as to make effective the Lien intended to be created thereby, and reciting the details of such action, or stating that in the opinion of such counsel no such action is necessary to make such Lien effective; and

(2) at least annually after the execution and delivery of this Agreement, an Opinion of Counsel either stating that in the opinion of such counsel such action has been taken with respect to the recording,

filing, re-recording, and re-filing of this Agreement entered into hereunder as is necessary to maintain the Lien of this Agreement, and reciting the details of such action, or stating that in the opinion of such counsel no such action is necessary to maintain such Lien.

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SECTION 7.03 CONSOLIDATION, MERGER, ETC.

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease substantially all of its assets as an entirety to any Person unless:

(i) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance, transfer or lease substantially all of the assets of the Company as an entirety shall be (i) a citizen of the United States as defined in Section 101(16) of the Federal Aviation Act and (ii) a United States certificated air carrier;

(ii) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance, transfer or lease substantially all of the assets of the Company as an entirety shall execute and deliver to the Owner Trustee applicable to the Certificates of each series, the Indenture Trustee and the Owner Participant applicable to the Certificates of such series a duly authorized, valid, binding and enforceable agreement in form and substance reasonably satisfactory to the Indenture Trustee and each such Owner Trustee and Owner Participant containing an assumption by such successor corporation or Person of the due and punctual performance and observance of each covenant and condition of the Operative Documents applicable to the Certificates of each series to be performed or observed by the Company;

(iii) immediately after giving effect to such transaction, no Lease Event of Default applicable to the Certificates of each series or event which is, or after notice or passage of time, or both, would be, such a Lease Event of Default shall have occurred and be continuing; and

(iv) the Company shall have delivered to each such Owner Trustee, the Indenture Trustee and each such Owner Participant an Officers' Certificate of the Company and an Opinion of Counsel of the Company (which may be the Company's General Counsel) reasonably satisfactory to the Indenture Trustee and each such Owner Participant, each stating that such consolidation, merger, conveyance, transfer or lease and the assumption agreement mentioned in clause (ii) above comply with this Section 7.03 and that all conditions precedent herein provided for relating to such transaction have been complied with.

Upon any consolidation or merger, or any conveyance, transfer or lease of substantially all of the assets of the Company as an entirety in accordance with this Section 7.03, the successor corporation or Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture and the Indenture Supplement applicable to the Certificates of each series with the same effect as if such successor corporation or Person had been

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named as the Company herein. No such conveyance, transfer or lease of substantially all of the assets of the Company as an entirety shall have the effect of releasing the Company or any successor corporation or Person which shall theretofore have become such in the manner prescribed in this Section 7.03 from its liability in respect of any Operative Document applicable to the Certificates of such series to which it is a party.

SECTION 7.04 CHANGE IN REGISTRATION

The Indenture Trustee shall, upon the request of the Company, consent to the deregistration of the Aircraft applicable to the Certificates of any series under the laws of the jurisdiction in which it is at the time registered and the registration of such Aircraft under the laws of another jurisdiction (herein called a "change in registration") provided that the following conditions are met:

(a) such change in registration complies with the provisions of the Lease applicable to the Certificates of such series;

(b) no Lease Event of Default applicable to the Certificates of such series and no event which, with lapse of time or the giving of notice, or both, would become such a Lease Event of Default, shall have occurred and be continuing at the effective date of the change in registration, provided that it shall not be necessary to comply with this condition (b) if the change in registration results in the registration of such Aircraft under the laws of the United States of America or if the Indenture Trustee in its discretion believes the change in registration would be advantageous to the Holders of the Certificates of such series; and

(c) the Indenture Trustee shall have received an Opinion of Counsel of the Company reasonably satisfactory to the Indenture Trustee to the effect that:

(i) after giving effect to the change in registration, the Lien on such Aircraft and the other property included in the Indenture Estate applicable to the Certificates of such series shall continue as a fully perfected Lien and that all filing, recording or other action necessary to perfect and protect the Lien of this Agreement has been accomplished (or if such opinion cannot be given on or prior to the effective date of such change in registration, (x) such opinion shall be to the effect that such filing, recording or other action as is feasible on or prior to such effective date (detailing the same) has been accomplished and that such filings, recording or other action as must be accomplished subsequently (detailing the same) is of a routine nature and (y) the Indenture Trustee shall have received an Officer's Certificate of the Company that all possible preparations to accomplish such subsequent filing, recording and other action shall have been done, and such filing, recording and other action will be accomplished (the Company agreeing to deliver an Opinion of Counsel of the Company as promptly as

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possible subsequent to such effective date confirming that all such filing, recording and other action has been taken); and

(ii) the terms of such Lease and this Agreement (including the governing law clauses) being legal, valid, binding and enforceable in such jurisdiction, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally, and by general principles of equity and except as limited by applicable laws which may affect the remedies provided in such Lease and this Agreement, respectively, which laws, however, do not in the opinion of such counsel make the remedies provided in such Lease and this Agreement, respectively, inadequate for the practical realization of the rights and benefits provided thereby.

The Indenture Trustee shall execute such documents as the Company or the Owner Trustee applicable to the Certificates of such series shall reasonably request in order to satisfy the above conditions and, upon satisfaction of such conditions, to effect the change in registration.

SECTION 7.05 ASSUMPTION OF OBLIGATIONS OF OWNER TRUSTEE BY THE COMPANY

In the event that the Company shall have the option, as provided in the applicable Lease or Participation Agreement, to assume the rights and obligations of the Owner Trustee applicable to the Certificates of any series in connection with the purchase by the Company of the Aircraft applicable to the Certificates of such series, then the exercise of such option shall be subject to the satisfaction of the following conditions on or prior to the Purchase Option Date applicable to the Certificates of such series:

(a) the Company shall have delivered to the Indenture Trustee a certificate, dated such Special Purchase Option Date, of a Responsible Company Officer stating that the Company has paid to such Owner Trustee all amounts required to be paid to such Owner Trustee pursuant to the Lease or the Participation Agreement applicable to the Certificates of such series in connection with such purchase and assumption;

(b) no event which constitutes or, with the lapse of time or the giving of notice, or both, would become a Lease Event of Default applicable to the Certificates of such series shall have occurred and be continuing immediately after giving effect to such purchase or assumption and the Indenture Trustee shall have received a certificate, dated such Special Purchase Option Date, of a Responsible Company Officer to such effect;

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(c) the Indenture Trustee shall have received, on or prior to such Special Purchase Option Date, evidence of all filings, recordings and other action referred to in the Opinion or Opinions of Counsel referred to below;

(d) the Indenture Trustee shall have received an Opinion or Opinions of Counsel for the Company, dated such Special Purchase Option Date, which without unusual qualification shall be to the effect that, after giving effect to the indenture supplement referred to below:

(i) this Agreement constitutes the legal, valid and binding obligation, of the Company, enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity, and except as limited by applicable laws which may affect the remedies provided for in this Agreement, which laws, however, do not in the opinion of such counsel make the remedies provided for in this Agreement inadequate for the practical realization of the rights and benefits provided for in this Agreement;

(ii) the Aircraft applicable to the Certificates of such series is duly registered in compliance with applicable law;

(iii) the Lien on such Aircraft constitutes a fully perfected Lien and all filings, recordings or other action (specifying the same) necessary to perfect and protect the Lien of this Agreement have been accomplished; and

(iv) the Indenture Trustee should be entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to such Aircraft; PROVIDED that such opinion need not be delivered to the extent that the benefits of Section 1110 of the Bankruptcy Code are not available to the Indenture Trustee with respect to such Aircraft immediately prior to such assumption; and PROVIDED FURTHER that such opinion may contain qualifications of the tenor contained in the opinion of special counsel for the Company delivered pursuant to the Participation Agreement applicable to the Certificates of such series on the Delivery Date applicable to the Certificates of such series; and

(e) an indenture supplement giving effect to such assumption reasonably satisfactory to the Indenture Trustee, dated the Special Purchase Option Date, shall have been entered into and delivered to the Indenture Trustee.

Upon satisfaction of such conditions and without the requirement of further action by any Person, effective as of such Special Purchase Option Date, such Owner Trustee shall be released from all of its obligations under this Agreement in respect of the Certificates of

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such series (other than any obligations or liabilities of such Owner Trustee in its individual capacity incurred on or prior to such Special Purchase Option Date or arising out of or based upon events occurring on or prior to such Special Purchase Option Date, which obligations and liabilities shall remain the sole responsibility of such Owner Trustee).

ARTICLE 8

DEFAULTS AND REMEDIES

SECTION 8.01 INDENTURE EVENTS OF DEFAULT

"Indenture Event of Default," with respect to the Certificates of any series, means each of the events specified as such in the Indenture Supplement related to such series of Certificates.

SECTION 8.02 ACCELERATION; RESCISSION AND ANNULMENT

If an Indenture Event of Default with respect to the Certificates of any series occurs and is continuing, the Indenture Trustee, by notice to the Company and the Owner Trustee applicable to the Certificates of such series, or the Holders of at least 25% in aggregate principal amount of Outstanding Certificates of such series, by notice to the Company, the Indenture Trustee, such Owner Trustee and the Owner Participant applicable to the Certificates of such series, may declare the principal of all the Certificates of such series to be due and payable. Upon such declaration, the principal of all Certificates of such series together with accrued interest thereon from the date in respect of which interest was last paid hereunder to the date payment of such principal is made or duly provided for, shall be immediately due and payable. At any time after such declaration and prior to the sale or disposition of the Indenture Estate applicable to the Certificates of such series, the Holders of a majority in aggregate principal amount of all the Outstanding Certificates of such series, by notice to the Indenture Trustee, the Company and such Owner Trustee and Owner Participant, may rescind such a declaration and thereby annul its consequences if (i) an amount sufficient to pay all principal of, and Premium, if any, on any Certificates of such series which have become due otherwise than by such declaration and any interest thereon and interest due or past due, if any, and all other sums due and payable to the Indenture Trustee in respect of the Certificates of such series have been deposited with the Indenture Trustee, (ii) the rescission would not conflict with any judgment or decree and (iii) all existing Indenture Defaults applicable to the Certificates of such series and Indenture Events of Default applicable to the Certificates of such series under this Agreement have been cured or waived (except nonpayment of amounts of principal of, and Premium, if any, and interest on the Certificates of such series that have become due solely because of such acceleration).

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SECTION 8.03 OTHER REMEDIES AVAILABLE TO INDENTURE TRUSTEE

(a) After an Indenture Event of Default with respect to the Certificates

of any series shall have occurred and so long as such Indenture Event of Default shall be continuing, then and in every such case the Indenture Trustee, as trustee of an express trust and as assignee hereunder of the Lease applicable to the Certificates of such series or as holder of a security interest in the Aircraft or Engines may, and when required pursuant to the provisions of Article 9 shall, exercise (subject to Sections 8.03(e) and 8.03(f)) any or all of the rights and powers and pursue any and all of the remedies accorded to the Owner Trustee applicable to the Certificates of such series pursuant to the Lease applicable to the Certificates of such series and this Article 8, may recover judgment in its own name as Indenture Trustee against the Indenture Estate applicable to the Certificates of such series and may take possession of all or any part of such Indenture Estate and may exclude such Owner Trustee and the Owner Participant applicable to the Certificates of such series and all persons claiming under any of them wholly or partly therefrom.

(b) Subject to Sections 8.03(e) and 8.03(f), the Indenture Trustee may, if at the time such action is lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession, and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Owner Trustee and Owner Participant applicable to the Certificates of such series and to the Company once at least 30 days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Indenture Estate applicable to the Certificates of such series, or any part thereof, or interest therein, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Indenture Trustee may determine, and at any place (whether or not it be the location of such Indenture Estate or any part thereof) and time designated in the notice above referred to; PROVIDED that, notwithstanding any provision herein to the contrary, the Indenture Trustee shall not sell any of such Indenture Estate unless a declaration of acceleration of the Certificates of such series has been made pursuant to Section 8.02. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further notice, and the Indenture Trustee and the Holder or Holders of any Certificates of such series, or any interest therein, may bid and become the purchaser at any such sale. The Indenture Trustee may exercise such right without possession or production of the Certificates of such series or proof of ownership thereof, and as representative of the Holders may exercise such right without notice to the Holders or including the Holders as parties to any suit or proceeding relating to foreclosure of any property in such Indenture Estate. By entering into the Indenture Supplement applicable to the Certificates of such series, such Owner Trustee irrevocably constitutes the Indenture Trustee the true and lawful attorney-in-fact of such Owner Trustee (in the name of such Owner Trustee or otherwise) for the purpose of effectuating any sale, assignment, transfer or delivery for enforcement of the

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Lien created under this Agreement, whether pursuant to foreclosure or power of sale or otherwise to execute and deliver all such bills of sale, assignments and other instruments as the Indenture Trustee may consider necessary or appropriate, with full power of substitution, such Owner Trustee, by so entering into such Indenture Supplement, thereby ratifying and confirming all that such attorney or any substitute shall lawfully do by virtue hereof. Nevertheless, if so requested by the Indenture Trustee or any purchaser, such Owner Trustee shall ratify and confirm any such sale, assignment, transfer or delivery, by executing and delivering to the Indenture Trustee or such purchaser all bills of sale, assignments, releases and other proper instruments to effect such ratification and confirmation as may be designated in any such request.

(c) Subject to Sections 8.03(e) and 8.03(f), if an Indenture Event of Default with respect to the Certificates of any series has occurred and is continuing, the Owner Trustee applicable to the Certificates of such series and the Company shall, at the request of the Indenture Trustee, promptly execute and deliver to the Indenture Trustee such instruments of title or other documents as

the Indenture Trustee may deem necessary or advisable to enable the Indenture Trustee or an agent or representative designated by the Indenture Trustee, at such time or times and place or places as the Indenture Trustee may specify, to obtain possession of all or any part of the Indenture Estate applicable to the Certificates of such series. If such Owner Trustee or the Company shall for any reason fail to execute and deliver such instruments and documents after such request by the Indenture Trustee, the Indenture Trustee shall be entitled, in a proceeding to which such Owner Trustee and the Company will be necessary parties, to a judgment for specific performance of the covenants contained in the foregoing sentence, conferring upon the Indenture Trustee the right to immediate possession and requiring such Owner Trustee or the Company or both to execute and deliver such instruments and documents to the Indenture Trustee. The Indenture Trustee shall also be entitled to pursue all or any part of such Indenture Estate wherever it may be found and may enter any of the premises of such Owner Trustee or the Company or any other Person wherever such Indenture Estate may be or be supposed to be and search for such Indenture Estate and take possession of any item of such Indenture Estate pursuant to this Section 8.03(c). The Indenture Trustee may, from time to time, at the expense of such Indenture Estate, make all such expenditures for maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of such Indenture Estate, as it may deem proper. In each such case, the Indenture Trustee shall have the right to use, operate, store, lease, control or manage such Indenture Estate, and to exercise all rights and powers of such Owner Trustee and the Company relating to such Indenture Estate as the Indenture Trustee shall deem appropriate, including the right to enter into any and all such agreements with respect to the use, operation, storage, easing, control or management of such Indenture Estate or any part thereof; and the Indenture Trustee shall be entitled to collect and receive directly all tolls, rents (including Rent payable under the Lease applicable to the Certificates of such series), issues, profits, products, revenues and other income of such Indenture Estate and every part thereof, without prejudice, however, to the right of the Indenture Trustee under any

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provision of this Agreement to collect and receive all cash held by, or required to be deposited with, the Indenture Trustee hereunder. In accordance with the terms of this Section 8.03(c), such tolls, rents (including such Rent), issues, profits, products, revenues and other income shall be applied to pay the expenses of using, operating, storing, leasing, controlling or managing such Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Indenture Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon such Indenture Estate or any part thereof (including the employment of engineers and accountants to examine, inspect and make reports upon the properties and books and records of such Owner Trustee and, to the extent permitted by such Lease, the Company), and all other payments which the Indenture Trustee may be required or authorized to make under any provision of this Agreement, including this Section 8.03(c), as well as just and reasonable compensation for the services of the Indenture Trustee, and of all persons properly engaged and employed by the Indenture Trustee.

If an Indenture Event of Default with respect to the Certificates of any series occurs and is continuing and the Indenture Trustee shall have obtained possession of or title to the Aircraft applicable to the Certificates of such series, the Indenture Trustee shall not be obligated to use or operate such Aircraft or cause such Aircraft to be used or operated directly or indirectly by itself or through agents or other representatives or to lease, license or otherwise permit or provide for the use or operation of such Aircraft by any other Person unless (i) the Indenture Trustee shall have been able to obtain insurance in kinds, at rates and in amounts satisfactory to it in its discretion to protect the Indenture Estate applicable to the Certificates of such series and the Indenture Trustee, as trustee and individually, against any and all liability for loss or damage to such Aircraft and for public liability and property damage resulting from use or operation of such Aircraft and (ii) funds are available in such Indenture Estate to pay for such insurance or, in lieu of

such insurance, the Indenture Trustee is furnished with indemnification from the Holders of the Certificates of such series or any other Person upon terms and in amounts satisfactory to the Indenture Trustee in its discretion to protect such Indenture Estate and the Indenture Trustee, as trustee and individually, against any and all such liabilities.

(d) Subject to Sections 8.03(e) and 8.03(f), the Indenture Trustee may proceed to protect and enforce this Agreement and the Certificates of such series by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Indenture Estate applicable to the Certificates of such series or any part thereof, or for the recovery of judgment for the indebtedness secured by the Lien created under this Agreement or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

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(e) (i) If and to the extent provided in the Indenture Supplement applicable to the Certificates of any series, upon a failure by the Company to make any payment of Basic Rent under the Lease applicable to the Certificates of such series within such period, if any as specified in the Indenture Supplement (the "Basic Rent Grace Period") after the same shall become due, then as long as no Indenture Event of Default with respect to the Certificates of such series (other than arising from such failure to pay Basic Rent) shall have occurred and be continuing, the Owner Participant or Owner Trustee applicable to the Certificates of such series may (but need not) pay to the Indenture Trustee, at any time prior to the expiration of the period specified in such Indenture Supplement (the "Specified Cure Period") after the expiration of such Basic Rent Grace Period (prior to the expiration of which Specified Cure Period the Indenture Trustee shall not declare such Lease in default or exercise any of the rights, powers or remedies which are then exercisable thereunder or under this Article 8), an amount equal to the full amount of such payment of Basic Rent, together with any interest due thereon on account of the delayed payment thereof, and such payment by such Owner Participant or Owner Trustee shall be deemed to cure any such Indenture Event of Default arising from such failure of the Company (but such cure shall not relieve the Company of any of its obligations). To the extent permitted by the Indenture Supplement, if the Company shall fail to perform or observe any covenant, condition or agreement to be performed or observed by it under the Lease applicable to the Certificates of any series, then, as long as no other Indenture Event of Default with respect to the Certificates of such series shall have occurred and be continuing, the Owner Participant or Owner Trustee applicable to the Certificates of such series may (but need not) pay to the Indenture Trustee (or to such other person as may be entitled to receive the same), at any time prior to the expiration of a period of 15 Business Days after the expiration of the grace period, if any, provided with respect to such failure on the part of the Company in such Lease (the "15-Day Period") (prior to the expiration of which 15-Day Period the Indenture Trustee shall not declare such Lease in default or exercise any of the rights, powers or remedies which are then exercisable thereunder or under this Article 8), all sums necessary to effect the performance or observance of such covenant or agreement of the Company, together with any interest due thereon on account of the delayed payment thereof, and such payment by such Owner Participant or Owner Trustee shall be deemed to cure any such Indenture Event of Default arising from such failure of the Company (but such cure shall not relieve the Company of any of its obligations). Upon any payment of Basic Rent by the Owner Participant or Owner Trustee applicable to the Certificates of any series in accordance with the first sentence of this Section 8.03(e), or upon any payment of any other sums by such Owner Participant or Owner Trustee in accordance with the second sentence of this Section 8.03(e), such Owner Participant or Owner Trustee shall, to the extent of their respective payments, be subrogated, in the case of any such payment in accordance with such first sentence, to the rights of the Indenture Trustee, as assignee hereunder of such Owner Trustee, or, in the case of any such payment in accordance with such second sentence, to the rights of the Indenture Trustee or such other person, as

the case may be, which actually received such payment, to receive such payment of Basic Rent or such other payment, as the case may be

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(and any interest due thereon on account of the delayed payment thereof), and shall be entitled to receive such payment upon its receipt by the Indenture Trustee or such other person, as aforesaid (but in each case only if all amounts of principal of, and Premium, if any, and interest on the Certificates of such series at the time due and payable together with interest due thereon on account of the delayed payment thereof shall have been paid in full); PROVIDED that neither such Owner Participant nor such Owner Trustee shall attempt to recover any such amount paid by it on behalf of the Company pursuant to this Section 8.03(e) except by demanding of the Company payment of such amount or by commencing an action against the Company to require the payment of such amount.

(ii) If and to the extent provided in the Indenture Supplement applicable to the Certificates of any series, in the event that (a) at any time one or more Lease Events of Default applicable to the Certificates of such series shall have occurred and any such Lease Event of Default shall have continued beyond the minimum period, if any, specified therefor in such Indenture Supplement, during which time the Certificates of such series could, but shall not, have been accelerated pursuant to Section 8.02 or (b) the Certificates of such series shall have been accelerated pursuant to Section 8.02, the Owner Trustee applicable to the Certificates of such series may at its option, give notice to the Indenture Trustee that it will redeem all Certificates of such series then Outstanding, which redemption shall be pursuant to Section 6.02 at a Redemption Price equal to 100% of the principal amount of the Outstanding Certificates of such series plus accrued interest thereon, plus to the extent provided in the Indenture Supplement, Premium, if any. As and to the extent provided in the Indenture Supplement, concurrently with such notice, such Owner Trustee will deposit with the Indenture Trustee an amount which at the time of such notice is estimated to be sufficient to redeem at the applicable Redemption Price all Certificates of such series then Outstanding (including, in the case of a redemption pursuant to clause (b) of Section 6.02, the estimated Premium with respect to the Certificates of such series) and to pay the Indenture Trustee all amounts then due it hereunder with respect to the Certificates of such series, which funds shall be held by the Indenture Trustee as provided in Section 9.04(a). For purposes of the immediately preceding sentence, the estimated Redemption Price applicable to the Certificates of any series shall be the amount computed using the same procedures as would be used for calculating such actual Redemption Price pursuant to Section 6.02 on the applicable Redemption Date, except that for purposes of calculating such estimated amount, the Premium, if any, on the Certificates of such series shall be computed by reference to the first Business Day preceding the applicable Lease Termination Date following the procedures for calculating the Premium set forth in the Indenture Supplement determined as of such first Business Day. If such notice is given, such Owner Trustee will deposit or cause to be deposited with the Indenture Trustee, on or prior to the Business Day preceding the applicable Redemption Date, whether or not an Indenture Event of Default with respect to the Certificates of such series is then continuing, funds sufficient, when added to the funds already held by the Indenture Trustee for such purpose, to redeem at the applicable Redemption Price (including the Premium, if any, actually payable in respect thereof

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computed as provided for in Section 6.02 with respect to the Certificates of such series) on such Redemption Date all Certificates of such series then Outstanding and to pay the Indenture Trustee all amounts then due it hereunder in respect of the Certificates of such series.

(iii) Anything in this Agreement to the contrary notwithstanding, the Indenture Trustee shall not be entitled to exercise any remedy hereunder as a

result of an Indenture Event of Default with respect to the Certificates of any series which arises solely by reason of one or more Lease Events of Default with respect to the Certificates of such series to the extent the Indenture Supplement applicable to the Certificates of such series so provides.

(f) Notwithstanding any provision of this Agreement to the contrary, including, without limitation, Sections 8.03(b), 8.03(c) and 8.03(d), as long as no Lease Event of Default with respect to the Certificates of any series shall have occurred and be continuing, neither the Indenture Trustee nor the Owner Trustee applicable to the Certificates of such series shall take any action inconsistent with the Company's rights under the Lease applicable to the Certificates of such series, including, without limitation, (x) the right to receive all monies due and payable to it in accordance with the provisions of such Lease and (y) the Company's rights to possession and use of, and of quiet enjoyment of, the Aircraft applicable to the Certificates of such series.

(g) With respect to the Certificates of any series, each and every right, power and remedy herein given to the Indenture Trustee specifically or otherwise in this Agreement shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often in such order as may be deemed expedient by the Indenture Trustee, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Indenture Trustee in the exercise of any right, remedy or power or in pursuing any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of any Owner Trustee or the Company or to be an acquiescence therein.

(h) Notwithstanding any other provision hereof, if any payment of principal of the Certificates of any series shall not be made when and as the same shall become due and payable, or if any payment of interest on the Certificates of any series shall not be made when the same shall become due and payable and such failure shall continue for the period prescribed in Section 8.01(a), the Indenture Trustee shall be entitled to recover judgment, in its own name and as trustee of an express trust upon the Certificates of such series for the whole amount of such principal or interest, as the case may be, remaining unpaid.

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SECTION 8.04 WAIVER OF OWNER TRUSTEE

By entering into the Indenture Supplement applicable to the Certificates of any series, the Owner Trustee applicable to the Certificates of such series shall be deemed to covenant that, to the extent now or at any time hereafter enforceable under applicable law, such Owner Trustee will not at any time insist upon or plead, or in any manner whatsoever claim or take any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Indenture Estate applicable to the Certificates of such series or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or prior to any applicable decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and hereby expressly waives for itself and on behalf of each and every Person, except decree or judgment creditors of such Owner Trustee acquiring any interest in or title to such Indenture Estate or any part thereof subsequent to the date of such Indenture Supplement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws, but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted. Nothing in this Section 8.04 shall be deemed to be a waiver by such Owner Trustee of its rights under Section 8.03(e).

The Indenture Trustee may maintain such a proceeding even if it does not possess any of the Certificates or does not produce any of them in the proceeding. A delay or omission by the Indenture Trustee or any Holder in exercising any right or remedy accruing upon an Indenture Event of Default with respect to the Certificates of any series shall not impair the right or remedy or constitute a waiver of or acquiescence in such Indenture Event of Default.

SECTION 8.05 WAIVER OF EXISTING DEFAULTS

The Holders of a majority in the aggregate principal amount of the Outstanding Certificates of any series, by notice to the Indenture Trustee, may waive on behalf of the Holders of the Certificates of such series any existing Indenture Default or Indenture Event of Default with respect to the Certificates of such series and its consequences except (i) an Indenture Default or Indenture Event of Default in the payment of the principal of or Premium, if any, or interest on any Certificates of such series or (ii) in respect of a covenant or provision in this Agreement which pursuant to Section 12.02 cannot be amended or modified without the consent of each Holder affected thereby.

SECTION 8.06 CONTROL BY MAJORITY

The Holders of a majority in aggregate principal amount of the Outstanding Certificates of any series may direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee or exercising any trust or

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power conferred on it by this Agreement in respect of the Certificates of such series. However, the Indenture Trustee may refuse to follow any direction that conflicts with law or this Agreement, that is unduly prejudicial to the rights of the Holders so affected, or that would subject the Indenture Trustee to personal liability.

SECTION 8.07 LIMITATION ON SUITS BY HOLDERS

A Holder of a Certificate of any series may pursue a remedy under this Agreement or thereunder only if:

- (1) the Holder gives to the Indenture Trustee written notice of a continuing Indenture Event of Default with respect to the Certificates of such series;
- (2) the Holders of at least 25% in aggregate principal amount of the Outstanding Certificates of such series make a written request to the Indenture Trust to pursue the remedy;
- (3) such Holder or Holders offer to the Indenture Trustee indemnity satisfactory to the Indenture Trustee against any loss, liability or expense to be, or which may be, incurred by the Indenture Trustee in pursuing the remedy;
- (4) the Indenture Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and
- (5) during such 60-day period the Holders of a majority in aggregate principal amount of the Outstanding Certificates of such series do not give the Indenture Trustee a direction inconsistent with the request.

A Holder of a Certificate of any series may not use this Agreement to prejudice the rights of another Holder of a Certificate of such series or to obtain a preference or priority over another Holder of a Certificate of such series.

SECTION 8.08 RIGHTS OF HOLDERS TO RECEIVE PAYMENT

Notwithstanding any other provision of this Agreement, the right of any Holder of a Certificate of any series to receive payment of principal of, and Premium, if any, and interest on such Certificate on or after the respective due dates expressed in such Certificate, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 8.09 INDENTURE TRUSTEE MAY FILE PROOFS OF CLAIM

The Indenture Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee and

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of the Holders allowed in any judicial proceedings relating to any obligor on the Certificates, its creditors, or its property.

SECTION 8.10 UNDERTAKING FOR COSTS

With respect to the Certificates of any series, all parties to this Indenture agree, and the related Owner Trustee by the entering into of the Indenture Supplement and each Holder of any Certificate of any series by his acceptance thereof shall be deemed to have agreed, that in any suit for the enforcement of any right or remedy under this Indenture and/or such Indenture Supplement or in any suit against the Indenture Trustee for any action taken or omitted by it as Indenture Trustee, a court in its discretion may require the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 8.10 does not apply to a suit instituted by the Indenture Trustee, a suit instituted by a Holder for the enforcement of the payment of principal of, or Premium, if any, or interest on any Certificate owned by such Holder, on or after the respective due dates expressed in such Certificate, or a suit by a Holder or Holders of more than 10% in aggregate principal amount of Outstanding Certificate of any series.

ARTICLE 9

INDENTURE TRUSTEE

SECTION 9.01 DUTIES OF INDENTURE TRUSTEE

(a) The Indenture Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(b) Subject to the provisions of Section 9.04, the Indenture Trustee shall not be liable for interest on any money received by it except as the Indenture Trustee may otherwise agree in writing with the Company. Money held in trust by the Indenture Trustee need not be segregated from other funds except to the extent required by law.

SECTION 9.02 RIGHTS OF INDENTURE TRUSTEE

Subject to the provisions of Section 315 of the Trust Indenture Act:

(a) The Indenture Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Indenture Trustee need not investigate any fact or matter stated in the document.

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(b) Before the Indenture Trustee acts or refrains from acting, it may consult with counsel or require an Officer's Certificate or an Opinion of Counsel from the Company or any Owner Trustee after which it will take such action or refrain from acting as it deems appropriate. The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith and in accordance herewith in reliance on a resolution of the Board of Directors of the Company, the written advice of counsel acceptable to any Owner Trustee, the Company and the Indenture Trustee, officer's certificates or opinions of counsel provided by the Company or any Owner Trustee.

(c) The Indenture Trustee may act with respect to the Certificates of any series through agents and shall not be responsible for the misconduct or negligence of any such agent appointed with due care; PROVIDED that, so long as no Lease Event of Default with respect to the Certificates of such series shall have occurred and be continuing, no such agents shall be appointed by the Indenture Trustee applicable to the Certificates of such series without the consent of the Company and the Owner Trustee, which consent shall, in each case, not be unreasonably withheld.

(d) The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

To the extent that the provisions of this Section 9.02 are inconsistent with the duties of the Indenture Trustee as required by Section 315 of the Trust Indenture Act, the requirements of such Section 315 shall prevail.

SECTION 9.03 INDIVIDUAL RIGHTS OF INDENTURE TRUSTEE

The Indenture Trustee in its individual or any other capacity may become the owner or pledgee of Certificates and may otherwise deal with any Owner Trustee, the Company or an Affiliate of any Owner Trustee or the Company or a subsidiary of any Owner Trustee or the Company with the same rights it would have if it were not the Indenture Trustee. Any Agent may do the same with like rights. However, the Indenture Trustee is subject to Sections 9.09 and 9.11 hereof and Sections 310(b) and 311 of the Trust Indenture Act.

SECTION 9.04 FUNDS MAY BE HELD BY INDENTURE TRUSTEE OR PAYING AGENT; INVESTMENTS

(a) Any monies (including without limitation for purpose of this Subsection 9.04(a) any cash constituting the proceeds of the maturity, sale or other disposition of any Permitted Investment) held by the Indenture Trustee or the Paying Agent hereunder as part of the Indenture Estate applicable to the Certificates of any series, until paid out by the Indenture Trustee or the Paying Agent as herein provided, (i) subject to clause (ii) below, may be carried by the Indenture Trustee or the Paying Agent on deposit

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with itself or on deposit to its account with any bank, trust company or national banking association incorporated or doing business under the laws of the United States of America or one of the states thereof having combined capital and surplus and retained earnings of at least \$100,000,000, and neither the Indenture Trustee nor the Paying Agent shall have any liability for interest upon any such monies except as otherwise agreed in writing with the Owner Trustee applicable to the Certificates of such series or the Company, or (ii) at any time and from time to time, so long as no Lease Event of Default with respect to the Certificates of such series shall have occurred and be continuing, at the request (given directly by the Company to the Indenture Trustee) of the Company acting as the Agent of such Owner Trustee, shall, with financial institutions of the character described in subsection 9.04(a)(i), be invested and reinvested in Permitted Investments of the character described in clause (i), (ii), (iii) or (v) of the definition thereof or in overnight federal

funds of amounts on deposit in the Indenture Trustee's account at State Street Bank and Trust Company as specified in such request (if such investments are reasonably available for purchase) and sold, in any case at such prices, including accrued interest or its equivalent, as are set forth in such request, and such Permitted Investments shall be held by the Indenture Trustee in trust as part of the Indenture Estate applicable to the Certificates of such series until so sold; PROVIDED that the Company, on behalf of such Owner Trustee, as agent of such Owner Trustee, shall upon demand pay to the Indenture Trustee the amount of any loss realized upon maturity, sale or other disposition of any such Permitted Investment and, so long as no such Lease Event of Default shall have occurred and be continuing, be entitled to receive from the Indenture Trustee, and the Indenture Trustee shall promptly pay to the Company, on behalf of such Owner Trustee, any profit, income, interest, dividend or gain realized upon maturity, sale or other disposition of any Permitted Investment. If any such Lease Event of Default shall have occurred and be continuing, any net income, profit, interest, dividend or gain realized upon maturity, sale or other disposition of any Permitted Investment shall be held as part of such Indenture Estate and shall be applied by the Indenture Trustee at the same time, on the same conditions and in the same manner as the amounts in respect of which such income, profit, interest, dividend or gain was realized are required to be distributed in accordance with the provisions hereof or of the Lease pursuant to which such amounts were required to be held. The Indenture Trustee shall not be responsible for any losses on any investments or sales of Permitted Investments made pursuant to the procedure specified in this Subsection (a).

(b) At any time and from time to time, so long as no Lease Event of Default applicable to the Certificates of any series shall have occurred and be continuing, the Indenture Trustee shall, at the request of the Company acting as agent for the Owner Trustee applicable to the Certificates of such series pursuant to the last sentence of this Section 9.04(b), invest and reinvest in Permitted Investments as specified in such request (if such investments are reasonably available for purchase) any monies at the time on deposit with the Indenture Trustee as part of the Indenture Estate applicable to the Certificates of such series, and sell any Permitted Investments, in either case, at such prices, including accrued interest, as are set forth in such request, and such Permitted

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Investments shall be held by the Indenture Trustee in trust as part of such Indenture Estate until so sold; PROVIDED that the Company, as agent of such Owner Trustee, shall upon demand pay to the Indenture Trustee the amount of any loss realized upon maturity, sale or other disposition of any Permitted Investment. Any net income, profit, interest, dividend or gain realized upon maturity, sale or other disposition of any Permitted Investment shall be held as part of such Indenture Estate and shall be applied by the Indenture Trustee at the same time, on the same conditions and in the same manner as the amounts in respect of which such income, profit, interest, dividend or gain was realized are required to be distributed in accordance with the provisions hereof or of the Lease pursuant to which such amounts were required to be held. The Indenture Trustee shall not be responsible for any losses on any investments or sales of Permitted Investments made pursuant to the procedure specified in this Subsection (b). Together with any such request for investment in, or sale or disposition of, any Permitted Investments, the Company on behalf of such Owner Trustee shall furnish the Indenture Trustee with the following:

(1) a certificate of an Appraiser as to the fair value of Permitted Investments to be sold or disposed of and stating that in the opinion of such Appraiser the proposed release of such Permitted Investments from the Lien of this Agreement will not impair the security under this Agreement in contravention of the provisions hereof, which Appraiser shall be Independent if the fair value of such Permitted Investments and of all other property or securities released since the commencement of the then current calendar year, as set forth in the certificates required by paragraph (1) of subsection (d) of Section 314 of the Trust Indenture Act, is 10% or more of the aggregate principal amount of the Certificates of

such series at the time Outstanding; and

(2) a certificate of an Appraiser as to the fair value to the obligor of Permitted Investments to be purchased or invested in, which Appraiser shall be Independent if the fair value to the obligor of such Permitted Investments and all other securities made the basis of the withdrawal of cash constituting a part of such Indenture Estate or the release of property or securities subject to the Lien of this Agreement, as set forth in the certificates required by paragraph (2) of subsection (d) of Section 314 of the Trust Indenture Act, is 10% or more of the aggregate principal amount of the Certificates of such series at the time Outstanding.

The Company and such Owner Trustee, by entering into the Indenture Supplement, agree that the Company as agent for such Owner Trustee shall submit its investment instructions directly to the Indenture Trustee and shall provide the certificates required by this Section 9.04(b)(1) and (2).

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SECTION 9.05 NOTICE OF DEFAULTS

If an Indenture Event of Default with respect to the Certificates of any series occurs and is continuing and if it is known to the Indenture Trustee, the Indenture Trustee shall (i) promptly send written notice thereof to the Company, the Owner Trustee applicable to the Certificates of such series and the Owner Participant applicable to the Certificates of such series and (ii) within 90 days after it occurs, mail to each Holder of a Certificate of such series notice of all such Indenture Events of Default which are not cured in the manner and to the extent provided in Section 13.02(c). Except in the case of a default in the payment of the principal of, Premium, if any, or interest on, the Certificate of any series, the Indenture Trustee shall be protected in withholding the notice required under clause (ii) above if and so long as the executive committee or trust committee of directors of the Indenture Trustee and/or Responsible Officers thereof in good faith determines that withholding such notice is in the interest of the Holders of the Certificates of such series.

SECTION 9.06 REPORTS BY INDENTURE TRUSTEE TO HOLDERS

Within 60 days after May 15 of each year commencing with the year 199____, so long as any Certificates are Outstanding under this Agreement, the Indenture Trustee shall transmit to the Holders as provided in Section 313(c) of the Trust Indenture Act a brief report dated as of such May 15 if required by Section 313(a) of the Trust Indenture Act.

SECTION 9.07 COMPENSATION AND INDEMNITY

(a) The Owner Trustee applicable to the Certificates of each series shall pay to the Indenture Trustee, from time to time, on demand, (i) reasonable compensation for its services with respect to the Certificates of such series, which compensation shall not be limited by any law on compensation of a trustee of an express trust and (ii) reimbursement for all reasonable out-of-pocket expenses incurred by the Indenture Trustee in connection with the performance of its duties under this Agreement with respect to the Certificates of such series (including the reasonable compensation and expenses of the Indenture Trustee's counsel and any agent appointed in accordance with Section 9.02(c)) and (iii) indemnification against any loss or liability incurred by the Indenture Trustee arising out of or in connection with its acceptance of administration of the trust or trusts in respect of the Certificates of such series under this Agreement except (A) as such expenses or loss or liability results from the negligence or willful misconduct of the Indenture Trustee or the inaccuracy of any representation or warranty of the Indenture Trustee in its individual capacity contained in the Participation Agreement applicable to the Certificates of such series, (B) as otherwise provided in Section 9.11 hereof and (C) as otherwise excluded by the terms of such Participation Agreement from the Company's general indemnity; PROVIDED that, so long as the Lease applicable to

the Certificates of such series is in effect, the Indenture Trustee shall not make any claim under this Section 9.07(a) for any claim or expense indemnified against by the Company under such Participation Agreement without first making demand on the Company for payment of such claim or expense. The

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Indenture Trustee shall notify such Owner Trustee and the Company promptly of any claim against it for which it may seek indemnity. Such Owner Trustee shall defend the claim and the Indenture Trustee shall cooperate in the defense. The Indenture Trustee may have separate counsel and such Owner Trustee shall pay the reasonable fees and expenses of such counsel. Such Owner Trustee need not pay for any settlement made without its and the Company's consent.

(b) To secure the payment obligations of the Owner Trustee applicable to the Certificates of each series pursuant to this Section 9.07, the Indenture Trustee shall have a Lien prior to the Holders of the Certificates of such series on all money or property held or collected by the Indenture Trustee in respect of the Certificates of such series, except that held in trust to pay the principal of, Premium, if any, and interest on, the Certificates of such series.

SECTION 9.08 REPLACEMENT OF INDENTURE TRUSTEE

(a) The resignation or removal of the Indenture Trustee and the appointment of a successor Indenture Trustee shall become effective only upon the successor Indenture Trustee's acceptance of appointment as provided in this Section 9.08.

(b) The Indenture Trustee may resign with respect to the Certificates of any series by giving at least 30 days' prior written notice to the Company and the Owner Trustee applicable to the Certificates of such series. The Holders of a majority in aggregate principal amount of the Outstanding Certificates of such series may remove the Indenture Trustee with respect to the Certificates of such series by giving at least 30 days' prior written notice to the Indenture Trustee, the Owner Trustee applicable to the Certificates of such series and the Company and may appoint a successor Indenture Trustee within 30 days from the giving of such notice for the Certificates of such series with such Owner Trustee's and the Company's consent, in each case, which consent shall not be unreasonably withheld. The Owner Trustee applicable to the Certificates of such series (acting solely pursuant to instructions from the Company) may remove the Indenture Trustee with respect to the Certificates of such series if:

(1) the Indenture Trustee fails to comply with Section 9.10 (or, so long as _____ shall be the Indenture Trustee, the requirement set forth in Section 9.10 hereof specifically applicable to _____) and Section 310 of the Trust Indenture Act;

(2) the Indenture Trustee is adjudged a bankrupt or an insolvent;

(3) a receiver or public officer takes charge of the Indenture Trustee or its property; or

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(4) the Indenture Trustee becomes incapable of acting.

(c) If the Indenture Trustee resigns or is removed, or if a vacancy exists in the office of Indenture Trustee with respect to the Certificates of any series for any reason, and the Holders of Certificates of such series have not appointed a successor Indenture Trustee pursuant to Section 9.08(b) the Owner Trustee applicable to the Certificate of such series (acting solely with the Company's consent (which consent shall not be unreasonably withheld)) shall promptly appoint a successor Indenture Trustee with respect to the Certificates

of such series.

(d) If a successor Indenture Trustee with respect to the Certificates of any series does not take office within 30 days after the retiring Indenture Trustee with respect to the Certificates of such series resigns or is removed, the retiring Indenture Trustee, the Company, the Owner Trustee applicable to the Certificates of such series or the Holders of a majority in the aggregate principal amount of the Outstanding Certificates of such series may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee with respect to the Certificates of such series.

(e) If the Indenture Trustee with respect to the Certificates of any series fails to comply with Section 9.10, any Holder of Certificates of such series may petition any court of competent jurisdiction for the removal of such Indenture Trustee and the appointment of a successor Indenture Trustee with respect to the Certificates of such series.

(f) A successor Indenture Trustee with respect to the Certificates of any series shall deliver a written acceptance of its appointment to the retiring Indenture Trustee, to the Company and to the Owner Trustee applicable to the Certificates of such series. Thereupon, the resignation or removal of the retiring Indenture Trustee shall become effective, and the successor Indenture Trustee shall have all the rights, powers and duties of the retiring Indenture Trustee for which the successor Indenture Trustee is to be acting as Indenture Trustee under this Agreement. The retiring Indenture Trustee shall promptly transfer all property and all books and records relating to the administration of the Indenture Estate held by it as Indenture Trustee to the successor Indenture Trustee subject to the Lien with respect to the Certificates of such series provided for in Section 9.07. The Company shall give notice of each appointment of a successor Indenture Trustee with respect to the Certificates of any series if there are Certificates of such series Outstanding, by mailing written notice of such event by first-class mail to the Holders of the Certificates of such series.

(g) All provisions of this Section 9.08 except subparagraphs (b)(1) and (e) and the words "subject to the Lien with respect to the Certificates of such series provided for in Section 9.07" in subparagraph (f) shall apply also to any Paying Agent.

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SECTION 9.09 SUCCESSOR INDENTURE TRUSTEE; AGENTS BY MERGER, ETC.

If the Indenture Trustee or any Agent consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business assets to, another corporation, the successor corporation, without any further act, shall be the successor Indenture Trustee or Agent, as the case may be.

SECTION 9.10 ELIGIBILITY; DISQUALIFICATION

This Agreement shall at all times have an Indenture Trustee which shall be eligible to act as Trustee under Section 310(a) of the Trust Indenture Act and (i) shall have a combined capital and surplus of at least \$75,000,000 or (ii) shall have a combined capital and surplus in excess of \$5,000,000 (or, so long as _____ shall be the Indenture Trustee, \$3,000,000) and its obligations, whether now in existence or hereafter incurred, are fully and unconditionally guaranteed by a corporation organized and doing business under the laws of the United States, any state or territory thereof or of the District of Columbia and having a combined capital and surplus of at least \$75,000,000, and, in any case, shall be a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act. If such corporation publishes reports of conditions at least annually, pursuant to law or to requirements of federal, state, territorial, or District of Columbia supervising or examining authority, then for the purposes of this Section 9.10, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of

conditions so published.

In case at any time the Indenture Trustee shall cease to be eligible in accordance with the provisions of this Section 9.10, the Indenture Trustee shall resign immediately in the manner and with the effect specified in Section 9.08.

SECTION 9.11 TRUSTEE'S LIENS

The Indenture Trustee in its individual capacity agrees that it will at its own cost and expense promptly take such action as may be necessary to duly discharge and satisfy in full all Liens ("Trustee's Liens") on the Indenture Estate applicable to the Certificates of each series which are either (i) attributable to the Indenture Trustee in its individual capacity and which are unrelated to the transactions contemplated by the Operative Documents applicable to the Certificates of such series, or (ii) which are attributable to the Indenture Trustee as trustee under this Agreement or in its individual capacity and which arise out of acts or omissions which are not expressly contemplated by this Agreement.

SECTION 9.12 WITHHOLDING TAXES; INFORMATION REPORTING

The Indenture Trustee shall exclude and withhold from each distribution of principal of, Premium, if any, and interest on and other amounts due hereunder or under,

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the Certificates any and all withholding taxes applicable thereto as required by law (and such exclusions and withholdings shall constitute payment in respect of such Certificates). The Indenture Trustee agrees to act as such withholding agent and, in connection therewith, whenever any present or future taxes or similar charges are required to be withheld with respect to any amounts payable in respect to the Certificates, to withhold such amounts and timely pay the same to the appropriate authority in the name of and on behalf of the Holders of the Certificates, that it will file any necessary withholding tax returns or statements when due, and that, as promptly as possible after the payment thereof, it will deliver to each Holder of a Certificate appropriate documentation showing the payment thereof, together with such additional documentary evidence as such Holders may reasonably request from time to time. The Indenture Trustee agrees to file any other information reports as it may be required to file under the United States law.

ARTICLE 10

SATISFACTION AND DISCHARGE; DEFEASANCE; TERMINATION OF OBLIGATIONS

SECTION 10.01 SATISFACTION AND DISCHARGE OF AGREEMENT; DEFEASANCE; TERMINATION OF OBLIGATIONS

Subject to Section 10.02, this Agreement shall cease to be of further effect with respect to the Certificates of any series, and the Owner Trustee applicable to the Certificates of such series and the Indenture Trustee shall, except as herein provided, be deemed to have been discharged from their respective obligations with respect to the Certificates of such series (and the Indenture Trustee, on demand and at the expense of such Owner Trustee, shall execute proper instruments acknowledging satisfaction and discharge of this Agreement in respect of the Certificates of such series), when

(a) (i) all Certificates of such series theretofore executed and delivered (other than (A) Certificates of such series which have been mutilated, destroyed, lost or stolen and which have been replaced or exchanged as provided in Section 2.07 and (B) Certificates of such series for the payment of which money held in trust hereunder has been paid and discharged from such trust, as provided in Section 7.01) have been

delivered to the Indenture Trustee for cancellation; or

(ii) all Certificates of such series not theretofore delivered to the Indenture Trustee for cancellation have become due and payable (whether upon stated maturity or as a result of redemption), or will become due and payable (including as a result of redemption in respect of which irrevocable notice has been given to the Indenture Trustee on or prior to the date of such deposit) at maturity within one year, and there has been deposited with the Indenture Trustee in trust for the purpose of paying and discharging the entire indebtedness on the Certificates of such series not theretofore cancelled by the Indenture Trustee or delivered to the

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Indenture Trustee for cancellation, an amount sufficient to discharge such indebtedness, including the principal of, Premium, if any, and interest on the Certificates of such series to the date of such deposit (in the case of Certificates which have become due and payable), or to the maturity thereof, as the case may be; or

(iii) (A) the Owner Trustee applicable to the Certificates of such series has deposited or caused to be deposited irrevocably (except as provided in Section 10.04) with the Indenture Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of the Certificates of such series, (1) money in an amount, or (2) U.S. Government Obligations which, through the payment of interest and principal in respect thereof in accordance with their terms, will provide (not later than one Business Day before the due date of any payment referred to below in this paragraph) money in an amount, or (3) a combination of money and U.S. Government Obligations referred to in the foregoing clause (2), sufficient, in the opinion of a nationally recognized firm of independent certificated public accountants expressed in a written certification thereof delivered to the Indenture Trustee, to pay and discharge each installment of principal of, Premium, if any, and interest on, the Outstanding Certificates of such series on the dates such payments of principal, Premium or interest are due (including as a result of redemption in respect of which irrevocable notice has been given to the Indenture Trustee on or prior to the date of such deposit), and no Lease Event of Default applicable to the Certificates of such series which would give rise to the operation of Section 547 of the Bankruptcy Code shall have occurred and be continuing on the date of such deposit or at any time during the period ending on the 91st day after such date;

(B) such deposit will not result in a breach or violation of, or constitute an Indenture Default or Indenture Event of Default with respect to the Certificates of such series or a default or event of default under any other agreement or instrument to which such Owner Trustee or the Company is a party or by which it is bound;

(C) the Company has delivered to the Indenture Trustee a certificate of an Independent Appraiser stating the fair value to the Company of such U.S. Government Obligations and the fair value of all securities and property included in the Indenture Estate applicable to the Certificates of such series; and

(D) the Company has delivered to the Indenture Trustee an Opinion of Counsel to the effect that there has been published by the Internal Revenue Service a ruling to the effect that Holders of the Certificates of such series will not recognize income, gain or loss for federal income tax purposes as a result of the exercise by such Owner Trustee of its option under this Section 10.01(a)(iii) and

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will be subject to federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such option had not been exercised;

(b) all other amounts then due and payable under the Certificates of such series have been paid; and

(c) the Company has delivered to the Indenture Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the satisfaction and discharge of this Agreement contemplated by this Section 10.01 have been complied with.

SECTION 10.02 SURVIVAL OF CERTAIN OBLIGATIONS

Notwithstanding the provisions of Section 10.01 as applicable to the Certificates of any series, the obligations of the Indenture Trustee contained in Sections 2.01 through 2.09, Section 7.01, Section 10.03 and Section 10.04, the rights, duties, immunities and privileges hereunder of the Indenture Trustee, and the obligations of the Company contained in Section 7.01 and, if and to the extent provided for in the Indenture Supplement applicable to the Certificates of such series, the obligations of the Company under any general indemnity or general tax indemnity set forth in the Participation Agreement applicable to the Certificates of such series, shall survive.

SECTION 10.03 MONIES TO BE HELD IN TRUST

All moneys and U.S. Government Obligations deposited with the Indenture Trustee pursuant to Section 10.01 in respect of the Certificates of any series shall be held in trust and applied by it, in accordance with the provisions of the Certificates of such series and this Agreement, to the payment, either directly or through any Paying Agent as the Indenture Trustee may determine, to the Holders of the Certificates of such series, of all sums due and to become due thereon for principal of, and Premium, if any, interest, but such money need not be segregated from other funds except to the extent required by law.

SECTION 10.04 MONIES TO BE RETURNED TO OWNER TRUSTEE

The Indenture Trustee and any Paying Agent shall promptly pay or return to the Owner Trustee as applicable to the Certificates of any series upon request of such Owner Trustee any money or U.S. Government Obligations held by them at any time that are not required for the payment of the amounts described above in Section 10.03 on the Certificates of such series for which money or U.S. Government obligations have been deposited pursuant to Section 10.01.

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ARTICLE 11

ACTIONS TO BE TAKEN UPON TERMINATION OF LEASE

SECTION 11.01 ACTIONS TO BE TAKEN UPON TERMINATION OF LEASE

Upon any of:

(a) the voluntary termination of the Lease applicable to the Certificates of any series by the Company on the Lease Termination Date applicable thereto, and upon payment to the Indenture Trustee of an amount equal to the estimated Redemption Price applicable to the Certificates of such series as at the applicable Redemption Date, of all Outstanding Certificates of such series,

(b) the purchase of the Aircraft applicable to the Certificates of any series by the Company at its option on any Special Purchase Option Date applicable thereto (unless the Company shall have elected to assume all of the rights and obligations of the Owner Trustee applicable to the Certificates of such series hereunder), and upon payment to the Indenture

Trustee of an amount equal to the Redemption Price applicable to the Certificates of such series as at the applicable Redemption Date of all Outstanding Certificates of such series,

(c) the termination of the Lease applicable to the Certificates of any series on the Lease Loss Payment Date applicable thereto, and upon payment to the Indenture Trustee of an amount equal to the Redemption Price applicable to the Certificates of such series as at the applicable Redemption Date of all Outstanding Certificates of such series, or

(d) the satisfaction, discharge, defeasance and termination of obligations under this Agreement in accordance with Section 10.01,

the Lien of this Agreement on the Indenture Estate applicable to the Certificates of such series shall terminate (except for the Lien on funds held by the Indenture Trustee to pay the Certificates of such series and the Lien on amounts due from the Company under the Lease applicable to the Certificates of such series necessary to pay the Certificates of such series or the Indenture Trustee) and the Indenture Trustee shall execute such instruments as may be requested by the Company or such Owner Trustee to evidence such termination.

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ARTICLE 12

AMENDMENTS AND WAIVERS

SECTION 12.01 AMENDMENTS TO THIS INDENTURE AND INDENTURE SUPPLEMENT WITHOUT CONSENT OF HOLDERS

(a) The Owner Trustee applicable to the Certificates of any series, the Company and the Indenture Trustee may enter into one or more agreements supplemental hereto and to the Indenture Supplement applicable to the Certificates of any series without the consent of any Holder of the Certificates of such series for any of the following purposes:

(1) to cure any ambiguity, defect or inconsistency herein, in such Indenture Supplement or in the Certificates of such series, or to make any change not inconsistent with the provisions hereof and of such Indenture Supplement; PROVIDED that such change does not adversely affect the interests of any Holder of Certificates of such series in any material respect;

(2) to evidence the succession of another party as the Owner Trustee in accordance with the terms of the Trust Agreement applicable to the Certificates of such series, or to evidence the succession of another corporation to the Company;

(3) to evidence and provide for the acceptance of appointment hereunder by a successor Indenture Trustee with respect to the Certificates of such series and to add to or change any of the provisions of this Indenture and such Indenture Supplement as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee;

(4) to establish the form or terms of Certificates of any series as permitted by Section 2.01;

(5) to supplement any of the provisions of this Agreement to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Certificates pursuant to Section 10.01; PROVIDED that any such action shall not adversely affect the interests of the Holders of Certificates of such series or any other series of Certificates in any material respect;

(6) to convey, transfer, assign, mortgage or pledge any property to

or with the Indenture Trustee or to make any other provisions with respect to matters or questions arising hereunder so long as such action shall not adversely affect the interests of the Holders of Certificates of such series;

(7) to correct or amplify the description of any property at any time subject to the Lien of this Agreement or better to assure, convey and confirm unto

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the Indenture Trustee any property subject or required to be subject to the Lien of this Agreement or subject to the Lien of this Agreement the Airframe or Engines applicable to the Certificate of such series or airframe or engines substituted for such Airframe or Engines in accordance herewith or with the Lease applicable to the Certificates of such series; PROVIDED that supplements entered into for the purpose of subjecting to the Lien of this Agreement such Airframe or Engines in accordance with such Lease need only be executed by such Owner Trustee and the Indenture Trustee;

(8) to add to the covenants of such Owner Trustee or the Company, for the benefit of the Holders of the Certificates of such series, or to surrender any rights or power herein conferred upon such Owner Trustee, the Owner Participant applicable to the Certificates of such series or the Company;

(9) to comply with any requirements of the SEC in connection with the qualification of this Agreement under the Trust Indenture Act;

(10) to add to the rights of the Holders of Certificates of such series;

(11) to provide for the assumption by the Company of the obligations of such Owner Trustee hereunder in accordance with the terms and conditions applicable thereto specified in Section 7.05; and

(12) to include on the Certificates of such series any legend as may be required by applicable law.

(b) The Company and the Indenture Trustee may enter into one or more agreements supplemental hereto without the consent of any Holder of any series of Certificates for either of the following purposes:

(1) to change or eliminate any of the provisions of this Indenture; PROVIDED that any such change or elimination shall become effective only when there is no Certificate Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; and

(2) to close this Indenture with respect to the authentication and delivery of additional series of Certificates.

SECTION 12.02 AMENDMENTS TO THIS INDENTURE AND INDENTURE SUPPLEMENT WITH CONSENT OF HOLDERS

(a) With the written consent of the Holders of a majority of the aggregate principal amount of the Outstanding Certificates of any series, the Company, the Owner Trustee applicable to the Certificates of such series and the Indenture Trustee may enter

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into such supplemental agreements to add any provisions to or to change or

eliminate any provisions of this Indenture, the Indenture Supplement applicable to the Certificates of such series or of any such supplemental agreements or to modify the rights of the Holders of the Certificates of such series; PROVIDED that, without the consent of each Holder of the Certificates of such series affected thereby, an amendment under this Section 12.02 may not:

(1) reduce the amount of principal of, or Premium, if any, or interest on, any Certificate of such series; or

(2) change the date on which any amount of principal of, or Premium, if any, or interest on any Certificate of such series, is due or payable; or

(3) create any Lien on the Indenture Estate applicable to the Certificates of such series prior to or PARI PASSU with the Lien thereon under this Agreement except such as are permitted hereby or thereby, or deprive any Holder of the Certificates of such series of the benefit of the Lien on such Indenture Estate created by this Agreement and such Indenture Supplement; or

(4) reduce the percentage in principal amount of the Outstanding Certificates of such series, the consent of whose holders is required for any such supplemental agreement or the consent of whose holders is required for any waiver (of compliance with certain provisions of this Agreement or of certain defaults hereunder or their consequences) provided for in this Agreement; or

(5) make any change in Sections 8.05, 8.08, or this Section 12.02(a).

(b) It is not necessary under this Section 12.02 for the Holders to consent to the particular form of any proposed supplemental agreement, but it is sufficient if they consent to the substance thereof.

(c) Promptly after the execution by the Owner Trustee applicable to the Certificates of any series, the Company and the Indenture Trustee of any supplemental agreement pursuant to the provisions of this Section 12.02, the Company shall transmit by first-class mail a notice, setting forth in general terms the substance of such supplemental agreement, to all Holders of Certificates of such series, as the names and addresses of such Holders appear on the Register. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

(d) A supplemental indenture which changes or eliminates any covenant or other provision of this Agreement which has expressly been included solely for the benefit of one or more particular series of Certificates, or which modifies the rights of the Holders of Certificates of such series with respect to such covenant or other provision, shall be

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deemed not to affect the rights under this Agreement of the Holders of Certificates of any other series.

SECTION 12.03 COMPLIANCE WITH TRUST INDENTURE

Every amendment to this Agreement or the Certificates of any series shall be set forth in a supplemental agreement that complies with the Trust Indenture Act as then in effect.

SECTION 12.04 NOTATION ON OR EXCHANGE OF CERTIFICATES

The Indenture Trustee may place an appropriate notation about an amendment or waiver on any Certificate thereafter executed. The Indenture Trustee in exchange for such Certificates may authenticate new Certificates that reflect the amendment or waiver.

SECTION 12.05 INDENTURE TRUSTEE PROTECTED

The Indenture Trustee need not sign any supplemental agreement that adversely affects its rights.

SECTION 12.06 AMENDMENTS, WAIVERS, ETC. OF OTHER OPERATIVE DOCUMENTS

The respective parties to the Participation Agreement, Lease and Trust Agreement applicable to the Certificates of any series shall not modify, amend or supplement any of said agreements, or give any consent, waiver, authorization or approval thereunder, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the respective parties thereunder, except with the consent, if any, of the Holders of all or such portion of the principal amount of Outstanding Certificates of such series as is provided for in the Indenture Supplement applicable to the Certificates of such series.

ARTICLE 13

MISCELLANEOUS

SECTION 13.01 TRUST INDENTURE ACT CONTROLS

This Agreement shall be governed by the provisions of the Trust Indenture Act of 1939, as amended, whether or not subject to the Trust Indenture Act pursuant to the provisions thereof except as provided in Section 9.04.

SECTION 13.02 NOTICES

(a) Unless otherwise specifically provided herein, all notices required under the terms and provisions of this Agreement shall be in English and in writing, and any such

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notice may be given by United States mail, courier service, telegram, telex, telemessage, telecopy, telefax, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex, telemessage, telecopy, telefax, cable or facsimile) or any other customary means of communication, and any such notice shall be effective when delivered, or, if mailed, three days after deposit in the United States mail with proper postage for ordinary mail prepaid,

if to the Company, to:

Alaska Airlines, Inc.
19300 Pacific Highway South
Seattle, Washington 98188
Attention: Vice President Finance

Facsimile: (206) _____

if to the Indenture Trustee, to:

Attention: _____

Facsimile: (____) _____
Telephone: (____) _____

In the case of any such notice to any Owner Trustee or Owner Participant

applicable to the Certificates of any series, such notice shall be to the address and with respect to the telephone and facsimile numbers specified for such Person in the Participation Agreement applicable to the Certificates of such series.

(b) The Company, any Owner Trustee, the Indenture Trustee or any Owner Participant by notice to the others may designate additional or different addresses for subsequent notices or communications.

(c) Any notice or communication to Holders of the Certificates shall be mailed by first-class mail to the addresses for such Holders shown on the Register kept by the Registrar. Failure so to mail a notice or communication to any Holder, or any defect in such notice or communication to any Holder, or any defect in such notice or communication, shall not affect the sufficiency of any notice or communication to other Holders of the Certificates.

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(d) If a notice or communication is mailed in the manner provided above within the time prescribed, it shall be conclusively presumed to have been duly given, whether or not the addressee receives it.

(e) If the Company mails a notice or communication to the Holders, it shall mail a copy to the Indenture Trustee and to each Paying Agent at the same time.

(f) Notwithstanding the foregoing, all communications or notices to the Indenture Trustee shall be deemed to be given only when received by a Responsible Officer of the Indenture Trustee.

SECTION 13.03 DISCLOSURE OF NAMES AND ADDRESSES OF HOLDERS

Every Holder of Certificates, by receiving and holding the same, agrees with the Company and the Indenture Trustee that neither the Company nor the Indenture Trustee nor any agent of either of them shall be deemed to be in violation of any existing law, or of any law hereafter enacted which does not specifically refer to Section 312 of the Trust Indenture Act, by reason of the disclosure of any such information as to the names and addresses of the Holders of Certificates in accordance with Section 312 of the Trust Indenture Act, regardless of the source from which such information was derived, and that the Indenture Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 312 of the Trust Indenture Act.

SECTION 13.04 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT

Upon any request or application by the Company or any Owner Trustee to the Indenture Trustee to take any action under this Agreement, the Company or such Owner Trustee, as the case may be, shall furnish to the Indenture Trustee:

(1) a Certificate of a Responsible Company Officer or a Responsible Officer, as the case may be, stating that, in the opinion of the signer, all conditions precedent, if any, provided for in this Agreement relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 13.05 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Agreement shall include:

(1) a statement that the person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

SECTION 13.06 SEPARABILITY CLAUSE

In case any provision of this Indenture or in any Certificate shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 13.07 NON-BUSINESS DAYS

If a payment date with respect to the Certificates of any series is not a Business Day for such series at a place of payment, payment may be made at such place on the next succeeding day that is such a Business Day for such series, and no interest shall accrue for the intervening period.

SECTION 13.08 GOVERNING LAW

THIS AGREEMENT AND THE CERTIFICATES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF _____.

SECTION 13.09 NO RECOURSE AGAINST OTHERS

No director, officer, employee or stockholder, as such, of the Company, any Owner Trustee or any Owner Participant, as the case may be, shall have any liability for any obligations of the Company, such Owner Trustee or such Owner Participant, as the case may be, under this Agreement or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Certificate waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Certificates.

SECTION 13.10 EXECUTION IN COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one instrument.

SECTION 13.11 ACTS OF HOLDERS

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Holders of the Outstanding Certificates of all series or one or more series, as the case may be, may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agents duly appointed in writing. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee, the Owner Trustee in question and the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or a writing appointing any such agent shall be sufficient for any purpose of this

Agreement and conclusive in favor of the Indenture Trustee and the Company and any agent of the Indenture Trustee or the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Indenture Trustee deems sufficient.

(c) The principal amount and serial numbers of Certificates of any series held by any Person, and date of holding the same, shall be proved by the Register. If the Company shall solicit from the Holders of Certificates of any series any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, in or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders of the Certificates of such series entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. Notwithstanding Section 316(c) of the Trust Indenture Act, such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not earlier than the date 30 days prior to the first solicitation of Holders of the Certificates of such series generally in connection therewith and not later than the date such solicitation is completed. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of the Certificates of such series of record at the close of business on such record date shall be deemed to be Holders of the Certificates of such series for the purposes of determining whether such Holders of the requisite proportion of Outstanding Certificates of such series have authorized or

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agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Certificates of such series shall be computed as of such record date; PROVIDED that no such authorization, agreement or consent by the Holders of the Certificates of such series on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Agreement not later than eleven months after the record date.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Certificate of any series shall bind every future Holder of the same Certificate of such series and the Holder of every Certificate of such series issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Indenture Trustee, any Owner Trustee, any Registrar, any Paying Agent or the Company in reliance thereon, whether or not notation of such action is made upon such Certificate.

IN WITNESS WHEREOF, the Company and the Indenture Trustee have caused this Indenture to be duly executed by their respective officers thereunto duly authorized, as of the day and year first above written.

ALASKA AIRLINES, INC.

By: _____
Name:
Title:

, as Indenture
Trustee

By: _____
Name:
Title:

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Exhibit A-1 to
Trust Indenture and
Security Agreement

FORM OF FACE OF INSTALLMENT CERTIFICATES

\$ _____

No. _____

199__ EQUIPMENT TRUST CERTIFICATE, SERIES ____
[NAME OF OWNER TRUSTEE]
NOT IN ITS INDIVIDUAL CAPACITY
BUT SOLELY AS OWNER TRUSTEE UNDER THE
TRUST AGREEMENT (199__)
DATED AS OF _____, 199__

ISSUED IN CONNECTION WITH AIRCRAFT N ____
LEASED TO
ALASKA AIRLINES, INC.

INTEREST RATE
- - - - -

MATURITY DATE
- - - - -

CUSIP
- - - - -

-----, -----

[NAME OF OWNER TRUSTEE], not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement (199__), dated as of _____, 199__, between the Owner Trustee in its individual capacity and the institution referred to therein as the "Owner Participant" (herein as such Trust Agreement may be amended or supplemented from time to time called the "Trust Agreement"), for value received, hereby promises to pay to _____ or registered assigns the principal sum of _____ Dollars in installments on each Installment Payment Date as set forth on the reverse hereof with the final installment due and payable on the Maturity Date specified above and to pay interest on the principal amount remaining unpaid from time to time at the rate per annum specified above from _____, 199__ or from the most recent date to which interest has been paid or duly provided for, semiannually, on _____ and _____ in each year, commencing _____, 199__, until the principal hereof is paid or made available for payment in full. All amounts payable by the Owner Trustee hereunder and under the Trust Indenture and Security Agreement, dated as of _____, 199__, by and between _____, as Indenture Trustee (the "Indenture Trustee"), and Alaska Airlines, Inc. (the "Company"), as supplemented by the Indenture Supplement thereto (199__), dated

as of _____, 199__, by and among the Owner Trustee, the Indenture Trustee and the Company (as so supplemented and as further amended or

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supplemented from time to time referred to herein as the "Indenture," the defined terms therein not otherwise defined herein being used herein with the same meanings), shall be made only from the income and proceeds of the Indenture Estate. Each Holder hereof, by its acceptance of this Certificate, agrees that (a) it will look solely to the income and proceeds of the Indenture Estate for payment of such amounts, to the extent available for distribution to the Holder hereof as provided in the Indenture and (b) none of the Owner Participant, the Owner Trustee or the Indenture Trustee is or shall be personally liable to the Holder hereof for any amount payable hereunder or under the Indenture or, except as provided in the Indenture in the case of the Indenture Trustee and the Owner Trustee, for any liability under the Indenture.

The interest or Installment Payment Amount (other than that payable on the Maturity Date hereof) so payable, and punctually paid or duly provided for, on the applicable Interest Payment Date or Installment Payment Date, as the case may be, will, as provided in the Indenture, be paid to the Person in whose name this Certificate (or one or more predecessor Certificates) is registered at the close of business on the Record Date for payment of such interest or Installment Payment Amount, which shall be the _____ or _____ (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date or Installment Payment Date, as the case may be. Any such interest or Installment Payment Amount not so punctually paid or duly provided for shall forthwith cease to be payable to the registered Holder hereof on the such Record Date (or to the Person in whose name this Certificate is registered upon issuance) and may be paid to the Person in whose name this Certificate (or one or more predecessor Certificates) is registered at the close of business on a Special Record Date for the payment of such Defaulted Installment or Defaulted Interest to be fixed by the Indenture Trustee, notice whereof shall be given to Holders of Certificates of this series entitled thereto not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Certificates may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

Payment of the principal of, and Premium, if any, and interest on this Certificate will be made at the principal corporate trust office of the Indenture Trustee, or the office or agency maintained by the Indenture Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that payment of interest and Installment Payments Amounts (other than that payable on the Maturity Date hereof) may be made at the option of the Indenture Trustee or the Paying Agent by check mailed to the address of the Holder entitled thereto as such address shall appear on the Register.

Reference is hereby made to the further provisions of this Certificate set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

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This Certificate shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Certificate has been executed on behalf of the Owner Trustee by the manual or facsimile signature of an authorized officer of the Owner Trustee, and authenticated by the Indenture Trustee by the manual signature of an authorized officer or signatory of the Indenture Trustee, in each case as specified in Section 2.02 of the Indenture.

This Certificate is one of the 199__ Equipment Trust Certificates, Series

___ issued pursuant to the Indenture.

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

[Corporate Seal]
Attest:

[NAME OF OWNER TRUSTEE],
not in its individual
capacity but solely as
Owner Trustee

[Title of Authorized Person]

By _____
Title:

Issue Date:

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Certificates referred to in the within-mentioned Indenture.

, as
Indenture Trustee

By _____
Authorized officer
or signatory

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FORM OF REVERSE OF INSTALLMENT CERTIFICATES

This Certificate is one of a duly authorized issue of Certificates issued and to be issued under the Indenture, designated as 199__ Equipment Trust Certificates, Series __.

Reference is made to the Indenture and all supplements and amendments thereto (a copy of which is on file with the Indenture Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions thereof, including a statement of the properties thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights thereunder of the Owner Trustee, the Company, the Indenture Trustee and the Holders of the Certificates of this series, and the terms upon which the Certificates of this series are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions in the Indenture each Holder hereof agrees by its acceptance of this Certificate.

On each Installment Payment Date, the Holder hereof will receive a payment of principal equal to the Installment Payment Percentage for such Installment Payment Date multiplied by the initial principal amount of this Certificate which is set forth on the face hereof.

Installment
Payment
Date

Installment
Payment
Percentage

_____	,	_____	_____	%
_____	,	_____	_____	%
_____	,	_____	_____	%
_____	,	_____	_____	%

As more fully provided in the Indenture and each related Indenture Supplement, the Certificates of this series are subject to redemption, on not less than ___ nor more than _____ days' notice by mail, under the circumstances set forth in the Indenture, at a Redemption Price equal to the unpaid principal amount thereof plus accrued interest thereon to the Redemption Date, plus, in certain of such circumstances, a Premium thereon.

If an Indenture Event of Default applicable to the Certificates of this series shall occur and be continuing, the principal amount remaining unpaid of the Certificates of this series may be declared due and payable in the manner and with the effect provided in the Indenture. If, and only if, such an Indenture Event of Default constitutes a Lease Event of Default under the Lease applicable to the Certificates of this series, the Indenture Trustee may declare such Lease to be in default, and may, to the exclusion of the Owner Trustee, exercise one or more of the remedies of the Owner Trustee provided in such Lease. Such

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remedies include the right to repossess and use or operate the Aircraft applicable to the Certificates of this series, to sell or relet such Aircraft free and clear of the Company's rights and retain the proceeds and to require the Company to pay as liquidated damages (i) any unpaid Basic Rent plus an amount equal to the excess of the Stipulated Loss Value of such Aircraft over the discounted fair market rental value thereof for the remainder of the term for such Aircraft, (ii) any unpaid Basic Rent plus the excess of the Stipulated Loss Value of such Aircraft over the fair market sales value thereof or (iii) if such Aircraft has been sold, any unpaid Basic Rent plus the excess of the Stipulated Loss Value thereof over the net sales proceeds.

[The Owner Trustee or the Owner Participant may cure any default by the Company under such Lease arising from the failure of the Company to make any payment of Basic Rent under such Lease, provided that such failure of the Company is not the _____ consecutive such failure, or the _____ or subsequent cumulative such failure. The Owner Trustee or the Owner Participant may (but need not) cure any other default by the Company in the performance of its obligations under such Lease which can be cured by the payment of money, by making such payment on behalf of the Company.]

The right of the Holder of this Certificate to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Owner Trustee and the Indenture Trustee will be discharged from their respective obligations in respect of the Certificates of this series (except for certain matters, including obligations to register the transfer or exchange of Certificates of this series, replace stolen, lost or mutilated Certificates, maintain paying agencies and hold moneys for payment in trust), and the Indenture Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Owner Trustee deposits or causes to be deposited irrevocably with the Indenture Trustee, in trust, or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Premium, if any, and interest on the Outstanding Certificates of this series on the dates such payments are due in accordance with the terms of such Certificates and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Holders of the Certificates to recognize income, gain or loss for federal income tax purposes.

As provided in the Indenture and subject to certain limitations therein set forth, this Certificate is transferable, and upon surrender of this Certificate for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder or his attorney duly

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authorized in writing, one or more new Certificates of the same series, maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Certificates of this series are issuable only as registered Certificates. The Certificates of this series are issuable in denominations of \$1,000 and integral multiples thereof. As provided in the Indenture and subject to certain limitations therein set forth, Certificates of this series are exchangeable for a like aggregate principal amount of Certificates of the same series, maturity and type and of authorized denominations, as requested by the Holder surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at an office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Certificate, the Owner Trustee, the Indenture Trustee, the Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Certificate is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Certificate and for all other purposes whatsoever whether or not this Certificate be overdue, and neither the Owner Trustee, the Indenture Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS CERTIFICATE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF

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Exhibit A-2 to
Trust Indenture and
Security Agreement

FORM OF FACE OF SERIAL CERTIFICATES

\$ _____

No. _____

199__ EQUIPMENT TRUST CERTIFICATE, SERIES ____

[NAME OF OWNER TRUSTEE]
NOT IN ITS INDIVIDUAL CAPACITY
BUT SOLELY AS OWNER TRUSTEE UNDER THE
TRUST AGREEMENT (199__ ____)
DATED AS OF _____, 199__

ISSUED IN CONNECTION WITH AIRCRAFT N____
LEASED TO
ALASKA AIRLINES, INC.

INTEREST RATE

MATURITY DATE

CUSIP

-----, -----

[NAME OF OWNER TRUSTEE], not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement (199____), dated as of _____, 199__, between the Owner Trustee in its individual capacity and the institution referred to therein as the "Owner Participant" (herein as such Trust Agreement may be amended or supplemented from time to time called the "Trust Agreement"), for value received, hereby promises to pay to _____ or registered assigns the principal sum of _____ Dollars on the Maturity Date specified above and to pay interest thereon at the rate per annum specified above from _____, 199__ or from the most recent date to which interest has been paid or duly provided for, semiannually, on _____ and _____ in each year, commencing _____, 199__, until the principal hereof is paid or made available for payment. All amounts payable by the Owner Trustee hereunder and under the Trust Indenture and Security Agreement, dated as of _____, 199__, by and between _____, as Indenture Trustee (the "Indenture Trustee"), and Alaska Airlines, Inc. (the "Company"), as supplemented by the Indenture Supplement thereto (199__ _____), dated as of _____, 199__, by and among the Owner Trustee, the Indenture Trustee and the Company (as so supplemented and as further amended or supplemented from time to time referred to herein as the "Indenture," the defined terms therein not otherwise defined herein being used herein with the same meanings), shall be made only from the income and proceeds of the Indenture Estate.

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Each Holder hereof, by its acceptance of this Certificate, agrees that (a) it will look solely to the income and proceeds of the Indenture Estate for payment of such amounts, to the extent available for distribution to the Holder hereof as provided in the Indenture and (b) none of the Owner Participant, the Owner Trustee or the Indenture Trustee is or shall be personally liable to the Holder hereof for any amount payable hereunder or under the Indenture or, except as provided in the Indenture in the case of the Indenture Trustee and the Owner Trustee, for any liability under the Indenture.

The interest so payable, and punctually paid or duly provided for, on the applicable Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Certificate (or one or more predecessor Certificates) is registered at the close of business on the Record Date for payment of such interest, which shall be the _____ or _____ (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered Holder hereof on the such Record Date (or to the Person in whose name this Certificate is registered upon issuance) and may be paid to the Person in whose name this Certificate (or one or more predecessor Certificates) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Indenture Trustee, notice whereof shall be given to Holders of Certificates of this series entitled thereto not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Certificates may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

Payment of the principal of, and Premium, if any, and interest on this Certificate will be made at the principal corporate trust office of the Indenture Trustee, or the office or agency maintained by the Indenture Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that payment of interest may be made at the option of the Indenture Trustee or the Paying Agent by check mailed to the address of the

Holder entitled thereto as such address shall appear on the Register.

Reference is hereby made to the further provisions of this Certificate set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

This Certificate shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Certificate has been executed on behalf of the Owner Trustee by the manual or facsimile signature of an authorized officer of the Owner Trustee, and authenticated by the Indenture trustee by the manual signature of an authorized officer or signatory of the Indenture Trustee, in each case as specified in Section 2.02 of the Indenture.

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This Certificate is one of the 199__ Equipment Trust Certificates, Series ____ issued pursuant to the Indenture.

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

[Corporate Seal]
Attest:

[NAME OF OWNER TRUSTEE],
not in its individual
capacity but solely as
Owner Trustee

[Title of Authorized Person] By _____
Title:

Issue Date:

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Certificates referred to in the within-mentioned Indenture.

, as
Indenture Trustee

By _____
Authorized officer
or signatory

A-2-3

FORM OF REVERSE OF SERIAL CERTIFICATES

This Certificate is one of a duly authorized issue of Certificates issued and to be issued under the Indenture, designated as 199__ Equipment Trust Certificates, Series ____.

Reference is made to the Indenture and all supplements and amendments thereto (a copy of which is on file with the Indenture Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions thereof, including a statement of the properties thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights thereunder of the Owner Trustee, the Company, the Indenture Trustee and the Holders of the Certificates of this series, and the terms upon which the Certificates of this series are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions in the Indenture each Holder hereof agrees by its acceptance of this Certificate.

As more fully provided in the Indenture and each related Indenture Supplement, the Certificates of this series are subject to redemption, on not

less than __ nor more than _____ days' notice by mail, under the circumstances set forth in the Indenture, at a Redemption Price equal to the unpaid principal amount thereof, plus accrued interest thereon to the Redemption Date, plus, in certain of such circumstances, a Premium thereof.

If an Indenture Event of Default applicable to the Certificates of this series shall occur and be continuing, the principal of the Certificates of this series may be declared due and payable in the manner and with the effect provided in the Indenture. If, and only if, such an Indenture Event of Default constitutes a Lease Event of Default by the Company under the Lease applicable to the Certificates of this series, the Indenture Trustee may declare such Lease to be in default, and may, to the exclusion of the Owner Trustee, exercise one or more of the remedies of the Owner Trustee provided in such Lease. Such remedies include the right to repossess and use or operate the Aircraft applicable to the Certificates of this series, to sell or relet such Aircraft free and clear of the Company's rights and retain the proceeds and to require the Company to pay as liquidated damages (i) any unpaid Basic Rent plus an amount equal to the excess of the Stipulated Loss Value of such Aircraft over the discounted fair market rental value thereof for the remainder of the term for such Aircraft, (ii) any unpaid Basic Rent plus the excess of the Stipulated Loss Value of such Aircraft over the fair market sales value thereof or (iii) if such Aircraft has been sold, any unpaid Basic Rent plus the excess of the Stipulated Loss Value thereof over the net sales proceeds.

[The Owner Trustee or the Owner Participant may cure any default by the Company under such Lease arising from the failure of the Company to make any payment of Basic Rent under such Lease, provided that such failure of the Company is not the _____ consecutive such failure, or the _____ or subsequent cumulative such

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failure. The Owner Trustee or the Owner Participant may (but need not) cure any other default by the Company in the performance of its obligations under such Lease which can be cured by the payment of money, by making such payment on behalf of the Company.]

The right of the Holder of this Certificate to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Owner Trustee and the Indenture Trustee will be discharged from their respective obligations in respect of the Certificates of this series (except for certain matters, including obligations to register the transfer or exchange of Certificates of this series, replace stolen lost or mutilated Certificates, maintain paying agencies and hold moneys for payment in trust), and the Indenture Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Owner Trustee deposits or causes to be deposited irrevocably with the Indenture Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay principal of, Premium, if any, and interest on the Outstanding Certificates of this series on the dates such payments are due in accordance with the terms of such Certificates and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Holders of the Certificates to recognize income, gain or loss for federal income tax purposes.

As provided in the Indenture and subject to certain limitations therein set forth, this Certificate is transferable, and upon surrender of this Certificate for registration of transfer at the principal corporate trust office of the Registrar, or at office or agency maintained for such purpose, dully endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder or his attorney duly authorized in writing, one or more new Certificates of the same series, maturity and type and

of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Certificates of this series are issuable only as registered Certificates. The Certificates of this series are issuable in denominations of \$1,000 and integral multiples thereof. As provided in the Indenture and subject to certain limitations therein set forth, Certificates of this series are exchangeable for a like aggregate principal amount of Certificates of the same series, maturity and type and of authorized denominations, as requested by the Holder surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at an office or agency maintained for such purpose.

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No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Certificate, the Owner Trustee, the Indenture Trustee, the Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Certificate is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Certificate and for all other purposes whatsoever whether or not this Certificate be overdue, and neither the Owner Trustee, the Indenture Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS CERTIFICATE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF

_____.

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=====

[OWNED AIRCRAFT]
TRUST INDENTURE
AND SECURITY AGREEMENT
DATED AS OF _____, 199__

BETWEEN

ALASKA AIRLINES, INC.

AND

_____,
AS INDENTURE TRUSTEE

=====

Reconciliation and tie between the Trust Indenture and Security Agreement, dated as of February 1, 1992, and the Trust Indenture Act of 1939. This reconciliation section does not constitute part of the Trust Indenture and Security Agreement.

TRUST INDENTURE ACT OF 1939 SECTION	TRUST INDENTURE AND SECURITY AGREEMENT SECTION
-----	-----
310 (a) (1)	9.10 (a)
(a) (2)	9.10 (a)
312 (a)	2.06 (a)
(c)	13.03
313 (a)	9.06
314 (a)	7.02 (a) - (d)
(b)	7.02 (e)
(c) (1)	13.04
(c) (2)	13.04
(d) (1)	5.01 (c)
.	9.04 (b)
(d) (2)	9.04 (b)
(d) (3)	5.01 (c)
(e)	13.05
315 (b)	9.05
(e)	8.10
316 (a) (last sentence)	1.01 (b)
(a) (1) (A)	8.06
(a) (1) (B)	8.05
(b)	8.08
(c)	13.11 (c)
317 (a) (1)	8.03 (f)
(a) (2)	8.09

(b)	2.09(c)
318 (a)	13.01

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TRUST INDENTURE AND SECURITY AGREEMENT

This TRUST INDENTURE AND SECURITY AGREEMENT, dated as of _____, 199____, between ALASKA AIRLINES, INC., an Alaska corporation, and _____, as Indenture Trustee hereunder.

WHEREAS, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its equipment trust certificates (hereinafter called the "Certificates"), unlimited as to principal amount, to be issued to finance the acquisition of aircraft in one or more series, to be secured by a security interest in such aircraft, to bear such rates of interest, to mature at such times and to have such other provisions as shall from time to time be fixed as hereinafter provided;

WHEREAS, this Agreement is subject to the provisions of the Trust Indenture Act of 1939, as amended, that are required to be a part of this Agreement and shall, to the extent applicable, be governed by such provisions; and

WHEREAS, all things necessary to make this Agreement a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH, for and in consideration of the premises and the purchase of the Certificates by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Certificates or of any series thereof as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.01 DEFINITIONS

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

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

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein; except that the "obligor" within the meaning of the Trust Indenture Act shall be the Company for all purposes of this Agreement;

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

(4) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;

(5) all references in this Indenture to Articles, Sections and Exhibits refer to Articles, Sections and Exhibits of this Indenture; and

(6) with respect to the Certificates of any series or with respect to an Operative Document related to such series of Certificates, "this Agreement" means this Indenture as supplemented by the Indenture Supplement applicable to such series of Certificates.

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

"ACCEPTABLE ALTERNATE ENGINE," with respect to the Certificates of any series, shall have the meaning specified therefor in the Indenture Supplement applicable to the Certificates of such series.

"ADDITIONAL INSUREDS," with respect to any Aircraft, means the Indenture Trustee, the Holders and in the case of insurance obtained by the Lessee of the Aircraft, the Company in its capacity as lessor under any Lease of the Aircraft.

"AFFILIATE," with respect to a specified Person, means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"AGENT," with respect to the Certificates of any series, means any Paying Agent or Registrar applicable to the Certificates of such series.

"AIRCRAFT," with respect to the Certificates of any series, shall have the meaning specified therefor in the Indenture Supplement applicable to the Certificates of such series.

"AIRFRAME," with respect to the Certificates of any series, shall have the meaning specified therefor in the Indenture Supplement applicable to the Certificates of such series.

"APPRAISER" means a Person engaged in the business of making appraisals and, in the case of the Aircraft, familiar with aviation equipment.

"BANKRUPTCY CODE" means the United States Bankruptcy Code of 1978, as amended.

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"BOARD OF DIRECTORS" means the board of directors of the Company or the executive committee or any other committee of such board duly authorized to act on behalf of the Company with respect to the financing of aircraft, including the borrowing of money in respect thereof.

"BOARD RESOLUTION" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification and delivered to the Indenture Trustee.

"BUSINESS DAY," with respect to the Certificates of any series, means any day other than a Saturday or Sunday or a day on which commercial banks are required or authorized to close in Chicago, Illinois, New York, New York, or the city and state in which the principal place of business of the Indenture Trustee is located or in which the Indenture Trustee receives and disburses funds.

"CERTIFICATE" or "CERTIFICATES" means any Certificate or Certificates issued under this Agreement.

"COMPANY" means Alaska Airlines, Inc., an Alaska corporation, and, subject to the provisions hereof, its permitted successors and assigns, or any other obligor with respect to the Certificates (within the meaning of the Trust Indenture Act).

"COMPANY REQUEST" means a written request of the Company executed on its behalf by a Responsible Company Officer.

"CO-REGISTRAR" has the meaning specified therefor in Section 2.04.

"DEBT" means any liability for borrowed money, or any liability for the payment of money in connection with any letter of credit transaction, or other liabilities evidenced or to be evidenced by bonds, debentures, notes or other similar instruments.

"DEFAULTED INSTALLMENT" has the meaning specified therefor in Section 2.09.

"DEFAULTED INTEREST" has the meaning specified therefor in Section 2.09.

"DELIVERY DATE," with respect to any Aircraft, means the date the Aircraft is subjected to the Lien of this Agreement, which date shall be the date the Aircraft is sold to the Company by the Manufacturer.

"ENGINE," with respect to any Aircraft, means and includes: (i) each of the engines initially installed on the Airframe as described in the Indenture Supplement applicable to the Certificates of such series, whether or not from time to time thereafter installed on the Airframe or installed on any airframe; (ii) any engine which may at any time be substituted by the Company pursuant to Section 4.04 of this Agreement in replacement for an Engine which is the subject of an Event of Loss; and (iii) any and all appliances, parts, instruments,

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appurtenances, accessories or other equipment of whatever nature, so long as the same shall be incorporated or installed in or attached to any Engine or so long as the same shall be removed from such Engine and a replacement therefor has not yet been substituted pursuant to Section 4.02 of this Agreement. "ENGINES" shall mean collectively all Engines from time to time subject to the Lien of this Agreement.

"EVENT OF LOSS," with respect to the Certificates of any series, means any of the following events with respect to the Aircraft, Airframe or any Engine: (i) the loss of such property or of the use thereof due to the destruction of or damage to such property which renders repair uneconomic or which renders such property permanently unfit for normal use by the Company for any reason whatsoever; (ii) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss or a constructive or compromised total loss; (iii) the theft or disappearance of such property or the confiscation, condemnation, or seizure of, or requisition of title to, or use of, such property by any governmental or purported governmental authority (other than a requisition for use by the United States Government or by any other government of registry of the Aircraft or any agency or instrumentality of any thereof), which, in the case of any event referred to in this clause (iii), shall have resulted in the loss of possession of such property by the Company for a period in excess of 180 consecutive days; and (iv) as a result of any law, rule, regulation, order or other action by the FAA or other governmental body of the government of registry of the Aircraft having jurisdiction, use of such property in the normal course of the business of air transportation shall have been prohibited for a period of 180 consecutive days, unless the Company, prior to the expiration of such 180-day period, shall have undertaken and shall be diligently carrying forward all steps which are necessary or desirable to permit the normal use of such property by the Company, but in any event if such use shall have been prohibited for a period of two consecutive years, PROVIDED that no Event of Loss shall be deemed to have occurred if such prohibition has been applicable to the Company's entire fleet of aircraft of the same type and model as the Aircraft registered in the same jurisdiction as the Aircraft and the Company, prior to the expiration of such two-year period, shall have conformed at least one such aircraft in its fleet to the requirements of any such law, rule, regulation, order or other action and commended regular commercial use of the same in such jurisdiction and shall be diligently carrying forward, in a manner which does not discriminate against the Aircraft in so conforming the Aircraft, all steps which are necessary or desirable to permit the normal use of the Aircraft by the Company. An Event of Loss with respect to the Aircraft shall be deemed to have occurred if an Event of Loss occurs with respect to the Airframe.

"FAA BILL OF SALE," with respect to any Aircraft, means a bill of sale on AC Form 8050-2 or such other form as may then be approved by the FAA on the Delivery Date for such Aircraft executed by the Manufacturer in favor of the Company.

"FEDERAL AVIATION ACT" means the Federal Aviation Act of 1958, as amended, or any similar legislation of the United States enacted to supersede, amend or supplement such Act.

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"FEDERAL AVIATION ADMINISTRATION" or "FAA" mean the United States Federal Aviation Administration or any successor thereto administering the functions of the Federal Aviation Administration under the Federal Aviation Act.

"GUARANTEE" means Alaska Air Group, Inc.'s unconditional guarantee of the Certificates of one or more series as more fully described in an Indenture Supplement.

"HOLDER," with respect to the Certificates of any series, means a person in whose name such a Certificate is registered on the Register for such series.

"INDENTURE" means this Trust Indenture and Security Agreement, as the same may from time to time be supplemented, amended or modified with effect for all series of Certificates as are or may be issued pursuant to Article 2.

"INDENTURE DEFAULT," with respect to the Certificates of any series, means any event which is, or after notice or passage of time, or both, would be, an Indenture Event of Default applicable to the Certificates of such series.

"INDENTURE ESTATE," with respect to the Certificates of any series, shall have the meaning specified therefor in the Indenture Supplement entered into in respect of the Certificates of such series pursuant to Section 2.01.

"INDENTURE EVENT OF DEFAULT," with respect to the Certificates of any series, shall have the meaning specified therefor in Article 8.

"INDENTURE SUPPLEMENT" means a supplement to this Indenture entered into by the Company and the Indenture Trustee with respect to the Certificates of a particular series, as the same may be amended and restated from time to time.

"INDENTURE TRUSTEE" means _____ and each other Person which may from time to time be acting as Indenture Trustee with respect to the Certificates of any series in accordance with the provisions of this Agreement.

"INDEPENDENT," when used with respect to an engineer, Appraiser or other expert, means an engineer, Appraiser or other expert who (i) is in fact independent, (ii) does not have any direct financial interest or any material indirect financial interest in the Company or any Affiliate of the Company, and (iii) is not connected with the Company or any Affiliate of the Company as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions.

"INSTALLMENT CERTIFICATE" means a Certificate substantially in the form of Exhibit A-1.

"INSTALLMENT PAYMENT AMOUNT," with respect to each Installment Certificate of any series, means the amount of the installment payment of principal due and payable on each Installment Payment Date applicable to such Installment Certificate, which amount shall be

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equal to the product of the original principal amount of such Certificate and the Installment Payment Percentage for such Installment Payment Date.

"INSTALLMENT PAYMENT DATE," with respect to Installment Certificates of any series, means each date on which an installment payment of principal is due and payable on such Installment Certificates, as set forth in the Indenture Supplement applicable to the Certificates of such series.

"INSTALLMENT PAYMENT PERCENTAGE," with respect to each Installment Payment Date applicable to the Installment Certificates of any series, means the percentage set forth opposite such Installment Payment Date in the Indenture Supplement applicable to the Certificates of such series.

"INTEREST PAYMENT DATE," with respect to the Certificates of any series, shall have the meaning specified therefor in the Indenture Supplement applicable to the Certificates of such series.

"LEASE," with respect to any Aircraft, Airframe or any Engine, means any lease thereof permitted by Section 4.01.

"LESSEE" means any Person for so long, but only so long, as such person is in possession of the Airframe or any Engine pursuant to Section 4.01.

"LIEN" means any mortgage, pledge, lien, charge, encumbrance, lease, exercise of rights, security interest or claim.

"LOSS PAYMENT DATE," with respect to the Certificates of any series, has the meaning specified in Section 4.04(a).

"MANUFACTURER," with respect to the Certificates of any series, shall have the meaning specified in the Indenture Supplement applicable to the Certificates of such series.

"MATURITY DATE" means (a) in the case of a Serial Certificate, the date on which the principal amount thereof is stated to mature and (b) in the case of an Installment Certificate, the stated final maturity date thereof.

"OFFICERS' CERTIFICATE" means a certificate signed in the case of the Company, by (i) the Chairman of the Board of Directors, the President, any Executive Vice President any Senior Vice President or any Vice President of Finance of the Company, signing alone, or (ii) any Vice President of the Company signing together with the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company.

"OPERATIVE DOCUMENTS," with respect to the Certificates of any series, means this Agreement, the Purchase Agreement for the Aircraft and the Certificates of such series.

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"OPINION OF COUNSEL" means a written opinion of legal counsel for the Company, who may be (i) a senior attorney employed by the Company, (ii) Perkins Coie, or (iii) such other counsel designated by the Company and who shall be reasonably satisfactory to the Indenture Trustee.

"OUTSTANDING," when used with respect to Certificates of any series, means, as of the date of determination, all Certificates of such series theretofore executed and delivered under this Agreement other than:

- (i) Certificates of such series theretofore canceled by the Indenture Trustee or delivered to the Indenture Trustee for cancellation pursuant to Section 2.08 or otherwise;

- (ii) Certificates of such series for whose payment or redemption, money in the necessary amount has been theretofore deposited with the Indenture Trustee in trust for the Holders of the Certificates of such series; PROVIDED that, if the Certificates of such series are to be redeemed, notice of such redemption has been duly given pursuant to this Agreement or provision therefor satisfactory to the Indenture Trustee has been made; and

- (iii) Certificates of such series in exchange for or in lieu of which other Certificates of such series have been executed and delivered pursuant to this Agreement;

PROVIDED, HOWEVER, that, in determining whether the Holders of the requisite aggregate principal amount of Outstanding Certificates of any series have given any request, demand, authorization, declaration, direction, notice, consent or waiver hereunder, Certificates of such series owned by or pledged to the Company or any Affiliate of the Company shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, declaration, direction, notice, consent or waiver, only Certificates which the Indenture Trustee knows to be so owned or so pledged shall be disregarded. Certificates of any series owned by the Company which have been pledged in good faith may be regarded as Outstanding if the Company establishes to the satisfaction of the Indenture Trustee the pledgee's right to act with respect to such Certificates and that the pledgee is not the Company or any Affiliate thereof.

"PARTS," with respect to the Certificates of any series, means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature other than complete Engines or engines, which are from time to time incorporated or installed in or attached to the Airframe or any Engine or which have been removed therefrom, but where title to which remains vested in the Company in accordance with Section 4.02 hereof.

"PAYING AGENT," with respect to the Certificates of any series, means any person acting as Paying Agent for such series pursuant to Section 2.04.

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"PERMITTED INVESTMENT" means each of (i) obligations of, or guaranteed by, the United States Government or agencies thereof, (ii) open market commercial paper of any corporation incorporated under the laws of the United States of America or any State thereof rated at least P-2 or its equivalent by Moody's Investors Service, Inc. or at least A-2 or its equivalent by Standard & Poor's Corporation, (iii) certificates of deposit issued by commercial banks organized under the laws of the United States or of any political subdivision thereof having a combined capital and surplus in excess of \$500,000,000 which banks or their holding companies have a rating of A or its equivalent by Moody's Investors Service, Inc. or Standard & Poor's Corporation; PROVIDED, HOWEVER, that the aggregate amount at any one time so invested in certificates of deposit issued by any one bank shall not exceed 5% of such bank's capital and surplus, (iv) U.S. dollar denominated offshore certificates of deposit issued by, or offshore time deposits with, any commercial bank described in (iii) or any subsidiary thereof, and (v) repurchase agreements with any financial institution having combined capital and surplus of at least \$500,000,000 with any of the obligations described in clauses (i) through (iv) as collateral.

"PERMITTED LESSEE" shall mean any air carrier domiciled in a country listed in Schedule II hereto as in effect from time to time.

"PERMITTED LIEN," with respect to the Certificates of any series, means (a) the rights of the Indenture Trustee as specifically provided herein and the applicable Indenture Supplement, (b) the rights of other Persons under agreements or arrangements, to the extent expressly permitted by the terms of this Agreement, and (c) the following:

(i) Liens for Taxes of the Company either not yet due or being contested in good faith by appropriate proceedings, so long as such proceedings do not involve any material risk of the sale, forfeiture or loss of the Airframe or any Engine or any interest therein,

(ii) materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of the Company's business securing obligations that are not overdue for a period of more than 45 days or are being contested in good faith by appropriate proceedings so long as during such 45-day period there is not, or such proceedings do not involve, any material risk of the sale, forfeiture or loss of the Airframe or any Engine or any interest therein,

(iii) Liens arising out of any judgment or award against the Company, unless the judgment secured shall not, within 60 days after the entry thereof, have been discharged, vacated, reversed or execution thereof stayed pending appeal or shall not have been discharged, vacated or reversed within 60 days after the expiration of such stay, and

(iv) any other Lien with respect to which the Company (or any Lessee) shall have provided a bond or other security in an amount and under terms reasonably satisfactory to the Indenture Trustee.

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"PERSON" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PREMIUM," with respect to the Certificates of any series, has the meaning specified therefor in the Indenture Supplement applicable to the Certificates of such series.

"PURCHASE AGREEMENT," with respect to the Certificates of any series, means the agreement between the Company and the Manufacturer relating to the purchase by the Company of the Aircraft, as originally executed and as thereafter modified, amended or supplemented in accordance with the terms thereof, but only insofar as the foregoing relates to the Aircraft.

"QUALIFIED INSURANCE BROKER" means Rollins, Burdick, Hunter of Illinois, Inc. or such other insurance broker of nationally recognized standing designated by the Company.

"RECORD DATE," with respect to the Certificates of any series, shall have the meaning specified therefor in the Indenture Supplement entered into in respect of the Certificates of such series pursuant to Section 2.01.

"REDEMPTION DATE," with respect to any redemption of the Certificates of any series, means the date of such redemption as determined pursuant to Section 6.01 or pursuant to the provisions of the Indenture Supplement with respect to such series of Certificates.

"REDEMPTION PRICE," with respect to any redemption of the Certificates of any series, means the price at which such Certificates are to be redeemed, determined as of the applicable Redemption Date pursuant to Section 6.01 or pursuant to the provisions of the Indenture Supplement with respect to such series of Certificates.

"REGISTER," with respect to the Certificates of any series, has the meaning specified therefor in Section 2.04.

"REGISTRAR," with respect to the Certificates of any series, means any person acting as Registrar hereunder pursuant to Section 2.04.

"RESPONSIBLE COMPANY OFFICER" means the Chairman of the Board, the President, any Executive Vice President any Senior Vice President, the Chief Financial Officer, any Vice President or the Treasurer of the Company or, with respect to the Certificates of any series, any other management employee of the Company (a) working under the direct supervision of such Chairman of the Board, President, Senior Vice President, Chief Financial Officer, Vice President or Treasurer and (b) whose responsibilities include the administration of the transactions and agreements applicable to the Certificates of such series.

"RESPONSIBLE OFFICER" shall mean any officer in the Corporate Trust Department of the Indenture Trustee or any other officer customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any

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corporate trust matter is referred because of their knowledge of and familiarity with a particular subject.

"SEC" means the Securities and Exchange Commission.

"SERIAL CERTIFICATE" means a Certificate substantially in the form of Exhibit A-2.

"TAXES" means any and all fees (including, without limitation, license,

documentation and registration fees), taxes (including, without limitation, income, gross receipts, sales, rental, use, turnover, value added, property (tangible and intangible), excise and stamp taxes), licenses, levies, imposts, duties, recording charges or fees, charges, assessments or withholdings of any nature whatsoever, together with any assessments, penalties, fines, additions to tax and interest thereof (each, individually, a "TAX").

"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939, as amended.

"TRUSTEE'S LIENS" has the meaning specified therefor in Section 9.11.

"U.S. AIR CARRIER" means any United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Federal Aviation Act, and as to which there is in force an air carrier operating certificate issued pursuant to Part 121 of the regulations under such Act, or which may operate as an air carrier by certification or otherwise under any successor or substitute provisions therefor.

"U.S. GOVERNMENT OBLIGATIONS" means securities that are direct obligations of the United States of America or agencies or instrumentalities thereof for the payment of which the full faith and credit of the United States of America is pledged which are not callable or redeemable, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt so long as such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"WARRANTY BILL OF SALE," with respect to any Aircraft, means the full warranty bill of sale as to such Aircraft delivered to the Company from the Manufacturer on or before the Delivery Date.

"WET LEASE," with respect to any Aircraft, means any arrangement whereby the Company agrees to furnish the Airframe and Engines or engines installed thereon to a third party pursuant to which such Airframe and Engines or engines (i) shall be operated solely by regular employees of the Company possessing all current certificates and licenses that would be required under the Federal Aviation Act (or if the Aircraft is not registered in the United States, all certificates and licenses required by the laws of the jurisdiction of registry) for the

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performance by such employees of similar functions within the United States of America (or such jurisdiction of registry) (it is understood that cabin attendants need not be employees of the Company) and (ii) shall be maintained by the Company in accordance with its normal maintenance practices as required hereby.

ARTICLE 2

THE CERTIFICATES

SECTION 2.01 AMOUNT UNLIMITED; ISSUABLE IN SERIES

The aggregate principal amount of Certificates which may be authenticated and delivered under this Indenture is unlimited.

The Certificates may be issued in one or more series. The following matters shall be established with respect to the Certificates of each series issued hereunder by an Indenture Supplement executed and delivered by and between the Company and the Indenture Trustee:

(1) the information identifying the Aircraft and Engines in which a security interest is being granted to secure payment of the Certificates of such series;

(2) the title of the Certificates of such series (which shall distinguish the Certificates of such series from all other series of Certificates), and whether the Certificates of such series are one or both of Serial Certificates or Installment Certificates;

(3) any limit upon the aggregate principal amount of the Certificates of the series that may be authenticated and delivered (except for Certificates authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Certificates of such series pursuant to Section 2.03, 205, 207 or 12.04);

(4) if the Certificates of such series are Serial Certificates, the dates on which the principal of the Certificates of such series shall be payable;

(5) if the Certificates of such series are Installment Certificates, the Installment Payment Percentages and Installment Payment Dates;

(6) the rate or rates at which the Certificates of such series shall bear or accrue interest or the method by which such rate or rates shall be determined, the date or dates from which such interest shall accrue or the method by which such date or dates shall be determined, the Interest Payment Dates on which such interest shall be payable and the Record Date, if any, for the interest payable on such Certificates on each Interest Payment Date or the method by which such date or dates shall be determined, and the basis upon which interest shall be calculated if other than that of a 360-day year of twelve 30-day months;

(7) the period or periods within which, the price or prices, including the Premium, if any, at which, the timing of notice and other terms and conditions upon which Certificates of

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the series may be redeemed, in whole or in part, at the option of the Company, if the Company is to have the option;

(8) the obligation, if any, of the Company to redeem Certificates of the series, and the period or periods within which or the date or dates on which, the price or prices at which, the timing of notice and other terms and conditions upon which Certificates of such series shall be redeemed pursuant to such obligation;

(9) if other than the Indenture Trustee, the identity of each Registrar and/or Paying Agent with respect to the Certificates of such series;

(10) any deletions from, modifications of or additions to the Indenture Events of Default or covenants of the Company, whether or not such Indenture Events of Default or covenants are consistent with the Indenture Events of Default or covenants set forth herein;

(11) whether any Certificates of such series are to be issuable initially in temporary global form and whether any Certificates of such series are to be issuable in permanent global form and, if so, whether beneficial owners of interests in any such permanent global Certificates may exchange such interests for Certificates of such series and of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in Section 2.05, and, if Certificates of such series are to be issuable as a global Certificate, the identity of the depository for such series;

(12) any provisions in modification of, in addition to or in lieu of any of the provisions of Article 10;

(13) if the Certificates of such series are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Certificate of such series) only upon receipt of certain certificates or other documents or satisfaction of other conditions, then the form and/or terms of such certificates, documents or conditions;

(14) any legends that are to be added to the Certificates of such series;

(15) provisions with respect to the terms for which the definitions set forth in Article 1 hereof permit or require further specification in the Indenture Supplement and modification of the schedules hereof;

(16) whether Guarantees will be endorsed on the Certificates of the series and, if so, the terms of the Guarantees; and

(17) any other terms, conditions, rights and preferences (or limitations on such rights or preferences) relating to the Certificates of such series (which terms shall not be inconsistent with the requirements of the Trust Indenture Act or the provisions of this Indenture).

If any of the terms of the Certificates of any series are established by action taken pursuant to one or more Board Resolutions, a copy of an appropriate record of such action(s)

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shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Indenture Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the Certificates of such series.

SECTION 2.02 EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

(a) At any time and from time to time, the Company may deliver Certificates of a series, executed by the Company for authentication, together with a Company Request for the authentication and delivery of such Certificates, and the Indenture Trustee in accordance with the Company Request shall authenticate and deliver such Certificates. In authenticating such Certificates, and accepting the additional responsibilities under this Agreement in relation to such Certificates, the Indenture Trustee shall be entitled to receive, and (subject to Section 315(a) through 315(d) of the Trust Indenture Act) shall be fully protected in relying upon, an Opinion of Counsel of the Company stating,

(i) that the form or forms of such Certificates have been established in conformity with the provisions of this Indenture; and

(ii) that the terms of such Certificates have been established in conformity with the provisions of this Indenture.

The Indenture Trustee shall not be required to authenticate and deliver any such Certificates if the issue of such Certificates pursuant to this Agreement will affect the Indenture Trustee's own rights, duties or immunities under the Certificates and this Agreement or otherwise in a manner which is not reasonably acceptable to the Indenture Trustee.

(b) Certificates of each series shall be executed on behalf of the Company by the manual or facsimile signature of its President, Executive Vice President, Senior Vice President, Vice President, Assistant Vice President, Treasurer, Secretary, Assistant Secretary or Assistant Treasurer.

(c) If any officer of the Company executing any Certificate no longer holds that office at the time the Certificate is authenticated on behalf of the Indenture Trustee and issued, the Certificate shall be valid nevertheless.

(d) At any time and from time to time after the execution of the

Certificates of any series, the Company may deliver such Certificates to the Indenture Trustee for authentication and the Indenture Trustee shall authenticate the Certificates by manual signature upon written orders of the Company. Certificates shall be authenticated on behalf of the Indenture Trustee by any authorized officer or signatory of the Indenture Trustee.

(e) A Certificate of any series shall not be valid or obligatory for any purpose or entitled to any security or benefit hereunder until executed on behalf of the Company by the manual or facsimile signature of the officer of the Company specified in the first sentence of Section 2.02(b) and until authenticated on behalf of the Indenture Trustee by the manual signature of the officer or signatory of the Indenture Trustee specified in the second sentence

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of Section 2.02(d). Such signatures shall be conclusive evidence that such Certificate has been duly executed, authenticated and issued under this Agreement.

(f) Each Certificate shall be issued in registered form only and shall be dated the date of its authentication.

SECTION 2.03 TEMPORARY CERTIFICATES

Until definitive Certificates are ready for delivery, the Indenture Trustee may prepare, and the Company may execute, temporary Certificates. Temporary Certificates shall be substantially in the form of definitive Certificates but may have variations that the Indenture Trustee considers appropriate for temporary Certificates. Every temporary Certificate shall be executed by the Company, and authenticated by the Indenture Trustee, and registered by the Registrar upon the same conditions, and with like effect, as a definitive Certificate. The Company shall execute, and the Indenture Trustee shall authenticate, definitive Certificates in exchange for temporary Certificates without unreasonable delay.

SECTION 2.04 REGISTRAR AND PAYING AGENT

The Indenture Trustee shall maintain an office or agency where the Certificates of each series may be presented for registration or transfer or for exchange (the "Registrar") and an office of agency where (subject to Sections 2.05 and 2.09) the Certificates of each series may be presented for payment or for exchange (the "Paying Agent"). The Registrar shall keep a register (the "Register") with respect to the Certificates of such series and their transfer and exchange. The Indenture Trustee may appoint one or more co-registrars (the "Co-Registrars") and one or more additional Paying Agents for the Certificates and the Indenture Trustee may terminate the appointment of any Co-Registrar or Paying Agent at any time upon written notice. The term "Registrar" includes any Co-Registrar. The term "Paying Agent" includes any additional Paying Agent.

The Indenture Trustee shall initially act as Registrar and Paying Agent for the Certificates of each series.

SECTION 2.05 TRANSFER AND EXCHANGE

At the option of the Holder thereof, Certificates of any series may be exchanged for an equal aggregate principal amount of other Certificates of the same series and maturity and of any authorized denominations upon surrender of the Certificates to be exchanged at the principal corporate trust office of the Indenture Trustee, or at any office or agency maintained for such purpose pursuant to Section 2.04. Whenever the Certificates of any series are so surrendered for exchange, the Company shall execute, and the Indenture Trustee shall authenticate and deliver, the replacement Certificates of such series

which the Holder making the exchange is entitled to receive. Upon surrender for registration of transfer of Certificates of any series at the principal corporate trust office of the Indenture Trustee, or at any office or agency maintained for such purpose pursuant to Section 2.04, the Company shall execute, and

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the Indenture Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, and equal aggregate principal amount of other Certificates of the same series and maturity and of any authorized denominations.

All Certificates of any series issued upon any registration of transfer or exchange of Certificates shall be the valid obligations of the Company applicable to the Certificates of such series, evidencing the same obligations, and entitled to the same security and benefits under this Agreement, as the Certificates of such series surrendered upon such registration of transfer or exchange.

Every Certificate presented or surrendered for registration of transfer or exchange shall (if so required by the Registrar) be duly endorsed by, or be accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made to a holder for any registration of transfer or exchange of Certificates, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Certificates, other than exchanges pursuant to Section 2.03 not involving any transfer.

The Registrar shall not be required to register the transfer of or to exchange any Certificate called for redemption pursuant to Section 6.01 or the provisions of the Indenture Supplement applicable to the Certificates of such series.

SECTION 2.06 HOLDER LISTS: OWNERSHIP OF CERTIFICATES

(a) The Indenture Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders of the Certificates of each series, which list shall be available to the Company for inspection. If the Indenture Trustee is not the Registrar, the Registrar shall furnish (and the Company shall cause the Registrar to furnish) to the Indenture Trustee semi-annually on or before each Interest Payment Date, and at such other times as the Indenture Trustee may request in writing, a list, in such form and as of such date as the Indenture Trustee may reasonably require, containing all the information in the possession or control of the Registrar as to the names and addresses of Holders of the Certificates of each series.

(b) Ownership of the Certificates of each series shall be proved by the Register kept by the Registrar. Prior to due presentment for registration of transfer of a Certificate of any series, the Indenture Trustee, the Paying Agent, the Registrar and the Company may deem and treat the Person in whose name such Certificate is registered as the absolute owner of such Certificate for the purpose of receiving payments of principal of, Premium, if any, and interest on such Certificate and for all other purposes whatsoever, whether or not such Certificate is overdue, and none of the Indenture Trustee, the Paying Agent, the Registrar or the Company shall be affected by notice to the contrary.

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SECTION 2.07 MUTILATED, DESTROYED, LOST OR STOLEN CERTIFICATES

If a Certificate of any series shall become mutilated, destroyed, lost or stolen, the Company shall, upon the written request of the Holder of such Certificate, issue and execute, and the Indenture Trustee shall authenticate and deliver, in replacement thereof, as applicable, a new Certificate of the same series and maturity, payable to the same Holder in the same principal amount as the Certificate so mutilated, destroyed, lost or stolen. If the Certificate being replaced has become mutilated, such Certificate shall be surrendered to the Indenture Trustee. If the Certificate being replaced has been destroyed, lost or stolen, the Holder of such Certificate shall furnish to the Company and the Indenture Trustee such security or indemnity as may be required by it to save the Company and the Indenture Trustee harmless and evidence satisfactory to the Company and the Indenture Trustee of the destruction, loss or theft of such Certificate and of the ownership thereof.

SECTION 2.08 CANCELLATION

The Registrar and any Paying Agent shall forward to the Indenture Trustee all Certificates surrendered to them for replacement, redemption, registration of transfer, exchange or payment. The Indenture Trustee shall cancel all Certificates surrendered for replacement, redemption, registration of transfer, exchange, payment or cancellation and shall destroy canceled Certificates.

SECTION 2.09 PAYMENT ON CERTIFICATES: DEFAULTED AMOUNTS

(a) The Indenture Trustee will arrange directly with any Paying Agent for the payment, or the Indenture Trustee will make payment of the principal of (including Installment Payment Amounts), and Premium, if any, and interest payable on or in respect of each Certificate. Payment on Serial Certificates of each series and Installment Certificates of each series in respect of interest, and payment on Installment Certificates of each series in respect of Installment Payment Amounts (other than the final Installment Payment Amount), shall be paid in lawful currency of the United States on each Interest Payment Date or Installment Payment Date (other than the final Installment Payment Date), as the case may be, to the Holder thereof at the close of business on the relevant Record Date at the principal corporate trust office of the Indenture Trustee or at any office or agency maintained for such purpose pursuant to Section 2.04; PROVIDED that the Paying Agent will, at the request of the Indenture Trustee and may, at its option, pay such interest and Installment Payment Amounts by check mailed to such Holder's address as it appears on the Register. Principal of any Serial Certificates, the final Installment Payment Amount payable on any Installment Certificates, and Premium, if any, payable on any Certificates, shall be payable in U.S. currency only against presentation and surrender thereof at the principal corporate trust office of the Indenture Trustee or at the office or agency maintained for such purpose pursuant to Section 2.04.

A Holder of a Certificate of any series shall have no further interest in, or other right with respect to, the Indenture Estate applicable to the Certificates of such series when and if the principal amount of and Premium, if any, and interest on all Certificates of such series held

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by such Holder and all other sums payable to such Holder hereunder, shall have been paid in full.

(b) Any Installment Payment Amount payable in respect of any Installment Certificate of any series on an Installment Payment Date (other than the final Installment Payment Amount) which is not punctually paid on such Installment Payment Date or any interest payable in respect of any Serial or Installment Certificate of any series on any Interest Payment Date which is not punctually paid on such Interest Payment Date, as the case may be (herein called, respectively, a "Defaulted Installment" and "Defaulted Interest"), shall forthwith cease to be payable to the Holder on the relevant Record Date by virtue of his having been such Holder; and such Defaulted Installment or Defaulted Interest may be paid by the Indenture Trustee, at its election in each

case, as provided in clause (1) or (2) below:

(1) The Indenture Trustee may elect to make payment of any Defaulted Installment or Defaulted Interest, as the case may be, to the Person in whose name any such Certificate is registered at the close of business on a special record date for the payment of such Defaulted Installment or Defaulted Interest, as the case may be, which shall be fixed in the following manner. The Indenture Trustee shall notify the Paying Agent in writing of the amount of Defaulted Installment or Defaulted Interest, as the case may be, proposed to be paid on each such Certificate and the date of the proposed payment, and at the same time the Indenture Trustee shall make arrangements to set aside an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Installment or Defaulted Interest, as the case may be, prior to the date of the proposed payment, to be held in trust for the benefit of the Persons entitled to such Defaulted Installment or Defaulted Interest, as the case may be, as this clause provides and shall fix a special record date for the payment of such Defaulted Installment or Defaulted Interest, as the case may be, which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment. The Indenture Trustee shall promptly notify the Company and the Registrar of such special record date and shall cause notice of the proposed payment of such Defaulted Installment or Defaulted Interest, as the case may be, and the special record date therefor to be mailed, first class postage prepaid, to each Holder of a Certificate of such series at its address as it appears in the Register, not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Installment or Defaulted Interest, as the case may be, and the special record date therefor having been mailed, as aforesaid, such Defaulted Installment or Defaulted Interest, as the case may be, shall be paid to the Persons in whose names the applicable Certificates are registered on such special record date and shall no longer be payable pursuant to the following clause (2).

(2) The Indenture Trustee may make, or cause to be made, payment of any Defaulted Installment or Defaulted Interest, as the case may be, in any other lawful manner not inconsistent with the requirements of any securities exchange on which Certificates of the series in question may be listed, and upon such notice as may be

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required by such exchange, if such payment shall be deemed practicable by the Indenture Trustee.

(c) The Indenture Trustee shall require each Paying Agent to agree in writing that such Paying Agent will hold in trust, for the benefit of each Holder of a Certificate of any series and the Indenture Trustee, all money held by the Paying Agent for the payment of the principal of and Premium, if any, and interest on the Certificates of such series and for all other amounts payable hereunder and will give to the Indenture Trustee notice of any default by any obligor upon the Certificates of such series in the making of any such payment upon the Certificates of such series. The Indenture Trustee at any time may require a Paying Agent to repay to the Indenture Trustee all money held by it. Upon so doing the Paying Agent shall have no further liability for the money so paid.

ARTICLE 3

RECEIPT, DISTRIBUTION AND APPLICATION OF FUNDS IN INDENTURE ESTATE

SECTION 3.01 APPLICATION OF PROCEEDS OF INITIAL ISSUANCE OF CERTIFICATES

(a) The Indenture Trustee shall apply the proceeds of the issuance of Certificates of any series as follows:

(i) if such proceeds are received on the Delivery Date applicable to

the Certificates of such series, the Indenture Trustee shall apply such proceeds in accordance with clause (x) of the last sentence of this Section 3.01; or

(ii) if such proceeds are not applied in accordance with clause (i), the Indenture Trustee shall deposit such proceeds in an account to be held as part of the Indenture Estate applicable to the Certificates of such series, to be invested and reinvested as provided in Section 9.04, and to be distributed and applied as provided in this Article 3.

On the Delivery Date of the Aircraft applicable to the Certificates of such series, upon execution by the Indenture Trustee and the Company of the Indenture Supplement applicable to the Certificates of such series, and subject to fulfillment to the satisfaction of or waiver by the Indenture Trustee of the conditions thereto specified in the Indenture Supplement applicable to the Certificates of such series and satisfaction of the additional conditions specified in Section 3.01(b), the Indenture Trustee shall (x) make available an amount equal to the proceeds to the Indenture Trustee from the sale of the Certificates of such series to the Company to finance the acquisition of the Aircraft applicable to the Certificates of such series in accordance with such Indenture Supplement and (y) pay to the Company an amount equal to any net income or net gain, if any, realized from the investment by the Indenture Trustee of any funds held in the Indenture Estate applicable to the Certificates of such series for the period

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from the date of issuance of the Certificates of such series to and including the date immediately preceding such Delivery Date.

(b) The payment by the Indenture Trustee specified in the last sentence of Section 3.01(a) shall be subject to the additional conditions that on the Delivery Date applicable to the Certificates of any series:

(i) The Indenture Trustee shall have received a certificate of an Independent Appraiser with respect to the fair value of the Aircraft as at such Delivery Date applicable to the Certificates of such series;

(ii) The following documents shall have been duly authorized, executed and delivered by the respective party or parties thereto, shall each be satisfactory in form and substance to the Indenture Trustee and shall be in full force and effect, and copies thereof shall have been delivered to the Indenture Trustee (provided by the Purchase Agreement with respect to a series of Certificates shall be delivered to the Indenture Trustee prior to the Delivery Date for such Aircraft):

- (1) the Warranty Bill of Sale and the FAA Bill of Sale;
- (2) the Purchase Agreement; and
- (3) an acceptance certificate covering the Aircraft (the "Acceptance Certificate") duly completed and executed by the Company;

(iii) A Uniform Commercial Code financing statement or statements covering all the security interests created by or pursuant to this Agreement shall have been executed and delivered by the Company and the Indenture Trustee, and such financing statement or statements shall have been duly filed in all places necessary or advisable;

(iv) The Indenture Trustee shall have received the following, in each case in form and substance satisfactory to it:

- (1) a certified copy of the Certificate of Incorporation and By-Laws of the Company and a copy of resolutions of the board of

directors of the Company or the executive committee thereof, certified by the Secretary or an Assistant Secretary of the Company, duly authorizing the execution, delivery and performance by the Company of this Indenture, the Indenture Supplement with respect to the Certificates of any series, such Certificates and each other document required to be executed and delivered by the Company on the Delivery Date in accordance with the provisions hereof;

(2) a certificate of the Company as to the Person or Persons authorized to execute and deliver this Agreement and the Certificates, and any other documents to be executed on behalf of the Company in connection

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with the transactions contemplated hereby and as to the signature of such Person or Persons;

(v) All appropriate action required to have been taken by the Federal Aviation Administration, or any governmental or political agency, subdivision or instrumentality of the United States, prior to the Delivery Date in connection with the transactions contemplated by this Agreement shall have been taken, and all orders, permits, waivers, authorizations, exemptions and approvals of such entities required to be in effect on the Delivery Date in connection with the transactions contemplated by this Agreement shall have been issued, and all such orders, permits, waivers, authorizations, exemptions and approvals shall be in full force and effect on the Delivery Date.

(vi) On the Delivery Date, the following statements shall be true, and the Indenture Trustee shall have received evidence satisfactory to it to the effect that:

(1) the Company has good and marketable title (subject to the filing and recording of the FAA Bill of Sale with the Federal Aviation Administration) to the Aircraft, free and clear of Liens other than Permitted Liens;

(2) application for registration of such Aircraft in the name of the Company and the FAA Bill of Sale have been duly filed with the FAA; and

(3) this Agreement with respect to such Aircraft has been duly filed with the FAA for recordation.

(vii) On the Delivery Date, (A) the representations and warranties of the Company contained in a certificate in form and substance satisfactory to the Indenture Trustee shall be true and accurate as though made on and as of such date except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties shall be true and accurate on and as of such earlier date) and such representations and warranties shall be deemed incorporated by reference herein as if such representations and warranties were set forth herein and (B) no event shall have occurred and be continuing, or would result from the purchase, sale or mortgage of the Aircraft related to such series of Certificates, which constitutes (or would, with the passage of time or the giving of notice or both, constitute) an Event of Default.

(viii) The Indenture Trustee shall have received an opinion addressed to the Indenture Trustee from (a) a senior attorney employed by the Company, in form and substance satisfactory to the Indenture Trustee, and (b) Perkins Coie, special counsel to the Company, in form and substance satisfactory to the Indenture Trustee.

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(ix) The Indenture Trustee shall have received an opinion addressed to the Indenture Trustee and the Company from counsel to the Manufacturer, in form and substance satisfactory to the Indenture Trustee.

(x) The Indenture Trustee shall have received an opinion addressed to the Indenture Trustee and the Company, from Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, in form and substance satisfactory to the Indenture Trustee.

(xi) The Indenture Trustee shall have received an opinion addressed to the Company from _____, special counsel for the Indenture Trustee, in form and substance satisfactory to the Indenture Trustee.

(xii) The Indenture Trustee shall have received an independent insurance broker's report, and certificates of insurance, in form and substance reasonably satisfactory to the Indenture Trustee, as to the due compliance with the terms of Section 4.03 hereof relating to insurance with respect to the applicable Aircraft.

(xiii) On the Delivery Date, it shall be true that no Event of Loss (or event which with the passage of time would become an Event of Loss) with respect to the Airframe or any Engine has occurred.

(xiv) The Indenture Trustee shall have received an invoice from the Manufacturer indicating that the net purchase price to the Company for the Aircraft (i.e., the Aircraft purchase price, excluding buyer-furnished equipment, less the amount of all Manufacturer or engine manufacturer credit memoranda available to be applied in payment of the Aircraft purchase price (whether or not so applied)) is equal to or greater than the proceeds from the sale of the Certificates.

(xv) An Officer's Certificate of the Company to the effect that such payment will not be inconsistent with any of the provisions of this Agreement and the applicable Indenture Supplement related to the Certificates of such series and that all conditions precedent to such payment have been satisfied;

(xvi) An Opinion of Counsel of the Company addressed to the Indenture Trustee stating that the certificates, opinions and other instruments which have been or are therewith delivered to the Indenture Trustee conform to the requirements of this Agreement and such Indenture Supplement and that all conditions precedent herein provided for relating to the release of funds provided for in Section 3.01(a) have been complied with;

(xvii) such other documents, certificates, opinions and other evidence with respect to the Company, the Manufacturer of such Aircraft and the consummation of the transactions contemplated hereunder as the Indenture Trustee may reasonably request or as may be provided for in the Indenture Supplement.

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Promptly upon the registration of the Aircraft and the recording of this Indenture and the Indenture Supplement covering the Aircraft pursuant to the Federal Aviation Act, the Company will cause _____, special counsel in Oklahoma City, Oklahoma, to deliver to the Indenture Trustee and the Company an opinion as to the due and valid registration of the Aircraft in the name of the Company, the due recording of the FAA Bill of Sale, this Indenture and the Indenture Supplement and the lack of filing of any intervening documents with respect to the Aircraft.

(c) The obligations of the Company to enter into an Indenture Supplement with respect to an Aircraft, are all subject to the fulfillment to the satisfaction of the Company prior to or in the Delivery Date of the following conditions precedent:

(i) The conditions specified in Sections 3.01(b)(i) and 3.01(b)(xiii) hereof shall have been satisfied, unless such nonsatisfaction is the result of the actions of the Company.

(ii) Those documents described in Section 3.01(b)(ii) shall have been duly authorized, executed and delivered by the respective party or parties thereto (other than the Company) in the manner specified in such Section, shall each be satisfactory in form and substance to the Company, shall be in full force and effect on the Delivery Date, and an executed counterpart of each thereof shall have been delivered to the Company or its counsel.

(iii) The Company shall have received a copy of the general authorizing resolutions of the board of directors or executive committees or other satisfactory evidence of authorization of the Indenture Trustee, certified as of the Delivery Date by the Secretary or an Assistant Secretary of the Indenture Trustee, which authorize the execution, delivery and performance by the Indenture Trustee of this Indenture and the Indenture Supplement together with such other documents and evidence with respect to the Indenture Trustee, as the Company or its counsel may reasonably request in order to establish the consummation of the transactions contemplated by this Indenture and the Indenture Supplement, the taking of all corporate proceedings in connection therewith and compliance with the conditions herein set forth; in addition, the Company shall have received from the parent of the Indenture Trustee a guaranty, in form and substance reasonably satisfactory to the Company, of the Indenture Trustee's obligations under the Operative Documents.

(iv) The Company shall have received the opinions set forth in Sections 3.01(b)(ix), 3.01(b)(x) and 3.01(b)(xi), in each case addressed to the Company and dated the Delivery Date.

(v) The Aircraft shall have been ready for delivery by the Manufacturer on or before the date set for redemption of the Certificates of such series in the event the Aircraft is not subject to the Lien of this Agreement.

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SECTION 3.02 PAYMENT IN CASE OF REDEMPTION OF CERTIFICATES

In the event the Certificates of any series are redeemed in accordance with the provisions of Section 6.01 or the provisions of the related Indenture Supplement, the Indenture Trustee shall apply on the applicable Redemption Date any amounts then held by it in the Indenture Estate applicable to the Certificates of such series in the following order of priority:

FIRST, so much of such amount as shall be required to pay the Redemption Price of the Outstanding Certificates of such series pursuant to Section 6.01 or the related Indenture Supplement, as the case may be, on the applicable Redemption Date shall be applied to the redemption of the Certificates of such series on such Redemption Date; and

SECOND, the balance, if any, of such amount remaining thereafter shall be distributed to the Company.

SECTION 3.03 APPLICATION OF PAYMENTS WHEN NO INDENTURE EVENT OF DEFAULT IS CONTINUING

Each payment applicable to the Certificates of any series received by the Indenture Trustee from the Company shall, except as otherwise provided in Section 3.02, 3.04 or 3.05, be distributed by the Indenture Trustee in the

following order of priority:

FIRST, so much of such amount as shall be required to pay in full the principal of, and Premium, if any, and interest then due on all Outstanding Certificates of such series shall be distributed to the Persons entitled thereto; and

SECOND, so much of such amount remaining thereafter as shall be required to pay any amount due the Indenture Trustee pursuant to Section 9.07 in respect of the Certificates of such series shall be applied to pay the Indenture Trustee such amount.

SECTION 3.04 APPLICATION OF CERTAIN PAYMENTS IN CASE OF REQUISITION OR EVENT OF LOSS

Except as otherwise provided in Sections 3.05 and 4.03(b), any amounts received directly or through the Company from any governmental authority or other party pursuant to this Agreement applicable to the Certificates of any series as the result of an Event of Loss, to the extent that such amounts are not at the time required to be paid to the Company pursuant to this Agreement, and any amounts of insurance proceeds for damage to the Indenture Estate applicable to the Certificates of such series received directly or through the Company from any insurer pursuant to this Agreement as the result of such Event of Loss, to the extent such amounts are not at the time required to be paid to the Company pursuant to this Agreement, shall be applied in reduction of the Company's obligations hereunder.

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SECTION 3.05 PAYMENTS DURING CONTINUANCE OF INDENTURE EVENT OF DEFAULT

All payments received and amounts held or realized by the Indenture Trustee after an Indenture Event of Default applicable to the Certificates of any series shall have occurred and be continuing (including any amounts realized by the Indenture Trustee from the exercise of any remedies in respect of the Certificates of such series pursuant to Article 8), as well as all payments or amounts then held or thereafter received by the Indenture Trustee as part of the Indenture Estate applicable to the Certificates of such series while such Indenture Event of Default shall be continuing, shall be distributed by the Indenture Trustee in the following order of priority:

FIRST, so much of such payments or amounts as shall be required to pay the Indenture Trustee any amount then due it pursuant to Section 9.07 in respect of the Certificates of such series shall be applied to pay the Indenture Trustee such amount;

SECOND, so much of such payments or amounts remaining as shall be required to pay the expenses incurred (including unbilled expenses in respect of property delivered or contracted for or services rendered or contracted for if the amount of such expenses is liquidated) in using, operating, storing, leasing, controlling or managing such Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements of and to such Indenture Estate and to make all payments which the Indenture Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon such Indenture Estate or any part thereof (including the employment of engineers and accountants to examine and make reports upon the properties, books and records of the Company), all in accordance with Section 8.03(c), shall be applied for such purposes;

THIRD, so much of such payments or amounts remaining as shall be required to pay the principal of, and accrued interest on, all Outstanding

Certificates of such series then due, whether upon redemption, by declaration of acceleration pursuant to Section 8.02 or otherwise, shall be applied ratably to the payment of such principal and interest; and in case such payments or amounts shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment of such principal and interest, without any preference or priority of one Certificate of such series over another, ratably according to the aggregate amount so due for principal and interest at the date fixed by the Indenture Trustee for the distribution of such payments or amounts; and

FOURTH, the balance, if any, of such payments or amounts remaining thereafter shall be held by the Indenture Trustee as collateral security for the obligations secured hereby until such time as no Indenture Event of Default applicable to the Certificates of such series shall be continuing hereunder or the Certificates of such series have been accelerated and all amounts due thereon have been paid, at which time such payments or amounts shall be distributed to the Company.

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SECTION 3.06 PAYMENTS FOR WHICH NO APPLICATION IS OTHERWISE PROVIDED

Except as otherwise provided in Section 3.05:

(a) any payment in respect of the Certificates of any series received by the Indenture Trustee for which no provision as to the application thereof is made elsewhere in this Agreement applicable to the Certificates of such series, and

(b) any payment in respect of the Certificates of such series received and amounts realized by the Indenture Trustee with respect to the Aircraft applicable to the Certificates of such series, to the extent received or realized at any time after the conditions set forth in Article 10 for the satisfaction and discharge of this Agreement as applicable to the Certificates of such series or for the defeasance of the Certificates of such series shall have been satisfied, as well as any other amounts remaining as part of the Indenture Estate applicable to the Certificates of such series after such satisfaction,

shall be distributed by the Indenture Trustee in the following order of priority:

FIRST, so much of such amount as shall be required to pay the Indenture Trustee any amount then due it pursuant to Section 9.07 in respect of the Certificates of such series shall be applied to pay the Indenture Trustee such amount; and

SECOND, the balance, if any, of such amount remaining thereafter shall be distributed to the Company.

SECTION 3.07 CREDIT IN RESPECT OF CERTIFICATES SURRENDERED FOR CANCELLATION

(a) In satisfaction of the obligation of the Company to pay all or any part of principal of, and Premium, if any, and interest on, the Certificates of such series due on any date, the Company may surrender, or cause to be surrendered, Certificates of such series the principal of which is or will be due on such date to the Indenture Trustee for cancellation pursuant to Section 2.08 not later than 10 Business Days prior to such date, in which case there shall be credited against the amounts so payable by the Company in respect of the Certificates of such series as of such date the aggregate principal amount as of such date of the Certificates of such series so surrendered, the Premium, if any, thereon as of such date and the amount of interest which would have been payable on the Certificates of such series so surrendered on such date had they not been surrendered for cancellation and had they remained

Outstanding; PROVIDED that an Installment Certificate may be surrendered only after the penultimate Installment Payment Date for credit in accordance with the provisions of this Section 3.07(a).

(b) In satisfaction of the obligation of the Company to pay the Redemption Price upon a redemption of the Certificates of such series pursuant to Section 6.01 or the related Indenture Supplement, the Company may surrender Certificates of such series the principal of which is or will be due on the applicable Redemption Date to the Indenture Trustee for cancellation pursuant to Section 2.08 not later than 10 Business Days prior to such date, in

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which case there shall be credited against the amount so payable by the Company in respect of the Certificates of such series as of such date, the principal amount as of such date of the Certificates of such series so surrendered, the Premium, if any, thereon as of such date and the amount of the interest which would have been payable on the Certificates of such series so surrendered on such date had they not been surrendered for cancellation and had they remained Outstanding.

ARTICLE 4

COVENANTS OF THE COMPANY

SECTION 4.01 REGISTRATION, MAINTENANCE AND OPERATION OF AIRCRAFT; POSSESSION AND LEASES; INSIGNIA

(A) REGISTRATION AND MAINTENANCE

With respect to any Aircraft, the Company, at its own cost and expense, shall (or shall cause any Lessee to): (i) upon delivery of the Aircraft, cause the Aircraft to be duly registered in the name of the Company, and, subject to Section 4.01(c), to remain duly registered in the name of the Company under the Federal Aviation Act (except as otherwise required by applicable law) and cause this Indenture and the Indenture Supplement to be duly recorded and maintained of record as a first mortgage on the Aircraft; (ii) maintain, service, repair, and overhaul (or cause to be maintained, serviced, repaired, and overhauled) the Aircraft (and any engine which is not an Engine but which is installed on the Aircraft) (x) so as to keep the Aircraft in good operating condition and in such condition as may be necessary to enable the airworthiness certification for the Aircraft to be maintained in good standing at all times (other than during temporary periods of storage in accordance with applicable regulations) under (I) the Federal Aviation Act, except when all of the Company's aircraft of the same type as such Aircraft (powered by engines of the same type as those with which such Airframe shall be equipped at the time of such grounding) registered in the United States have been grounded by the FAA, or (II) the applicable laws of any other jurisdiction in which the Aircraft may then be registered from time to time, except when all of the Company's aircraft of the same type as such Aircraft (powered by engines of the same type as those with which such Airframe shall be equipped at the time of such grounding) registered in such jurisdiction have been grounded by the aeronautical authorities of such jurisdiction and (y) in substantially the same manner as the Company (or any Lessee) maintains, services, repairs or overhauls similar aircraft operated by the Company (or such Lessee) in similar circumstances and without in any way discriminating against the Aircraft, whether by reason of its owned status or otherwise, or such other manner as shall have been approved by the Indenture Trustee, which approval shall not be unreasonably withheld; and (iii) maintain or cause to be maintained all records, logs and other materials required to be maintained in respect of the Aircraft by the FAA or the applicable regulatory agency or body of any other jurisdiction in which the Aircraft may then be registered.

(B) OPERATION

With respect to any Aircraft, the Company will not (nor permit any Lessee to) maintain, use, service, repair, overhaul or operate the Aircraft in violation of any law or any rule, regulation, order or certificate of any government or governmental authority (domestic or foreign) having jurisdiction, or in violation of any airworthiness certificate, license or registration relating to the Aircraft issued by any such authority, except that, after providing the Indenture Trustee with a certificate of its President or any Vice President and the Treasurer or any Assistant Treasurer stating all relevant facts with respect thereto, the Company or any Lessee may contest in good faith the validity or application of any such law, rule, regulation, order, certificate, license, registration or violation in any reasonable manner which does not materially adversely affect the Indenture Trustee or any Holder. If the indemnities or insurance from the United State Government specified in Section 4.03(f) or some combination thereof in amounts equal to amounts required by Section 4.03(f), have not been obtained, the Company will not operate the Aircraft, or suffer or permit any Lessee to operate the Aircraft, in or to any area excluded from coverage by any insurance required to be maintained by the terms of Section 4.03; PROVIDED that the failure of the Company to comply with the provisions of this sentence shall not give rise to an Indenture Event of Default where such failure is attributable to a hijacking, medical emergency, equipment malfunction, weather conditions, navigational error or other like occurrence.

(c) REREGISTRATION

With respect to any Aircraft, the Company may, at the sole expense of the Company, change the country of registration of the Aircraft; PROVIDED that, prior to the date of any such change, the following conditions have been satisfied: (i) such new registration shall be in the name of the Company, in its capacity as owner of the Aircraft, or a Lessee, in its capacity as lessee of the Aircraft; (ii) the Indenture Trustee shall have consented in writing to such change of registration, which consent shall not be unreasonably withheld (it being agreed that the inability to deliver the opinion described in Section 7.04(c) or satisfy the conditions set forth in 7.04(b) shall constitute the sole reasonable grounds to withhold such consent in regard to a country listed on Schedule I hereto); and (iii) if such proposed country of registry is neither the United States nor a country listed on Schedule I hereto, the Indenture Trustee shall have received:

(A) assurances reasonably satisfactory to it (v) to the effect that the insurance or self-insurance provisions hereof have been complied with after giving effect to such change of registry, (w) of the payment by the Company of any expenses of the Indenture Trustee in connection with such change of registry, (x) to the effect that the original indemnities (and any additional indemnities that the Company is then willing to enter into) in favor of the Indenture Trustee and the Holders under this Agreement and the other Operative Documents afford each such party substantially the same protection as provided prior to such change of registry, (y) that such change will not result in the imposition of, or increase in the amount of, any Tax for which the Company is not required to indemnify, or is not then willing to enter into a binding

agreement to indemnify, the Holders or the Indenture Trustee (or any successor or assign thereof), and (z) that such new country of registry imposes aircraft maintenance standards not materially less stringent than

those of the FAA or the civil aviation authority of the United Kingdom, France, Germany, Japan or Canada; and

(B) a favorable opinion of counsel (reasonably satisfactory to the Indenture Trustee) in the new jurisdiction of registry to the effect (w) that the terms (including, without limitation, the governing law and, to the extent applicable, the service-of-process and jurisdictional submission provisions thereof) of the Certificates and this Agreement are legal, valid, binding and enforceable in such jurisdiction, (x) that it is not necessary for the Indenture Trustee or the Holders to register or qualify to do business in such jurisdiction, (y) (unless the Company shall have agreed to provide insurance covering the risk of requisition of use of the Aircraft by the government of such jurisdiction) that the laws of such jurisdiction require fair compensation by the government of such jurisdiction payable in a currency freely convertible into United States dollars for the loss of use of the Aircraft in the event of the requisition by such government of such use, and (z) to such further effect with respect to such other matters as the Indenture Trustee may reasonably request.

Upon receipt of the foregoing opinion of counsel by the Indenture Trustee, Schedule I hereto shall be amended to add such country.

(D) POSSESSION AND LEASES

With respect to any Aircraft, the Company will not, without the prior written consent of the Indenture Trustee, lease or otherwise in any manner deliver, transfer or relinquish possession of the Airframe or any Engine or install or permit any Engine to be installed on any airframe other than the Airframe; PROVIDED that, so long as no Section 8.01(a), (d) or (e) Indenture Default or any Indenture Event of Default shall have occurred and be continuing at the time of such lease, delivery, transfer or relinquishment of possession or installation, and so long as the action to be taken shall not deprive the Indenture Trustee of the Lien of this Agreement on the Airframe or any Engine and the Company (or any Lessee) shall continue to comply with the provisions of Section 4.01(A), the Company may, without the prior written consent of the Indenture Trustee:

(i) subject the Airframe and the Engines or engines then installed thereon to normal interchange agreements or any Engine to normal pooling or similar arrangements, in each case customary in the airline industry and entered into by the Company (or any Lessee) in the ordinary course of its business, and in the case of the Airframe, with a U.S. Air Carrier, or an air carrier domiciled in a country listed on Schedule II hereto or any other air carrier approved by the Indenture Trustee, which approval shall not be unreasonably withheld; PROVIDED that (A) no such agreement or arrangement contemplates or requires the transfer of title to the Airframe and (B) if the Company's title to any Engine shall be divested under any such agreement or arrangement, such divestiture shall be deemed to be an Event of Loss with respect to

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such Engine and the Company shall (or shall cause such Lessee to) comply with Section 4.04(b) hereof in respect thereof;

(ii) deliver possession of the Airframe or any Engine to the manufacturer thereof or to any other Person for testing, service, repair, maintenance or overhaul work on the Airframe or Engine or any Part of any thereof or for alterations or modifications in or additions to such Airframe or Engine to the extent required or permitted by the terms of Section 4.02(c) hereof;

(iii) install an Engine on an airframe owned by the Company (or any Lessee) which airframe is free and clear of all Liens, except:

(A) Permitted Liens and those which apply only to the engines (other than Engines), appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment (other than Parts) installed on such airframe (but not to such airframe as an entirety), (B) the rights of third parties under interchange agreements which would be permitted under clause (i) above, PROVIDED that the Company's title to such Engine shall not be divested as a result thereof, and (C) mortgage Liens or other security interests, PROVIDED that (as regards this clause (iii)), such mortgage Liens or other security interests effectively provide that such Engine shall not become subject to the Lien of such mortgage or security interest, notwithstanding the installation thereof on such airframe;

(iv) install an Engine on an airframe leased to the Company (or any Lessee) or purchased by the Company (or any Lessee) subject to a conditional sale or other security agreement, PROVIDED that (x) such airframe is free and clear of all Liens, except: (A) the rights of the parties to the lease or conditional sale or other security agreement covering such airframe, or their assignees, and (B) Liens of the type permitted by subparagraph (iii) of this Section 4.01(d) and (y) such lease, conditional sale or other security agreement effectively provides that such Engine shall not become subject to the Lien of such lease, conditional sale or other security agreement, notwithstanding the installation thereof on such airframe;

(v) install an Engine on an airframe owned by the Company (or any Lessee), leased to the Company (or any Lessee) or purchased by the Company (or any Lessee) subject to a conditional sale or other security agreement under circumstances where neither subparagraph (iii) nor subparagraph (iv) of this Section 4.01(d) is applicable; PROVIDED that such installation shall be deemed an Event of Loss with respect to such Engine and the Company shall (or shall cause any Lessee to) comply with Section 4.04(b) in respect thereof, the Indenture Trustee not intending hereby to waive any right or interest it may have to or in such Engine under applicable law until compliance by the Company with such Section 4.04(b);

(vi) transfer (or permit any Lessee to transfer) possession of the Airframe or any Engine to the United States of America or any instrumentality or agency thereof pursuant to the Civil Reserve Air Fleet Program so long as the Company (or any Lessee) shall promptly notify the Indenture Trustee upon transferring possession of the

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Airframe or any Engine to the United States of America or any agency or instrumentality thereof pursuant to the Civil Reserve Air Fleet Program;

(vii) transfer possession of the Airframe or any Engine to the United States of America or any instrumentality or agency thereof pursuant to a contract, a copy of which shall be provided to the Indenture Trustee; or

(viii) so long as the Lessee is not subject to a proceeding or final order under applicable bankruptcy, insolvency or reorganization laws on the date the lease is entered into, the Company may, at any time, in its sole discretion, enter into a lease with (1) a U.S. Air Carrier, (2) any Permitted Lessee, or (3) any other Person approved in writing by the Indenture Trustee, which approval shall not be unreasonably withheld; PROVIDED, HOWEVER, that concurrently with entering into such lease, the Company shall provide assurances reasonably satisfactory to the Indenture Trustee to the effect that the provisions of Section 4.03 have been complied with after giving effect to such lease.

The rights of any Lessee or other transferee who receives possession by reason of a transfer permitted by this Section 4.01(d) (other than the transfer

of an Engine which is deemed an Event of Loss) shall be subject and subordinate to, and any lease permitted by this Section 4.01(d) shall include Lessee's consent to the assignment of such lease to the Indenture Trustee as security for the performance of the Company's obligations hereunder (and such Lease shall be so assigned; provided that such assignment shall provide that all rent paid under such Lease shall be paid to the Company prior to the occurrence and continuation of an Indenture Event of Default) and shall be made expressly subject and subordinate to, all the terms of this Agreement, including, without limitation, the Indenture Trustee's rights to repossession pursuant to Section 8.03 hereof, and the Company shall remain primarily liable under this Agreement for the performance of all of the terms of this Agreement, and the terms of any such lease shall not permit any Lessee to take any action not permitted to be taken by the Company in this Agreement with respect to the Aircraft. No pooling agreement, lease or other relinquishment of possession of the Airframe or any Engine shall in any way discharge or diminish any of the Company's obligations to the Indenture Trustee under this Agreement or constitute a waiver of the Indenture Trustee's rights or remedies under this Agreement. The Indenture Trustee agrees, for the benefit of the Company (and any Lessee) and for the benefit of any mortgagee or other holder of a security interest in any engine owned by the Company (or any Lessee), any lessor of any engine leased to the Company (or any Lessee) and any conditional vendor of any engine purchased by the Company (or any Lessee) subject to a conditional sale agreement or any other security agreement, that no interest shall be created under this Agreement in any engine so owned, leased or purchased and that neither the Indenture Trustee nor its successors or assigns will acquire or claim, as against the Company (or any Lessee) or any such mortgagee, lessor or conditional vendor or other holder of a security interest or any successor or assignee of any thereof, any right, title or interest in such engine as the result of such engine being installed on the Airframe. The Company shall give the Indenture Trustee written notice of any lease entered into pursuant to the terms hereof.

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The Company shall provide the Indenture Trustee with a copy of any lease hereunder which has a term of more than one year.

The Indenture Trustee acknowledges that any Wet Lease or similar arrangement under which the Company maintains operational control of the Aircraft shall not constitute a delivery, transfer or relinquishment of possession for purposes of this Section 4.01(d). The Indenture Trustee acknowledges that any consolidation or merger of the Company or conveyance, transfer or lease of all or substantially all of the Company's assets permitted by the Operative Documents shall not be prohibited by this Section 4.01(d).

No lease permitted pursuant to this section shall permit any subleasing of the Aircraft.

(E) INSIGNIA

On or prior to the Delivery Date as to any Aircraft, or as soon thereafter as practicable, the Company agrees to affix and maintain (or cause to be affixed and maintained) in the cockpit of the Airframe adjacent to the registration certificate therein and on each Engine related thereto a nameplate bearing the inscription:

Mortgaged To:

_____, as Indenture Trustee

(such nameplate to be replaced, if necessary, with a nameplate reflecting the name of any successor Indenture Trustee, in each case as permitted under the Operative Documents).

Except as above provided, the Company will not allow the name of any person, association or corporation to be placed on the Airframe or on any related Engine as a designation that might be interpreted as a claim of ownership; provided that nothing herein contained shall prohibit the Company (or any Lessee) from placing its customary colors and insignia on such Airframe or any related Engine.

SECTION 4.02 REPLACEMENT AND POOLING OF PARTS; ALTERATIONS, MODIFICATIONS AND ADDITIONS

(A) REPLACEMENT OF PARTS

With respect to any Aircraft, the Company, at its own cost and expense, will promptly replace or cause to be replaced all Parts which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever, except as otherwise provided in Section 4.02(c). All replacement Parts shall be owned by the Company free and clear of all Liens (except Permitted Liens, pooling arrangements permitted by Section 4.02(b) and replacement Parts temporarily installed on an emergency basis) and shall be in as good an operating condition as and shall have a value and utility substantially equal to the Parts replaced assuming such replaced Parts

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were in the condition and repair required to be maintained by the terms hereof. All Parts (other than Obsolete Parts, as defined below) at any time removed from the Airframe or any Engine shall remain the property of the Company, no matter where located, until such time as such Parts shall be replaced by Parts which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to the Airframe or any Engine, without further act (subject only to Permitted Liens and any pooling arrangement permitted by Section 4.02(b) and except replacement Parts temporarily installed on an emergency basis), (i) such replacement Part shall become the property of the Company and shall become subject to the Lien of this Agreement and the Indenture Supplement and be deemed a Part for all purposes hereof to the same extent as the Parts originally incorporated or installed in or attached to the Airframe or such Engine and (ii) the replaced Part shall no longer be deemed a Part hereunder.

(B) POOLING OF PARTS

Any Part removed from the Airframe or any Engine as provided in Section 4.02(a) may be subjected by the Company (or any Lessee) to a pooling arrangement of the type which is permitted by Section 4.01(d); PROVIDED that the Part replacing such removed Part shall be incorporated or installed in or attached to such Airframe or Engine in accordance with Section 4.02(a) as promptly as practicable after the removal of such removed Part. In addition, any replacement Part may be owned by any third party subject to such a pooling arrangement; PROVIDED, that the Company (or any Lessee), at its expense, as promptly thereafter as practicable, either (i) causes such replacement Part to become the property of the Company free and clear of all Liens other than Permitted Liens or (ii) replaces such replacement Part with a further replacement Part owned by the Company (or any Lessee) which shall become the property of the Company, free and clear of all Liens other than Permitted Liens.

(C) ALTERATIONS, MODIFICATIONS AND ADDITIONS

With respect to any Aircraft, the Company, at its own expense, will make (or cause to be made) such alterations and modifications in and additions to the Airframe and Engines as may be required to meet the applicable standards of the FAA or any applicable regulatory agency or body of any other jurisdiction in

which the Aircraft may then be registered; PROVIDED that, after providing the Indenture Trustee with a certificate of its President or any Vice President and its Treasurer or any Assistant Treasurer stating all relevant facts with respect thereto, the Company or any Lessee may, in good faith, contest the validity or application of any such law, rule, regulation or order in any reasonable manner which does not materially adversely affect the Indenture Trustee or any Holder. In addition, the Company (or any Lessee), at its own expense, may from time to time make such alterations and modifications in and additions to the Airframe or any Engine as the Company (or any Lessee) may deem desirable in the proper conduct of its business, including removal of Parts which the Company (or any Lessee) deems to be obsolete or no longer suitable or appropriate for use on the Airframe or such Engine (such parts, "Obsolete Parts"); PROVIDED that no such alteration, modification, removal or addition materially impairs the condition or airworthiness of the

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Airframe or such Engine, or materially diminishes the value or utility of the Airframe or such Engine below the value or utility thereof immediately prior to such alteration, modification, removal or addition assuming the Airframe or such Engine was then in the condition required to be maintained by the terms of this Agreement. In addition, the value (but not the utility) of the Airframe or any Engine may be reduced by the value of Obsolete Parts which shall have been removed so long as the aggregate value of all Obsolete Parts which shall have been removed and not replaced shall not exceed \$_____ with respect to a _____ Airframe, \$_____ with respect to a _____ Airframe, \$_____ with respect to a _____ Airframe or such other amount as may be set forth in the Indenture Supplement. All Parts incorporated or installed in or attached or added to the Airframe or an Engine as the result of such alteration, modification or addition (except those parts which the Company has leased from others and which may be removed by the Company pursuant to the next sentence) (the "Additional Parts") shall, without further act, become subject to the Lien of this Agreement. Notwithstanding the foregoing sentence, the Company (or any Lessee) may, so long as no Indenture Event of Default shall have occurred and be continuing, remove or suffer to be removed any Additional Part, provided that such Additional Part (i) is in addition to, and not in replacement of or substitution for, any Part originally incorporated or installed in or attached to such Airframe or any Engine at the time of delivery thereof or any Part in replacement of or substitution for any such Part, (ii) is not required to be incorporated or installed in or attached or added to the Airframe or any Engine pursuant to the terms of Section 4.01 hereof or the first sentence of this Section 4.02(c) and (iii) can be removed from the Airframe or such Engine without impairing the airworthiness or diminishing the value or utility of the Airframe or such Engine which the Airframe or such Engine would have had at such time had such alteration, modification or addition not occurred. Upon the removal thereof as provided above, such Additional Part shall no longer be subject to the Lien of this Agreement or deemed part of the Airframe or Engine from which it was removed.

SECTION 4.03 INSURANCE

(A) PUBLIC LIABILITY AND PROPERTY DAMAGE INSURANCE

(1) With respect to any Aircraft, except as provided in clause (2) of this Section 4.03(a), and subject to self-insurance to the extent permitted by Section 4.03(d), the Company will carry or cause to be carried at its or any Lessee's expense (i) comprehensive airline liability (including, without limitation, passenger, contractual, bodily injury and property damage liability) insurance (exclusive of manufacturer's product liability insurance) and (ii) cargo liability insurance with respect to each Aircraft, (A) in an amount not less than the greater of (x) the amounts of comprehensive airline liability insurance from time to time are applicable to aircraft owned or operated by the Company of the same type as such Aircraft and (y) \$_____ with respect to a _____ Airframe, \$_____ with respect to a _____

Airframe, \$_____ with respect to a _____ Airframe, or such other amount as may be set forth on an Indenture Supplement per occurrence, (B) of the type and covering the same risks as from time to time are applicable to aircraft owned or operated by the Company of the same type as such Aircraft, and (C) which is

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maintained in effect with insurers of recognized responsibility; PROVIDED that the Company need not maintain cargo liability insurance, or may maintain such insurance in an amount less than \$_____ with respect to a _____ Airframe, \$_____ with respect to a _____ Airframe, \$_____ with respect to a _____ Airframe, or such other amount as may be set forth on an Indenture Supplement per occurrence, as long as the amount of cargo liability insurance, if any, maintained with respect to such Aircraft is the same as the cargo liability insurance, if any, maintained for other aircraft of the same type and model as such Aircraft owned or operated by the Company.

(2) During any period that the Aircraft is on the ground and not in operation, the Company may carry or cause to be carried, in lieu of insurance required by clause (1) above, and subject to self-insurance to the extent permitted by Section 4.03(d), insurance by insurers of recognized responsibility otherwise conforming with the provisions of said clause (1) except that (A) the amounts of coverage shall not be required to exceed the amounts of comprehensive airline liability insurance from time to time applicable to aircraft owned or operated by the Company of the same type as the Aircraft and which are on the ground and not in operation, and (B) the scope of the risks covered and the type of insurance shall be the same as from time to time shall be applicable to aircraft owned or operated by the Company of the same type as the Aircraft and which are on the ground and not in operation.

(B) INSURANCE AGAINST LOSS OR DAMAGE TO THE AIRCRAFT

(1) With respect to any Aircraft, except as provided in clause (2) of this Section 4.03(b), and subject to the provisions of Section 4.03(d) permitting self-insurance, the Company shall maintain or cause to be maintained in effect, at its or any Lessee's expense, with insurers of recognized responsibility, all-risk aircraft hull insurance covering each Aircraft and fire and extended coverage and all-risk property damage insurance covering Engines and Parts while temporarily removed from such Aircraft and not replaced by similar components (including aircraft hull war risk, governmental confiscation and expropriation (other than by the United States Government or any government of registry of the Aircraft) and hijacking insurance, but only if and to the extent any of such aircraft hull war risk, governmental confiscation and expropriation and hijacking insurance is maintained by the Company (or any Lessee) with respect to other aircraft owned or operated by the Company (or such Lessee) on the same or similar geographic routes); PROVIDED that such insurance shall at all times while such Aircraft is subject to the Lien of this Agreement be for an amount (taking into account self-insurance to the extent permitted by Section 4.03(d)) not less than the aggregate outstanding principal amount of the Certificates of such series together with accrued interest thereon to the date of determination; and PROVIDED FURTHER that all-risk property damage insurance covering Engines and Parts while temporarily removed from such Aircraft and not replaced by similar components need be obtained only to the extent available at reasonable cost. In the case of a loss with respect to an engine (other than an Engine) installed on such Airframe the Indenture Trustee shall promptly remit any payment made to it of any insurance proceeds in respect of such loss to the Company or any other third party that is entitled to receive such proceeds.

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Except during a period when a Section 8.01(a), (d) or (e) Indenture Default or any Indenture Event of Default has occurred and is continuing, all losses will be adjusted by the Company with the insurers. As between the Indenture Trustee and the Company, it is agreed that all insurance payments received as the result of the occurrence of an Event of Loss will be applied as follows:

(x) if such payments are received with respect to the Airframe (or the Airframe and the Engines installed thereon), (i) unless such property is replaced pursuant to the penultimate paragraph of Section 4.04(a), so much of such payments remaining, after reimbursement of the Indenture Trustee for reasonable costs and expenses, as shall not exceed the aggregate principal amount of the Certificates together with accrued interest thereon shall be applied toward payment of the Certificates, and the balance, if any, of such payments remaining thereafter will be paid over to, or retained by, the Company (or if directed by the Company, any Lessee); or (ii) if such property is replaced pursuant to the penultimate paragraph of Section 4.04(a), such payments shall be paid over to, or retained by, the Company (or if directed by the Company, any Lessee), PROVIDED that the Company shall have fully performed or, concurrently therewith, will fully perform the terms of the penultimate paragraph of Section 4.04(a) with respect to the Event of Loss for which such payments are made; and

(y) if such payments are received with respect to an Engine under the circumstances contemplated by Section 4.04(b) hereof, so much of such payments, remaining after reimbursement of the Indenture Trustee for reasonable costs and expenses, shall be paid over to, or retained by, the Company (or if directed by the Company, any Lessee) provided that the Company shall have fully performed or, concurrently therewith, will fully perform the terms of Section 4.04(b) with respect to the Event of Loss for which such payments are made.

(2) During any period that the Aircraft is on the ground and not in operation, the Company may carry or cause to be carried, in lieu of the insurance required by clause (1) above, and subject to self-insurance to the extent permitted by Section 4.03(d), insurance otherwise conforming with the provisions of said clause (1) except that the scope of the risks and the type of insurance shall be the same as from time to time is applicable to aircraft owned or operated by the Company of the same type as the Aircraft similarly on the ground and not in operation, provided that, subject to self-insurance to the extent permitted by Section 4.03(d), the Company shall maintain insurance against risk of loss or damage to the Aircraft in an amount at least equal to the aggregate outstanding principal amount of the Certificates of such series together with accrued interest thereon to the date of determination during such period that the Aircraft is on the ground and not in operation.

(C) REPORTS, ETC.

With respect to any Aircraft, the Company will furnish, or cause to be furnished to the Indenture Trustee, on or before the Delivery Date and each anniversary of the Delivery Date, a

report, signed by a Qualified Insurance Broker, which broker may be in the regular employ of the Company, describing in reasonable detail the hull and liability insurance (and property insurance for detached engines and parts) then carried and maintained with respect to the Aircraft and stating the opinion of such firm that such insurance complies with the terms hereof; PROVIDED that all information contained in the foregoing report shall not be made available by the Indenture Trustee to anyone except (A) to prospective and permitted transferees of the Indenture Trustee's interest or its counsel, independent certified public accountants, independent insurance brokers or other agents, who agree to hold such information confidential, (B) the Indenture Trustee's or any such

transferee's counsel or independent certified public accountants, independent insurance brokers or other agents who agree to hold such information confidential, or (C) as may be required by any statute, court or administrative order or decree or governmental ruling or regulation. The Company will cause such Qualified Insurance Broker to agree to advise the Indenture Trustee in writing of any default in the payment of any premium and of any other act or omission on the part of the Company of which it has knowledge and which might invalidate or render unenforceable, in whole or in part, any insurance on the Aircraft and to advise such Persons in writing at least 30 days (seven days in the case of war risk and allied perils coverage) prior to the cancellation (but not scheduled expiration) or material adverse change of any insurance maintained pursuant to this Section 4.03, provided that if the notice period specified above is not reasonably obtainable, such Qualified Insurance Broker shall provide for as long a period of prior notice as shall then be reasonably obtained. In addition, the Company will also cause such Qualified Insurance Broker to deliver to the Indenture Trustee, on or prior to the date of expiration of any insurance policy referenced in a previously delivered certificate of insurance, a new certificate of insurance, substantially in the same form as delivered by the Company to such parties on the Delivery Date except for changes in the report or the coverage consistent with the terms hereof. In the event that the Company or any Lessee shall fail to maintain or cause to be maintained insurance as herein provided, the Indenture Trustee may at its sole option provide such insurance and, in such event, the Company shall, upon demand, reimburse the Indenture Trustee for the cost thereof to the Indenture Trustee, without waiver of any other rights the Indenture Trustee may have.

(D) SELF-INSURANCE

With respect to any Aircraft, the Company may self-insure the risks required to be insured against pursuant to this Section 4.03 on the same terms and conditions as applicable generally to similar aircraft owned or operated by the Company, but in no case shall the aggregate amount of such self-insurance in regard to Section 4.03(a) and Section 4.03(b) exceed for any calendar year, with respect to all aircraft in the Company's fleet (including, without limitation, the Aircraft) the lesser of (A) 50% of the highest replacement value of any single aircraft in the Company's fleet or (b) 1-1/2% of the average aggregate insurable value (during the preceding calendar year) of all aircraft (including, without limitation, the Aircraft) on which the Company carries insurance. In addition to the foregoing right to self-insure, the Company shall have the right to self-insure to the extent of any applicable minimum per aircraft (or, if applicable, per annum or other period) hull or liability insurance deductible imposed by the aircraft hull or liability insurers.

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(E) ADDITIONAL INSURANCE BY INDENTURE TRUSTEE AND THE COMPANY

The Company (and any Lessee) may at its own expense carry insurance with respect to its interest in the Aircraft in amounts in excess of that required to be maintained by this Section 4.03; the Indenture Trustee may carry for its own account at its sole cost and expense insurance with respect to its interest in the Aircraft, PROVIDED that such insurance does not prevent the Company (or any Lessee) from carrying the insurance required or permitted by this Section 4.03 or adversely affect such insurance or the cost thereof.

(F) INDEMNIFICATION BY GOVERNMENT IN LIEU OF INSURANCE

With respect to any Aircraft, notwithstanding any provisions of this Section 4.03 requiring insurance, the Indenture Trustee agrees to accept, in lieu of insurance against any risk with respect to the Aircraft, indemnification from, or insurance provided by, the United States Government or any agency or instrumentality thereof the obligations of which are supported by the full faith and credit of the United States Government, against such risk in an amount which, when added to the amount of insurance against such risk maintained by the Company (or any Lessee) shall be at least equal to the amount of insurance against such risk otherwise required by this Section 4.03 (taking into account

self-insurance permitted by Section 4.03(d)).

(G) TERMS OF INSURANCE POLICIES

With respect to any Aircraft, any policies carried in accordance with Sections 4.03(a) and 4.03(b), and any policies taken out in substitution or replacement for any such policies, (A) shall name the Additional Insureds as additional insureds, or, if appropriate, loss payees, as their respective interests may appear (but without imposing on any such party liability to pay premiums with respect to such insurance), (B) may provide for self-insurance to the extent permitted in Section 4.03(d), (C) shall provide that, if the insurers cancel such insurance for any reason whatever, or if any material change is made in the insurance which adversely affects the interest of any Additional Insured, such cancellation or change shall not be effective as to any Additional Insured for thirty days (seven days in the case of war risk and allied perils coverage) after receipt by such Additional Insured of written notice from such insurers of such cancellation or change; PROVIDED that if any notice period specified above is not reasonably obtainable, such policies shall provide for as long a period of prior notice as shall then be reasonably obtainable, (D) shall provide that, in respect of the respective interests of each Additional Insured in such policies, the insurance shall not be invalidated by any action or inaction of the Company (or any Lessee) and shall insure the respective interests of the Additional Insured, as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Company (or any Lessee), (E) shall be primarily without any right of contribution from any other insurance which is carried by any Additional Insured, (F) shall waive any right of the insurers to set-off or counterclaim or other deduction, whether by attachment or otherwise, in respect of any liability of any Additional Insured, and (G) shall provide that (i) in the event of a loss involving the Aircraft, Airframe, or an Engine for which proceeds are in excess of \$_____ with respect to a _____ Airframe, \$_____ with respect to a _____ Airframe,

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\$_____ with respect to a _____ Airframe, or such other amount as may be set forth in an Indenture Supplement (or, if the Aircraft is then under a Lease, in excess of \$_____ with respect to a _____ Airframe, \$_____ with respect to a _____ Airframe, \$_____ with respect to a _____ Airframe, or such other amount as may be set forth in an Indenture Supplement), the proceeds in respect of such loss up to the aggregate principal amount of the Certificates of such Series together with accrued interest thereon shall be payable to the Indenture Trustee, it being understood and agreed that in the case of any payment of the Indenture Trustee otherwise than in respect of an Event of Loss, the Indenture Trustee shall, upon receipt of evidence reasonably satisfactory to it that the damage giving rise to such payment shall have been repaired or that such payment shall then be required to pay for repairs then being made, pay the amount of such payment, and any interest or income earned thereon, to the Company or its order, and (ii) the entire amount of any such loss for which proceeds are \$_____ with respect to a _____ Airframe, \$_____ with respect to a _____ Airframe, \$_____ with respect to a _____ Airframe or such other amount as may be set forth in an Indenture Supplement (or, if the Aircraft is then under a Lease, are \$_____ with respect to a _____ Airframe, \$_____ with respect to a _____ Airframe, \$_____ with respect to a _____ Airframe or such other amount as may be set forth in an Indenture Supplement) or less or the amount of any proceeds of any such loss in excess of the aggregate principal amount of the Certificates of such series together with accrued interest thereon shall be paid to the Company or its order unless an Indenture Default or Indenture Event of Default shall have occurred and be continuing and the insurers have been notified thereon by the Indenture Trustee.

SECTION 4.04 LOSS, DESTRUCTION, REQUISITION, ETC.

(A) EVENT OF LOSS WITH RESPECT TO THE AIRCRAFT

Upon the occurrence of an Event of Loss with respect to the Airframe or the Airframe and the Engines and/or engines then installed thereon, the Company shall (1) forthwith (and in any event, within fifteen days after such occurrence) give the Indenture Trustee written notice of such Event of Loss and (2) within 60 days after such occurrence, give the Indenture Trustee written notice of its election to perform one of the following options (it being understood that the failure to give such notice shall be deemed to be an election of the option set forth in clause (i) below). On a date (the "Loss Payment Date") designated by the Company upon 45 days' irrevocable notice to the Indenture Trustee, but in no event later than 120 days following the occurrence of the Event of Loss, the Company shall:

(i) to the extent not previously paid to the Indenture Trustee, as insurance proceeds, pay or cause to be paid to the Indenture Trustee the outstanding principal amount of the Certificates of such series and all accrued and unpaid interest thereon, together with all other amounts due and owing under this Agreement or any other Operative Document; or

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(ii) provided that no Indenture Event of Default shall have occurred and be continuing, substitute an aircraft or an airframe or an airframe and one or more engines, as the case may be, in accordance with the terms of this Section 4.04(a), PROVIDED that if the Company shall have elected to make a substitution under this clause (ii) and shall fail for any reason to make such substitution in accordance with the terms hereof, the Company shall make the payments required by clause (i) above as and when due thereunder.

At such time as the Indenture Trustee shall have received the amount specified in subparagraph (i) above, together with all other amounts that then may be due hereunder, (1) the Lien of this Indenture and the Indenture Supplement shall terminate and (2) the Company will be subrogated to all claims of the Indenture Trustee, if any, against third parties to the extent the same relate to physical damage to or loss of the Airframe and any Engines which were subject to such Event of Loss.

In the event the Company shall elect to substitute an aircraft (or an airframe or an airframe and one or more engines, as the case may be) the Company shall, at its sole cost and expense, (A) purchase or allocate hereto from its fleet of aircraft owned by the Company an aircraft (or an airframe or an airframe and one or more engines, as the case may be, which, together with the Engines or Engine constituting a part of the Aircraft but not installed thereon at the time of such Event of Loss, constitute the Aircraft) free and clear of all Liens (other than Permitted Liens) and having at least the value and utility of the Aircraft subject to such Event of Loss assuming that the Aircraft had been maintained in accordance with this Agreement, and (B) prior to or at the time of any such substitution, the Company (or any Lessee), at its own expense, will (1) furnish to the Indenture Trustee a copy of a full warranty bill of sale and an FAA bill of sale, in form and substance reasonably satisfactory to the Indenture Trustee, evidencing title thereto in the name of the Company, (2) amend and restate the Indenture Supplement and record such amended and restated Indenture Supplement pursuant to the Federal Aviation Act, or the applicable laws, rules and regulations of any other jurisdiction in which the Airframe was registered at the time of such Event of Loss, (3) furnish the Indenture Trustee with such evidence of compliance with the insurance provisions of Section 4.03 with respect to such substituted property as the Indenture Trustee may reasonably request, (4) provide to the Indenture Trustee an Officer's Certificate of the Company stating the following:

(x) with respect to the replacement of any Airframe:

(i) a description of the Airframe which shall be identified by manufacturer, model, FAA registration number (or other applicable registration information) and manufacturer's serial number;

(ii) a description of the replacement airframe to be received (including the manufacturer, model, FAA registration number (or other applicable registration information) and manufacturer's serial number) in replacement of the Airframe to be released;

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(iii) that on the date of such amended and restated Indenture Supplement relating to the replacement airframe the Company will be the legal owner of such replacement airframe free and clear of all Liens except Permitted Liens, that such replacement airframe will on such date be in good working order and condition, that such replacement airframe has been or, substantially concurrently with such replacement, will be duly registered in the name of the Company (or, if applicable, in the name of a Lessee) under the Federal Aviation Act or under the law then applicable to the registration of the Airframe, that an airworthiness certificate has been duly issued under the Federal Aviation Act (or such other applicable law) with respect to such replacement airframe, that such registration and certificate are in full force and effect and that the Company or any Lessee will have the full right and authority to use such replacement airframe;

(iv) that the replacement airframe is of the same or an improved model as the Airframe requested to be released from the Lien of this Agreement and the Indenture Supplement;

(v) the fair market value of the replacement airframe as of the date of such certificate (which value shall be not less than the fair market value of the Airframe requested to be released immediately prior to such Event of Loss, assuming such Airframe was in the condition and repair required to be maintained under this Agreement);

(vi) the fair market value of the Airframe to be released immediately prior to the date such Airframe suffered an Event of Loss;

(vii) that the release of the Airframe will not impair the security of the Lien of this Agreement and the Indenture Supplement or be in contravention of any of the provisions of this Agreement; and

(y) with respect to the replacement of any Engine:

(ix) a description of the Engine, which shall be identified by manufacturer's serial number;

(x) a description of the replacement engine (including the manufacturer's name and serial number) in replacement of the Engine to be released;

(xi) that on the date of the Indenture Supplement relating to the replacement engine the Company will be the legal owner of such replacement engine free and clear of all Liens except Permitted Liens, that such replacement engine will on such date be in good working order and condition and that such

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replacement engine is the same as or an improved model of the Engine to be released;

(xii) the fair market value of the replacement engine as of the date of such certificate (which value shall not be less than the fair market value of the Engine to be released immediately prior to such Event of Loss, assuming such Engine was in the condition and repair

required to be maintained under this Agreement);

(xiii) the fair market value of the Engine to be released (immediately prior to the Event of Loss suffered by such Engine);

(xiv) that the release of the Engine so to be released will not impair the security of the Lien of this Agreement and the Indenture Supplement or be in contravention of any of the provisions of this Agreement.

and (5) provide an opinion of counsel, which counsel shall be reasonably acceptable to the Indenture Trustee, to the effect that the Indenture Trustee shall be entitled to the benefits and protections of Section 1110 of the Bankruptcy Reform Act of 1978 with respect to the aircraft substituted hereunder; PROVIDED that such opinion need not be delivered to the extent that the benefits of Section 1110 of the Bankruptcy Code were not, by reason of a change of law or governmental interpretation thereof, available to the Indenture Trustee with respect to the Aircraft immediately prior to such substitution.

Upon the conditions as set forth above, the Company will be subrogated to all claims of the Indenture Trustee, if any, against third parties to the extent the same relate to physical damage to or loss of the Airframe and any Engine which were subject to such Event of Loss. For all purposes hereof, the property so substituted shall be deemed part of the Indenture Estate hereunder and shall be deemed an "Aircraft," "Airframe" and "Engine," as the case may be, as defined herein.

(B) EVENT OF LOSS WITH RESPECT TO AN ENGINE

Upon the occurrence of an Event of Loss with respect to an Engine under circumstances in which there has not occurred an Event of Loss with respect to the Airframe, the Company shall forthwith (and, in any event, within fifteen days after such occurrence) give the Indenture Trustee written notice thereof and shall, within 60 days after the occurrence of such Event of Loss, (A) purchase or allocate hereto from engines owned by the Company, as replacement for the Engine with respect to which such Event of Loss occurred, an Acceptable Alternate Engine free and clear of all Liens (other than Permitted Liens, which engine may become subject to any and all Permitted Liens) and (B) at its own expense (i) furnish to the Indenture Trustee a copy of a warranty (as to title) bill of sale, in form and substance reasonably satisfactory to the Indenture Trustee, with respect to such replacement engine, (ii) amend and restate an Indenture Supplement (or otherwise appropriately modify this Agreement) and record such Indenture Supplement (or other document) pursuant to the

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Federal Aviation Act, or the applicable laws, rules and regulations of any other jurisdiction in which the Airframe may then be registered, (iii) furnish the Indenture Trustee with such evidence of compliance with the insurance provisions of Section 4.03 hereof with respect to such replacement engine as the Indenture Trustee may reasonably request, and (iv) provide to the Indenture Trustee all the documentation required to be provided by it pursuant to Section 4.04(a)(ii) satisfactory in form and substance to the Indenture Trustee. For all purposes hereof, each such replacement engine shall be deemed part of the Indenture Estate hereunder, and shall be deemed an "Engine."

(C) REQUISITION FOR USE OF THE AIRCRAFT BY THE UNITED STATES GOVERNMENT OR GOVERNMENT OF REGISTRY OF THE AIRCRAFT

With respect to any Aircraft, in the event of the requisition for use of the Airframe and the Engines or engines installed on the Airframe by the United States Government or any other government of registry of the Aircraft or any instrumentality or agency thereof, the Company shall promptly notify the Indenture Trustee of such requisition, and all of the Company's rights and obligations under this Agreement and the Indenture Supplement with respect to

the Aircraft shall continue to the same extent as if such requisition had not occurred. All payments received by the Indenture Trustee or the Company from the United States Government or any other government of registry of the Aircraft or any instrumentality or agency thereof for the use of such Airframe and Engines or engines shall be paid over to, or retained by, the Company (or, if directed by the Company, any Lessee).

(D) REQUISITION FOR USE OF AN ENGINE BY THE UNITED STATES GOVERNMENT OR THE GOVERNMENT OF REGISTRY OF THE AIRCRAFT

With respect to any Aircraft, in the event of the requisition for use of an Engine by the United States Government or any other government of registry of the Aircraft or any agency or instrumentality thereof (other than in the circumstances contemplated by Section 4.04(c)), the Company shall replace (or cause any Lessee to replace) such Engine hereunder and the Indenture Trustee and the Company (or Lessee, as the case may be) shall comply with the terms of Section 4.04(b) to the same extent as if an Event of Loss had occurred with respect to such Engine. Upon compliance with Section 4.04(b) hereof, any payments received by the Indenture Trustee or the Company from such government with respect to such requisition shall be paid over to, or retained by, the Company.

SECTION 4.05 INSPECTION

With respect to any Aircraft, at reasonable times, and upon at least 10 days' prior written notice, the Indenture Trustee, or its authorized representative, may inspect the Aircraft (PROVIDED, HOWEVER, such inspections shall be limited to one inspection of the Aircraft during any consecutive twelve-month period except during the continuance of an Indenture Event of Default, when such inspection right shall not be so limited) and inspect and make copies (at Indenture Trustee's risk and expense) of the FAA (or the then-applicable government of registry) required books and records of the Company and any Lessee relating to the

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maintenance of the Aircraft and shall keep any information or copies obtained thereby confidential and shall not disclose the same to any Person, except (A) to prospective and permitted transferees of the Indenture Trustee's interest who agree to hold such information confidential, (B) to the Indenture Trustee's or any such transferee's counsel, independent insurance advisors or other agents who agree to hold such information confidential, or (C) as may be required by any statute, court or administrative order or decree or governmental ruling or regulation. Any such inspection of the Aircraft shall be subject to the Company's safety and security rules applicable at the location of the Aircraft, shall be a visual, walk-around inspection (including an on-board inspection) and shall not include opening any panels, bays or the like (except when such panels, bays or the like are otherwise required to be open) without the express consent of the Company, which consent the Company may in its sole discretion withhold; PROVIDED that no exercise of such inspection right shall interfere with the normal operation or maintenance of the Aircraft by, or the business of, the Company (or any Lessee).

SECTION 4.06 LIENS

With respect to the Certificates of any series, the Company will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to the Aircraft or title thereto except for Permitted Liens.

SECTION 4.07 CERTIFIED AIR CARRIER

With respect to the Certificates of any series, the Company covenants and agrees with the Indenture Trustee that so long as any such Certificate remains Outstanding, it will be an "air carrier" within the meaning of the Federal Aviation Act operating under certificates issued pursuant to Section 401 of such Act.

ARTICLE 5

DISPOSITION, SUBSTITUTION AND RELEASE OF PROPERTY
INCLUDED IN INDENTURE ESTATE

SECTION 5.01 DISPOSITION, SUBSTITUTION AND RELEASE OF PROPERTY INCLUDED IN
INDENTURE ESTATE

With respect to the Certificates of any series so long as this Agreement is in effect:

(A) PARTS

The Indenture Trustee shall from time to time execute an appropriate written instrument or instruments to confirm the release of the security interest of the Indenture Trustee in any Part removed in accordance with Section 4.02, in each case upon receipt by the Indenture Trustee of a Company Request stating that said action was duly taken by the Company in conformity with this Section 5.01 and that the execution of such written instrument or instruments is appropriate to evidence such release of a security interest under this Section 5.01.

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(B) SUBSTITUTION UPON AN EVENT OF LOSS OCCURRING TO AIRFRAME OR
ENGINES

Upon the occurrence of a substitution of an Airframe or an Engine and the satisfaction of all conditions to such substitution specified in Section 4.04 and the additional condition specified in Section 5.01(c), if applicable, the Indenture Trustee shall release all of its right, interest and Lien in and to such Airframe or Engine in accordance with the provisions of the following two sentences. The Indenture Trustee shall execute and deliver to the Company an instrument releasing its Lien in and to such Airframe or Engine and shall execute for recording in public offices, at the expense of the Company, such instruments in writing as the Company shall reasonably request and as shall be reasonably acceptable to the Indenture Trustee in order to make clear upon public records that such Lien has been released under the laws of the applicable jurisdiction. The Company hereby waives and releases any and all rights existing or that may be acquired to any penalties, forfeit or damages from or against the Indenture Trustee for failure to execute and deliver any document in connection with the release of any Lien or to file any certificate in compliance with any law or statute requiring the filing of the same in connection with the release of any Lien, except for failure by the Indenture Trustee to execute and deliver any document or to file any certificate as may be specifically requested in writing by the Company.

(C) CONDITION TO RELEASE

The Indenture Trustee's release of all of its right, interest and Lien in and to an Airframe or Engine applicable to the Certificates of any series, as provided for in Section 5.01(b), shall be subject to the condition that the Indenture Trustee shall have received (i) a certificate of an Independent Appraiser reasonably acceptable to the Indenture Trustee, following a physical inspection, stating the fair value to the Company of the airframe or engine to be substituted for such Airframe or Engine and the value, utility and, solely with respect to an Airframe, useful life thereof, and (ii) a certificate of an Appraiser as to the fair value of such Airframe or Engine, as the case may be, to be released from such Lien and stating that in the opinion of such Appraiser the proposed release will not impair the security under this Agreement in contravention of the provisions hereof, which certificate shall be prepared by an Independent Appraiser if the fair value of such Airframe or Engine, as the

case may be, to be released from the Lien of this Agreement and of all other property and securities released since the commencement of the then current calendar year, as set forth in the certificates required by Section 314(d)(1) of the Trust Indenture Act, is 10% or more of the aggregate principal amount of the Certificates of such series at the time Outstanding.

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ARTICLE 6

REDEMPTION OF CERTIFICATES

SECTION 6.01 REDEMPTION OF CERTIFICATES IN THE EVENT OF NONDELIVERY OF AIRCRAFT OF UPON EVENT OF LOSS

(a) In the event that the Aircraft applicable to the Certificates of any series is not subjected to the Lien of this Agreement prior to the date therefor specified in such Indenture Supplement, each Outstanding Certificate of the series shall be redeemed in whole at a Redemption Price equal to 100% of the outstanding principal amount of the Certificate plus accrued and unpaid interest thereon to but excluding the applicable Redemption Date, without Premium. The Redemption Date for Certificates redeemed pursuant to this Section 6.01(a) shall be the date specified therefor in the Indenture Supplement.

(b) Upon the occurrence of an Event of Loss to the Aircraft applicable to the Certificates of any series, if such Aircraft is not replaced pursuant to Section 4.04, each Outstanding Certificate of such series shall be redeemed in whole at a Redemption Price equal to 100% of the outstanding principal amount of such Certificate plus accrued and unpaid interest thereon to but excluding the applicable Redemption Date, without Premium. The Redemption Date for Certificates redeemed pursuant to this Section 6.01(b) shall be the Loss Payment Date applicable to the Certificates of such series.

(c) All other events of redemption and the details thereof shall be specified in the Indenture Supplement, including the Redemption Date and the Redemption Price.

SECTION 6.02 NOTICE OF REDEMPTION TO HOLDERS

Notice of redemption with respect to Certificates of any series shall be given by first-class mail, postage prepaid, mailed not less than the minimum nor more than the maximum number of days specified in the Indenture Supplement prior to the Redemption Date, to each Holder of such Certificates to be redeemed, at such Holder's address appearing in the Register.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the applicable basis for determining the Redemption Price,
- (3) that on the Redemption Date, the Redemption Price will become due and payable upon each such Certificate, and that interest on such Certificate shall cease to accrue on and after such Redemption Date, and
- (4) the place or places where such Certificates are to be surrendered for payment of the Redemption Price.

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Notice of redemption of such Certificates to be released shall be given by the

Indenture Trustee.

SECTION 6.03 DEPOSIT OF REDEMPTION PRICE

On or before the Redemption Date for the Certificates of any series, the Company shall, to the extent an amount equal to the Redemption Price for such Certificates shall not then be held in the Indenture Estate applicable to the Certificates of such series, deposit or cause to be deposited with the Indenture Trustee or the Paying Agent by 12:00 noon in immediately available funds an amount equal to such Redemption Price

SECTION 6.04 CERTIFICATES PAYABLE ON REDEMPTION DATE

Notice of redemption of the Certificates of any series having been given as aforesaid, such Certificates shall, on the Redemption Date, become due and payable at the principal corporate trust office of the Indenture Trustee or at any office or agency maintained for such purposes pursuant to Section 2.04, and from and after such Redemption Date (unless there shall be a default in the payment of the Redemption Price) any such Certificates then Outstanding shall cease to bear interest. Upon surrender of any such Certificates for redemption in accordance with said notice such Certificates shall be redeemed at the Redemption Price.

If any Certificate of any series called for redemption shall not be so paid upon surrender thereof for redemption, the principal amount thereof shall, until paid, continue to bear interest from the applicable Redemption Date at the interest rate applicable to such Certificate.

ARTICLE 7

CERTAIN COVENANTS

SECTION 7.01 REPAYMENT OF MONIES FOR CERTIFICATE PAYMENTS HELD BY INDENTURE TRUSTEE

Any money held by the Indenture Trustee or any Paying Agent in trust for any payment of the principal of, or Premium, if any, or interest on the Certificates of any series (including, without limitation, any money deposited pursuant to Article 10) and remaining unclaimed for two years and eleven months after the due date for such payment, shall be paid to the Company; and the Holders of any Outstanding Certificates of such series shall thereafter, as unsecured general creditors, look only to the Company for payment thereof, and all liability of the Indenture Trustee or any such Paying Agent with respect to such trust money shall thereupon cease; PROVIDED that the Indenture Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be mailed to each Holder of a Certificate of such series notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of

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mailing, any unclaimed balance of such money then remaining will be repaid to the Company as provided herein.

SECTION 7.02 REPORTS BY THE COMPANY

The Company shall:

(a) file with the Indenture Trustee, within 30 days after the Company is required to file the same with the SEC, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may from time to time by rules and regulations prescribe) which the Company is required to file with the SEC pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended;

or, if the Company is not required to file information, documents or reports pursuant to either of such sections, then to file with the Indenture Trustee and the SEC, in accordance with rules and regulations prescribed by the SEC, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934, as amended, in respect of a security listed and registered on a national securities exchange as may be prescribed in such rules and regulations,

(b) file with the Indenture Trustee and the SEC, in accordance with the rules and regulations prescribed by the SEC, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Agreement, as may be required by such rules and regulations, including, in the case of annual reports, if required by such rules and regulations, certificates or opinions of independent public accountants, conforming to the requirements of Section 13.05;

(c) transmit to all Holders, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports required to be filed by the Company pursuant to subsections (a) and (b) of this Section 7.02 as may be required by rules and regulations prescribed by the SEC;

(d) furnish to the Indenture Trustee, not less often than annually, a brief certificate from the principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Agreement (it being understood that for purposes of this paragraph (d), such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Agreement); and

(e) furnish to the Indenture Trustee:

(1) promptly after the execution and delivery of each Indenture Supplement, an Opinion of Counsel either stating that in the opinion of such counsel such Indenture Supplement has been properly recorded and filed so as to make effective the Lien intended to be created thereby, and reciting the

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details of such action, or stating that in the opinion of such counsel no such action is necessary to make such Lien effective; and

(2) at least annually after the execution and delivery of this Agreement, an Opinion of Counsel either stating that in the opinion of such counsel such action has been taken with respect to the recording, filing, re-recording, and re-filing of this Agreement and each Indenture Supplement entered into hereunder as is necessary to maintain the Lien of this Agreement, and reciting the details of such action, or stating that in the opinion of such counsel no such action is necessary to maintain such Lien.

SECTION 7.03 CONSOLIDATION, MERGER, ETC.

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease substantially all its assets as an entirety to any Person unless:

(i) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance, transfer or lease substantially all the assets of the Company as an entirety shall be (i) a citizen of the United States as defined in Section 101(16) of the Federal Aviation Act and (ii) a United States certificated air carrier;

(ii) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance, transfer or lease substantially all of the assets of the Company as an entirety shall execute and deliver to the Indenture Trustee a duly authorized, valid, binding and enforceable agreement in form and substance reasonably satisfactory to the Indenture Trustee containing an assumption by such successor corporation or Person of the due and punctual performance and observance of each covenant and condition of the Operative Documents applicable to the Certificates of each series to be performed or observed by the Company;

(iii) immediately after giving effect to such transaction, no Indenture Event of Default applicable to the Certificates of each series or event which is, or after notice or passage of time, or both, would be, such an Indenture Event of Default shall have occurred and be continuing; and

(iv) the Company shall have delivered to the Indenture Trustee an Officers' Certificate of the Company and an Opinion of Counsel of the Company reasonably satisfactory to the Indenture Trustee, each stating that such consolidation, merger, conveyance, transfer or lease and the assumption agreement mentioned in clause (ii) above comply with this Section 7.03 and that all conditions precedent herein provided for relating to such transaction have been complied with.

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Upon any consolidation or merger, or any conveyance, transfer or lease of substantially all the assets of the Company as an entirety in accordance with this Section 7.03, the successor corporation or Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Agreement and the Indenture Supplement applicable to the Certificates of each series with the same effect as if such successor corporation or Person had been named as the Company herein. No such conveyance, transfer or lease of substantially all the assets of the Company as an entirety shall have the effect of releasing the Company or any successor corporation or Person which shall theretofore have become such in the manner prescribed in this Section 7.03 from its liability in respect of any Operative Document applicable to the Certificates of such series to which it is a party.

SECTION 7.04 CHANGE IN REGISTRATION

The Indenture Trustee shall, upon the request of the Company, consent to the deregistration of the Aircraft applicable to the Certificates of any series under the laws of the jurisdiction in which it is at the time registered and the registration of such Aircraft under the laws of another jurisdiction (herein called a "change in registration") provided that the following conditions are met:

(a) such change in registration complies with the provisions of Section 4.01(c);

(b) no Indenture Event of Default applicable to the Certificates of such series and no event which, with lapse of time or the giving of notice, or both, would become such an Indenture Event of Default shall have occurred and be continuing at the effective date of the change in registration, provided that it shall not be necessary to comply with this condition (b) if the change in registration results in the registration of such Aircraft under the laws of the United States of America or if the Indenture Trustee in its discretion believes the change in registration would be advantageous to the Holders of the Certificates of such series; and

(c) the Indenture Trustee shall have received an Opinion of Counsel

of the Company reasonably satisfactory to the Indenture Trustee to the effect that:

(i) after giving effect to the change in registration, the Lien on such Aircraft and the other property included in the Indenture Estate applicable to the Certificates of such series shall continue as a fully perfected Lien and that all filing, recording or other action necessary to perfect and protect the Lien of this Agreement has been accomplished (or, if such opinion cannot be given on or prior to the effective date of such change in registration, (x) such opinion shall be to the effect that such filing, recording or other action as is feasible on or prior to such effective date (detailing the same) has been accomplished and that such filing, recording or other action as must be accomplished subsequently

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(detailing the same) is of a routine nature and (y) the Indenture Trustee shall have received an Officer's Certificate of the Company that all possible preparations to accomplish such subsequent filing, recording and other action shall have been done, and such filing, recording and other action will be accomplished (the Company agreeing to deliver an Opinion of Counsel of the Company as promptly as possible subsequent to such effective date confirming that all such filing, recording and other action has been taken; and

(ii) the terms of this Agreement (including the governing law clauses) being legal, valid and binding and enforceable in such jurisdiction, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally, and by general principles of equity and except as limited by applicable laws which may affect the remedies provided in this Agreement, respectively, which laws, however, do not in the opinion of such counsel make the remedies provided in this Agreement, respectively, inadequate for the practical realization of the rights and benefits provided thereby.

The Indenture Trustee shall execute such documents as the Company shall reasonably request in order to satisfy the above conditions and, upon satisfaction of such conditions, to effect the change in registration.

ARTICLE 8

DEFAULTS AND REMEDIES

SECTION 8.01 INDENTURE EVENTS OF DEFAULT

"Indenture Event of Default," with respect to the Certificates of any series, means one or more of the following events (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) any amount of principal of, or Premium, if any, or interest on the Certificates of such series shall not be paid when due and payable (whether upon redemption, final maturity, acceleration or otherwise) and such default in payment shall continue for more than seven Business Days (or such other period as may be specified in the Indenture Supplement) applicable to the Certificates of such series after such amount shall have become due and payable; or

(b) default on the part of the Company in the due observance or performance of any other covenant or agreement to be observed or performed under this Agreement, or the Certificates of such series, and any such default shall continue uncured for a period of 30 days (or such other period as may be

specified in the Indenture Supplement) after

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written notice from the Indenture Trustee to the Company specifying the default and demanding the same to be remedied; PROVIDED that if the Company shall have undertaken to cure any such failure and, notwithstanding the reasonable diligence of the Company in attempting to cure such failure, such failure is not cured within such cure period but is curable with future due diligence, there shall exist no Indenture Event of Default under this Article 8 so long as the Company is proceeding with due diligence to cure such failure and such failure is in fact cured within 180 days (or such other period as may be specified in the Indenture Supplement); or

(c) any representation or warranty made by the Company herein or in the Officer's Certificate required pursuant to Section 3.01(b)(vii) or in any document or certificate furnished by the Company in connection herewith or pursuant hereto shall prove to have been incorrect in any material respect at the time made and shall remain material at the time in question; PROVIDED such incorrectness shall constitute an Indenture Event of Default hereunder only if such incorrectness shall remain uncured for 30 days (or such other period as may be specified in the Indenture Supplement) after the receipt by the Company of a written notice from the Indenture Trustee advising the Company of the existence of such incorrectness; or

(d) the Company shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in any involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or take any corporate action to authorize any of the foregoing; or

(e) an involuntary case or other proceeding shall be commenced against the Company seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its Property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 90 days;

PROVIDED that, notwithstanding anything to the contrary contained in this Article 8, any failure of the Company to perform or observe any covenant, condition, agreement or any error in a representation or warranty shall not constitute an Indenture Event of Default if such failure or error is caused solely by reason of any event that constitutes an Event of Loss so long as the Company is continuing to comply with all of the terms of Section 4.04 hereunder.

SECTION 8.02 ACCELERATION; RESCISSION AND ANNULMENT

If an Indenture Event of Default with respect to the Certificates of any series occurs and is continuing, the Indenture Trustee, by notice to the Company, or the Holders of at least 25% in aggregate principal amount of Outstanding Certificates of such series, by notice to the

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Company and the Indenture Trustee, may declare the principal of all the Certificates of such series to be due and payable. Upon such declaration, the principal of all Certificates of such series together with accrued interest thereon from the date in respect of which interest was last paid hereunder to the date payment of such principal is made or duly provided for, shall be immediately due and payable and no Premium shall be payable in connection with any redemption of such Certificates as a consequence of such acceleration. At any time after such declaration and prior to the sale or disposition of the Indenture Estate applicable to the Certificates of such series, the Holders of a majority in aggregate principal amount all the Outstanding Certificates of such series, by notice to the Indenture Trustee and the Company may rescind such a declaration and thereby annul its consequences if (i) an amount sufficient to pay all principal of any Certificates of such series which have become due otherwise than by such declaration and any interest thereon and interest due or past due, if any, and all other sums due and payable to the Indenture Trustee in respect of the Certificates of such series have been deposited with the Indenture Trustee, (ii) the rescission would not conflict with any judgment or decree, and (iii) all existing Indenture Defaults applicable to the Certificates of such series and Indenture Events of Default applicable to the Certificates of such series under this Agreement have been cured or waived (except nonpayment of amounts of principal of, and interest on, the Certificates of such series that have become due solely because of such acceleration).

SECTION 8.03 OTHER REMEDIES AVAILABLE TO INDENTURE TRUSTEE

(a) After an Indenture Event of Default with respect to the Certificates of any series shall have occurred and so long as such Indenture Event of Default shall be continuing, then and in every such case the Indenture Trustee, as trustee of an express trust and as holder of a security interest in the Aircraft or Engines may, and when required pursuant to the provisions of Article 9 shall, do one or more of the following with respect to all or any part of the related Airframe or any related Engine to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect; PROVIDED that during any period the Aircraft is subject to the Civil Reserve Air Fleet Program in accordance with the provisions of Section 4.01(d) and in the possession of the United States Government or an instrumentality or agency thereof, the Indenture Trustee shall not, on account of any Indenture Event of Default, be entitled to do any of the following in such manner as to limit the Company's control (or any Lessee's control under any Lease) of any Airframe or any Engines, unless at least 60 days' (or such lessor period as may then be applicable under the Military Airlift Command program of the United States government) prior written notice of default hereunder shall have been given by the Indenture Trustee by registered or certified mail to the Company (and any Lessee) with a copy addressed to the Contracting Office Representative for the Military Airlift Command of the United States Air Force under any contract with the Company (or any Lessee) relating to the Aircraft:

(i) cause the Company, upon the written demand of the Indenture Trustee and at the Company's expense, to return promptly, and the Company shall return promptly, all or such part of any Airframe or any Engine as the Indenture Trustee may so demand to the Indenture Trustee or its order or the Indenture Trustee, at its option,

may enter upon the premises where all or any part of such Airframe or any Engine are located and take immediate possession of and remove the same (together with any engine which is not an Engine but which is installed on the Airframe, subject to all of the rights of the owner, lessor, lienor or secured party of such engine; PROVIDED that the Airframe with an engine (which is not an Engine) installed thereon may be flown or returned only to a location within the continental United States, and such engine shall be held for the account of any such owner, lessor, lienor or secured party or, if owned by the Company, may, at the option of the Indenture Trustee, be

exchanged with the Company for an Engine, all without liability accruing to the Indenture Trustee for or by reason of such entry or taking of possession or removal, whether for the restoration of damage to property caused by such taking or otherwise; or

(ii) sell all or any part of any Airframe and any Engine as provided in Section 8.03(b), or otherwise dispose of, hold, use, operate, lease to others or keep idle all or any part of such Airframe or such Engine as provided in Section 8.03(c), all free and clear of any rights of the Company and without any duty to account to the Company with respect to such action or inaction or for any proceeds with respect thereto.

(b) The Indenture Trustee may, if at the time such action is lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession, and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Company once at least 30 days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Indenture Estate applicable to the Certificates of such series, or any part thereof, or interest therein, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Indenture Trustee may determine, and at any place (whether or not it be the location of such Indenture Estate or any part thereof) and time designated in the notice above referred to; Upprovided that notwithstanding any provision herein to the contrary, the Indenture Trustee shall not sell any of such Indenture Estate unless a declaration of acceleration of the Certificates of such series has been made pursuant to Section 8.02. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further notice, and the Indenture Trustee and the Holder or Holders of any Certificates of such series, or any interest therein, may bid and become the purchaser at any such sale. The Indenture Trustee may exercise such right without possession or production of the Certificates of such series or proof of ownership thereof, and as representative of the Holders may exercise such right without notice to the Holders or including the Holders as parties to any suit or proceeding relating to foreclosure of any property in such Indenture Estate. By entering into an Indenture Supplement applicable to the Certificates of such series, the Company irrevocably constitutes the Indenture Trustee the true and lawful attorney-in-fact of the Company (in the name of the Company or otherwise) for the purpose of effectuating any sale, assignment, transfer or delivery for enforcement of the Lien created under this Agreement, whether pursuant to foreclosure or power of sale or otherwise, to execute and deliver all such bills of sale, assignments and other instruments as the Indenture

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Trustee may consider necessary or appropriate, with full power of substitution, the Company, by so entering into such Indenture Supplement, thereby ratifying and confirming all that such attorney or any substitute shall lawfully do by virtue hereof. Nevertheless, if so requested by the Indenture Trustee or any purchaser, the Company shall ratify and confirm any such sale, assignment, transfer or delivery, by executing and delivering to the Indenture Trustee or such purchaser all bills of sale, assignments, releases and other proper instruments to effect such ratification and confirmation as may be designated in any such request.

(c) If an Indenture Event of Default with respect to the Certificates of any series has occurred and is continuing, the Company shall, at the request of the Indenture Trustee, promptly execute and deliver to the Indenture Trustee such instruments of title or other documents as the Indenture Trustee may deem necessary or advisable to enable the Indenture Trustee or an agent or

representative designated by the Indenture Trustee, at such time or times and place or places as the Indenture Trustee may specify, to obtain possession of all or any part of the Indenture Estate applicable to the Certificates of such series. If the Company shall for any reason fail to execute and deliver such instruments and documents after such request by the Indenture Trustee, the Indenture Trustee shall be entitled, in a proceeding to which the Company will be a necessary party, to a judgment for specific performance of the covenants contained in the foregoing sentence, conferring upon the Indenture Trustee the right to immediate possession and requiring the Company to execute and deliver such instruments and documents to the Indenture Trustee. The Indenture Trustee shall also be entitled to pursue all or any part of such Indenture Estate wherever it may be found and may enter any of the premises of the Company or any other Person wherever such Indenture Estate may be or be supposed to be and search for such Indenture Estate and take possession of any item of such Indenture Estate pursuant to this Section 8.03(c). The Indenture Trustee may, from time to time, at the expense of such Indenture Estate, make all such expenditures for maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of such Indenture Estate, as it may deem proper. In each such case, the Indenture Trustee shall have the right to use, operate, store, lease, control or manage such Indenture Estate, and to exercise all rights and powers of the Company relating to such Indenture Estate as the Indenture Trustee shall deem appropriate, including the right to enter into any and all such agreements with respect to the use, operation, storage, leasing, control or management of such Indenture Estate or any part thereof; and the Indenture Trustee shall be entitled to collect and receive directly all tolls, rents, issues, profits, products, revenues and other income of such Indenture Estate and every part thereof, without prejudice, however, to the right of the Indenture Trustee under any provision of this Agreement applicable to the Certificates of such series to collect and receive all cash held by, or required to be deposited with, the Indenture Trustee hereunder. In accordance with the terms of this Section 8.03(c), such tolls, rents, issues, profits, products, revenues and other income shall be applied to pay the expenses of using, operating, storing, leasing, controlling or managing such Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Indenture Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon such Indenture Estate or any part thereof (including the employment of engineers and accountants to examine, inspect and make reports

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upon the properties and books and records of the Company), and all other payments which the Indenture Trustee may be required or authorized to make under any provision of this Agreement, including this Section 8.03(c), as well as just and reasonable compensation for the services of the Indenture Trustee, and of all persons properly engaged and employed by the Indenture Trustee.

If an Indenture Event of Default with respect to the Certificates of any series occurs and is continuing and the Indenture Trustee shall have obtained possession of or title to the Aircraft applicable to the Certificates of such series, the Indenture Trustee shall not be obligated to use or operate such Aircraft or cause such Aircraft to be used or operated directly or indirectly by itself or through agents or other representatives or to lease, license or otherwise permit or provide for the use or operation of such Aircraft by any other Person unless (i) the Indenture Trustee shall have been able to obtain insurance in kinds, at rates and in amounts satisfactory to it in its discretion to protect the Indenture Estate applicable to the Certificates of such series and the Indenture Trustee, as trustee and individually, against any and all liability for loss or damage to such Aircraft and for public liability and property damage resulting from use or operation of such Aircraft and (ii) funds are available in such Indenture Estate to pay for such insurance or, in lieu of such insurance, the Indenture Trustee is furnished with indemnification from the Holders of the Certificates of such series or any other Person upon terms and in amounts satisfactory to the Indenture Trustee in its discretion to protect such

Indenture Estate and the Indenture Trustee, as trustee and individually, against any and all such liabilities.

(d) The Indenture Trustee may proceed to protect and enforce this Agreement, and the Certificates of such series by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Indenture Estate applicable to the Certificates of such series or any part thereof, or for the recovery of judgment for the indebtedness secured by the Lien created under this Agreement or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

(e) With respect to the Certificates of any series, each and every right, power and remedy herein given to the Indenture Trustee specifically or otherwise in this Agreement shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often in such order as may be deemed expedient by the Indenture Trustee, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Indenture Trustee in the exercise of any right, remedy or power or in pursuing any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of the Company or to be an acquiescence therein.

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(f) Notwithstanding any other provision hereof, if any payment of principal of the Certificates of any series shall not be made when and as the same shall become due and payable, or if any payment of interest on the Certificates of any series shall not be made when the same shall become due and payable and such failure shall continue for the period prescribed in Section 8.01(a), the Indenture Trustee shall be entitled to recover judgment, in its own name and as trustee of an express trust upon the Certificates of such series for the whole amount of such principal or interest, as the case may be, remaining unpaid.

SECTION 8.04 WAIVER OF THE COMPANY

The Company shall not, to the extent now or at any time hereafter enforceable under applicable law, at any time insist upon or plead, or in any manner whatsoever claim or take any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Indenture Estate applicable to the Certificates of such series or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or prior to any applicable decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and hereby expressly waives for itself and on behalf of each and every Person, except decree or judgment creditors of the Company acquiring any interest in or title to such Indenture Estate or any part thereof subsequent to the date of such Indenture Supplement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws, but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

The Indenture Trustee may maintain such a proceeding even if it does not possess any of the Certificates or does not produce any of them in the proceeding. A delay or omission by the Indenture Trustee or any Holder in

exercising any right or remedy accruing upon an Indenture Event of Default with respect to the Certificates of any series shall not impair the right or remedy or constitute a waiver of or acquiescence in such Indenture Event of Default.

SECTION 8.05 WAIVER OF EXISTING DEFAULTS

The Holders of a majority in the aggregate principal amount of the Outstanding Certificates of any series, by notice to the Indenture Trustee, may waive on behalf of the Holders of the Certificates of such series any existing Indenture Default or Indenture Event of Default with respect to the Certificates of such series and its consequences except (i) an Indenture Default or Indenture Event of Default in the payment of the principal or of Premium, if any, or interest on any Certificates of such series or (ii) in respect of a covenant or provision in this Agreement which pursuant to Section 12.02 cannot be amended or modified without the consent of each Holder affected thereby.

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SECTION 8.06 CONTROL BY MAJORITY

The Holders of a majority in aggregate principal amount of the Outstanding Certificates of any series may direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee or exercising any trust or power conferred on it by this Agreement in respect of the Certificates of such series. However, the Indenture Trustee may refuse to follow any direction that conflicts with law or this Agreement, that is unduly prejudicial to the rights of the Holders so affected, or that would subject the Indenture Trustee to personal liability.

SECTION 8.07 LIMITATION ON SUITS BY HOLDERS

A Holder of a Certificate of any series may pursue a remedy under this Agreement or thereunder only if:

- (1) the Holder gives to the Indenture Trustee written notice of a continuing Indenture Event of Default with respect to the Certificates of such series;
- (2) the Holders of at least 25% in aggregate principal amount of the Outstanding Certificates of such series make a written request to the Indenture Trustee to pursue the remedy;
- (3) such Holder or Holders offer to the Indenture Trustee indemnity satisfactory to the Indenture Trustee against any loss, liability or expense to be, or which may be, incurred by the Indenture Trustee in pursuing the remedy;
- (4) the Indenture Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and
- (5) during such 60-day period the Holders of a majority in aggregate principal amount of the Outstanding Certificates of such series do not give the Indenture Trustee a direction inconsistent with the request.

A Holder of a Certificate of any series may not use this Agreement to prejudice the rights of another Holder of a Certificate of such series or to obtain a preference or priority over another Holder of a Certificate of such series.

SECTION 8.08 RIGHTS OF HOLDERS TO RECEIVE PAYMENT

Notwithstanding any other provision of this Agreement, the right of any Holder of a Certificate of any series to receive payment of principal of, and Premium, if any, and interest on such Certificate on or after the respective due

dates expressed in such Certificate, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

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SECTION 8.09 INDENTURE TRUSTEE MAY FILE PROOFS OF CLAIM

The Indenture Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee and of the Holders allowed in any judicial proceedings relating to any obligor on the Certificates, its creditors, or its property.

SECTION 8.10 UNDERTAKING FOR COSTS

With respect to the Certificates of any series, all parties to this Agreement agree, and each Holder of any Certificate of any series by his acceptance thereof shall be deemed to have agreed, that in any suit for the enforcement of any right or remedy under this Agreement or in any suit against the Indenture Trustee for any action taken or omitted by it as Indenture Trustee, a court in its discretion may require the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 8.10 does not apply to a suit instituted by the Indenture Trustee, a suit instituted by a Holder for the enforcement of the payment of principal of, or Premium, if any, or interest on any Certificate owned by such Holder, on or after the respective due dates expressed in such Certificate, or a suit by a Holder or Holders of more than 10% in aggregate principal amount of Outstanding Certificates of any series.

ARTICLE 9

INDENTURE TRUSTEE

SECTION 9.01 DUTIES OF INDENTURE TRUSTEE

(a) The Indenture Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(b) Subject to the provisions of Section 9.04, the Indenture Trustee shall not be liable for interest on any money received by it except as the Indenture Trustee may otherwise agree in writing with the Company. Money held in trust by the Indenture Trustee need not be segregated from other funds except to the extent required by law.

(c) The Indenture Trustee shall keep the Purchase Agreement confidential in accordance with the terms hereof and shall not disclose the same to any Person, except (A) to prospective and permitted transferees of the Indenture Trustee's interest who agree to hold such information confidential or such prospective transferee's counsel or special counsel, independent certified public accountants, independent insurance brokers or other similar agents who agree to hold such information confidential, (B) as may be required by any statute, court or administrative order or decree or governmental ruling or regulation, including federal or state banking examiners, or (C) as may be necessary for purposes of enforcement of this

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Agreement by the Indenture Trustee; PROVIDED that any and all disclosures of all or any part of the Purchase Agreement which are permitted by (C) above shall be made only to the extent necessary to meet the specific requirements or needs of the Persons to whom such disclosures are hereby permitted.

SECTION 9.02 RIGHTS OF INDENTURE TRUSTEE

Subject to the provisions of Section 315 of the Trust Indenture Act:

(a) The Indenture Trustee may rely on any document believed by it to be genuine and to have been signed and presented by the proper person. The Indenture Trustee need not investigate any fact or matter stated in the document.

(b) Before the Indenture Trustee acts or refrains from acting, it may consult with counsel or require an Officer's Certificate or an Opinion of Counsel from the Company after which it will take such action or refrain from acting as it deems appropriate. The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith and in accordance herewith in reliance on a resolution of the Board of Directors of the Company, the written advice of counsel acceptable to the Company and the Indenture Trustee, officer's certificates or opinions of counsel provided by the Company.

(c) The Indenture Trustee may act with respect to the Certificates of any series through agents and shall not be responsible for the misconduct or negligence of any such agent appointed with due care; PROVIDED that, so long as no Indenture Event of Default with respect to the Certificates of such series shall have occurred and be continuing, no such agents shall be appointed by the Indenture Trustee applicable to the Certificates of such series without the consent of the Company, which consent shall not be unreasonably withheld.

(d) The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

To the extent that the provisions of this Section 9.02 are inconsistent with the duties of the Indenture Trustee as required by Section 315 of the Trust Indenture Act, the requirements of such Section 315 shall prevail.

SECTION 9.03 INDIVIDUAL RIGHTS OF INDENTURE TRUSTEE

The Indenture Trustee in its individual or any other capacity may become the owner or pledgee of Certificates and may otherwise deal with the Company or an Affiliate of the Company or a subsidiary of the Company with the same rights it would have if it were not the Indenture Trustee. Any Agent may do the same with like rights. However, the Indenture Trustee is subject to Sections 9.09 and 9.11 hereof and Section 310(b) and 311 of the Trust Indenture Act.

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SECTION 9.04 FUNDS MAY BE HELD BY INDENTURE TRUSTEE OR PAYING AGENT; INVESTMENTS

(a) Any monies (including, without limitation, for purposes of this Subsection 9.04(a), any cash constituting the proceeds of the maturity, sale or other disposition of any Permitted Investment) held by the Indenture Trustee or the Paying Agent hereunder as part of the Indenture Estate applicable to the Certificates of any series, until paid out by the Indenture Trustee or the Paying Agent as herein provided, (i) subject to clause (ii) below, may be carried by the Indenture Trustee or the Paying Agent on deposit with itself or on deposit to its account with any bank, trust company or national banking association incorporated or doing business under the laws of the United States of America or one of the States thereof having combined capital and surplus and

retained earnings of at least \$100,000,000, and neither the Indenture Trustee nor the Paying Agent shall have any liability for interest upon any such monies except as otherwise agreed in writing with the Company, or (ii) at any time and from time to time, so long as no Indenture Event of Default with respect to the Certificates of such series shall have occurred and be continuing, at the request of the Company shall, with financial institutions of the character described in Subsection 9.04(a)(i), be invested and reinvested in Permitted Investments of the character described in clause (i), (ii), (iii) or (v) of the definition thereof or in overnight federal funds of amounts on deposit in the Indenture Trustee's account at State Street Bank and Trust Company as specified in such request (if such investments are reasonably available for purchase) and sold, in any case at such prices, including accrued interest or its equivalent, as are set forth in such request, and such Permitted Investments shall be held by the Indenture Trustee in trust as part of the Indenture Estate applicable to the Certificates of such series until so sold; PROVIDED that the Company shall upon demand pay to the Indenture Trustee the amount of any loss realized upon maturity, sale or other disposition of any such Permitted Investment and, so long as no such Indenture Event of Default shall have occurred and be continuing, be entitled to receive from the Indenture Trustee, and the Indenture Trustee shall promptly pay to the Company, any profit, income, interest, dividend or gain realized upon maturity, sale or other disposition of any Permitted Investment. If any such Indenture Event of Default shall have occurred and be continuing, any net income, profit, interest, dividend or gain realized upon maturity, sale or other disposition of any Permitted Investment shall be held as part of such Indenture Estate and shall be applied by the Indenture Trustee at the same time, on the same conditions and in the same manner as the amounts in respect of which such income, profit, interest, dividend or gain was realized are required to be distributed in accordance with the provisions hereof pursuant to which such amounts were required to be held. The Indenture Trustee shall not be responsible for any losses on any investments or sales of Permitted Investments made pursuant to the procedure specified in this Subsection (a).

(b) At any time and from time to time, so long as no Indenture Event of Default applicable to the Certificates of any series shall have occurred and be continuing, the Indenture Trustee shall, at the request of the Company, invest and reinvest in Permitted Investments as specified in such request (if such investments are reasonably available for purchase) any monies at the time on deposit with the Indenture Trustee as part of the Indenture Estate applicable to the Certificates of such series, and sell any Permitted Investments, in either case, at such prices,

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including accrued interest, as are set forth in such request, and such Permitted Investments shall be held by the Indenture Trustee in trust as part of such Indenture Estate until so sold; PROVIDED that the Company shall upon demand pay to the Indenture Trustee the amount of any loss realized upon maturity, sale or other disposition of any Permitted Investment. Any net income, profit, interest, dividend or gain realized upon maturity, sale or other disposition of any Permitted Investment shall be held as part of such Indenture Estate and shall be applied by the Indenture Trustee at the same time, on the same conditions and in the same manner as the amounts in respect of which such income, profit, interest, dividend or gain was realized are required to be distributed in accordance with the provisions hereof. The Indenture Trustee shall not be responsible for any losses on any investments or sales of Permitted Investments made pursuant to the procedure specified in this Subsection (b). Together with any such request for investment in, or sale or disposition of, any Permitted Investments, the Company shall furnish the Indenture Trustee with the following:

- (1) a certificate of an Appraiser as to the fair value of Permitted Investments to be sold or disposed of and stating that in the opinion of such Appraiser the proposed release of such Permitted Investments from the

Lien of this Agreement will not impair the security under this Agreement in contravention of the provisions hereof, which Appraiser shall be Independent if the fair value of such Permitted Investments and of all other property or securities released since the commencement of the then current calendar year, as set forth in the certificates required by paragraph (1) of subsection (d) of Section 314 of the Trust Indenture Act, is 10% or more of the aggregate principal amount of the Certificates of such series at the time Outstanding; and

(2) a certificate of an Appraiser as to the fair value to the obligor of Permitted Investments to be purchased or invested in, which Appraiser shall be Independent if the fair value to the obligor of such Permitted Investments and all other securities made the basis of the withdrawal of cash constituting a part of such Indenture Estate or the release of property or securities subject to the Lien of this Agreement, as set forth in the certificates required by paragraph (2) of subsection (d) of Section 314 of the Trust Indenture Act, is 10% or more of the aggregate principal amount of the Certificates of such series at the time Outstanding.

SECTION 9.05 NOTICE OF DEFAULTS

If an Indenture Event of Default with respect to the Certificates of any series occurs and is continuing and if it is known to the Indenture Trustee, the Indenture Trustee shall (i) promptly send written notice thereof to the Company and (ii) within 90 days after it occurs, mail to each Holder of a Certificate of such series notice of all such Indenture Events of Default which are not cured in the manner and to the extent provided in Section 13.02(c). Except in the case of a default in the payment of the principal of, Premium, if any, or interest on, the Certificates of any series, the Indenture Trustee shall be protected in withholding the notice required under clause (ii) above if and so long as the executive committee or trust committee of directors of the Indenture Trustee and/or Responsible Officers thereof in good

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faith determines that withholding such notice is in the interest of the Holders of the Certificates of such series. In addition, if on any day when the Indenture Trustee is required to make any payment on or in respect of the Certificates of any series of the character described in Section 8.01(a) and on such day does not or is unable to make the full amount of such payment, the Indenture Trustee shall on the next following Business Day give notice thereof to the Company, and if any other Indenture Default with respect to the Certificates of such series occurs and is continuing and if it is known to the Indenture Trustee, the Indenture Trustee shall promptly send written notice thereof to the Company.

SECTION 9.06 REPORTS BY INDENTURE TRUSTEE TO HOLDERS

Within 60 days after May 15 of each year commencing with the year 199__, so long as any Certificates are Outstanding under this Agreement, the Indenture Trustee shall transmit to the Holders as provided in Section 313(c) of the Trust Indenture Act a brief report dated as of such May 15 if required by Section 313(a) of the Trust Indenture Act.

SECTION 9.07 COMPENSATION AND INDEMNITY

(a) The Company shall pay to the Indenture Trustee, from time to time, on demand, (i) reasonable compensation for its services with respect to the Certificates of such series, which compensation shall not be limited by any law on compensation of a trustee of an express trust, and (ii) reimbursement for all reasonable out-of-pocket expenses incurred by the Indenture Trustee in connection with the performance of its duties under this Agreement with respect to the Certificates of such series (including the reasonable compensation and

expenses of the Indenture Trustee's counsel and any agent appointed in accordance with Section 9.02(c)).

(b) The Company hereby agrees to indemnify the Indenture Trustee and each of its respective affiliates, directors, officers, agents, servants, successors and permitted assigns and each Holder of a Certificate of any series (each an "Indemnatee") against, and agrees to protect, save and keep harmless each of them from (whether or not the transactions contemplated herein are consummated), any and all liabilities, obligations, losses, damages, claims, actions, suits, out-of-pocket costs, expenses and disbursements (collectively, "Expenses") imposed on, incurred by or asserted against any Indemnatee, in any way relating to or arising out of or which would not have occurred but for (A) this Agreement or any Certificate of any series (including any misrepresentations or breach of warranty of the Company contained herein or in any document or certificate delivered pursuant hereto and the breach by the Company of any covenant or agreement contained in this Agreement or in any Certificate of any series) or the enforcement of any of the terms of any thereof; (B) the manufacture, purchase, acceptance or rejection of the Airframe or any Engine; (C) the Aircraft (or any portion thereof) or any Engine installed on an airframe or any engine installed on the Airframe whether or not arising out of the finance, ownership, delivery, nondelivery, storage, lease, sublease, possession, use, nonuse, operation, maintenance, modification, alteration, condition, replacement, repair, substitution, sale, return or other disposition, registration, reregistration or airworthiness of the Aircraft, including, without limitation, latent or other defects, whether or not discoverable, strict tort

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liability and any claim for patent, trademark or copyright infringement; or (D) the offer, sale or delivery of any series of Certificates, whether before or after the Delivery Date (the indemnity in this clause (D) to extend also to any person who controls an Indemnatee, its successors, assigns, employees, servants and agents within the meaning of Section 15 of the Securities Act of 1933, as amended); PROVIDED that the foregoing indemnity shall not extend to any Expense to the extent attributable to (1) any representation or warranty by such Indemnatee in the Operative Documents being incorrect, or (2) the failure by such Indemnatee to perform or observe any agreement, covenant or condition in this Agreement, or (3) the willful misconduct or the negligence of such Indemnatee (other than negligence imputed to such Indemnatee solely by reason of its interest in the Aircraft), or (4) a failure on the part of the Indenture Trustee to distribute in accordance with this Agreement any amounts received and distributable by it thereunder, or (5) other than during the continuation of an Indenture Event of Default, the authorization or giving or withholding of any future amendments, supplements, waivers or consents with respect to this Agreement unless such amendments, supplements, waivers or consents (a) are requested by the Company or (b) are required pursuant to the terms of this Agreement (unless such requirement results from the actions of an Indemnatee), or (6) except to the extent fairly attributable to acts or events occurring prior thereto, acts or events which occur after the payment by the Company of all amounts payable by the Company pursuant hereto and pursuant to this Agreement, or (7) (A) a disposition by such Indemnatee (voluntary or involuntary) of all or any part of its interest in the Airframe or any Engine other than as contemplated or permitted by this Agreement, (B) a disposition (voluntary or involuntary) by such Indemnatee of all or any part of its interest in any Certificate, or (C) a disposition by such Indemnatee of all or any part of such Indemnatee's interest in the Operative Documents other than in each of (A), (B) and (C) during the continuance of an Indenture Event of Default, or (8) any and all Taxes other than as specifically indemnified in an Operative Document. The Indemnatee shall notify the Company promptly of any claim against it for which it may seek indemnity. The Company shall defend the claim and the Indemnatee shall cooperate in the defense. The Company need not pay for any settlement made without its consent.

(c) To secure the payment obligations of the Company pursuant to this Section 9.07, the Indenture Trustee shall have a lien prior to the Holders of the Certificates of such series on all money or property held or collected by the Indenture Trustee in respect of the Certificates of such series, except that held in trust to pay the principal of, Premium, if any, and interest on, the Certificates of such series.

SECTION 9.08 REPLACEMENT OF INDENTURE TRUSTEE

(a) The resignation or removal of the Indenture Trustee and the appointment of a successor Indenture Trustee shall become effective only upon the successor Indenture Trustee's acceptance of appointment as provided in this Section 9.08.

(b) The Indenture Trustee may resign with respect to the Certificates of any series by giving at least 30 days' prior written notice to the Company. The Holders of a majority in aggregate principal amount of the Outstanding Certificates of such series may remove the Indenture Trustee with respect to the Certificates of such series by giving at least 30 days' prior

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written notice to the Indenture Trustee and the Company and may appoint a successor Indenture Trustee within 30 days from the giving of such notice for the Certificates of such series with the Company's consent, which consent shall not be unreasonably withheld. The Company may remove the Indenture Trustee with respect to the Certificates of such series if:

(1) the Indenture Trustee fails to comply with Section 9.10 (or, so long as _____ shall be the Indenture Trustee, the requirement set forth in Section 9.10 hereof specifically applicable to _____) and
Section 310 of the Trust Indenture Act;

(2) the Indenture Trustee is adjudged a bankrupt or an insolvent;

(3) a receiver or public officer takes charge of the Indenture Trustee or its property; or

(4) the Indenture Trustee becomes incapable of acting.

(c) If the Indenture Trustee resigns or is removed, or if a vacancy exists in the office of Indenture Trustee with respect to the Certificates of any series for any reason, and the Holders of Certificates of such series have not appointed a successor Indenture Trustee pursuant to Section 9.08(b), the Company shall promptly appoint a successor Indenture Trustee with respect to the Certificates of such series.

(d) If a successor Indenture Trustee with respect to the Certificates of any series does not take office within 30 days after the retiring Indenture Trustee with respect to the Certificates of such series resigns or is removed, the retiring Indenture Trustee, the Company or the Holders of a majority in aggregate principal amount of the Outstanding Certificates of such series may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee with respect to the Certificates of such series.

(e) If the Indenture Trustee with respect to the Certificates of any series fails to comply with Section 9.10, any Holder of Certificates of such series may petition any court of competent jurisdiction for the removal of such Indenture Trustee and the appointment of a successor Indenture Trustee with respect to the Certificates of such series.

(f) A successor Indenture Trustee with respect to the Certificates of any series shall deliver a written acceptance of its appointment to the retiring Indenture Trustee and the Company. Thereupon, the resignation or removal of the retiring Indenture Trustee shall become effective, and the successor Indenture Trustee shall have all the rights, powers and duties of the retiring Indenture Trustee for which the successor Indenture Trustee is to be acting as Indenture Trustee under this Agreement. The retiring Indenture Trustee shall promptly transfer all property and all books and records relating to the administration of the Indenture Estate held by it as Indenture Trustee to the successor Indenture Trustee subject to the Lien with respect to the Certificates of such series provided for in Section 9.07. The

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Company shall give notice of each appointment of a successor Indenture Trustee with respect to the Certificates of any series if there are Certificates of such series Outstanding, by mailing written notice of such event by first-class mail to the Holders of the Certificates of such series.

(g) All provisions of this Section 9.08 except subparagraphs (b)(1) and (e) and the words "subject to the Lien with respect to the Certificates of such series provided for in Section 9.07" in subparagraph (f) shall apply also to any Paying Agent.

SECTION 9.09 SUCCESSOR INDENTURE TRUSTEE; AGENTS BY MERGER, ETC.

If the Indenture Trustee or any Agent consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business assets to, another corporation, the successor corporation, without any further act, shall be the successor Indenture Trustee or Agent, as the case may be.

SECTION 9.10 ELIGIBILITY; DISQUALIFICATION

This Agreement shall at all times have an Indenture Trustee which shall be eligible to act as Trustee under Section 310(a) of the Trust Indenture Act and (i) shall have a combined capital and surplus of at least \$75,000,000 or (ii) shall have a combined capital and surplus in excess of \$5,000,000 (or, so long as _____ shall be the Indenture Trustee, \$3,000,000) its obligations, whether now in existence or hereafter incurred, are fully and unconditionally guaranteed by a corporation organized and doing business under the laws of the United States, any State or Territory thereof or of the District of Columbia and having a combined capital and surplus of at least \$75,000,000, and, in any case, shall be a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act. If such corporation publishes reports of conditions at least annually, pursuant to law or to the requirements of federal, state, territorial, or District of Columbia supervising or examining authority, then for the purposes of this Section 9.10, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of conditions so published.

In case at any time the Indenture Trustee shall cease to be eligible in accordance with the provisions of this Section 9.10, the Indenture Trustee shall resign immediately in the manner and with the effect specified in Section 9.08.

SECTION 9.11 TRUSTEE'S LIENS

The Indenture Trustee in its individual capacity agrees that it will at its own cost and expense promptly take such action as may be necessary to duly discharge and satisfy in full all liens ("Trustee's Liens") on the Indenture Estate applicable to the Certificates of each series which are either (i) attributable to the Indenture Trustee in its individual capacity and which are unrelated to the transactions contemplated by the Operative Documents applicable to the Certificates of such series, or (ii) which are attributable to

the Indenture Trustee as trustee

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hereunder or in its individual capacity and which arise out of acts or omissions which are not expressly contemplated by this Agreement or the Indenture Supplement applicable to the Certificates of such series.

SECTION 9.12 WITHHOLDING TAXES; INFORMATION

The Indenture Trustee shall exclude and withhold from each distribution of principal of, Premium, if any, and interest on and other amounts due hereunder or under, the Certificates any and all withholding taxes applicable thereto as required by law (and such exclusions and withholdings shall constitute payment in respect of such Certificates). The Indenture Trustee agrees to act as such withholding agent and, in connection therewith, whenever any present or future taxes or similar charges are required to be withheld with respect to any amounts payable in respect to the Certificates, to withhold such amounts and timely pay the same to the appropriate authority in the name of and on behalf of the Holders of the Certificates, that it will file any necessary withholding tax returns or statements when due, and that, as promptly as possible after the payment thereof, it will deliver to each Holder of a Certificate appropriate documentation showing the payment thereof, together with such additional documentary evidence as such Holders may reasonably request from time to time. The Indenture Trustee agrees to file any other information reports as it may be required to file under United States law.

ARTICLE 10

SATISFACTION AND DISCHARGE; DEFEASANCE; TERMINATION OF OBLIGATIONS

SECTION 10.01 SATISFACTION AND DISCHARGE OF AGREEMENT; DEFEASANCE; TERMINATION OF OBLIGATIONS

Subject to Section 10.02, this Agreement shall cease to be of further effect with respect to the Certificates of such series, and the Company and the Indenture Trustee shall, except as herein provided, be deemed to have been discharged from their respective obligations with respect to the Certificates of such series (and the Indenture Trustee, on demand and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Agreement in respect of the Certificates of such series), when

(a) (i) all Certificates of such series theretofore executed and delivered (other than (A) Certificates of such series which have been mutilated, destroyed, lost or stolen and which have been replaced or exchanged as provided in Section 2.07 and (B) Certificates of such series for the payment of which money held in trust hereunder has been paid and discharged from such trust, as provided in Section 7.01) have been delivered to the Indenture Trustee for cancellation; or

(ii) all Certificates of such series not theretofore delivered to the Indenture Trustee for cancellation have become due and payable (whether upon stated

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maturity or as a result of redemption), or will become due and payable (including as a result of redemption in respect of which irrevocable notice has been given to the Indenture Trustee on or prior to the date of such deposit) at maturity within one year, and there has been deposited with the Indenture Trustee in trust for the purpose of paying and discharging the entire indebtedness on the Certificates of such series not theretofore cancelled by the Indenture Trustee or delivered to the Indenture Trustee

for cancellation, an amount sufficient to discharge such indebtedness, including the principal of, Premium, if any, and interest on the Certificates of such series to the date of such deposit (in the case of Certificates which have become due and payable), or to the maturity thereof, as the case may be; or

(iii) (A) the company has deposited or caused to be deposited irrevocably (except as provided in Section 10.04) with the Indenture Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of the Certificates of such series, (1) money in an amount, or (2) U.S. Government Obligations which, through the payment of interest and principal in respect thereof in accordance with their terms, will provide (not later than one Business Day before the due date of any payment referred to below in this paragraph) money in an amount, or (3) a combination of money and U.S. Government Obligations referred to in the foregoing clause (2), sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Indenture Trustee, to pay and discharge each installment of principal of, Premium, if any, and interest on, the Outstanding Certificates of such series on the dates such payments of principal, Premium or interest are due (including as a result of redemption in respect of which irrevocable notice has been given to the Indenture Trustee on or prior to the date of such deposit), and no Indenture Event of Default which would give rise to the operation of section 547 of the Bankruptcy Code shall have occurred and be continuing on the date of such deposit or at any time during the period ending on the 91st day after such date;

(B) such deposit will not result in a breach or violation of, or constitute an Indenture Default or Indenture Event of Default with respect to, the Certificates of such series or a default or event of default under any other agreement or instrument to which the Company is a party or by which it is bound;

(C) the Company has delivered to the Indenture Trustee a certificate of an Independent Appraiser stating the fair value to the Company of such U.S. Government Obligations and the fair value of all securities and property included in the Indenture Estate applicable to the Certificates of such series; and

(D) the Company has delivered to the Indenture Trustee an Opinion of Counsel to the effect that there has been published by the Internal Revenue Service a ruling to the effect that Holders of the Certificates of such series will not recognize income, gain or loss for federal income tax purposes as a result of the exercise by the Company of its option under this Section 10.01(a)(iii) and will be

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subject to federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such option had not been exercised;

(b) all other amounts then due and payable under the Certificates of such series have been paid; and

(c) the Company has delivered to the Indenture Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the satisfaction and discharge of this Agreement contemplated by this Section 10.01 have been complied with.

SECTION 10.02 SURVIVAL OF CERTAIN OBLIGATIONS

Notwithstanding the provisions of Section 10.01 as applicable to the Certificates of any series, the obligations of the Indenture Trustee contained in Sections 2.01 through 2.09, Section 7.01, Section 10.03 and Section 10.04,

the rights, duties, immunities and privileges hereunder of the Indenture Trustee, and the obligations of the Company contained in Section 7.01 and Section 9.07(b) shall survive.

SECTION 10.03 MONIES TO BE HELD IN TRUST

All moneys and U.S. Government Obligations deposited with the Indenture Trustee pursuant to Section 10.01 in respect of the Certificates of any series shall be held in trust and applied by it, in accordance with the provisions of the Certificates of such series and this Agreement, to the payment, either directly or through any Paying Agent as the Indenture Trustee may determine, to the Holders of the Certificates of such series, of all sums due and to become due thereon for principal of, and Premium, if any, interest, but such money need not be segregated from other funds except to the extent required by law.

SECTION 10.04 MONIES TO BE RETURNED TO THE COMPANY

The Indenture Trustee and any Paying Agent shall promptly pay or return to the Company upon request of the Company any money or U.S. Government Obligations held by them at any time that are not required for the payment of the amounts described above in Section 10.03 on the Certificates of such series for which money or U.S. Government Obligations have been deposited pursuant to Section 10.01.

ARTICLE 11

ACTIONS TO BE TAKEN UPON TERMINATION OF INDENTURE

SECTION 11.01 ACTIONS TO BE TAKEN UPON TERMINATION OF INDENTURE

Upon any of:

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(a) a redemption of the Certificates of such series pursuant to the Indenture Supplement related thereto and upon payment to the Indenture Trustee of an amount equal to the Redemption Price applicable to the Certificates of such series as at the applicable Redemption Date of all Outstanding Certificates of such series,

(b) an Event of Loss suffered by the Airframe applicable to the Certificates of any series under circumstances where the Company does not exercise its option to substitute a replacement airframe therefor, and upon payment to the Indenture Trustee of an amount equal to the Redemption Price applicable to the Certificates of such series as at the applicable Redemption Date of all Outstanding Certificates of such series, or

(c) the satisfaction, discharge, defeasance and termination of obligations under this Agreement in accordance with Section 10.01,

the Lien of this Agreement on the Indenture Estate applicable to the Certificates of such series shall terminate (except for the Lien on funds held by the Indenture Trustee to pay the Certificates of such series and the Lien on amounts due from the Company necessary to pay the Certificates of such series or the Indenture Trustee) and the Indenture Trustee shall execute such instruments as may be requested by the Company to evidence such termination.

ARTICLE 12

AMENDMENTS AND WAIVERS

SECTION 12.01 AMENDMENTS TO THIS INDENTURE AND INDENTURE SUPPLEMENT WITHOUT CONSENT OF HOLDERS

(a) The Company and the Indenture Trustee may enter into one or more agreements supplemental hereto and to the Indenture Supplement applicable to the

Certificates of any series without consent of any Holder of the Certificates of such series for any of the following purposes:

(1) to cure any ambiguity, defect or inconsistency herein, in such Indenture Supplement or in the Certificates of such series, or to make any change not inconsistent with the provisions hereof and of such Indenture Supplement; PROVIDED that such change does not adversely affect the interests of any Holder of Certificates of such series in any material respect;

(2) to evidence the succession of another corporation to the Company;

(3) to evidence and provide for the acceptance of appointment hereunder by a successor Indenture Trustee with respect to the Certificates of such series and to add to or change any of the provisions of this Indenture and such Indenture Supplement as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee;

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(4) to establish the form or terms of Certificates of any series as permitted by Section 2.01;

(5) to supplement any of the provisions of this Agreement to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Certificates pursuant to Section 10.01; PROVIDED that any such action shall not adversely affect the interests of the Holders of Certificates of such series or any other series of Certificates in any material respect;

(6) to convey transfer, assign, mortgage or pledge any property to or with the Indenture Trustee or to make any other provisions with respect to matters or questions arising hereunder so long as such action shall not adversely affect the interests of the Holders of Certificates of such series;

(7) to correct or amplify the description of any property at any time subject to the Lien of this Agreement or better to assure, convey and confirm unto the Indenture Trustee any property subject or required to be subject to the Lien of this Agreement or subject to the Lien of this Agreement the Airframe or Engines applicable to the Certificates of such series or airframe or engines substituted for such Airframe or Engines in accordance herewith;

(8) to add to the covenants of the Company, for the benefit of the Holders of the Certificates of such series, or to surrender any rights or power herein conferred upon the Company;

(9) to comply with any requirements of the SEC in connection with the qualification of this Agreement under the Trust Indenture Act;

(10) to add to the rights of the Holders of Certificates of such series; and

(11) to include on the Certificates of such series any legend as may be required by applicable law.

(b) The Company and the Indenture Trustee may enter into one or more agreements supplemental hereto without the consent of any Holder of any series of Certificates for either of the following purposes:

(1) to change or eliminate any of the provisions of this Indenture; PROVIDED that any such change or elimination shall become effective only when there is no Certificate Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit

of such provision; and

(2) to close this Indenture with respect to the authentication and delivery of additional series of Certificates.

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SECTION 12.02 AMENDMENTS TO THIS INDENTURE AND INDENTURE SUPPLEMENT WITH
CONSENT OF HOLDERS

(a) With the written consent of the Holders of a majority of the aggregate principal amount of the Outstanding Certificates of any series, the Company and the Indenture Trustee may enter into such supplemental agreements to add any provisions to or to change or eliminate any provisions of this Indenture, the Indenture Supplement applicable to the Certificates of such series or of any such supplemental agreements or to modify the rights of the Holders of the Certificates of such series; PROVIDED that, without the consent of each Holder of the Certificates of such series affected thereby, an amendment under this Section 12.02 may not:

(1) reduce the amount of principal of, or Premium, if any, or interest on, any Certificate of such series; or

(2) change the date on which any amount of principal of, or Premium, if any, or interest on any Certificate of such series, is due or payable; or

(3) create any Lien on the Indenture Estate applicable to the Certificates of such series prior to or PARI PASSU with the Lien thereon under this Agreement except such as are permitted hereby or thereby, or deprive any Holder of the Certificates of such series of the benefit of the Lien on such Indenture Estate created by this Agreement; or

(4) reduce the percentage in principal amount of the Outstanding Certificates of such series, the consent of whose holders is required for any such supplemental agreement, or the consent of whose holders is required for any waiver (of compliance with certain provisions of this Agreement or of certain defaults hereunder or their consequences) provided for in this Agreement; or

(5) make any change in Sections 8.05, 8.08, or this Section 12.02(a).

(b) It is not necessary under this Section 12.02 for the Holders to consent to the particular form of any proposed supplemental agreement, but it is sufficient if they consent to the substance thereof.

(c) Promptly after the execution by the Company and the Indenture Trustee of any supplemental agreement pursuant to the provisions of this Section 12.02, the Company shall transmit by first-class mail a notice, setting forth in general terms the substance of such supplemental agreement, to all Holders of Certificates of such series, as the names and addresses of such Holders appear on the Register. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

(d) A supplemental indenture which changes or eliminates any covenant or other provision of this Agreement which has expressly been included solely for the benefit of one or

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more particular series of Certificates, or which modifies the rights of the

Holders of Certificates of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Agreement of the Holders of Certificates of any other series.

SECTION 12.03 COMPLIANCE WITH TRUST INDENTURE ACT

Every amendment to this Agreement or the Certificates of any series shall be set forth in a supplemental agreement that complies with the Trust Indenture Act as then in effect.

SECTION 12.04 NOTATION ON OR EXCHANGE OF CERTIFICATES

The Indenture Trustee may place an appropriate notation about an amendment or waiver on any Certificate thereafter executed. The Indenture Trustee in exchange for such Certificates may authenticate new Certificates that reflect the amendment or waiver.

SECTION 12.05 INDENTURE TRUSTEE PROTECTED

The Indenture Trustee need not sign any supplemental agreement that adversely affects its rights.

ARTICLE 13

MISCELLANEOUS

SECTION 13.01 TRUST INDENTURE ACT CONTROLS

This Agreement shall be governed by the provisions of the Trust Indenture Act of 1939, as amended, whether or not subject to the Trust Indenture Act pursuant to the provisions thereof except as provided in Section 9.04.

SECTION 13.02 NOTICES

(a) Unless otherwise specifically provided herein, all notices required under the terms and provisions of this Agreement shall be in English and in writing, and any such notice may be given by United States mail, courier service, telegram, telex, telemessage, telecopy, telefax, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex, telemessage, telecopy, telefax, cable or facsimile) or any other customary means of communication, and any such notice shall be effective when delivered, or, if mailed, three days after deposit in the United States mail with proper postage for ordinary mail prepaid,

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if to the Company, to:

Alaska Airlines, Inc.
19300 Pacific Highway South
Seattle, Washington 98188
Attention: Vice President-Finance

Facsimile: (206) _____

if to the Indenture Trustee, to:

_____ Attention: _____

Facsimile: () _____
Telephone: () _____

(b) The Company and the Indenture Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

(c) Any notice or communication to Holders of the Certificates shall be mailed by first-class mail to the addresses for such Holders shown on the Register kept by the Registrar. Failure so to mail a notice or communication to any Holder, or any defect in such notice or communication, shall not affect the sufficiency of any notice or communication to other Holders of the Certificates.

(d) If a notice or communication is mailed in the manner provided above within the time prescribed, it shall be conclusively presumed to have been duly given, whether or not the addressee receives it.

(e) If the Company mails a notice or communication to the Holders, it shall mail a copy to the Indenture Trustee and to each paying Agent at the same time.

(f) Notwithstanding the foregoing, all communications or notices to the Indenture Trustee shall be deemed to be given only when received by a Responsible Officer of the Indenture Trustee.

SECTION 13.03 DISCLOSURE OF NAMES AND ADDRESSES OF HOLDERS

Every Holder of Certificates, by receiving and holding the same, agrees with the Company and the Indenture Trustee that neither the Company nor the Indenture Trustee nor any agent of either of them shall be deemed to be in violation of any existing law, or of any law

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hereafter enacted which does not specifically refer to Section 312 of the Trust Indenture Act, by reason of the disclosure of any such information as to the names and addresses of the Holders of Certificates in accordance with Section 312 of the Trust Indenture Act, regardless of the source from which such information was derived, and that the Indenture Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 312 of the Trust Indenture Act.

SECTION 13.04 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT

Upon any request or application by the Company to the Indenture Trustee to take any action under this Agreement, the Company shall furnish to the Indenture Trustee:

(1) a Certificate of a Responsible Company Officer stating that, in the opinion of the signer, all conditions precedent, if any, provided for in this Agreement relating to the proposed action have been complied with and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 13.05 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Agreement shall include:

(1) a statement that the person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

SECTION 13.06 SEPARABILITY CLAUSE

In case any provision of this Indenture or in any Certificate shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

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SECTION 13.07 NON-BUSINESS DAYS

If a payment date with respect to the Certificates of any series is not a Business Day at a place of payment, payment may be made at such place on the next succeeding day that is such a Business Day, and no interest shall accrue for the intervening period.

SECTION 13.08 GOVERNING LAW

THIS AGREEMENT AND THE CERTIFICATES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF _____.

SECTION 13.09 NO RECOURSE AGAINST OTHERS

No director, officer, employee or stockholder, as such, of the Company, shall have any liability for any obligations of the Company, under this Agreement or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Certificate waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Certificates.

SECTION 13.10 EXECUTION IN COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one instrument.

SECTION 13.11 ACTS OF HOLDERS

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Holders of the Outstanding Certificates of all series or one or more series, as the case may be, may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agents duly appointed in writing. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee and the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or a writing appointing any such agent shall be sufficient for any purpose of this Agreement and conclusive in favor of the Indenture Trustee and the Company and any agent of the Indenture Trustee or the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The

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fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Indenture Trustee deems sufficient.

(c) The principal amount and serial numbers of Certificates of any series held by any Person, and date of holding the same, shall be proved by the Register. If the Company shall solicit from the Holders of Certificates of any series any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, in or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders of the Certificates of such series entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. Notwithstanding Section 316(c) of the Trust Indenture Act, such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not earlier than the date 30 days prior to the first solicitation of Holders of the Certificates of such series generally in connection therewith and not later than the date such solicitation is completed. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of the Certificates of such series of record at the close of business on such record date shall be deemed to be Holders of the Certificates of such series for the purposes of determining whether Holders of the Certificates of such series of the requisite proportion of Outstanding Certificates of such series have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Certificates of such series shall be computed as of such record date; PROVIDED that no such authorization, agreement or consent by the Holders of the Certificates of such series on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Agreement not later than eleven months after the record date.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Certificate of any series shall bind every future Holder of the same Certificate of such series and the Holder of every Certificate of such series issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Indenture Trustee, any Registrar, any Paying Agent or the Company in reliance thereon, whether or not notation of such action is made upon such Certificate.

SECTION 13.12 INITIAL TRANSFER OF A CERTIFICATE

(a) Notwithstanding any provision hereof to the contrary, with respect to the Certificates of any series, the initial holder of the Certificates of any series agrees to transfer, assign and deliver its Certificates, and transfer and assign all rights of such initial holder under the Operative Documents (other than those that have accrued prior to the Transfer Date), to any transferee or transferees (collectively, the "Transferees") designated by the Company, on any date designated by the Company (the "Transfer Date"), in each case at least two Business Days prior to the Transfer Date against payment

(1) from the Transferees of the then outstanding principal amount of such Certificates and

(2) from the Company of the accrued and unpaid interest on such Certificates through the Transfer Date plus the amount of premium, if any, due to such initial holder as a result of the payments pursuant to clause (1) plus any other amount payable to such initial holder under the Operative Documents.

(b) On or before the Transfer Date, the Company shall notify the Indenture Trustee of the terms of the Certificates including, without limitation, maturity, interest rate, Interest Payment Dates, Installment Payment Dates, whether such Certificate is a Serial Certificate or an Installment Certificate and any legends on such series of Certificates as may be agreed between the Company, the Indenture Trustee and the Transferee.

SECTION 13.13 BANKRUPTCY

It is the intention of the parties that the Indenture Trustee shall be granted pursuant to this Indenture a "purchase-money equipment security interest," as the same is used in Section 1110 of the Bankruptcy Code, with respect to each Aircraft and as a consequence thereof the Indenture Trustee shall be entitled (on behalf of the Holders of the Certificates of the series with respect to such Aircraft) to the benefits of Section 1110 of the Bankruptcy Code with respect to the right to repossess such Aircraft as provided in this Indenture, and in any circumstances where more than one construction of the terms and conditions of this Indenture is possible, a construction which would preserve such benefits shall control over any construction which would not preserve such benefits or would render them doubtful.

IN WITNESS WHEREOF, the Company and the Indenture Trustee have caused this Indenture to be fully executed by their respective officers thereunto duly authorized, as of the day and year first above written.

ALASKA AIRLINES, INC.

By: _____
Name:
Title:

, as Indenture Trustee

By: _____
Name:
Title:

FORM OF FACE OF INSTALLMENT CERTIFICATES

\$ _____ No. _____

199_ EQUIPMENT TRUST CERTIFICATE, SERIES ____

ALASKA AIRLINES, INC.

ISSUED IN CONNECTION WITH AIRCRAFT N _____

INTEREST RATE	MATURITY DATE	CUSIP
-----	-----	-----
-----	-----, ----	----

ALASKA AIRLINES, INC. (the "Company"), for value received, hereby promises to pay to _____ or registered assigns the principal sum of _____ Dollars in installments on each Installment Payment Date as set forth on the reverse hereof with the final installment due and payable on the Maturity Date specified above and to pay interest on the principal amount remaining unpaid from time to time at the rate per annum specified above from _____, 199__ or from the most recent date to which interest has been paid or duly provided for, semiannually, on _____ and _____ in each year, commencing _____, 199__, until the principal hereof is paid or made available for payment in full.

The interest or Installment Payment Amount (other than that payable on the Maturity Date hereof) so payable and punctually paid or duly provided for, on the applicable Interest Payment Date or Installment Payment Date, as the case may be, will, as provided in the Indenture, be paid to the Person in whose name this Certificate (or one or more predecessor Certificates) is registered at the close of business on the Record Date for payment of such interest or Installment Payment Amount, which shall be the _____ or _____ (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date or Installment Payment Date, as the case may be. Any such interest or Installment Payment Amount not so punctually paid or duly provided for shall forthwith cease to be payable to the registered Holder hereof on the such Record Date (or to the Person in whose name this Certificate is registered upon issuance) and may be paid to the Person in whose name this Certificate (or one or more predecessor Certificates) is registered at the close of business on a Special Record Date for the payment of such Defaulted Installment or Defaulted Interest to be fixed by the Indenture Trustee, notice whereof shall be given to Holders of Certificates of

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this series entitled thereto not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Certificates may be listed and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

Payment of the principal of, and Premium, if any, and interest on this Certificate will be made at the principal corporate trust office of the Indenture Trustee, or the office or agency maintained by the Indenture Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that payment of interest and Installment Payments Amounts (other than that payable on the Maturity Date hereof) may be made at the option

of the Indenture Trustee or the Paying Agent by check mailed to the address of the Holder entitled thereto as such address shall appear on the Register.

Reference is hereby made to the further provisions of this Certificate set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

This Certificate shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Certificate has been executed on behalf of the Company by the manual or facsimile signature of an authorized officer of the Company, and authenticated by the Indenture Trustee by the manual signature of an authorized officer or signatory of the Indenture Trustee, in each case as specified in Section 2.02 of the Indenture.

This Certificate is one of the 199_ Equipment Trust Certificates, Series __ issued pursuant to the Indenture.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

ALASKA AIRLINES, INC.

[Corporate Seal]

Attest:

[Title of Authorized Person]

Issue Date: _____

By _____
Title: _____

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INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Certificates referred to in the within-mentioned Indenture.

,
as Indenture Trustee

By _____
Authorized officer or signatory

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FORM OF REVERSE OF INSTALLMENT CERTIFICATES

This Certificate is one of a duly authorized issue of Certificates issued and to be issued under the Indenture, designated as 199_ Equipment Trust Certificates, Series __.

Reference is made to the Indenture and all supplements and amendments thereto (a copy of which is on file with the Indenture Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions thereof, including a statement of the properties thereby conveyed,

pledged and assigned, the nature and extent of the security, the respective rights thereunder of the Company, the Indenture Trustee and the Holders of the Certificates of this series, and the terms upon which the Certificates of this series are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions in the Indenture each Holder hereof agrees by its acceptance of this Certificate.

On each Installment Payment Date, the Holder hereof will receive a payment of principal equal to the Installment Payment Percentage for such Installment Payment Date multiplied by the initial principal amount of this Certificate which is set forth on the face hereof.

Installment Payment Date	Installment Payment Percentage
_____, ____	____%
_____, ____	____%
_____, ____	____%
_____, ____	____%

As more fully provided in the Indenture, the Certificates of this series are subject to redemption, on not less than __ nor more than __ days' notice by mail, under the circumstances set forth in the Indenture, at a Redemption Price equal to the unpaid principal amount thereof plus accrued interest thereon to the Redemption Date, plus, in certain of such circumstances, a Premium thereon.

If an Indenture Event of Default applicable to the Certificates of this series shall occur and be continuing, the principal amount remaining unpaid of the Certificates of this series may be declared due and payable in the manner and with the effect provided in the Indenture. Upon an Indenture Event of Default, the Indenture Trustee may exercise one or more of the remedies provided in the Indenture. Such remedies include the right to repossess and use or operate the Aircraft applicable to the Certificates of this series, to sell or relet such Aircraft free and clear of the Company's rights and retain the proceeds.

The right of the Holder of this Certificate to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

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The Company and the Indenture Trustee will be discharged from their respective obligations in respect of the Certificates of this series (except for certain matters, including obligations to register the transfer or exchange of Certificates of this series, replace stolen, lost or mutilated Certificates, maintain paying agencies and hold moneys for payment in trust), and the Indenture Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Company deposits or causes to be deposited irrevocably with the Indenture Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Premium, if any, and interest on the Outstanding Certificates of this series on the dates such payments are due in accordance with the terms of such Certificates and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Holders of the Certificates to recognize income, gain or loss for federal income tax purposes.

As provided in the Indenture and subject to certain limitations therein set forth, this Certificate is transferable, and upon surrender of this Certificate for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed

by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder or his attorney duly authorized in writing, one or more new Certificates of the same series, maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Certificates of this series are issuable only as registered Certificates. The Certificates of this series are issuable in denominations of \$1,000 and integral multiples thereof. As provided in the Indenture and subject to certain limitations therein set forth, Certificates of this series are exchangeable for a like aggregate principal amount of Certificates of the same series, maturity and type and of authorized denominations, as requested by the Holder surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at an office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Certificate, the Indenture Trustee, the Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Certificate is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Certificate and for all other purposes whatsoever whether or not this Certificate be overdue, and neither the Indenture Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

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AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS CERTIFICATE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF

_____.

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Exhibit A-2 to Trust Indenture
and Security Agreement

FORM OF FACE OF SERIAL CERTIFICATES

\$ _____

No. _____

199_ EQUIPMENT TRUST CERTIFICATE, SERIES ____

ALASKA AIRLINES, INC.

ISSUED IN CONNECTION WITH AIRCRAFT N _____

INTEREST RATE
- -----

MATURITY DATE

_____, ____

CUSIP

ALASKA AIRLINES, INC. (the "Company"), for value received, hereby promises to pay to _____ or registered assigns the principal sum of _____ Dollars on the Maturity Date specified above and to pay interest thereon at the rate per annum specified above from _____, 199_ or from the most recent date to which interest has been paid or duly

provided for, semiannually, on _____ and _____ in each year, commencing _____, 199_, until the principal hereof is paid or made available for payment.

The interest so payable, and punctually paid or duly provided for, on the applicable Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Certificate (or one or more predecessor Certificates) is registered at the close of business on the Record Date for payment of such interest, which shall be the _____ or _____ (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered Holder hereof on the such Record Date (or to the Person in whose name this Certificate is registered upon issuance) and may be paid to the Person in whose name this Certificate (or one or more predecessor Certificates) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Indenture Trustee, notice whereof shall be given to Holders of Certificates of this series entitled thereto not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Certificates may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

Payment of the principal of, and Premium, if any, and interest on this Certificate will be made at the principal corporate trust office of the Indenture Trustee, or the office or agency

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maintained by the Indenture Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that payment of interest may be made at the option of the Indenture Trustee or the Paying Agent by check mailed to the address of the Holder entitled thereto as such address shall appear on the Register.

Reference is hereby made to the further provisions of this Certificate set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

This Certificate shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Certificate has been executed on behalf of the Company by the manual or facsimile signature of an authorized officer of the Company, and authenticated by the Indenture Trustee by the manual signature of an authorized officer or signatory of the Indenture Trustee, in each case as specified in Section 2.02 of the Indenture.

This Certificate is one of the 199_ Equipment Trust Certificates, Series __ issued pursuant to the Indenture.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

ALASKA AIRLINES, INC.

[Corporate Seal]
Attest:

.

- -----
[Title of Authorized Person]
Issue Date:

By -----
Title:

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INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Certificates referred to in the within-mentioned Indenture.

, as
Indenture Trustee

By _____
Authorized Officer or Signatory

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FORM OF REVERSE OF SERIAL CERTIFICATES

This Certificate is one of a duly authorized issue of Certificates issued and to be issued under the Indenture designated as 199_ Equipment Trust Certificates, Series ____.

Reference is made to the Indenture and all supplements and amendments thereto (a copy of which is on file with the Indenture Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions thereof, including a statement of the properties thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights thereunder of the Company, the Indenture Trustee and the Holders of the Certificates of this series, and the terms upon which the Certificates of this series are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions in the Indenture each Holder hereof agrees by its acceptance of this Certificate.

As more fully provided in the Indenture, the Certificates of this series are subject to redemption, on not less than __ nor more than __ days' notice by mail, under the circumstances set forth in the Indenture, at a Redemption Price equal to the unpaid principal amount thereof, plus accrued interest thereon to the Redemption Date, plus, in certain of such circumstances, a Premium thereof.

If an Indenture Event of Default applicable to the Certificates of this series shall occur and be continuing, the principal of the Certificates of this series may be declared due and payable in the manner and with the effect provided in the Indenture. Upon an Indenture Event of Default, the Indenture Trustee may exercise one or more of the remedies provided in the Indenture. Such remedies include the right to repossess and use or operate the Aircraft applicable to the Certificates of this series, to sell or relet such Aircraft free and clear of the Company's rights and retain the proceeds.

The right of the Holder of this Certificate to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Company and the Indenture Trustee will be discharged from their respective obligations in respect of the Certificates of this series (except for certain matters, including obligations to register the transfer or exchange of Certificates of this series, replace stolen, lost or mutilated Certificates, maintain paying agencies and hold moneys for payment in trust), and the Indenture Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Company deposits or causes to be deposited irrevocably with the Indenture Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Premium, if any, and interest on the Outstanding

Certificates of this series on the dates such payments are due in accordance with the terms of such Certificates and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the

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deposit and related defeasance would not cause the Holders of the Certificates to recognize income, gain or loss for federal income tax purposes.

As provided in the Indenture and subject to certain limitations therein set forth, this Certificate is transferable, and upon surrender of this Certificate for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder or his attorney duly authorized in writing, one or more new Certificates of the same series, maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Certificates of this series are issuable only as registered Certificates. The Certificates of this series are issuable in denominations of \$1,000 and integral multiples thereof. As provided in the Indenture and subject to certain limitations therein set forth, Certificates of this series are exchangeable for a like aggregate principal amount of Certificates of the same series, maturity and type and of authorized denominations, as requested by the Holder surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at an office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Certificate, the Indenture Trustee, the Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Certificate is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Certificate and for all other purposes whatsoever whether or not this Certificate be overdue, and neither the Indenture Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS CERTIFICATE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF

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SCHEDULE I
TO
TRUST INDENTURE AND
SECURITY AGREEMENT

SCHEDULE OF COUNTRIES AUTHORIZED
FOR AIRCRAFT REGISTRATION

[Australia	Malaysia
Austria	Malta
Bahamas	Mexico
Belgium	Netherlands
Brazil	New Zealand
Canada	Norway

Denmark	People's Republic of China
Finland	Philippines
France	Portugal
Germany	Republic of China (Taiwan)
Greece	Singapore
Grenada	South Korea
Iceland	Spain
India	Sweden
Indonesia	Switzerland
Ireland	Thailand
Italy	Trinidad and Tobago
Jamaica	Turkey
Japan	United Kingdom
Luxembourg	Venezuela]

SCHEDULE II
TO
TRUST INDENTURE AND
SECURITY AGREEMENT

SCHEDULE OF COUNTRIES AUTHORIZED
FOR DOMICILE OF PERMITTED LESSEES

[Australia	Malaysia
Austria	Malta
Bahamas	Mexico
Belgium	Netherlands
Brazil	New Zealand
Canada	Norway
Denmark	People's Republic of China
Finland	Philippines
France	Portugal
Germany	Republic of China (Taiwan)
Greece	Singapore
Grenada	South Korea
Iceland	Spain
India	Sweden
Indonesia	Switzerland
Ireland	Thailand
Italy	Trinidad and Tobago
Jamaica	Turkey
Japan	United Kingdom
Luxembourg	Venezuela]

Perkins Coie
1201 Third Avenue, Suite 4000
Seattle, Washington 98101

March 11, 1994

Alaska Air Group, Inc.
19300 Pacific Highway South
Seattle, Washington 98188

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

Re: REGISTRATION OF \$200,000,000 OF DEBT SECURITIES OF
ALASKA AIR GROUP, INC. AND ALASKA AIRLINES, INC.

Gentlemen and Ladies:

This opinion is furnished in connection with the registration under the Securities Act of 1933, as amended (the "Act"), of \$200,000,000 aggregate principal amount of (i) convertible debt securities of Alaska Air Group, Inc., a Delaware corporation ("Air Group"), and common stock of Air Group issuable upon the conversion thereof, (ii) debt securities of Alaska Airlines, Inc., an Alaska corporation ("Alaska"), and associated guarantees of Air Group, and (iii) equipment trust certificates of Alaska and associated guarantees of Air Group (collectively, the "Securities").

We have examined the Registration Statement on Form S-3 of Air Group and Alaska with respect to the Securities (the "Registration Statement"), the indentures relating to the Securities (each an "Indenture") and such corporate records, certificates and other documents and such questions of law as we have considered necessary or appropriate for the purposes of this opinion.

Based on the foregoing, with respect to each series of the Securities, we advise you that in our opinion, when the following events have occurred:

(a) The Registration Statement has become effective under the Act;

(b) The terms of the series of Securities and their issue and sale have been duly established in conformity with the Indenture related thereto so as not to violate any applicable law, agreement or instrument then binding on the issuer of such series;

Alaska Air Group, Inc.
Alaska Airlines, Inc.
March 11, 1994
Page 2

(c) The Securities of such series have been duly executed, authenticated and delivered to the Trustee and authenticated by the Trustee, all in accordance with the Indenture related thereto; and

(d) The Securities of such series have been issued and sold as contemplated in the Registration Statement and in accordance with corporate and governmental authorities;

the Securities of such series will constitute in the hands of the holders thereof binding obligations of Air Group or Alaska, whichever shall be the

issuer of such Securities.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to us under the heading "Legal Opinions" in the related Prospectus for each of the Securities. In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Act.

Very truly yours,

PERKINS COIE

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in Amendment No. 1 to the Registration Statement (No. 33-52265) of Alaska Airlines, Inc. and Alaska Air Group, Inc. of our report dated January 25, 1994 included in Alaska Airlines, Inc.'s Form 10-K for the year ended December 31, 1993 and our report dated January 25, 1994 included in Alaska Air Group, Inc.'s Form 10-K for the year ended December 31, 1993 and to all references to our Firm included in Amendment No. 1 to the Registration Statement.

Seattle, Washington
March 11, 1994

ARTHUR ANDERSEN & CO.