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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 21, 1998

SOUTHWEST AIRLINES CO.
(Exact name of registrant as specified in its charter)

TEXAS	1-7259	74-1563240
(State or other jurisdiction of incorporation)	(Commission file number)	(I.R.S. employee identification no.)

P.O. Box 36611
Love Field, Dallas, Texas 75235
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

Registrant's telephone number, include area code: (214) 792-4000

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Item 7. Financial Statements and Exhibits.

The following documents are being filed in connection with, and incorporated by reference into, Southwest Airlines Co.'s Registration Statement on Form S-3 (File No. 333-29257), as declared effective on July 15, 1997, relating to Pass Through Certificates, Series 1998-A.

<TABLE>
<CAPTION>
Exhibits
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<S>		<C>
Exhibit 1.3	-	Form of Underwriting Agreement relating to the issuance of Pass Through Certificates, Series 1998-A.
Exhibit 4.3	-	Form of Pass Through Trust Supplement No. 1998-A between Southwest and the Trustee relating to the Pass Through Certificates.
Exhibit 4.4 *	-	Form of Trust Agreement between the Owner Participant and the Owner Trustee relating to the Equipment Notes with respect to Boeing 737-3H4 Aircraft, Registration Nos. N620SW, N621SW, N622SW and N623SW.
Exhibit 4.5 *	-	Form of Trust Indenture and Security Agreement between the Owner Trustee and the Loan Trustee relating to the Equipment Notes with respect to Boeing 737-3H4 Aircraft, Registration Nos. N620SW, N621SW, N622SW and N623SW.
Exhibit 4.6 *	-	Form of First Amendment to Trust Indenture and Security Agreement between the Owner Trustee and the Loan Trustee relating to the Equipment Notes with respect to Boeing 737-3H4 Aircraft, Registration Nos. N620SW, N621SW, N622SW and N623SW.
Exhibit 4.7 *	-	Form of Equipment Notes with respect to Boeing 737-3H4 Aircraft, Registration Nos. N620SW, N621SW, N622SW and N623SW (included as Exhibit A-1 in Exhibit 4.6).
Exhibit 4.8 *	-	Form of Participation Agreement among Southwest, the Owner Participant, the Loan Trustee, the Original Loan Participant, and the Owner Trustee with respect to Boeing 737-3H4 Aircraft, Registration Nos. N620SW, N621SW, N622SW and N623SW.

Exhibit 4.9 *	-	Form of First Amendment to Participation Agreement among Southwest, the Owner Participant, the Owner Trustee, the Loan Trustee and the Trustee with respect to Boeing 737-3H4 Aircraft, Registration Nos. N620SW, N621SW, N622SW and N623SW.

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Exhibit 4.10 *	-	Form of Sale and Lease Agreement between Southwest and the Owner Trustee with respect to Boeing 737-3H4 Aircraft, Registration Nos. N620SW, N621SW, N622SW and N623SW.
Exhibit 4.11 *	-	Form of First Amendment to Sale and Lease Agreement between Southwest and the Owner Trustee with respect to Boeing 737-3H4 Aircraft, Registration Nos. N620SW, N621SW, N622SW and N623SW.
Exhibit 4.12 *	-	Form of Refinancing Agreement among Southwest, the Trustee, the Owner Participant, the Owner Trustee, the Loan Trustee and the Original Loan Participant relating to the Equipment Notes for each of four Boeing 737-3H4 Aircraft, Registration Nos. N620SW, N621SW, N622SW and N623SW.
Exhibit 23	-	Consent of Independent Auditors

</TABLE>

*The financing of each of the identified aircraft pursuant to Pass Through Certificates is documented separately. Pursuant to Instruction 2 to Item 601 of Regulation S-K, the Registrant has filed the form of the indicated documents for one of these aircraft only -- specifically, the aircraft with Registration No. N620SW (or, in the case of Exhibit 4.10, with Registration No. N621SW). The documents for the other aircraft are identical except for the information identifying the aircraft in question, the name of the trust established to own such aircraft, and information relating to the identity of the Owner Participant, which is C.C.& E.II, LLC with respect to the aircraft with Registration No. N622SW and Chrysler Asset Management Corporation with respect to the aircraft with Registration No. N623SW.

SIGNATURES

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

SOUTHWEST AIRLINES CO.

May 28, 1998

By: /s/ Gary C. Kelly

Gary C. Kelly
Vice President -- Finance
and Chief Financial Officer

EXHIBIT INDEX

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EXHIBIT 1.3

SOUTHWEST AIRLINES CO.

Pass Through Certificates, Series 1998-A

UNDERWRITING AGREEMENT

May 21, 1998

SALOMON BROTHERS INC
CHASE SECURITIES INC.
LEHMAN BROTHERS INC.
NATIONSBANK MONTGOMERY SECURITIES LLC
c/o SALOMON BROTHERS INC
Seven World Trade Center
New York, New York 10048

Dear Sirs:

Southwest Airlines Co., a Texas corporation (the "Company"), proposes that Wilmington Trust Company, acting not in its individual capacity but solely as pass through trustee (the "Trustee") under the Pass Through Trust Agreement dated as of February 1, 1993 (the "Basic Agreement"), as supplemented for the pass through certificates (the "Pass Through Certificates") to be purchased hereunder by a Trust Supplement (a "Trust Supplement"), between the Company and the Trustee (the Basic Agreement, as supplemented by the Trust Supplement, being referred to herein as the "Pass Through Agreement"), issue and sell to the underwriters named in Schedule I hereto its Pass Through Certificates in the aggregate principal amount and with the interest rate and final distribution date set forth on Exhibit A hereto (the "Offered Certificates") on the terms and conditions stated herein and in Schedule II. As used herein, unless the context otherwise requires, the term "Underwriters" shall mean the firm or firms named as Underwriter or Underwriters in Schedule I and the term "you" shall mean the Underwriter or Underwriters, if no underwriting syndicate is purchasing the Offered Certificates, or the representative or representatives of the Underwriters, if an underwriting syndicate is purchasing the Offered Certificates, as indicated in Schedule I.

The Pass Through Certificates will represent interests in a trust (a "Pass Through Trust") established pursuant to the Pass Through Agreement to fund the purchase of equipment notes

("Equipment Notes") which are to be issued as nonrecourse obligations by certain owner trustees, each acting not in its individual capacity but solely as owner trustee (each, an "Owner Trustee"), in connection with separate leveraged lease transactions to be entered into by the Company, in each case to refinance a portion of the payment by such Owner Trustees of the purchase price for specified aircraft that have been leased by the Company (the "Aircraft"). Each Equipment Note will be issued under a separate Trust Indenture and Security Agreement between Wilmington Trust Company, as Indenture Trustee (the "Indenture Trustee") and the related Owner Trustee (each, an "Indenture" and, collectively, the "Indentures").

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 333-29257) for the registration of pass through certificates, including the Offered Certificates, and other securities under the Securities Act of 1933, as amended (the "1933 Act"), and the offering thereof from time to time in accordance with Rule 415 of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations"). Such registration statement has been declared effective by the Commission and the Basic Agreement has been qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act"). The Company has, pursuant to Rule 424 under the 1933 Act, filed with, or transmitted for filing to, or shall within the required period of time hereafter file with or transmit for filing to, the Commission a prospectus supplement (the "Prospectus Supplement") specifically relating to the Offered Certificates. The term "Registration Statement" means the above-referenced registration statement in the form in which it became effective, including the exhibits thereto and the documents incorporated by reference therein, as amended to the date hereof. The term "Basic Prospectus" means the prospectus relating to the pass through certificates included in the Registration Statement. The term "Prospectus" means the Basic Prospectus supplemented by the Prospectus Supplement, except that if any revised prospectus

and/or prospectus supplement shall be provided to you by the Company for use in connection with the offering of the Offered Certificates which is not required to be filed by the Company pursuant to Rule 424(b) of the 1933 Act Regulations, the term "Prospectus" shall refer to such revised prospectus, if any, together with any such revised prospectus supplement from and after the time it is first provided to you for such use. The term "Preliminary Prospectus" means a preliminary prospectus supplement specifically relating to the Offered Certificates together with the Basic Prospectus. As used herein, the terms "Basic Prospectus," "Prospectus" and "Preliminary Prospectus" shall include in each case the documents, if any, incorporated by reference therein. The terms "supplement" and "amendment" or "amend" as used herein shall include all documents deemed to be incorporated by reference in the Prospectus that have been filed subsequent to the date of the Basic Prospectus by the Company with the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act").

Capitalized terms used but not otherwise defined in this Agreement shall have the meanings specified in or pursuant to the Pass Through Agreement or the Indenture relating to each Equipment Note.

SECTION 1. Representations and Warranties.

(a) The Company represents and warrants to you and to each Underwriter named in Schedule I, as of the date hereof, as follows:

(i) Due Incorporation and Qualification. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Texas and has the corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus; the Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where those failures to so qualify in the aggregate would not have a material adverse effect on the business, properties, financial condition, results of operations or prospects of the Company.

(ii) Registration Statement and Prospectus. The Company meets the requirements for the use of Form S-3 under the 1933 Act Regulations, and the Registration Statement has become effective under the 1933 Act. At the time the Registration Statement became effective, the Registration Statement complied, and as of the date hereof does comply, in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and the 1939 Act and the rules and regulations of the Commission promulgated thereunder. The Registration Statement, at the time it became effective (and if an amendment to the Registration Statement or an Annual Report on Form 10-K has been filed by the Company with the Commission subsequent to the effectiveness of the Registration Statement, then at the time of the most recent such filing) did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Prospectus, as of the date hereof, does not, and at all times subsequent hereto up to the Closing Date referred to below will not, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by an Underwriter expressly for use in the Registration Statement or Prospectus or to that part of the Registration Statement which constitutes the Trustee's Statement of Eligibility and Qualification under the 1939 Act (Form T-1). No stop order suspending the effectiveness of the Registration Statement has been issued, and, to the Company's knowledge, no proceedings for that purpose have been initiated or threatened by the Commission.

(iii) Incorporated Documents. The documents incorporated by reference in the Prospectus, at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the 1934 Act and the rules and regulations promulgated thereunder (the "1934 Act Regulations"), and, when read together

and with the other information in the Prospectus, at the time the Registration Statement and any amendments thereto became effective and as of the date hereof did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were or are made, not misleading.

(iv) Financial Statements. The consolidated financial statements of the Company included or incorporated by reference in the Prospectus and the Registration Statement present fairly the consolidated financial position of the Company as of the dates indicated and the results of operations, changes in stockholders' equity and cash flows of the Company, for the respective periods covered thereby, all in conformity with generally accepted accounting principles applied, except as stated therein, on a consistent basis throughout the entire period involved; and the financial schedules included or incorporated by reference in the Registration Statement meet the requirements of the 1933 Act Regulations or the 1934 Act Regulations, as applicable, and fairly present the information required to be shown therein. The selected consolidated financial data included in the Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited consolidated financial statements incorporated by reference in the Registration Statement and the Prospectus.

(v) Material Changes or Material Transactions. Except as stated in or contemplated by the Prospectus, subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any material adverse change in the financial condition or results of operations of the Company and its subsidiaries, considered as one enterprise.

(vi) Status as Air Carrier. The Company is a "citizen of the United States" within the meaning of Section 40102(a)(15)(C) of Title 49, U.S.C. and is a holder of an "air carrier operating certificate" (herein so-called) issued by the Secretary of Transportation pursuant to Chapter 447 of Title 49, U.S.C. for aircraft capable of carrying 10 or more individuals or 6,000 pounds or more of cargo.

(b) Additional Certifications. Any certificate signed by any officer of the Company and delivered to you or to counsel for the Underwriters in connection with an offering of the Offered Certificates shall be deemed a representation and warranty by the Company to each Underwriter participating in such offering as to the matters covered thereby on the date of such certificate unless subsequently amended or supplemented subsequent thereto. None of the foregoing applies to statements in or omissions from any of the aforementioned documents based upon written information furnished to the Company by any Underwriter specifically for use therein.

SECTION 2. Purchase and Sale.

Subject to the terms and conditions and in reliance upon the representations and warranties set forth herein and in Schedule II, if any, the Company agrees to cause the Trustee to sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from the Trustee, at the purchase price specified in Exhibit A hereto, the respective principal amounts of such Offered Certificates set forth opposite the name of such Underwriter in Schedule I hereto.

SECTION 3. Delivery and Payment.

(a) Payment of the purchase price for any Offered Certificates to be purchased by the Underwriters shall be made at the offices of Southwest Airlines Co., 2702 Love Field Drive, Dallas, Texas 75235, or at such other place as shall be agreed upon by you and the Company, at 9:00 A.M., Dallas time, on the 5th business day (unless postponed in accordance with the provisions of Section 10) following the date hereof or at such other date, time or location specified in Schedule II, or as otherwise shall be agreed upon by you and the Company (such time and date being referred to as the "Closing Time"). Unless otherwise specified in Schedule II, delivery of the Offered Certificates shall be made to The Depository Trust Company for your account against payment by you of the purchase price thereof to, or upon the order of, the Trustee (or such other

person as the Company may direct) by wire transfer of Federal funds or other immediately available funds. Such Offered Certificates shall be registered in the name of Cede & Co. or in such other names, and in such denominations, as you may request in writing at least two business days prior to the Closing Time. Such Offered Certificates, which may be in temporary form, will be made available for examination and packaging by you in New York, New York, on or before the first business day prior to the Closing Time, or at such other time and place specified in Schedule II.

(b) As compensation to you for your commitments and obligations hereunder in respect of the Offered Certificates, including your undertakings to distribute Offered Certificates, the Owner Trustees will pay (or cause to be paid) to you an amount equal to that percentage of the aggregate principal amount of each Series of Offered Certificates purchased by you as set forth in Exhibit A; provided that if the Owner Trustees do not pay such amounts when due, the Company will pay such amounts and seek reimbursement from the Owner Trustees. Such payment shall be made simultaneously with the payment by you to the Trustee of the purchase price of the Offered Certificates as specified in Sections 2 and 3(a) hereof. Payment of such compensation shall be made by wire transfer of Federal or other immediately available funds.

SECTION 4. Offering by Underwriters.

It is understood that the several Underwriters propose to offer the Offered Certificates for sale to the public as set forth in the Prospectus.

SECTION 5. Agreements.

The Company covenants with the several Underwriters that:

(a) Prospectus Supplement. The Company has prepared a Preliminary Prospectus containing such information as you and the Company have deemed appropriate, and immediately following the execution of this Agreement, the Company will prepare a Prospectus Supplement setting forth the principal amount of the Offered Certificates covered thereby, the terms of the Offered Certificates not otherwise specified in the Basic Prospectus, the names of the Underwriters participating in the offering and the principal amount of the Offered Certificates which each severally has agreed to purchase, the names of the Underwriters acting as manager or co-managers in connection with the offering, the price at which the Offered Certificates are to be purchased by the Underwriters from the Trustee, the initial public offering price, the selling concession and reallowance, if any, and such other information as you and the Company deem appropriate in connection with the offering of the Offered Certificates. The Company will promptly transmit copies of the Prospectus Supplement to the Commission for filing pursuant to Rule 424 of the 1933 Act Regulations and will furnish to the Underwriters named therein as many copies of the Prospectus as you shall reasonably request.

(b) Notice of Certain Events. The Company will notify you immediately (i) of the effectiveness of any amendment to the Registration Statement, (ii) of the transmittal to the Commission for filing of any supplement to the Prospectus or any document to be filed pursuant to the 1934 Act which will be incorporated by reference in the Prospectus, (iii) of the receipt of any comments from the Commission with respect to the Registration Statement, the Prospectus or the Prospectus Supplement, (iv) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information, and (v) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose. The Company will use its best efforts to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof as soon as possible.

(c) Notice of Certain Proposed Filings. For so long as a Prospectus is required to be delivered in connection with the Offered Certificates, the Company will give you notice of its intention to file or prepare any amendment to the Registration Statement or any amendment or supplement to the Prospectus, whether by the filing of documents pursuant to the 1934 Act, the 1933 Act or otherwise (except for the Current Report on Form 8-K referred to in the Prospectus Supplement under "Description of the Certificates"), and will furnish you with copies of any such amendment or supplement or other documents proposed to be filed or prepared a reasonable time in advance of such proposed filing or preparation, as the case may be.

(d) Copies of the Registration Statement and the Prospectus. The Company will deliver to you as many signed and conformed copies of the Registration Statement (as originally filed) and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and documents incorporated by reference in the Prospectus) as you may reasonably

request. The

Company will furnish to you as many copies of the Prospectus (as amended or supplemented) as you shall reasonably request, so long as you are required to deliver a Prospectus in connection with sales or solicitations of offers to purchase the Offered Certificates.

(e) Revisions of Prospectus -- Material Changes. If at any time when the Prospectus is required by the 1933 Act to be delivered in connection with sales of the Offered Certificates any event shall occur or condition exist as a result of which it is necessary to further amend or supplement the Prospectus in order that the Prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary at any such time to amend or supplement the Registration Statement or the Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission such amendment or supplement, whether by filing documents pursuant to the 1934 Act, the 1933 Act, or otherwise, as may be necessary to correct such untrue statement or omission or to make the Registration Statement and Prospectus comply with such requirements.

(f) Earning Statements. With respect to the sale of the Offered Certificates, the Company will make generally available to its security holders earning statements (in form complying with the provisions of Rule 158 under the 1933 Act), which will satisfy the requirements of Section 11(a) of the 1933 Act.

(g) Blue Sky Qualifications. The Company will endeavor, in cooperation with you, to qualify the Offered Certificates for offering and sale under the applicable securities laws of such states and other jurisdictions of the United States as the Underwriters may designate, and will maintain such qualifications in effect for so long as may be required for the distribution of the Offered Certificates; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or to subject itself to taxation as doing business in any jurisdiction in which it is not otherwise required to be so qualified. The Company will file such statements and reports as may be required by the laws of each jurisdiction in which the Offered Certificates have been qualified as provided above.

(h) Stand-Off Agreement. The Company will not, between the date of this Agreement and termination of any trading restrictions with respect to the Offered Certificates or the Closing Time, whichever is later, without your prior written consent, offer or sell, or enter into any agreement to sell, any U.S. dollar denominated taxable debt securities of the Company with a maturity of more than one year (other than the Offered Certificates which are to be sold pursuant hereto and commercial paper in the ordinary course of business), except as may otherwise be provided in Schedule II; provided, however, that, during such period, the Company may enter into or borrow under any line of credit, loan agreement or other credit facility with one or more commercial or merchant banks, regardless of the maturity of any borrowings thereunder.

(i) Business with Cuba. If the Company agrees that the Offered Certificates should be qualified for sale in Florida and they have been so qualified, the Company has complied with and,

until the Closing Time or such later date as the distribution of the Offered Certificates is completed, but no longer than the period during which the Prospectus is required to be delivered under the 1933 Act, will comply with the provisions of Section 517.075 of the Florida blue sky law and, if applicable, all regulations promulgated thereunder relating to issuers doing business with Cuba.

SECTION 6. Conditions to the Obligations of Underwriters.

The several obligations of the Underwriters to purchase the Offered Certificates pursuant to this Agreement will be subject at all times to the accuracy of the representations and warranties on the part of the Company herein, to the accuracy of the statements of the Company's officers made in any certificate furnished pursuant to the provisions hereof, to the performance and observance by the Company of all covenants and agreements contained herein, or in Schedule II hereto, on its part to be performed and observed and to the

following additional conditions precedent:

(a) Stop Order; Ratings Change; etc. At the Closing Time, (i) the Prospectus. and any supplement thereto, shall have been filed within the time period required by Rule 424(b); (ii) no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission; and (iii) the rating assigned as of the date of this Agreement by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g) under the 1933 Act Regulations, to any debt securities of the Company shall not have been lowered since the execution of this Agreement.

(b) Legal Opinions. At the Closing Time, you shall have received the following opinions:

(1) Opinion of Company Counsel. The opinion or opinions of the Associate General Counsel of the Company, dated as of such date, in form and substance satisfactory to you, to the effect that:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Texas, and the Company has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus.

(ii) This Agreement has been duly authorized, executed and delivered by the Company.

(iii) The Pass Through Agreement has been duly authorized, executed and delivered by the Company and is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or other similar laws affecting enforcement of creditors' rights generally and by general principles of equity.

(iv) The Pass Through Agreement constitutes the valid and binding obligation of the Trustee, enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or other similar laws affecting enforcement of creditors' rights generally and by general principles of equity.

(v) The Offered Certificates have been duly authorized, executed, delivered and authenticated by the Trustee pursuant to the Pass Through Agreement and constitute valid and binding obligations of the Trustee enforceable against the Trustee in accordance with their terms except as may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or other similar laws affecting enforcement of creditors' rights generally and by general principles of equity; and the holders of Offered Certificates are entitled to the benefits of the related Pass Through Agreement.

(vi) The Offered Certificates, the Pass Through Agreement and the other Operative Agreements conform in all material respects as to legal matters to the descriptions thereof, if any, contained in the Prospectus and any supplement thereto, and such description of the Offered Certificates conforms in all material respects to the rights set forth in the instruments defining the same.

(vii) The Leases and the other Operative Agreements to which the Company is or is to be a party have been duly authorized and such documents, upon due execution and delivery by the Company at the Closing Time as contemplated by the Refinancing Agreement, will each be a valid and binding obligation of the Company enforceable against the Company in accordance with its respective terms, except as may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or other similar laws affecting enforcement of

creditors' rights generally and by general principles of equity.

(viii) The Company is a citizen of the United States (as defined in 49 U.S.C. ss. 40102) holding an air carrier operating certificate. The Company has such licenses and authorizations from federal aviation and aeronautical authorities as are necessary to own its properties and to conduct its business in the manner described in the Prospectus, subject to such qualification as may be set forth in the Prospectus, and for the transactions contemplated by this Agreement and the offering contemplated by the Prospectus.

(ix) The statements made in the Prospectus under the heading "Description of the Equipment Notes -- Remedies -- Section 1110 of the Bankruptcy Code," to the extent that they constitute matters of law or legal conclusions with respect thereto, have been reviewed by such counsel, and fairly present the information disclosed therein in all material respects.

(x) No authorization, approval, consent, order or license of or filing with or notice to any regulatory body or authority or court (other than under the 1933 Act, the 1939 Act and the securities or Blue Sky laws of the various states) is required for the valid authorization, issuance, sale and delivery of the Offered Certificates as herein contemplated or the valid authorization, execution. delivery and performance by the Company of this Agreement, the Pass Through Agreement and the other Operative Agreements to which the Company is or is to be a party or the consummation by the Company of the transactions contemplated herein or therein, or, if so required, all such authorizations, approvals, consents and licenses, specifying the same, including filings under the Uniform Commercial Code as is in effect in North Carolina and Texas, have been made or obtained and are in full force and effect, and except for any filings or recordings with the FAA (as to which no opinion need be given).

(xi) The execution and delivery by the Company of this Agreement, the Pass Through Agreement and the other Operative Agreements to which the Company is or is to be a party, the consummation by the Company of the transactions herein and therein contemplated and compliance with the terms of this Agreement, the Pass Through Agreement and such Operative Agreements will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien (other than as permitted under the Leases), charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, any material contract, indenture, mortgage, deed of trust, loan, credit or note agreement, lease or other agreement or instrument known to such counsel to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, nor will such action result in any violation of the provisions of the charter or by-laws of the Company.

(xii) The Registration Statement has become effective under the 1933 Act and any required filing of the Prospectus or any supplement thereto pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); the Basic Agreement has been duly qualified under the 1939 Act; and, to the best of such counsel's knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the 1933 Act; the Registration Statement and the Prospectus, and each amendment or supplement thereto (except for the financial statements, schedules and other financial or statistical data and Form T-1 included therein, as to which such counsel need express no opinion), comply as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and, as to documents incorporated therein (except for the financial statements, schedules and other financial or statistical data included therein, as to which

such counsel need express no opinion), to the requirements of the 1934 Act

and the 1934 Act Regulations in effect at the time such documents were filed with the Commission.

(xiii) Although counsel is not aware of any judicial authority, the Pass Through Trust is not required to be registered under the Investment Company Act of 1940, as amended.

(xiv) Such counsel does not know of any proceedings involving United States aviation law pending against, or affecting the properties or licenses of, the Company, or of any United States aviation laws or regulations that would have a material adverse effect on the financial condition or results of operations of the Company and its subsidiaries, considered as one enterprise, or the transactions contemplated by this Agreement, the Note Purchase Agreements or the other Operative Agreements, that are required to be described in the Prospectus and which are not so described.

(xv) There are no transfer taxes or similar fees or charges under the laws of the State of Texas, or any political subdivision thereof, required to be paid in connection with the execution and delivery of this Agreement or any other Operative Agreements, or the issuance and sale of the Offered Certificates to the Underwriters.

In addition, such counsel shall confirm in such opinion that in connection with the preparation of the Registration Statement, the Prospectus and the documents incorporated by reference therein, such counsel or lawyers under such counsel's supervision have participated in conferences with officers and other representatives of the Company and its independent accountants and with your representatives and your counsel, at which conferences the contents of the Registration Statement and the Prospectus and related matters were discussed, and that, in the course of such preparation and during the above mentioned conferences, no facts have come to such counsel's attention to cause such counsel to believe (A) that the Registration Statement (except for the financial statements and other financial or statistical data included therein or omitted therefrom and the Statement of Eligibility and Qualification of the Trustee on Form T-1, as to which such counsel need not comment), at the time the Registration Statement became effective (and if an amendment to the Registration Statement or an Annual Report on Form 10-K has been filed by the Company with the Commission subsequent to the effectiveness of the Registration Statement, then at the time of the most recent such filing), contained an untrue statement of material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (B) that the Prospectus or amendment or supplement thereto (except for the financial statements and other financial or statistical data included therein or omitted therefrom, as to which such counsel need not comment), at the time the Prospectus was issued, at the time any such amended or supplemented prospectus was issued or at the Closing Time, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, or (C) that the

documents incorporated by reference in the Prospectus (except for the financial statements and other financial or statistical data included therein or omitted therefrom, as to which such counsel need not comment), as of the dates they were filed with the Commission, included an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

In rendering such opinions, such counsel may rely, to the extent deemed necessary for purposes of the opinion set forth in (iii)

(insofar as such opinion relates to the enforceability of the Pass Through Agreement), (iv) and (v) above, upon the opinions of counsel for the Trustee and Owner Trustee, as the case may be. Alternatively, such counsel may cause the opinions set forth in (iii) (insofar as such opinion relates to the enforceability of the Pass Through Agreement), (iv) and (v) to be delivered directly to the Underwriters by counsel to the Trustee or Owner Trustee, as applicable, at the Closing Time. In addition, such counsel may cause the opinion set forth in (vii) above to be delivered at the Closing Time directly to the Underwriters by Vinson & Elkins L.L.P., Houston, Texas, special counsel to the Company.

(2) Opinion of Special Counsel to the Company. The opinion of Vinson & Elkins L.L.P., Houston, Texas, special counsel to the Company, dated as of such date, in form and substance satisfactory to you, to the effect that:

(i) The statements made in the Prospectus and any supplement thereto under the headings "Federal Income Tax Consequences" to the extent that they constitute matters of law or legal conclusions with respect thereto, have been reviewed by such counsel and fairly present the information disclosed therein in all material respects.

(ii) The Pass Through Trust created by the Pass Through Agreement will not be classified as an association taxable as a corporation for federal income tax purposes, but rather, will be classified as a grantor trust under Subpart E, Part I of Subchapter J of the Internal Revenue Code of 1986, as amended, and each Certificate Owner will be treated as the owner of a pro rata undivided interest in each of the Equipment Notes or any other property held in the Pass Through Trust.

(iii) Each Owner Trustee, as lessor under the related Lease, and the Indenture Trustee, as assignee of the Owner Trustee's rights under such Lease pursuant to the related Indenture, will be entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to the Aircraft initially delivered and subjected to the related Indenture (provided that such counsel need not express an opinion as to the availability of the benefits of said Section 1110 in the case of a replacement of such Aircraft).

(iv) Assuming the due authorization, execution and delivery of each Indenture by the parties thereto as contemplated by the Note Purchase Agreements

and subject to any limitations of applicable state law governing the banking or trust powers of the related Owner Trustee, each Indenture constitutes valid and binding obligations of such Owner Trustee enforceable against it in accordance with its terms, and each Indenture duly creates, for the benefit of the related Indenture Trustee, the security interest in the Indenture Estate (other than in respect of the Granting Clause of such Indenture as to moneys and securities prior to deposit thereof with such Indenture Trustee) that such Indenture purports to create. Assuming due authorization, execution and delivery by the related Owner Trustee and due authentication by the related Indenture Trustee, the Equipment Notes constitute valid and binding obligations of such Owner Trustee enforceable against it in accordance with their terms and the Equipment Notes are entitled to the benefits and security afforded by the related Indenture.

Such opinion shall also confirm that In re Western Pacific Airlines, Civil Action No. 98-K-358 (D.Colo. Mar. 10, 1998), was incorrectly decided.

(c) Opinion of Counsel to the Underwriters. The opinion of Mayer, Brown & Platt, counsel to the Underwriters, with respect to such matters as you may reasonably request.

(d) Officers' Certificate. At the Closing Time, there shall not have been, since the respective dates as of which information is given in the Registration Statement and the Prospectus, any change, or any development involving a prospective change, in or affecting particularly the business or properties of the Company or its subsidiaries, considered as one enterprise, which, in the judgment of a majority in interest of the Underwriters, including

any Representatives, materially impairs the investment quality of the Offered Certificates; and you shall have received a certificate of the President or the Vice President-Finance and Chief Financial Officer of the Company and the Treasurer or the Assistant Treasurer of the Company, dated as of the Closing Time to the effect that:

(i) the representations and warranties of the Company in this Agreement are true and correct in all material respects on and as of the Closing Time with the same effect as if made at the Closing Time and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Time;

(ii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or, to the Company's knowledge, threatened; and

(iii) since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has been no material adverse change, or any development involving a prospective material adverse change, in or affecting particularly the business or properties of the Company or its subsidiaries, considered as one enterprise.

(e) Comfort Letter. At the time of the execution of this Agreement and at the Closing Time, you shall have received a letter from Ernst & Young LLP or their successors as the Company's independent auditors (the "Independent Auditors"), dated as of the date hereof and of the Closing Time, as the case may be, in form and substance satisfactory to you to the effect that:

(i) they are independent auditors with respect to the Company within the meaning of the 1933 Act and the 1933 Act Regulations;

(ii) in their opinion the consolidated financial statements and schedules audited by them and incorporated by reference in the Company's latest Annual Report on Form 10-K and included or incorporated by reference in the Registration Statement and Prospectus comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1933 Act Regulations or the 1934 Act and the 1934 Act Regulations, as the case may be;

(iii) on the basis of a reading of the unaudited condensed consolidated financial statements and schedules of the Company contained in the Company's Quarterly Reports on Form 10-Q filed with the Commission since the date of the Company's latest Annual Report on Form 10-K and included or incorporated by reference in the Prospectus and the Registration Statement, and the latest available unaudited interim financial statements of the Company, inquiries of certain officials of the Company responsible for financial and accounting matters, a reading of the minute books of the Company since the date of the latest audited consolidated financial statements of the Company incorporated by reference in the Registration Statement, and other specified procedures and inquiries, nothing has come to their attention that caused them to believe that:

(A) such unaudited condensed consolidated financial statements of the Company included or incorporated by reference in the Prospectus and the Registration Statement do not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1933 Act Regulations or the 1934 Act and the 1934 Act Regulations thereunder, as the case may be, or that, except for any accounting changes indicated therein, such unaudited condensed consolidated financial statements are not presented fairly in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the latest audited consolidated financial statements of the Company included or incorporated by reference in the Registration Statement and Prospectus;

(B) with respect to the period subsequent to the date of the most recent consolidated financial statements included or incorporated by reference in the Registration Statement and the Prospectus, as of a specified date not more than five business days prior to the date of delivery of such letter, there has been any change in the capital stock or long-term

debt of the Company or, as of such date, there has been any decrease in consolidated net current assets or net assets, in each case as compared with amounts shown in the most recent consolidated balance sheet of the

Company included or incorporated by reference in the Registration Statement and the Prospectus, except in all instances for changes or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; or

(C) for the period from the date of the most recent consolidated financial statements included or incorporated by reference in the Registration Statement and the Prospectus to such specified date, there was any decrease in operating revenues, operating income, income before income taxes or net income of the Company, in each case as compared with the comparable period of the preceding year, except in all instances for decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(iv) in addition to their audit referred to in their reports included or incorporated by reference in the Registration Statement and the Prospectus and the review, inquiries and procedures referred to in clause (iii) above, such letter shall state that Ernst & Young LLP has performed other specified procedures, with respect to certain numerical data and information included or incorporated by reference in the Registration Statement and the Prospectus, as are reasonably requested by an Underwriter and specified in such letter and have found such data and information to be in agreement with the accounting records of or analysis prepared by the Company.

(f) Satisfaction of Conditions Precedent in Note Purchase Agreements. At the Closing Time, all conditions precedent specified in the Note Purchase Agreements with respect to the financing of the Equipment Notes to be issued at the Closing Time shall have been satisfied at the Closing Time; the representations and warranties of the Company contained in the Note Purchase Agreements shall be accurate as of the Closing Time (except to the extent that they relate solely to an earlier date in which case they shall be accurate as of such earlier date) and you shall have received a certificate of the Chief Financial Officer, Treasurer or Assistant Treasurer of the Company, dated as of the Closing Time, to such effect; and you shall have received a copy of each opinion required to be delivered under the Refinancing Agreement, dated as of the Closing Time, and addressed to you, and of such other documents furnished in connection with the fulfillment of such conditions as you or your counsel may reasonably request.

(g) Other Documents. At the Closing Time, counsel for the Underwriters shall have been furnished with such documents and opinions as such counsel may reasonably require for the purpose of enabling such counsel to pass upon the issuance and sale of Offered Certificates as herein contemplated and related proceedings, or in order to evidence the accuracy and completeness of any of the representations and warranties, or the fulfillment of any of the conditions, herein contained.

If any of the conditions specified in this Section 6 shall not have been fulfilled in all material respects when and as provided in this Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement shall not be in all material respects reasonably satisfactory in form and substance to you and counsel for the Underwriters, this Agreement and all obligations of the Underwriters hereunder may be cancelled by you at any time at or prior to the

Closing Time, and such termination shall be without liability of any party to any other party except as provided in Section 7 hereof. Notice of any such cancellation shall be given to the Company in writing or by the telephone or telegraph confirmed in writing. Notwithstanding any such termination, the provisions of Sections 8 and 11 shall remain in effect.

SECTION 7. Payment of Expenses.

The Company will pay all expenses incident to the performance of its obligations under this Agreement, including:

(i) the printing and filing of the Registration Statement and all amendments thereto, the Preliminary Prospectus and the Prospectus and any amendments or supplements thereto;

(ii) the preparation, printing, issuance and delivery of the Offered Certificates;

(iii) the reasonable fees and disbursements of the Company's accountants and counsel, of the Trustee, the Owner Trustees, and the Indenture Trustee and their respective counsel, and of any issuing and paying agent or transfer agent;

(iv) the qualification of the Offered Certificates under securities laws in accordance with the provisions of Section 5(g), including filing fees and, subject to Section 7(ix) below, the reasonable fees and disbursements of counsel to the Underwriters in connection therewith and in connection with the preparation of any Blue Sky Survey and any Legal Investment Survey;;

(v) the printing and delivery to the Underwriters in quantities as hereinabove stated of copies of the Registration Statement and any amendments thereto, and of the Prospectus and any amendments or supplements thereto, and the delivery by the Underwriters of the Prospectus and any amendments or supplements thereto in connection with solicitations or confirmations of sales of the Offered Certificates;

(vi) the preparation and delivery to the Underwriters of copies of the Pass Through Agreement and the other Operative Agreements, including all expenses incident to the performance of the Company's obligations under the Pass Through Agreement and Indentures and the Leases and each of the other agreements and instruments referred to in the Indentures and the Refinancing Agreement;

(vii) any fees charged by rating agencies for the rating of the Offered Certificates;

(viii) the fees and expenses, if any, incurred with respect to any filing with the National Association of Securities Dealers, Inc.; and

(ix) up to $50,000 of fees and disbursements of your counsel, as heretofore agreed.

If this Agreement is terminated by you in accordance with the provisions of Section 6 or clause (i) of Section 10 hereof, the Company shall reimburse the Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters, or, in any other case, the Underwriters will pay all of their own expenses, including their fees of counsel, transfer taxes on resale of any of the Offered Certificates and any advertising expenses connected with any offers they may make.

SECTION 8. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the 1933 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or investigation or proceeding by

any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Company; and

(iii) against any expense (including the fees and disbursements of counsel chosen by you), as incurred, reasonably incurred in investigating, preparing or defending against any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any Underwriter expressly for use in the Registration Statement (or any

amendment thereto) or the Prospectus (or any amendment or supplement thereto), or made in reliance upon the Trustee's Form T-1 Statement of Eligibility and Qualification under the 1939 Act filed as an exhibit to the Registration Statement; and provided further that the foregoing indemnity agreement, with respect to any Preliminary Prospectus shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased Offered Certificates, or any person controlling such Underwriter, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Offered Certificates to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities, unless such failure to deliver the Prospectus was a result of noncompliance by the Company with the provisions of Section 5(d) or 5(e) hereof; and provided further that the Company will not be liable for any loss, liability or expense of any settlement of any pending or threatened litigation, any pending or threatened governmental agency investigation or proceeding if such settlement is effected without the written consent of the Company.

(b) Each Underwriter severally agrees to indemnify and hold harmless the Company, its directors and officers and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such Underwriter expressly for use in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto).

(c) Each indemnified party shall give prompt notice to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability which it may have otherwise than on account of this indemnity agreement. An indemnifying party may participate at its own expense in the defense of such action. In no event shall the indemnifying parties be liable for the fees and expenses of more than one counsel (in addition to any local counsel hired by such counsel), separate from such indemnifying parties' own counsel, for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in this Section 8 is for any reason held to be unenforceable by the indemnified parties although applicable in accordance with its terms, the Company and the Underwriters of Offered Certificates shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Company, and one or more of the Underwriters in respect of such offering, as incurred, in such proportions so that the Underwriters are responsible for that portion represented by the percentage

that the underwriting discount appearing on Exhibit A hereto in respect of such offering bears to the initial public offering price appearing thereon and the Company is responsible for the balance; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section, each person, if any, who controls an Underwriter within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as the Company.

SECTION 9. Default by an Underwriter.

If one or more of the Underwriters participating in an offering of Offered Certificates shall fail at the Closing Time to purchase the Offered Certificates which it or they are obligated to purchase hereunder (the "Defaulted Certificates"), then you shall have the right, within 24 hours thereafter, to make arrangements for one or more of the nondefaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Certificates in such amounts as may be agreed upon and upon the terms herein set forth; if, however, during such 24 hours you shall not have completed such arrangements for the purchase of all of the Defaulted Certificates, then:

(a) if the aggregate principal amount of Defaulted Certificates does not exceed 10% of the aggregate principal amount of Offered Certificates to be purchased pursuant to this Agreement, the nondefaulting Underwriters shall be obligated to purchase the full amount thereof in the proportions that their respective underwriting obligations bear to the underwriting obligations of all nondefaulting Underwriters, or

(b) if the aggregate principal amount of Defaulted Certificates exceeds 10% of the aggregate principal amount of Offered Certificates to be purchased pursuant to this Agreement, this Agreement shall terminate without liability on the part of any nondefaulting Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability to the Company and any nondefaulting Underwriter in respect of its default under this Agreement.

In the event of any such default by any Underwriter or Underwriters as set forth in this Section, either you or the Company shall have the right to postpone the Closing Time for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other documents or arrangements.

SECTION 10. Termination.

This Agreement shall be subject to termination, in the absolute discretion of the Underwriters, immediately upon notice to the Company, at any time prior to the Closing Time (i) if there has been, since the date hereof or since the respective dates as of which information is given in the Registration Statement, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company, whether or not arising in the ordinary course of business which, in the judgment of a majority in interest of the Underwriters, materially impairs the investment quality of the Offered Certificates, or (ii) if there shall have occurred any outbreak or escalation of hostilities in which the United States is involved or other national or international calamity or crisis, the effect of which on the financial markets of the United States shall be such as to make it, in the judgment of a majority in interest of the Underwriters, impracticable to market the Offered Certificates or enforce contracts for the sale of the Offered Certificates as contemplated by the Prospectus, or (iii) if trading in the Common Stock of the Company shall have been suspended by the Commission or a national securities exchange, or if trading generally on the New York Stock Exchange shall have been suspended, or minimum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required, by said exchange or by order of the Commission or any other

governmental authority, or if a banking moratorium shall have been declared by either federal or New York authorities. In the event of any such termination of this Agreement, the covenant set forth in Section 5(f) hereof, the provisions of Section 7 hereof, the indemnity and contribution agreements set forth in Section 8 hereof, and the provisions of Sections 11 and 13 hereof shall remain in effect.

SECTION 11. Representations and Indemnities to Survive.

All representations, warranties and agreements contained in this Agreement, or contained in certificates of officers of the Company submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or controlling person, or by or on behalf of the Company, and shall survive each delivery of and payment for any of the Offered Certificates.

SECTION 12. Notices.

All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed, delivered by Federal Express service or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to them at the address indicated on page 1 hereof, with copies thereof directed to Mayer, Brown & Platt, 1675 Broadway, New York, New York 10019, Attention: Barry P. Biggar. Notices to the Company shall be directed to it at Southwest Airlines Co., 2702 Love Field Drive, Dallas, Texas 75235, Attention of the Vice President-Finance, with copies thereof directed to the Treasurer and Associate General Counsel.

SECTION 13. Successors.

This Agreement shall inure to the benefit of and be binding upon you and the Company and any Underwriter who becomes a party hereto and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any firm or corporation, other than the parties hereto and their respective successors and the controlling persons and officers and directors referred to in Section 8 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the parties hereto, their respective successors and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Offered Certificates from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 14. Applicable Law.

This Agreement and the rights and obligations of the parties created hereby and thereby shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in such state.

SECTION 15. Counterparts.

This Agreement may be executed in one or more counterparts and when a counterpart has been executed by each party, all such counterparts taken together shall constitute one and the same agreement. A party may submit its signed counterpart of this Agreement by telecopier and such counterpart so received by telecopier shall for all purposes constitute an original.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument along with all counterparts will become a binding agreement between you and the Company in accordance with its terms.

Very truly yours,

SOUTHWEST AIRLINES CO.

By: /s/ John D. Owen

Name: John D. Owen
Title: Treasurer

CONFIRMED AND ACCEPTED, as of
the date first above written:

SALOMON BROTHERS INC
CHASE SECURITIES INC.
LEHMAN BROTHERS INC.
NATIONSBANK MONTGOMERY
SECURITIES LLC

By: Salomon Brothers Inc

By: /s/ Gregory P. Lee

Name: Gregory P. Lee
Title: Vice President

Exhibit A

SOUTHWEST AIRLINES CO.

Pass Through Certificates, Series 1998-A

<TABLE>
<CAPTION>

AGGREGATE AMOUNT *	INTEREST RATE	FINAL DISTRIBUTION DATE	PURCHASE PRICE	UNDERWRITING DISCOUNTS AND COMMISSIONS
<C>	<C>	<C>	<C>	<C>
$95,531,435	6.53%	January 2, 2019	100%	.65%

</TABLE>

* The Underwriters severally and not jointly agree to purchase approximately 25% of the Aggregate Amount.

Schedule I
to
Underwriting
Agreement

Dated: May 21, 1998

SOUTHWEST AIRLINES CO.

Pass Through Certificates, Series 1998-A

<TABLE>
<CAPTION>

UNDERWRITER	AGGREGATE AMOUNT OF PASS THROUGH CERTIFICATES, SERIES 1998-A

<S>	<C>
SALOMON BROTHERS INC	$23,882,585.75
CHASE SECURITIES INC.	$23,882,585.75
LEHMAN BROTHERS INC.	$23,882,585.75
NATIONSBANK MONTGOMERY SECURITIES LLC	$23,882,585.75
Total	$95,531,435.00

</TABLE>

Schedule II
to
Underwriting
Agreement

SOUTHWEST AIRLINES CO.

Pass Through Certificates, Series 1998-A

Dated: May 21, 1998

To: Southwest Airlines Co.
2702 Love Field Drive
Dallas, Texas 75235

Re: Underwriting Agreement dated May 21, 1998

<TABLE>
<CAPTION>

<S>	<C>
Title of Offered Certificates:	Pass Through Certificates, Series 1998-A
Current ratings:	A1/A by Moody's and S&P respectively.
Interest rate:	6.53%
Interest	payable: January 2 and July 2 of each year, commencing on July 2, 1998.
Public Offering price:	100%, plus accrued interest, if any, from May 29, 1998
Purchase price:	100%, plus accrued interest, if any, from May 29, 1998
Closing date:	May 29, 1998 at 9:00 a.m., Central time
Location for checking Offered Certificates:	The Depository Trust Company New York, New York
Listing requirement:	None
Other terms and conditions:	None

</TABLE>

TRUST SUPPLEMENT NO. 1998-A
DATED AS OF MAY 1, 1998
TO
PASS THROUGH TRUST AGREEMENT
DATED AS OF FEBRUARY 1, 1993

SOUTHWEST AIRLINES CO.
AND
WILMINGTON TRUST COMPANY, AS TRUSTEE

$95,531,435

TRUST SUPPLEMENT

This Trust Supplement No. 1998-A, dated as of May 1, 1998 (the "Trust Supplement") between Southwest Airlines Co., a Texas corporation (the "Company") and Wilmington Trust Company, a Delaware banking corporation (the "Trustee"), to the Pass Through Trust Agreement dated as of February 1, 1993, between the Company and the Trustee (the "Basic Agreement"),

WITNESSETH:

WHEREAS, the Company and the Trustee have heretofore executed and delivered the Basic Agreement, unlimited as to the aggregate principal amount of Certificates (unless specified herein capitalized terms used herein without definition having the respective meanings specified heretofore in the Basic Agreement) which may be issued thereunder;

WHEREAS, each of four Owner Trustees, each acting on behalf of an Owner Participant, has agreed to issue, on a non-recourse basis, Equipment Notes, among other things, to finance the outstanding debt portion of the purchase price of the aircraft heretofore purchased by such Owner Trustee and leased to the Company pursuant to the related Lease;

WHEREAS, pursuant to the terms and conditions of the Basic Agreement as supplemented by this Trust Supplement (the "Agreement"), the Trustee shall purchase such Equipment Notes issued by such Owner Trustees of the same tenor as the Certificates issued hereunder and shall hold such Equipment Notes in trust for the benefit of the Certificateholders;

WHEREAS, the Trustee hereby declares the creation of this Trust (the "1998-A Trust") for the benefit of the Certificateholders, and the initial Certificateholders as the grantors of the 1998-A Trust, by their respective acceptances of the Certificates, join in the creation of this 1998-A Trust with the Trustee;

WHEREAS, all of the conditions and requirements necessary to make this Trust Supplement, when duly executed and delivered, a valid, binding and legal instrument in accordance with its terms and for the purposes herein expressed, have been done, performed and fulfilled, and the execution and delivery of this Trust Supplement in the form and with the terms hereof have been in all respects duly authorized;

WHEREAS, this Trust Supplement is subject to the provisions of the Trust Indenture Act and shall, to the extent applicable, be governed by such provisions;

NOW, THEREFORE, in consideration of the premises herein, it is agreed between the Company and the Trustee as follows:

ARTICLE I
THE CERTIFICATES

Section 1.01 The Certificates. Pursuant to Section 2.01 of the Basic Agreement, there is hereby created a series of Certificates to be issued under the Agreement to be distinguished and known as "Pass Through Certificates, Series 1998-A" (hereinafter defined as the "Series 1998-A Certificates"). Each Certificate represents a Fractional Undivided Interest in the 1998-A Trust created hereby. The terms and conditions applicable to the Series 1998-A Certificates are as follows:

1. The aggregate principal amount of the Series 1998-A Certificates that shall be authenticated under the Agreement (except for Series 1998-A Certificates authenticated and delivered pursuant to Section 3.03, 3.04 or 3.05 of the Basic Agreement) upon their initial issuance is $95,531,435.

2. The Cut-off Date is June 15, 1998.

3. The Regular Distribution Dates with respect to any payment of Scheduled Payments are January 2 and July 2 in each year, commencing July 2, 1998, until payment of all of the Scheduled Payments to be made under the Equipment Notes have been made.

4. The Scheduled Payments shall be as set forth in Exhibit C hereto.

5. The Special Distribution Dates are as follows: (i) in the case of an early redemption of Equipment Note arising out of an Event of Loss, a refinancing of the Equipment Notes or a purchase or early redemption by the related Owner Participant or Owner Trustee of such Equipment Notes, an early redemption of Equipment Notes arising out of a voluntary termination of the related Lease pursuant to Section 9.1 thereof, or exercise by Lessee of a purchase option, the date of the receipt of the applicable redemption or purchase price therefor, which shall be a Business Day, and (ii) otherwise, the earliest Business Day of a month for which it is practicable for the Trustee to give notice pursuant to Section 4.02(c) of the Basic Agreement 20 days prior thereto.

6. The Series 1998-A Certificates shall be in the form attached hereto as Exhibit A. The Series 1998-A Certificates shall be Book-Entry Certificates and shall be subject to the conditions set forth in the Letter of Representations between the Company and the Clearing Agency attached hereto as Exhibit B.

7. The proceeds of the Series 1998-A Certificates shall be used to purchase the Equipment Notes in the principal amounts specified below:

<TABLE>
<CAPTION>

Equipment Note	Principal Amount	Maturity
<S>	<C>	<C>
Series SWA 1998 N620SW	$23,882,858.75	July 2, 2019
Series SWA 1998 N621SW	$23,882,858.75	July 2, 2019
Series SWA 1998 N622SW	$23,882,858.75	July 2, 2019
Series SWA 1998 N623SW	$23,882,858.75	July 2, 2019

</TABLE>

8. Each of four Owner Trustees, each acting on behalf of an Owner Participant, will issue on a non- recourse basis the Equipment Notes, the proceeds of which shall be used to finance the debt portion of the purchase price of the following Aircraft:

<TABLE>
<CAPTION>

Aircraft	Registration Number	Manufacturer's Serial Number
<S>	<C>	<C>
1 Boeing 737-3H4	N620SW	28036
1 Boeing 737-3H4	N621SW	28037
1 Boeing 737-3H4	N622SW	27932
1 Boeing 737-3H4	N623SW	27933

</TABLE>

9. The related Note Documents are as follows (with the trust relating to each Note Document being indicated in parentheses for purposes of identification):

(a) Each of the following Indentures:

Trust Indenture and Security Agreement (Southwest Airlines 1998 Trust N620SW) dated as of June 1, 1996, as supplemented;

Trust Indenture and Security Agreement (Southwest Airlines 1998 Trust N621SW) dated as of June 1, 1996, as supplemented;

Trust Indenture and Security Agreement (Southwest Airlines 1998 Trust N622SW) dated as of June 1, 1996, as supplemented;

Trust Indenture and Security Agreement (Southwest Airlines 1998 Trust N623SW) dated as of June 1, 1996, as supplemented;

(b) Each of the following Leases:

Sale and Lease Agreement (Southwest Airlines 1998 Trust N620W), dated as of June 1, 1996, as supplemented;

Sale and Lease Agreement (Southwest Airlines 1998 Trust N621SW), dated as of June 1, 1996, as supplemented;

Sale and Lease Agreement (Southwest Airlines 1998 Trust N622SW), dated as of June 1, 1996, as supplemented;

Sale and Lease Agreement (Southwest Airlines 1998 Trust N623SW), dated as of June 1, 1996, as supplemented;

(c) Each of the following Participation Agreements:

Participation Agreement (Southwest Airlines 1998 Trust N620SW), dated as of June 1, 1996;

Participation Agreement (Southwest Airlines 1998 Trust N621SW), dated as of June 1, 1996;

Participation Agreement (Southwest Airlines 1998 Trust N622SW), dated as of June 1, 1996;

Participation Agreement (Southwest Airlines 1998 Trust N623SW), dated as of June 1, 1996;

(d) Each of the following Trust Agreements:

Trust Agreement (Southwest Airlines 1998 Trust N620SW) dated as of June 1, 1996, as supplemented;

Trust Agreement (Southwest Airlines 1998 Trust N621SW) dated as of June 1, 1996, as supplemented;

Trust Agreement (Southwest Airlines 1998 Trust N622SW) dated as of June 1, 1996, as supplemented;

Trust Agreement (Southwest Airlines 1998 Trust N623SW) dated as of June 1, 1996, as supplemented;

ARTICLE II
THE TRUSTEE

Section 2.01. The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Trust Supplement or the due execution hereof by the Company, or for or in respect of the recitals and statements contained herein, all of which recitals and statements are made solely by the Company.

Except as herein otherwise provided, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed by the Trustee by reason of this Trust Supplement other than as set forth in the Basic Agreement, and this Trust Supplement is executed and accepted on behalf of the Trustee, subject to all the terms and conditions set forth in the Basic Agreement, upon the effectiveness thereof, as fully to all intents as if the same were herein set forth at length.

ARTICLE III
MISCELLANEOUS PROVISIONS

Section 3.01. Basic Agreement Ratified. Except and so far as herein expressly provided, all of the provisions, terms and conditions of the Basic Agreement are in all respects ratified and

confirmed; and the Basic Agreement and this Trust Supplement shall be taken, read and construed as one and the same instrument.

Section 3.02. GOVERNING LAW. THIS TRUST SUPPLEMENT AND THE SERIES 1998-A CERTIFICATES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE.

Section 3.03. Execution in Counterparts. This Trust Supplement 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 Company and the Trustee have caused this Trust Supplement to be duly executed by their respective officers thereto duly authorized, as of the day and year first above written.

SOUTHWEST AIRLINES CO.

By

Treasurer

WILMINGTON TRUST COMPANY, not in
its individual capacity, but solely
as Trustee

By

Title:

EXHIBIT A

CUSIP NO. 84474 WAA 8 [FORM OF CERTIFICATE]

**Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York Corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

SOUTHWEST AIRLINES 1998-A PASS THROUGH TRUST

Pass Through
Certificate, Series 1998-A

Final Distribution Date: July 2, 2019

evidencing a fractional undivided interest in a trust, the property of which includes certain Equipment Notes each secured by an Aircraft leased to Southwest Airlines Co.

Certificate
No. _____ $ _____Fractional Undivided Interest representing
_____% of the Trust per $1,000 face amount.

THIS CERTIFIES THAT _____, for value received, is the registered owner of a $_____ (_____ dollars) Fractional Undivided Interest in the Southwest Airlines 1998-A Pass Through Trust (the "Trust") created by Wilmington Trust Company, as

trustee (the "Trustee"), pursuant to a Pass Through Trust Agreement dated as of February 1, 1993 (the "Basic Agreement"), as supplemented by Trust Supplement No. 1998-A thereto dated as of May 1, 1998 (collectively, the "Agreement"), between the Trustee and Southwest Airlines Co., a corporation incorporated under Texas law (the "Company"), a summary of certain of the pertinent provisions of which is set forth below. To the extent not otherwise defined herein, the capitalized terms used herein have the meanings assigned to them in the Agreement. This Certificate is one of the duly authorized Certificates designated as "Pass Through Certificates, Series 1998-A" (herein called the "Certificates"). This Certificate is issued under and is subject to the terms, provisions, and conditions of the Agreement, to which Agreement the Certificateholder of this Certificate by virtue of the acceptance hereof assents and by which such Certificateholder is bound. The property of the Trust includes certain Equipment Notes or, pending the acquisition thereof, certain cash or Specified Investments (the "Trust Property"). Each issue of the Equipment Notes, when issued, will be secured by a security interest in an aircraft leased to the Company.

The Certificates represent Fractional Undivided Interests in the Trust and the Trust Property, and have no rights, benefits or interest in respect of any other separate trust established pursuant to the terms of the Basic Agreement for any other series of certificates issued pursuant thereto. _

** This legend to appear on Book-Entry Certificates to be deposited with The Depository Trust Company. One Certificate may be issued in a denomination of less than $1,000 which shall not have this legend.

Subject to and in accordance with the terms of the Agreement, from funds then available to the Trustee, there will be distributed on January 2 and July 2 in each year, commencing July 2, 1998 (a "Regular Distribution Date") to the Person in whose name this Certificate is registered at the close of business on the 15th day preceding the Regular Distribution Date, an amount in respect of the Scheduled Payments on the Equipment Notes due on such Regular Distribution Date, the receipt of which has been confirmed by the Trustee, equal to the product of the percentage interest in the Trust evidenced by this Certificate and an amount equal to the sum of such Scheduled Payments. Subject to and in accordance with the terms of the Agreement, in the event that Special Payments are received by the Trustee, from funds then available to the Trustee, there shall be distributed on the applicable Special Distribution Date, to the Person in whose name this Certificate is registered at the close of business on the 15th day preceding the Special Distribution Date, an amount in respect of such Special Payments, the receipt of which has been confirmed by the Trustee, equal to the product of the percentage interest in the Trust evidenced by this Certificate and an amount equal to the sum of such Special Payments so received. If a Regular Distribution Date or Special Distribution Date is not a Business Day, distribution shall be made on the immediately following Business Day with the same force and effect as if made on such Regular Distribution Date or Special Distribution Date and no interest shall accrue during the intervening period. The Trustee shall mail notice of each Special Payment and the Special Distribution Date therefor to the Certificateholder of this Certificate.

Distributions on this Certificate will be made by the Trustee in immediately available funds to the Person entitled thereto, without the presentation or surrender of this Certificate or the making of any notation hereon. Except as otherwise provided in the Agreement and notwithstanding the above, the final distribution on this Certificate will be made after notice mailed by the Trustee of the pendency of such distribution and only upon presentation and surrender of this Certificate at the office or agency of the Trustee specified in such notice.

The Certificates do not represent a direct obligation of, or an obligation guaranteed by, or an interest in, the Company or the Trustee or any affiliate thereof. The Certificates are limited in right or payment, all as more specifically set forth herein and in the Agreement. All payments or distributions made to Certificateholders under the Agreement shall be made only from the Trust Property and only to the extent that the Trustee shall have sufficient income or proceeds from the Trust Property to make such payments in accordance with the terms of the Agreement. Each Certificateholder of this Certificate, by its acceptance hereof, agrees that it will look solely to the income and proceeds from the Trust Property to the extent available for distribution to such Certificateholder as provided in the Agreement. This Certificate does not purport to summarize the Agreement and reference is made to the Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties, evidenced hereby. A copy of the Agreement may be examined during normal business hours at the principal office of the Trustee, and at such other places, if any, designated by the Trustee, by any Certificateholder upon request.

The Agreement permits, with certain exceptions therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Certificateholders under the Agreement at any time by the Company and the Trustee with the consent

of the Certificateholders holding Certificates evidencing Fractional Undivided Interests aggregating not less than a majority in interest in the Trust. Any such consent by the Certificateholder of this Certificate shall be conclusive and binding on such Certificateholder and upon all future Certificateholders of this Certificate and of any Certificate issued upon the transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent is made upon this Certificate. The Agreement also permits the amendment thereof, in certain limited circumstances, without the consent of the Certificateholders of any of the Certificates.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of this Certificate is registrable in the Register upon surrender of this Certificate for registration of transfer at the offices or agencies maintained by the Trustee in its capacity as Registrar, or by any successor Registrar, duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Trustee and the Registrar duly executed by the Certificateholder hereof or such Certificateholder's attorney duly authorized in writing, and thereupon one or more new Certificates of authorized denominations evidencing the same aggregate Fractional Undivided Interest in the Trust will be issued to the designated transferee or transferees.

The Certificates are issuable only as registered Certificates without coupons in minimum denominations of $1,000 or integral multiples thereof except that one Certificate may be in a denomination of less than $1,000. As provided in the Agreement and subject to certain limitations therein set forth, the Certificates are exchangeable for new Certificates of authorized denominations evidencing the same aggregate Fractional Undivided Interest in the Trust, as requested by the Certificateholder surrendering the same.

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

The Trustee, the Registrar, and any agent of the Trustee or the Registrar may treat the Person in whose name this Certificate is registered as the owner hereof for all purposes, and none of the Trustee, the Registrar, or any such agent shall be affected by any notice to the contrary.

The obligations and responsibilities created by the Agreement and the Trust created thereby shall terminate upon the distribution to Certificateholders of all amounts required to be distributed to them pursuant to the Agreement and the disposition of all property held as part of the Trust Property.

THE AGREEMENT AND THIS CERTIFICATE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE.

Unless the certificate of authentication hereon has been executed by the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement or be valid for any purpose.

IN WITNESS WHEREOF, the Trustee has caused this Certificate to be duly executed.

SOUTHWEST AIRLINES 1998-A
PASS THROUGH TRUST

By: WILMINGTON TRUST COMPANY, not
in its individual capacity but
solely as Trustee

By: _____

Title: _____

Dated: May 29, 1998

TRUST SUPPLEMENT NO. 1998-A
A-4
[FORM OF THE TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Certificates referred
to in the within-mentioned Agreement.

WILMINGTON TRUST COMPANY, not in its
individual capacity, but solely as
Trustee

By:

Authorized Officer

TRUST SUPPLEMENT NO. 1998-A
A-5
EXHIBIT B

TRUST SUPPLEMENT NO. 1998-A
Dated as of May 1, 1998

[DTC LETTER OF REPRESENTATIONS]

TRUST SUPPLEMENT NO. 1998-A
B-1
EXHIBIT C

TRUST SUPPLEMENT NO. 1998-A
Dated as of May 1, 1998

Scheduled Payments

<TABLE>
<CAPTION>

Principal Payment Date	Percentage of Original Principal Amount
<S>	<C>
	100.000000000

</TABLE>

TRUST SUPPLEMENT NO. 1998-A
C-1

EXHIBIT 4.4

- ---

TRUST AGREEMENT

dated as of June 1, 1996

between

CHRYSLER FINANCIAL CORPORATION
Owner Participant

and

FIRST UNION NATIONAL BANK OF NORTH CAROLINA
Owner Trustee

One Boeing Model 737-3H4 Aircraft

SOUTHWEST AIRLINES 1996 TRUST N620SW

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TRUST AGREEMENT

This TRUST AGREEMENT, dated as of June 1, 1996, is between CHRYSLER FINANCIAL CORPORATION, a Michigan corporation, and FIRST UNION NATIONAL BANK OF NORTH CAROLINA, a national banking association (in its individual capacity, together with its successors and permitted assigns, "FUNB", and otherwise not in its individual capacity but solely as trustee hereunder with its permitted successors and assigns, the "Owner Trustee").

W I T N E S S E T H:

ARTICLE I

DEFINITIONS AND TERMS

SECTION 1.01 CERTAIN DEFINITIONS. Unless the context shall otherwise require and except as contained in this Section 1.01, the capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned thereto in the Lease (as hereinafter defined) or, if not defined in the Lease, in the Trust Indenture (as defined in the Lease), for all purposes hereof. All definitions contained in this Section 1.01 shall be equally applicable to both the singular and plural forms of the terms defined. For all purposes of this Trust Agreement the following terms shall have the following meanings:

"Commitment" has the meaning ascribed to such term in Section 1 of the Participation Agreement.

"Excluded Payments" has the meaning ascribed to such term in the Trust Indenture.

"Indenture Event of Default" has the meaning ascribed to such term in the Trust Indenture.

"Lease" means that certain Sale and Lease Agreement, dated as of the date hereof, relating to that certain Boeing 737-3H4 aircraft bearing U.S. Registration No. N620SW and Manufacturer's serial number 28036, to be entered into by the Owner Trustee and Lessee concurrently with the execution

and delivery of this Trust Agreement, as said Sale and Lease Agreement may from time to time be supplemented or amended, or the terms thereof waived or modified, to the extent permitted by, and in accordance with, the terms of this Trust Agreement. The term "Lease" shall also include said Sale and Lease Agreement as supplemented by each Lease Supplement from time to time entered into pursuant to the terms of the Lease.

"Lease Event of Default" has the meaning ascribed to such term in the Lease.

"Lessee" means Southwest Airlines Co., a Texas corporation, and its permitted successors and assigns under the Lease and the Participation Agreement.

"Owner Participant" means and includes (i) Chrysler Financial Corporation, a Michigan corporation, as the original Owner Participant, and (ii) the successors and permitted assigns of Chrysler Capital Corporation.

"Trust Estate" means all estate, right, title and interest of the Owner Trustee in and to the Aircraft, the Participation Agreement, the Lease, any Lease Supplement, the Purchase Agreement, the Purchase Agreement Assignment, the Bills of Sale and the other Operative Agreements including, without limitation, all amounts of Basic Rent and Supplemental Rent including, without limitation, insurance proceeds (other than insurance proceeds payable to or for the benefit of the Owner Trustee, for its own account or in its individual capacity, the Owner Participant, the Holders or the Indenture Trustee), all payments and proceeds as a result of the sale, lease or other disposition of the Aircraft, the Airframe, any Engine or any Part thereof, and requisition, indemnity or other payments of any kind for or with respect to the Aircraft (except amounts owing to the Owner Participant, to the Indenture Trustee, to the Owner Trustee, in its individual capacity, or to a Holder, or to any of their respective directors, officers, employees, servants and agents, pursuant to Section 7 of the Participation Agreement) including, without limitation, any and all payments and proceeds received by the Owner Trustee after the termination of the Lease with respect to the Aircraft resulting from the sale, lease or other disposition thereof, subject, however to the provisions of and the Lien created by the Trust Indenture. Notwithstanding the foregoing, "Trust Estate" shall (i) not include any Excluded Payment and (ii) include all property and rights purported to be included in the Trust Indenture Estate.

"Trust Indenture Estate" has the meaning ascribed to the term "Indenture Estate" in the Trust Indenture.

"Trust Office" has the meaning ascribed to such term in the Trust Indenture.

"Trust Supplement" means a supplement to this Trust Agreement and to the Trust Indenture in substantially the form of Exhibit C to the Trust Indenture.

ARTICLE II

AUTHORITY TO EXECUTE CERTAIN OPERATIVE AGREEMENTS; DECLARATION OF TRUST

SECTION 2.01 AUTHORITY TO EXECUTE DOCUMENTS. The Owner Participant hereby authorizes and directs the Owner Trustee to, and the Owner Trustee agrees for the benefit of the Owner Participant that it will, on or before the Delivery Date, execute and deliver the Operative Agreements to which it is a party and any other agreements, instruments or documents to which the Owner Trustee is a party in the respective forms thereof which are delivered from time to time by the Owner Participant to the Owner Trustee for execution and delivery and, subject to the terms hereof, to exercise its rights (upon instructions received from the Owner Participant) and perform its duties under said Operative Agreements in accordance with the terms thereof.

SECTION 2.02 DECLARATION OF TRUST. FUNB hereby declares that it will hold as Owner Trustee the Trust Estate upon the trusts hereinafter set forth for the use and benefit of the Owner Participant, subject, however, to the Lien created by the Trust Indenture.

ARTICLE III

PURCHASE OF CERTAIN RIGHTS IN THE AIRCRAFT;
ISSUANCE OF CERTIFICATES

SECTION 3.01 PURCHASE OF CERTAIN RIGHTS IN THE AIRCRAFT. The Owner Participant hereby authorizes and directs the Owner Trustee to, and the Owner Trustee agrees for the benefit of the Owner Participant that it will, on the Delivery Date, subject to due compliance with the terms of Section 3.02 hereof:

(a) purchase the Aircraft pursuant to the Lease;

(b) accept from Lessee the Lessee Warranty Bill of Sale and the Lessee FAA Bill of Sale and the invoice furnished pursuant to the Participation Agreement;

(c) execute and deliver a Lease Supplement covering the Aircraft;

(d) execute and deliver each of the other Operative Agreements to which the Owner Trustee is to be a party including, without limitation, a Trust Supplement covering the Aircraft;

(e) execute, issue and deliver to the Original Loan Participant one or more authenticated Certificates in the amounts and otherwise as provided in Section 1 of the Participation Agreement;

(f) execute and deliver the financing statements referred to in Section 4(a)(vi) of the Participation Agreement, together with all other agreements, documents and instruments referred to in Section 4 of the Participation Agreement to which the Owner Trustee is to be a party;

(g) effect the registration of the Aircraft in the name of the Owner Trustee by filing or causing to be filed with the FAA: (i) the Lessee FAA Bill of Sale; (ii) an application for registration of the Aircraft in the name of the Owner Trustee (including, without limitation, an affidavit from the Owner Trustee in compliance with the provisions of 14 C.F.R. Section 47.7(c)(2)(ii)); and (iii) this Trust Agreement;

(h) authorize a representative or representatives of the Owner Trustee (who shall be an employee or employees of Lessee) to accept delivery of the Aircraft pursuant to the Participation Agreement; and

(i) execute and deliver all such other instruments, documents or certificates and take all such other actions in accordance with the directions of the Owner Participant, as the Owner Participant may deem necessary or advisable in connection with the transactions contemplated hereby.

SECTION 3.02 CONDITIONS PRECEDENT. The rights and obligations of the Owner Trustee to take the actions required by Section 3.01 hereof with respect to the Aircraft shall be subject

to the following conditions precedent: (a) the Owner Participant shall have made the full amount of its Commitment with respect to the Aircraft available to the Owner Trustee, in immediately available funds, in accordance with Sections 1 and 2 of the Participation Agreement; and (b) the Owner Participant shall have notified the Owner Trustee that the terms and conditions of Section 4 of the Participation Agreement, insofar as they relate to conditions precedent to performance by the Owner Participant of its obligations thereunder, shall have been either fulfilled to the satisfaction of or waived by the Owner Participant. The Owner Participant shall, by instructing the Owner Trustee to release the funds then held by the Owner Trustee as provided in Section 2 of the Participation Agreement, be deemed to have found satisfactory to it, or waived, all such conditions precedent.

ARTICLE IV

RECEIPT, DISTRIBUTION AND APPLICATION
OF INCOME FROM THE TRUST ESTATE

SECTION 4.01 DISTRIBUTION OF PAYMENTS.

(a) PAYMENTS TO THE INDENTURE TRUSTEE. Until the Trust Indenture shall have been discharged pursuant to Section 10.01 thereof or defeased pursuant to Section 10.05 thereof, all Rent, insurance proceeds and

requisition or other payments of any kind included in the Trust Estate (other than Excluded Payments and other than payments received from the Indenture Trustee under the Trust Indenture) payable to the Owner Trustee shall be payable directly to the Indenture Trustee (and any of the same which are received by the Owner Trustee shall upon receipt be paid over to the Indenture Trustee without deduction, set-off or adjustment of any kind) for distribution in accordance with the provisions of Article III of the Trust Indenture; provided, however, that any payments received by the Owner Trustee from (i) the Lessee with respect to the Owner Trustee's fees and disbursements, or (ii) the Owner Participant pursuant to Article VII hereof shall not be paid over to the Indenture Trustee but shall be retained by the Owner Trustee and applied toward the purpose for which such payments were made.

(b) PAYMENTS TO OWNER TRUSTEE; OTHER PARTIES. After the Trust Indenture shall have been discharged pursuant to Section 10.01 thereof or defeased pursuant to Section 10.05 thereof, any payment of the type referred to in Section 4.01(a) hereof (other than Excluded Payments) received by the Owner Trustee, any payments received from the Indenture Trustee other than as specified in Section 4.01(c) or (d) hereof and any other amount received as part of the Trust Estate and for the application or distribution of which no provision is made herein, shall be distributed forthwith upon receipt by the Owner Trustee in the following order of priority: first, so much of such payment as shall be required to reimburse the Owner Trustee for any expenses not otherwise reimbursed as to which the Owner Trustee is entitled to be so reimbursed by the Owner Participant pursuant to the provisions hereof shall be retained by the Owner Trustee; second, so much of the remainder for which provision as to the application thereof is contained in the Lease or any of the other Operative Agreements shall be applied and distributed in accordance with the terms of the Lease or such other Operative Agreement; and third, the balance, if any, shall be paid to the Owner Participant.

(c) CERTAIN DISTRIBUTIONS TO THE OWNER PARTICIPANT. All amounts from time to time distributable by the Indenture Trustee to the Owner Participant pursuant to the Trust Indenture

shall, if paid to the Owner Trustee, be distributed by the Owner Trustee to the Owner Participant in accordance with the provisions of Article III of the Trust Indenture.

(d) EXCLUDED PAYMENTS. Any Excluded Payments received by the Owner Trustee shall be paid by the Owner Trustee to the Person to whom such Excluded Payments are payable under the provisions of the Participation Agreement, the Tax Indemnity Agreement or the Lease.

(e) LEGAL TITLE. The Owner Participant shall have no legal title to the Aircraft or any other portion of the Trust Estate.

SECTION 4.02 METHOD OF PAYMENTS. The Owner Trustee shall make distributions or cause distributions to be made to (i) the Owner Participant pursuant to this Article IV by transferring by wire transfer in immediately available funds on the day received (or on the next succeeding Business Day if the funds to be so distributed shall not have been received by the Owner Trustee by 3:00 p.m., New York City time), the amount to be distributed as provided in Schedule I to the Participation Agreement or to such account or accounts of the Owner Participant as the Owner Participant may designate from time to time in writing to the Owner Trustee and (ii) the Indenture Trustee pursuant to this Article IV by transferring the amount to be distributed to the Indenture Trustee in the manner specified in the Trust Indenture.

ARTICLE V

DUTIES OF THE OWNER TRUSTEE

SECTION 5.01 NOTICE OF EVENT OF DEFAULT. If the Owner Trustee shall have knowledge of a Lease Event of Default or Indenture Event of Default (or an event which with the passage of time or the giving of notice or both would constitute a Lease Event of Default or an Indenture Event of Default), the Owner Trustee shall give to the Owner Participant and Lessee prompt telephonic or facsimile notice thereof followed by prompt written confirmation thereof by certified mail, postage prepaid, provided, that (i) in the case of an event which with the passage of time would constitute an Indenture Event of Default referred to in paragraph (b) of Section 8.01 of the Trust Indenture, such notice shall in no event be furnished later than ten (10) days after the Owner Trustee shall first have knowledge of such event and (ii) in the case of a misrepresentation by the Owner Trustee which with the passage of time would constitute an Indenture Event of Default referred to in paragraph (c) of Section 8.01 of the Trust Indenture, such notice shall in no event be furnished later than ten (10) days after the Owner Trustee shall first have

knowledge of such event. The notice shall set forth in reasonable detail the facts or circumstances known to it with respect to such Lease Event of Default or Indenture Event of Default. Subject to the terms of Section 5.03 hereof, the Owner Trustee shall take such action or shall refrain from taking such action, not inconsistent with the provisions of the Trust Indenture or the other Operative Agreements, with respect to such Lease Event of Default, Indenture Event of Default or other event as the Owner Trustee shall be directed in writing by the Owner Participant. For all purposes of this Trust Agreement, the Lease and the other Operative Agreements, in the absence of actual knowledge by a responsible officer of the Trust Office of the Owner Trustee in his or her capacity as such, the Owner Trustee shall not be deemed to have knowledge of a Lease Event of Default, Indenture Event of Default or other event referred to in this

Section 5.01 unless notified in writing thereof by the Indenture Trustee, the Owner Participant or Lessee.

SECTION 5.02 ACTION UPON INSTRUCTIONS. Subject to the terms of Sections 5.01 and 5.03 hereof and to the terms of the other Operative Agreements, upon the written instructions at any time and from time to time of the Owner Participant, the Owner Trustee will take such of the following actions, not inconsistent with the provisions of the Lease and the Trust Indenture, as may be specified in such instructions: (i) give such notice or direction or exercise such right, remedy or power hereunder or take such other actions under any of the Operative Agreements to which the Owner Trustee is a party or in respect of all or any part of the Trust Estate as shall be specified in such instructions; (ii) take such action to preserve or protect the Trust Estate (including the discharge of Liens) as may be specified in such instructions; (iii) approve as satisfactory to it all matters required by the terms of the Lease or the other Operative Agreements to be satisfactory to the Owner Trustee, it being understood that without written instructions of the Owner Participant, the Owner Trustee shall not approve any such matter as satisfactory to it; (iv) subject to the rights of Lessee under the Operative Agreements, after the expiration or earlier termination of the Lease, convey all of the Owner Trustee's right, title and interest in and to the Aircraft for such amount, on such terms and to such purchaser or purchasers as shall be designated in such instructions, or net lease the Aircraft to such lessee or lessees and on such terms as shall be designated in such instructions or deliver the Aircraft to the Owner Participant in accordance with such instructions; and (v) take such other action as is requested by the Owner Participant, which action is not inconsistent with the terms of the Operative Agreements.

SECTION 5.03 INDEMNIFICATION. The Owner Trustee shall not be required to take any action under Section 5.01 (other than the giving of the notices referred to therein) or 5.02 hereof unless the Owner Trustee shall have been indemnified by the Owner Participant, in manner and form satisfactory to the Owner Trustee, against any liability, cost or expense (including reasonable counsel fees and disbursements) which may be incurred in connection therewith other than that which results from the willful misconduct or gross negligence of the Owner Trustee; and, if the Owner Participant shall have directed the Owner Trustee to take any such action or refrain from taking any action, the Owner Participant agrees to furnish such indemnity as shall be required and, in addition to the extent not otherwise paid pursuant to the provisions of the Lease or of the Participation Agreement, to pay the reasonable fees and charges of the Owner Trustee for the services performed or to be performed by it pursuant to such direction. The Owner Trustee shall not be required to take any action under Section 5.01 (other than the giving of the notices referred to therein) or 5.02 hereof if the Owner Trustee shall reasonably determine, or shall have been advised by counsel, that such action is contrary to the terms of any of the Operative Agreements to which the Owner Trustee is a party, or is otherwise contrary to law and the Owner Trustee shall have delivered to the Owner Participant written notice of the basis of its refusal to act.

SECTION 5.04 NO DUTIES EXCEPT AS SPECIFIED IN TRUST AGREEMENT OR INSTRUCTIONS. The Owner Trustee shall not have any duty or obligation to manage, control, use, sell, dispose of or otherwise deal with the Aircraft or any other part of the Trust Estate, or to otherwise take or refrain from taking any action under, or in connection with any of the Operative Agreements to which the Owner Trustee is a party, except (i) as expressly required by the terms of any of the Operative Agreements to which the Owner Trustee is a party, or (ii) (to the extent not inconsistent with the provisions of the Trust Indenture, as expressly provided by the terms hereof) as expressly provided

in a written instruction from the Owner Participant received pursuant to the terms of Section 5.01 or 5.02 hereof, and no implied duties or obligations shall be read into this Trust Agreement against the Owner Trustee. FUNB agrees that it will, in its individual capacity and at its own cost or expense (but without any right of indemnity in respect of any such cost or expense under Section 5.03 or 7.01 hereof), promptly take such action as may be necessary to duly discharge and satisfy in full all Lessor Liens attributable to it in its individual capacity which it is required to discharge pursuant to Section 8(g) of the Participation Agreement and otherwise comply with the terms of said Section binding upon it.

SECTION 5.05 NO ACTION EXCEPT UNDER SPECIFIED DOCUMENTS OR INSTRUCTIONS. The Owner Trustee shall have no power, right or authority to, and the Owner Trustee agrees that it will not, manage, control, use, sell, dispose of or otherwise deal with the Aircraft or any other part of the Trust Estate except (i) as expressly required by the terms of any of the Operative Agreements to which the Owner Trustee is a party, (ii) as expressly provided by the terms hereof, or (iii) as expressly provided in written instructions from the Owner Participant pursuant to Section 5.01 or 5.02 hereof, but subject always to the provisions of and Lien created by the Trust Indenture.

SECTION 5.06 NO POWER TO REINVEST. Notwithstanding anything contained in Section 5.01, 5.02, 5.04 or 5.05 to the contrary, the Owner Trustee shall not be authorized and shall have no power to reinvest the proceeds of the Trust Estate or to otherwise "vary the investment" of the Owner Participant within the meaning of Treasury Regulations Section 301.7701-4(c)(1); provided, however, that nothing contained in this Section 5.06 shall limit the indemnity provided in Section 5.03 hereof or any requirement pertaining to the investment of funds in the Operative Agreements.

ARTICLE VI

THE OWNER TRUSTEE

SECTION 6.01 ACCEPTANCE OF TRUSTS AND DUTIES. FUNB accepts the trusts hereby created and agrees to perform the same but only upon the terms hereof applicable to it. The Owner Trustee also agrees to receive and disburse all monies received by it constituting part of the Trust Estate upon the terms hereof. FUNB shall not be answerable or accountable under any circumstances, except for (a) its or the Owner Trustee's own willful misconduct or gross negligence, (b) its failure to perform its obligations under the last sentence of Section 5.04 hereof and the first sentence of Section 5.01 hereof, (c) its or the Owner Trustee's failure to use ordinary care in handling and disbursing funds, (d) any Tax based on or measured by any fees, commissions or compensation received by it for acting as trustee in connection with any of the transactions contemplated by the Operative Agreements, and (e) liabilities that may result from the inaccuracy of any representation or warranty of it (or from the failure by it to perform any covenant) in Section 6.03 hereof or in any of the other Operative Agreements (including, without limitation, covenants of FUNB contained in the Participation Agreement and the Trust Indenture).

SECTION 6.02 ABSENCE OF CERTAIN DUTIES. Except in accordance with written instructions furnished pursuant to Section 5.01 or 5.02 hereof and except as provided in, and without limiting the generality of, Sections 3.01, 5.04 and 5.05 hereof and the last sentence of Section 9.01(b) hereof, neither the Owner Trustee nor FUNB shall have any duty (i) to see to any recording or filing

of any Operative Agreement or of any supplement to any thereof or to see to the maintenance of any such recording or filing or any other filing of reports with the Federal Aviation Administration or other governmental agencies, except that FUNB in its individual capacity agrees to comply with the Federal Aviation Administration reporting requirements set forth in 14 CFR Section 47.45 and 14 CFR Section 47.51, and the Owner Trustee shall, to the extent that information for that purpose is timely supplied by Lessee and approved by the Owner Participant pursuant to any of the Operative Agreements, complete and timely submit (and furnish the Owner Participant with a copy of) any and all reports relating to the Aircraft which may from time to time be required by the Federal Aviation Administration or any government or governmental authority having jurisdiction, (ii) to see to any insurance on the Aircraft or to effect or maintain any such insurance, whether or not Lessee shall be in default with respect thereto, other than to forward to the Owner Participant copies of all reports and other written information which the Owner Trustee receives from Lessee pursuant to Section 11 of the Lease, (iii) to see to the payment or discharge of any tax, assessment or other governmental charge or any lien or encumbrance of any kind owing with respect to, assessed or levied against any part of the Trust Indenture Estate or the Trust Estate, except as provided in

Section 5.04 hereof, Section 4.01(ii) or 4.02 of the Trust Indenture or Section 8(g) of the Participation Agreement, or (iv) to inspect Lessee's books and records with respect to the Aircraft at any time permitted pursuant to the Lease. Notwithstanding the foregoing, the Owner Trustee will furnish to the Indenture Trustee and the Owner Participant, promptly upon receipt thereof, duplicates or copies of all reports, notices, requests, demands, certificates, financial statements and other instruments furnished to the Owner Trustee under the Lease or any other Operative Agreement to the extent that any of the same shall not state on its face or otherwise that it has been so distributed.

SECTION 6.03 NO REPRESENTATIONS OR WARRANTIES AS TO CERTAIN MATTERS. NEITHER THE OWNER TRUSTEE NOR FUNB MAKES OR SHALL BE DEEMED TO HAVE MADE (a) ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, AIRWORTHINESS, VALUE, CONDITION, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE FOR A PARTICULAR PURPOSE OF THE AIRCRAFT OR ANY PART THEREOF, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT OR ANY PART THEREOF WHATSOEVER, except that FUNB in its individual capacity warrants that (i) on the Delivery Date, the Owner Trustee shall have received whatever title was conveyed to it by Lessee, (ii) on the Delivery Date, the Owner Trustee shall be in compliance with the last sentence of Section 5.04 hereof, and (iii) the Aircraft shall during the Term of the Lease be free of Lessor Liens attributable to FUNB, or (b) any representation or warranty as to the validity, legality or enforceability of this Trust Agreement or any other Operative Agreement to which the Owner Trustee is a party, or any other document or instrument, or as to the correctness of any statement contained in any thereof except to the extent that any such statement is expressly made herein or therein by such party as a representation by FUNB or by the Owner Trustee, as the case may be, and except that FUNB hereby represents and warrants that this Trust Agreement has been, and (assuming due authorization, execution and delivery by the Owner Participant of this Trust Agreement) the other Operative Agreements to which it or the Owner Trustee is a party have been (or at the time of execution and delivery of any such instrument by it or the Owner Trustee hereunder or pursuant to the terms of the Participation Agreement that such an instrument will be) duly executed and delivered by one of its officers who is or will be, as the case may be, duly authorized to execute and deliver such instruments

on behalf of FUNB or the Owner Trustee, as the case may be, and that this Trust Agreement constitutes the legal, valid and binding obligation of FUNB or the Owner Trustee, as the case may be, enforceable against FUNB or the Owner Trustee, as the case may be, in accordance with its terms.

SECTION 6.04 NO SEGREGATION OF MONIES; INTEREST. Monies received by the Owner Trustee hereunder need not be segregated in any manner except to the extent required by law and the Owner Trustee shall not be liable for any interest thereon.

SECTION 6.05 RELIANCE UPON CERTIFICATES, COUNSEL AND AGENTS. The Owner Trustee shall incur no liability to anyone in acting in reliance upon any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper reasonably believed by it in good faith to be genuine and reasonably believed by it in good faith to be signed by the proper party or parties. Unless other evidence in respect thereof is specifically prescribed herein, any request, direction, order or demand of the Owner Participant or Lessee mentioned herein or in any of the other Operative Agreements to which the Owner Trustee is a party shall be sufficiently evidenced by written instruments signed by the Chairman of the Board, the President, any Vice President, the Treasurer or any other duly authorized officer or representative and in the name of any such Owner Participant or Lessee, as the case may be. The Owner Trustee may accept a copy of a resolution of the Board of Directors or Executive Committee of Lessee or the Owner Participant, as the case may be, certified by the Secretary or an Assistant Secretary of Lessee or the Owner Participant, as the case may be, as duly adopted and in full force and effect, as conclusive evidence that such resolution has been duly adopted by said Board or Committee and that the same is in full force and effect. As to any fact or matter the manner of ascertainment of which is not specifically described herein, the Owner Trustee may for all purposes hereof rely on a certificate signed by the Chairman of the Board, the President, any Vice President, the Treasurer or any other duly authorized officer or representative of Lessee or the Owner Participant, as the case may be, as to such fact or matter, and such certificate shall constitute full protection to the Owner Trustee for any action taken or omitted to be taken by it in good faith in reliance thereon. In the administration of trusts hereunder, the Owner Trustee may execute any of the trusts or powers hereof and perform its powers and duties hereunder directly or through agents or attorneys and may, at the expense of the Trust Estate, consult with counsel, accountants and other skilled persons to be selected and employed by it. The Owner Trustee shall not be liable for anything done, suffered or omitted in good faith by it

in accordance with the advice or opinion, within the scope of such person's competence, of any such counsel, accountants or other skilled persons and the Owner Trustee shall not be liable for the negligence of any such counsel, accountant or other skilled person appointed by it with due care hereunder.

SECTION 6.06 NOT ACTING IN INDIVIDUAL CAPACITY. In executing the trusts accepted by FUNB hereunder, the Owner Trustee acts solely as trustee and not in its individual capacity except as otherwise expressly provided herein; and, except as may be otherwise expressly provided in this Trust Agreement, the Lease, the Participation Agreement and the Trust Indenture, all persons, other than the Owner Participant, as provided herein, having any claim against the Owner Trustee by reason of the transactions contemplated hereby shall look only to the Trust Estate for payment or satisfaction thereof except to the extent the Owner Trustee shall expressly agree otherwise in writing.

SECTION 6.07 FEES AND COMPENSATION. The Owner Trustee shall be entitled to receive compensation, reasonable as regards its responsibilities hereunder, together with reimbursement within three (3) months of its request for all reasonable expenses incurred or made by it in accordance with any of the provisions of this Trust Agreement or any other Operative Agreement (including the reasonable compensation of the expenses of its counsel, accountants or other skilled persons and of all other persons not regularly in its employ). If a Lease Event of Default or Indenture Event of Default shall occur and be continuing, the Owner Trustee shall be entitled to receive compensation, reasonable as regards its additional responsibilities hereunder, and payment or reimbursement for its expenses as provided above. Pursuant to Section 7(c) of the Participation Agreement and subject to Section 16 thereof, Lessee shall be required to pay the reasonable fees and expenses of the Owner Trustee comprising the compensation and reimbursement of expenses to which the Owner Trustee is entitled under this Section 6.07. Except as otherwise expressly provided in Section 5.03 or Section 7.01 of this Trust Agreement, neither the Owner Participant nor the Trust Estate shall have any liability for any such fees and expenses; provided, however, the Owner Participant shall be liable for such additional compensation of the Owner Trustee if the same is attributable to an Indenture Event of Default which is caused solely by the actions or inactions of the Owner Participant.

SECTION 6.08 TAX RETURNS. The Owner Trustee shall be responsible for the keeping of all appropriate books and records relating to the receipt and disbursement of all monies received by it under this Trust Agreement or any other Operative Agreement. The Owner Participant shall be responsible for causing to be prepared and filed all income tax returns required to be filed by the Owner Participant. The Owner Trustee shall be responsible for causing to be prepared, at the request of the Owner Participant, all income tax returns required to be filed with respect to the trust created hereby and shall execute and, with the approval of the Owner Participant, file such returns. The Owner Trustee and the Owner Participant, upon request, will furnish each other with all such information as may be reasonably required in connection with the preparation of such income tax returns. The Owner Trustee will give to the Owner Participant, upon request, such periodic information concerning receipts and disbursements by it with respect to the Trust Estate as would be helpful to the Owner Participant in preparing its tax returns.

ARTICLE VII

INDEMNIFICATION OF FUNB BY OWNER PARTICIPANT

SECTION 7.01 OWNER PARTICIPANT TO INDEMNIFY FUNB. The Owner Participant hereby agrees, whether or not any of the transactions contemplated hereby shall be consummated, to assume liability for, and hereby indemnifies, protects, saves and keeps harmless FUNB in its individual capacity and its successors, assigns, legal representatives and agents, from and against any and all Losses indemnified against by Lessee pursuant to Section 7(b) or 7(c) of the Participation Agreement, disregarding those exclusions contained in clause (3) of Section 7(b)(ii) and in clauses (A) and (B) of Section 7(c)(ii), and, to the extent that FUNB acts in its capacity as Owner Trustee and in accordance with instructions received from the Owner Participant, clause (E) of Section 7(c)(ii), and except (a) in the case of willful misconduct or gross negligence on the part of the Owner Trustee or FUNB in the performance or nonperformance of its duties hereunder or under any

of the other Operative Agreements to which the Owner Trustee is a party, (b) those claims resulting from the inaccuracy of any representation or warranty of FUNB (or from the failure of FUNB to perform any of its covenants) in Section 6.03 hereof or in any of the other Operative Agreements, (c) as may result from a breach by FUNB of its covenant in the last sentence of Section 5.04 hereof or a breach by FUNB of any other of its covenants contained herein or (d) in the case of the failure to use ordinary care on the part of the Owner Trustee or FUNB in the receipt or disbursement of funds; provided, however, that the exception set forth in clause (a) of this Section 7.01 shall not apply to any action taken or omission made by the Owner Trustee pursuant to and in accordance with written directions given to the Owner Trustee by the Owner Participant. The indemnities contained in this Section 7.01 extend to FUNB only in its individual capacity and shall not be construed as indemnities of the Trust Indenture Estate or the Trust Estate (except to the extent, if any, that FUNB has been reimbursed by the Trust Indenture Estate or the Trust Estate for amounts covered by the indemnities contained in this Section 7.01). The indemnities contained in this Section 7.01 shall survive the termination of this Trust Agreement. In addition, if necessary, FUNB shall be entitled to indemnification from the Trust Estate, subject to the provisions of Section 4.01 hereof and the Lien of the Trust Indenture, for any liability, obligation, loss, damage, penalty, tax, claim, action, suit, cost, expense or disbursement indemnified against pursuant to this Section 7.01 to the extent not reimbursed by Lessee, the Owner Participant or others, but without releasing any of them from their respective agreements of reimbursement; and, to secure the same, FUNB shall have a lien on the Trust Estate, subject to the provisions of Section 4.01 hereof and the Lien of the Trust Indenture, which shall be prior to any interest therein of the Owner Participant. The payor of any indemnity under this Article VII shall be subrogated to any right of the person indemnified in respect of the matter as to which such indemnity was paid. Notwithstanding the foregoing, FUNB shall not make any claim under this Section 7.01 for any claim, loss, tax or other liability indemnified against by the Lessee under the Participation Agreement without first making demand on the Lessee for payment of such claim, loss, tax or other liability, and pursuing such demand on a reasonable basis for a reasonable length of time.

ARTICLE VIII

TRANSFER OF THE OWNER PARTICIPANT'S INTEREST

SECTION 8.01 TRANSFER OF INTEREST. All provisions of Section 8(l) of the Participation Agreement shall (with the same force and effect as if set forth, mutatis mutandis, in full in this Section 8.01) be applicable to any assignment, conveyance or other transfer by the Owner Participant of its right, title or interest in and to the Participation Agreement, the Trust Estate or this Trust Agreement.

ARTICLE IX

SUCCESSOR OWNER TRUSTEES; CO-TRUSTEES

SECTION 9.01 RESIGNATION OF OWNER TRUSTEE: APPOINTMENT OF SUCCESSOR.

(a) RESIGNATION OR REMOVAL. The Owner Trustee or any successor Owner Trustee (i) shall resign if required to do so pursuant to Section 8(b) of the Participation Agreement and (ii) may resign at any time without cause by giving at least 60 days' prior written notice to the Owner

Participant, the Indenture Trustee and Lessee, such resignation to be effective upon the acceptance of appointment by the successor Owner Trustee under Section 9.01(b) hereof. In addition, the Owner Participant may at any time remove the Owner Trustee with or without cause by a notice in writing delivered to the Owner Trustee, the Holders, the Indenture Trustee and Lessee, such removal to be effective upon the acceptance of appointment by the successor Owner Trustee under Section 9.01(b) hereof. In the case of the removal or resignation of the Owner Trustee, the Owner Participant may, after consultation in good faith with Lessee, appoint a successor Owner Trustee by an instrument signed by the Owner Participant. If a successor Owner Trustee shall not have been appointed within 30 days after such notice of resignation or removal, the Owner Trustee, the Owner Participant, Lessee or the Indenture Trustee may apply to any court of competent jurisdiction to appoint a successor Owner Trustee to act until such time, if any, as a successor shall have been appointed as above provided. Any successor Owner Trustee so appointed by such court shall immediately and without further act be superseded by any successor Owner Trustee appointed as above provided.

(b) EXECUTION AND DELIVERY OF DOCUMENTS, ETC. Any successor Owner Trustee, however appointed, shall execute and deliver to the

predecessor Owner Trustee an instrument accepting such appointment, and thereupon such successor Owner Trustee, without further act, shall become vested with all the estates, properties, rights, powers, duties and trusts of the predecessor Owner Trustee in the trusts hereunder with like effect as if originally named the Owner Trustee herein; but nevertheless, upon the written request of such successor Owner Trustee, such predecessor Owner Trustee shall execute and deliver an instrument transferring to such successor Owner Trustee, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of such predecessor Owner Trustee, and such predecessor Owner Trustee shall duly assign, transfer, deliver and pay over to such successor Owner Trustee all monies or other property then held by such predecessor Owner Trustee upon the trusts herein expressed. Upon the appointment of any successor Owner Trustee hereunder, the predecessor Owner Trustee will complete, execute and deliver such documents as are provided to it by such successor Owner Trustee and will take such further actions as are requested of it by such successor Owner Trustee as are reasonably required to cause registration of the Aircraft included in the Trust Estate to be transferred upon the records of the Federal Aviation Administration, or other governmental authority having jurisdiction, into the name of the successor Owner Trustee.

(c) QUALIFICATIONS. Any successor Owner Trustee, however appointed, shall be a "citizen of the United States" within the meaning of the Act and shall also be a bank or trust company organized under the laws of the United States or any state thereof having a combined capital and surplus of at least $100,000,000, if there be such an institution willing, able and legally qualified to perform the duties of the Owner Trustee hereunder upon reasonable or customary terms.

(d) MERGER, ETC. Any corporation into which FUNB may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which FUNB shall be a party, or any corporation to which substantially all the corporate trust business of FUNB may be transferred, shall, subject to the terms of Section 9.01(c) hereof, be the Owner Trustee hereunder without further act.

SECTION 9.02 CO-TRUSTEES AND SEPARATE TRUSTEES. If at any time it shall be necessary or prudent in order to conform to any law of any jurisdiction in which all or any part of the Trust Estate is located, or make any claim or bring any suit with respect to the Trust Estate or the

Lease, or in the event that the Owner Trustee shall have been requested to do so by the Owner Participant or the Owner Trustee being advised by counsel shall determine that it is so necessary or prudent in the interest of the Owner Participant or the Owner Trustee, or the Owner Trustee shall have been directed to do so by the Owner Participant, the Owner Trustee and Owner Participant shall execute and deliver an agreement supplemental hereto and all other instruments and agreements necessary or proper to constitute another bank or trust company or one or more persons (any and all of which shall be a "citizen of the United States" as defined in 49 U.S.C. Section 40102(a)(15)(C)) approved by the Owner Trustee and the Owner Participant, either to act as co-trustee, jointly with the Owner Trustee, or to act as separate trustee hereunder (any such co-trustee or separate trustee being herein sometimes referred to as an "additional trustee").

Every additional trustee hereunder shall, to the extent permitted by law, be appointed and act, and the Owner Trustee and its successors shall act, subject to the following provisions and conditions:

(A) all powers, duties, obligations and rights conferred upon the Owner Trustee in respect of the custody, control and management of monies, the Aircraft or documents authorized to be delivered hereunder or under the Participation Agreement shall be exercised solely by the Owner Trustee;

(B) all other rights, powers, duties and obligations conferred or imposed upon the Owner Trustee and any limitations thereon shall be conferred or imposed upon and exercised or performed by the Owner Trustee and such additional trustee jointly, except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed (including the holding of title to the Trust Estate) the Owner Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised and performed by such additional trustee;

(C) notwithstanding anything to the contrary contained herein, no power given to, or which it is provided hereby may be exercised by, any such additional trustee shall be exercised hereunder by such additional trustee, except jointly with, or with the consent

in writing of, the Owner Trustee;

(D) no trustee hereunder shall be personally liable by reason of any action or omission of any other trustee hereunder;

(E) the Owner Participant, at any time, by an instrument in writing may remove any such additional trustee; and

(F) no appointment of, or action by, any additional trustee will relieve the Owner Trustee of any of its obligations under, or otherwise affect any of the terms of, the Trust Indenture or affect the interests of the Indenture Trustee or the Holders in the Trust Indenture Estate.

ARTICLE X

SUPPLEMENTS AND AMENDMENTS
TO TRUST AGREEMENT AND OTHER AGREEMENTS

SECTION 10.01 SUPPLEMENTS AND AMENDMENTS AND DELIVERY THEREOF.

(a) SUPPLEMENTS AND AMENDMENTS. This Trust Agreement may not be amended, supplemented or otherwise modified except by an instrument in writing signed by the Owner Trustee and (except in the case of a Trust Supplement) the Owner Participant. Subject to Section 10.02 hereof, Section 10 of the Participation Agreement and, until the Trust Indenture shall have been satisfied and discharged pursuant to Section 10.01 thereof, Section 11.06 of the Trust Indenture, the Owner Trustee will execute any amendment, supplement or other modification of this Trust Agreement or of any other Operative Agreement to which the Owner Trustee is a party which it is requested to execute by the Owner Participant except that the Owner Trustee shall not execute any such amendment, supplement or other modification which, by the express provisions of any of the above documents, requires the consent of any other party unless such consent shall have been obtained.

(b) DELIVERY OF AMENDMENTS AND SUPPLEMENTS TO CERTAIN PARTIES. A signed copy of each amendment or supplement referred to in Section 10.01(a) hereof shall be delivered promptly by the Owner Trustee to Lessee and, until the Trust Indenture shall have been satisfied and discharged pursuant to Section 10.01 thereof, the Indenture Trustee.

SECTION 10.02 DISCRETION AS TO EXECUTION OF DOCUMENTS. Prior to executing any document required to be executed by it pursuant to the terms of Section 10.01 hereof, the Owner Trustee shall be entitled to receive an opinion of its counsel to the effect that the execution of such document is authorized hereunder. If in the opinion of the Owner Trustee any document required to be executed by the Owner Trustee pursuant to the terms of Section 10.01 hereof adversely affects any right, duty, immunity or indemnity in favor of the Owner Trustee hereunder or under any other Operative Agreement to which the Owner Trustee is a party, the Owner Trustee may in its discretion decline to execute such document.

SECTION 10.03 DISTRIBUTION OF DOCUMENTS. Promptly after the execution by the Owner Trustee of any document entered into pursuant to Section 10.01 hereof, the Owner Trustee shall mail, by certified mail, postage prepaid, a conformed copy thereof to the Owner Participant, but the failure of the Owner Trustee to mail such conformed copy shall not impair or affect the validity of such document.

SECTION 10.04 ABSENCE OF REQUIREMENT AS TO FORM. It shall not be necessary for any written request furnished pursuant to Section 10.01 to specify the particular form of the proposed documents to be executed pursuant to such Section, but it shall be sufficient if such request shall indicate the substance thereof.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01 TERMINATION OF TRUST AGREEMENT. This Trust Agreement and the trusts created hereby shall terminate and this Trust Agreement shall be of no further force or effect upon the earlier of (a) the

later of (x) the final satisfaction and discharge of the Trust Indenture pursuant to Section 10.01 thereof and the sale or other final disposition by the Owner Trustee of all property constituting part of the Trust Estate and the final distribution by the Owner Trustee of all monies or other property or proceeds constituting part of the Trust Estate in accordance with Article IV hereof, provided, that at such time Lessee shall have fully complied with all of the terms of the Lease and the Participation Agreement and (y) the expiration or termination of the Lease in accordance with its terms, (b) twenty-one years less one day after the death of the last survivor of all of the descendants of Robert E. Lee, late General in Chief of the Armies of the Confederate States, living on the date of the earliest execution of this Trust Agreement by any party hereto or (c) the date of revocation of such trusts by the Owner Participant (in which case the Trust Estate, subject to the Trust Indenture, shall be distributed in accordance with the terms hereof); otherwise this Trust Agreement and the trusts created hereby shall continue in full force and effect in accordance with the term hereof.

SECTION 11.02 OWNER PARTICIPANT HAS NO LEGAL TITLE IN TRUST ESTATE. The Owner Participant shall not have legal title to any part of the Trust Estate. No transfer, by operation of law or otherwise, of any right, title and interest of the Owner Participant in and to the Trust Estate hereunder shall operate to terminate this Trust Agreement or the trusts hereunder or entitle any successors or transferees of the Owner Participant to an accounting or to the transfer of legal title to any part of the Trust Estate.

SECTION 11.03 ASSIGNMENT, SALE, ETC. OF AIRCRAFT. Any assignment, sale, transfer or other conveyance of the Aircraft, any Engine or any interest therein by the Owner Trustee made in accordance with the express terms hereof or of the Lease or the Participation Agreement shall bind the Owner Participant and shall be effective to transfer or convey all right, title and interest of the Owner Trustee and the Owner Participant in and to the Aircraft, such Engine or interest therein. No purchaser or other grantee shall be required to inquire as to the authorization, necessity, expediency or regularity of such assignment, sale, transfer or conveyance or as to the application of any sale or other proceeds with respect thereto by the Owner Trustee.

SECTION 11.04 TRUST AGREEMENT FOR BENEFIT OF CERTAIN PARTIES ONLY. Except for the terms of Section 8(l) of the Participation Agreement incorporated in Article VIII hereof and except as otherwise provided in Articles V and IX and Sections 2.02, 3.01, 4.01, 6.07, 10.01, 10.02 and 11.01 hereof, nothing herein, whether expressed or implied, shall be construed to give any person other than the Owner Trustee and the Owner Participant any legal or equitable right, remedy or claim under or in respect of this Trust Agreement; but this Trust Agreement shall be held to be for the sole and exclusive benefit of the Owner Trustee and the Owner Participant.

SECTION 11.05 [INTENTIONALLY RESERVED FOR POTENTIAL FUTURE USE].

SECTION 11.06 NOTICES. All notices, demands, instructions and other communications required or permitted to be given to or made upon any party hereto shall be in writing and shall be personally delivered or sent by registered or certified mail, postage prepaid, or by telecopier, or by prepaid courier service, and shall be deemed to be given for purposes of this Trust Agreement on the day that such writing is delivered or, if sent by registered or certified mail, three Business Days after being deposited in the mails addressed to the intended recipient thereof in accordance with the provisions of this Section 11.06. Unless otherwise specified in a notice sent or delivered in accordance with the foregoing provisions of this Section 11.06, notices, demands, instructions and other communications in writing shall be given to or made upon the respective parties hereto at their respective addresses (or to their respective telecopier numbers) as follows: (A) if to Lessee, the Owner Trustee, the Indenture Trustee or the Owner Participant, to the respective addresses set forth on Schedule I to the Participation Agreement or (B) if to any Holder, addressed to such Holder at its address as set forth in the Register maintained pursuant to the Trust Indenture.

SECTION 11.07 SEVERABILITY. Subject to Section 11.12 hereof, any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 11.08 WAIVERS, ETC. No term or provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument

in writing entered into in compliance with the terms of Article X hereof; and any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given.

SECTION 11.09 COUNTERPARTS. This Trust Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 11.10 BINDING EFFECT, ETC. All covenants and agreements contained herein shall be binding upon, and inure to the benefit of, the Owner Trustee and its successors and assigns, and the Owner Participant, its successors and, to the extent permitted by Article VIII hereof, its assigns. Any request, notice, direction, consent, waiver or other instrument or action by an Owner Participant shall bind its successors and permitted assigns.

SECTION 11.11 HEADINGS; REFERENCES. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof. The trust created hereby, together with the trust created by the Trust Indenture, may for convenience of reference be referred to, collectively, as "Southwest Airlines 1996 Trust N620SW."

SECTION 11.12 GOVERNING LAW. THIS TRUST AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. THIS TRUST AGREEMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK.

SECTION 11.13 PERFORMANCE BY THE OWNER PARTICIPANT. Any obligation of FUNB in its individual capacity or as Owner Trustee hereunder or under any other Operative Agreement or other document contemplated herein, may be performed by the Owner Participant and any such performance shall not be construed as a revocation of the trust created hereby.

SECTION 11.14 AUTHORIZATION TO OWNER TRUSTEE FOR TRUST INDENTURE. Notwithstanding any contrary provision in this Trust Agreement, the Owner Trustee is hereby authorized and instructed to enter into and perform fully the Trust Indenture. This provision is for the benefit of the Owner Trustee and the Indenture Trustee and the Holders from time to time of the Certificates and shall not be changed prior to the termination of the Trust Indenture pursuant to Section 10.01 thereof.

* * *

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

CHRYSLER FINANCIAL CORPORATION

By: [signature illegible]

Assistant Secretary

FIRST UNION NATIONAL BANK
OF NORTH CAROLINA

By: /s/ Pablo de la Canal

Corporate Trust Officer

- ---

EXHIBIT 4.5

TRUST INDENTURE

AND SECURITY AGREEMENT

dated as of June 1, 1996

between

FIRST UNION NATIONAL BANK OF NORTH CAROLINA,
in its individual capacity only as expressly
set forth herein and otherwise solely as Owner Trustee,

and

WILMINGTON TRUST COMPANY,
as Indenture Trustee

_____

One Boeing Model 737-3H4 Aircraft

SOUTHWEST AIRLINES 1996 TRUST N620SW

- ---

Southwest Airlines Co.
Series SWA 1996 Trust N620SW-I and N620SW Certificates

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TRUST INDENTURE AND SECURITY AGREEMENT [N620SW]
-v-
TRUST INDENTURE AND SECURITY AGREEMENT

This TRUST INDENTURE AND SECURITY AGREEMENT, dated as of June 1, 1996, is between FIRST UNION NATIONAL BANK OF NORTH CAROLINA, a national banking association organized under the laws of the United States, in its individual capacity only as expressly provided herein and otherwise solely as Owner Trustee under the Trust Agreement (capitalized terms used herein having the respective meanings specified therefor in Article 1), and WILMINGTON TRUST COMPANY, a Delaware banking corporation, as Indenture Trustee hereunder.

W I T N E S S E T H:

WHEREAS, the Owner Participant and the Owner Trustee in its individual capacity have entered into the Trust Agreement whereby, among other things, (i) the Owner Trustee has established a certain trust for the use and benefit of the Owner Participant, subject, however, to the Indenture Estate created pursuant hereto for the use and benefit of, and with the priority of payment to, the holders of the Certificates issued hereunder, and (ii) the Owner Trustee has been authorized and directed to execute and deliver this Agreement;

WHEREAS, the parties desire by this Agreement, among other things, (i) to provide for the issuance by the Owner Trustee of the Series SWA 1996 Trust N620SW-I Certificates and for the potential issuance by the Owner Trustee of the Series SWA 1996 Trust N620SW Certificates in respect of the refinancing and redemption of the Series SWA 1996 Trust N620SW-I Certificates and (ii) to provide for the assignment, mortgage and pledge by the Owner Trustee to the Indenture Trustee, as part of the Indenture Estate hereunder, among other things, of certain of the Owner Trustee's right, title and interest in and to the Aircraft and the Operative Agreements and certain payments and other amounts received hereunder or thereunder in accordance with the terms hereof, as security for, among other things, the Owner Trustee's obligations to the Indenture Trustee, for the ratable benefit and security of the Holders; and

WHEREAS, all things necessary to make this Agreement the legal, valid and binding obligation of the Owner Trustee and the Indenture Trustee, for the uses and purposes herein set forth, in accordance with its terms, have been done and performed and have happened;

GRANTING CLAUSE

NOW, THEREFORE, THIS TRUST INDENTURE AND SECURITY AGREEMENT WITNESSETH, that, to secure the prompt payment of the principal of, Premium, if any, and interest on, Break Amount, if any, and all other amounts due with respect to, all Certificates from time to time Outstanding and all other amounts due to the Holders hereunder and under the Participation Agreement and the performance and observance by each of the Company and the Owner Trustee of all the agreements, covenants and provisions contained herein and in the Operative Agreements to which it is a party, for the benefit of Indenture Trustee and the Holders, and for the uses and purposes hereof, and in consideration of the premises and of the covenants herein contained, and of the acceptance of the Certificates by the Holders, and of the sum of $1 paid to the Owner Trustee by the Indenture Trustee at or before the delivery hereof, the receipt whereof is hereby acknowledged, the Owner

Trustee has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto the Indenture Trustee, its successors and assigns, for the security and benefit of the Holders from time to time, a security interest in and mortgage lien on all estate, right, title and interest of the Owner Trustee in, to and under the following described property, rights, interests and privileges, other than Excluded Payments (which collectively, including all property hereafter specifically subjected to the lien of this Agreement by any instrument supplemental hereto, but excluding the Excluded Payments, are herein called the "Indenture Estate"):

(1) the Aircraft (including the Airframe and the Engines originally installed thereon on the Delivery Date), and all replacements thereof and substitutions therefor in which the Owner Trustee shall from time to time acquire an interest in accordance with the Lease, as more particularly described in the Trust Supplement and the Lease Supplement executed and delivered with respect to the Aircraft or any such replacements or substitutions therefor, as provided in this Agreement, and all Records maintained with respect to the foregoing property;

(2) the Lease and all Rent thereunder, including, without limitation, all amounts of Basic Rent, Supplemental Rent, payments of any kind required to be made by the Company thereunder (including the purchase price for the Aircraft pursuant to Section 18.2 of the Lease) and any sales proceeds of the Aircraft sold pursuant to Section 9 of the Lease or otherwise; the Purchase Agreement (to the extent assigned by the Purchase Agreement Assignment); the Purchase Agreement Assignment; all subleases of the Airframe and the Engines and all rent thereunder to the extent assigned to the Owner Trustee by Lessee; the Bills of Sale; the Participation Agreement; and the Manufacturer's Consent; including, without limitation, in respect of each of the foregoing documents and instruments, all rights of the Owner Trustee to receive any payments or other amounts or to exercise any election or option or to make any decision or determination or to give or receive any notice, consent, waiver or approval or to take any other action under or in respect of any such document or to accept surrender or redelivery of the Aircraft or any part thereof, as well as all the rights, powers and remedies on the part of the Owner Trustee, whether acting under any such document or by statute or at law or in equity, or otherwise, arising out of any Lease Event of Default;

(3) all rents, issues, profits, revenues and other income of the property subjected or required to be subjected to the Lien of this Agreement;

(4) all requisition proceeds with respect to the Aircraft or any part thereof and all insurance proceeds with respect to the Aircraft or any part thereof;

(5) all moneys and securities now or hereafter paid or deposited or required to be paid or deposited to or with the Indenture Trustee by or for the account of the Owner Trustee pursuant to any term of any Operative Agreement and held or required to be held by the Indenture Trustee hereunder; and

(6) all proceeds of the foregoing.

On the Delivery Date the Owner Trustee shall deliver to the Indenture Trustee an executed chattel paper original counterpart of each of the Lease and the Lease Supplement covering the Aircraft, together with executed copies of the Trust Agreement and each of the other Indenture Documents (other than the Purchase Agreement, the Participation Agreement and the FAA bills of sale). All property referred to in this Granting Clause, whenever acquired by the Owner Trustee, shall secure all obligations under and with respect to the Certificates at any time Outstanding. Any and all properties referred to in this Granting Clause which are hereafter acquired by the Owner Trustee, shall, without further conveyance, assignment or act by the Owner Trustee or the Indenture Trustee thereby become and be subject to the security interest hereby granted as fully and completely as though specifically described herein.

HABENDUM CLAUSE

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Indenture Trustee, its successors and assigns, in trust for the

benefit and security of the Indenture Trustee and the Holders from time to time, without any priority of any one Certificate over any other, and for the uses and purposes and subject to the terms and provisions set forth in this Agreement.

The Owner Trustee agrees that this Agreement is intended to and shall create and grant a security interest in the Aircraft to the Indenture Trustee, which security interest shall attach on the Delivery Date. The security interest created by this Agreement and granted to the Indenture Trustee hereunder in the Indenture Estate other than in the Aircraft shall attach in the case of each other item of property included in the Indenture Estate upon the delivery thereof or upon the Owner Trustee's acquiring rights in such property.

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

The Owner Trustee does hereby constitute the Indenture Trustee the true and lawful attorney of the Owner Trustee, irrevocably, with full power (in the name of the Owner Trustee or otherwise) to ask, require, demand, receive and, to the extent permitted by Article 8 hereof (if an Event of Default shall have occurred and be continuing), give acquittance for any and all moneys and claims for moneys due and to become due to the Owner Trustee (other than Excluded Payments) under or arising out of any Indenture Document and all other property which now or hereafter constitutes part of the Indenture Estate, to endorse any checks or other instruments or orders in connection therewith and, to file any claims or take any action or institute any proceedings which the Indenture Trustee may deem to be necessary or advisable in the premises. The Owner Trustee has directed the Company to

make all payments of Rent (other than Excluded Payments) payable to the Owner Trustee by the Company and all other amounts which are required to be paid to or deposited with the Owner Trustee pursuant to the Lease directly to the Indenture Trustee at such address as the Indenture Trustee shall specify, for application as provided in this Agreement. The Owner Trustee agrees that promptly on receipt thereof, it will transfer to the Indenture Trustee any and all moneys from time to time received by it constituting part of the Indenture Estate, for distribution by the Indenture Trustee pursuant to this Agreement, except that the Owner Trustee shall accept for distribution pursuant to the Trust Agreement any amounts distributed to it by the Indenture Trustee as expressly provided in this Agreement and any Excluded Payments.

The Owner Trustee agrees that at any time and from time to time, upon the written request of the Indenture Trustee, the Owner Trustee will promptly and duly execute and deliver or cause to be duly executed and delivered any and all such further instruments and documents as the Indenture Trustee may reasonably deem desirable in obtaining the full benefits of the assignment hereunder and of the rights and powers herein granted.

The Owner Trustee does hereby warrant and represent that it has not assigned or pledged, and hereby covenants that it will not assign or pledge, so long as the assignment hereunder shall remain in effect, any of its right, title or interest hereby assigned, to anyone other than the Indenture Trustee, and that it will not, except as provided in or permitted by this Agreement, accept any payment from the Company, enter into an agreement amending or supplementing any of the Operative Agreements, execute any waiver or modification of, or consent under the terms of any of the Operative Agreements, settle or compromise any claim (other than claims in respect of Excluded Payments) against the Company arising under any of the Operative Agreements, or submit or consent to the submission of any dispute, difference or other matter arising under or in respect of any of the Operative Agreements, to arbitration thereunder.

The Owner Trustee does hereby ratify and confirm the Indenture Documents and does hereby agree that (except as permitted herein) it will not take or omit to take any action, the taking or omission of which would result

in an alteration or impairment of any of the Indenture Documents or of any of the rights created by any thereof or the assignment hereunder.

Notwithstanding the Granting Clause, any of the preceding paragraphs or any other provision of this Indenture, there are hereby expressly excluded from the foregoing grant, bargain, sale, assignment, transfer, conveyance, mortgage, pledge and security interest all Excluded Payments. Further, nothing in the Granting Clause or any of the preceding paragraphs shall impair in any respect the rights of the Owner Trustee or the Owner Participant under Section 9.13 or 11.06.

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

ARTICLE 1

DEFINITIONS

SECTION 1.01. DEFINITIONS. (a) For all purposes of this Agreement, 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 accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States;

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

(4) unless otherwise specified, all references in this Agreement to Articles, Sections and Exhibits refer to Articles, Sections and Exhibits of this Agreement.

(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" means any Paying Agent or Registrar.

"Bankruptcy Code" means the United States Bankruptcy Code of 1978, as amended, or any successor statute.

"Basis Point" shall have the meaning specified therefor in Exhibit A.

"Break Amount" shall have the meaning specified therefor in Section 15.05(b).

"Business Day" means any day other than a Saturday or Sunday or a day on which commercial banks are required or authorized to close in the City of Dallas, Texas; New York, New York; the city and state in which (i) so long as any Certificates shall be Outstanding, the Indenture Trustee and (ii) thereafter, the Owner Trustee, has its principal place of business; and the city and state in which the Indenture Trustee or the Owner Trustee, as the case may be, receives and disburses funds; provided, however, that so long as the Series SWA 1996 Trust N620SW-I Certificates are Outstanding,

such day must also be a day on which dealings are carried on in the applicable offshore dollar interbank market.

"Certificate" or "Certificates" means any certificate or other

debt instrument issued under this Agreement, including the Series SWA 1996 Trust N620SW-I Certificates and the Series SWA 1996 Trust N620SW Certificates, if any, issued hereunder.

"Company" means Southwest Airlines Co., a Texas corporation, and, subject to the provisions of the Participation Agreement, its permitted successors and assigns.

"Company Request" means a written request of the Company executed on its behalf by a Responsible Company Officer of the Company.

"Co-Registrar" shall have the meaning specified therefor in Section 2.03.

"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.

"Debt Rate" shall have the meaning specified therefor in Exhibit A.

"Defaulted Installment" shall have the meaning specified therefor in Section 2.08.

"Defaulted Interest" shall have the meaning specified therefor in Section 2.08.

"Defeasance Trustee" shall have the meaning specified therefor in Section 10.05.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System or any governmental authority which is the successor thereto, as in effect from time to time.

"Eurocurrency Reserve Percentage" for any day means the reserve percentage applicable in respect of such day under Regulation D of the Board of Governors of the Federal Reserve System (or any governmental authority which is the successor thereto) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for the Original Holder with respect to liabilities or assets consisting of or including Eurocurrency Liabilities.

"Excluded Payments" means (i) any right, title or interest of the Owner Trustee in its individual capacity, the Owner Participant or their respective Affiliates or of their respective, successors, permitted assigns, directors, officers, employees, servants and agents to any indemnity payment, including, but not limited to, any payment which by the terms of Section 7(b), 7(c), 7(f), 16, 17 or 18 of the Participation Agreement, Section 5.03 or 7.01 of the Trust Agreement or any section of the Tax Indemnity Agreement or any corresponding payment under Section 3.5 of the Lease shall be payable to the Owner Trustee in its individual capacity or to the Owner Participant, or their respective Affiliates, as the case may be, pursuant to the terms of the Operative Agreements, (ii) any insurance proceeds payable under insurance maintained by the Owner Trustee in its individual or trust

capacity or the Owner Participant (whether directly or through the Owner Trustee), or to their respective Affiliates, successors, permitted assigns, directors, officers, employees, servants and agents, (iii) any insurance proceeds (or proceeds of governmental indemnities in lieu thereof) payable to the Owner Trustee in its individual capacity or to the Owner Participant or to their respective Affiliates, successors, permitted assigns, directors, officers, employees, servants and agents, under any liability insurance maintained by the Company pursuant to Section 11 of the Lease or by any other Person (or proceeds of governmental indemnities in lieu thereof), (iv) payments to the Owner Participant by the Owner Trustee pursuant to Section 2 of the Participation Agreement and any funds held by the Owner Trustee or payable to the Owner Participant pursuant to any funding letter entered into in lieu of the provisions of Section 2 of the Participation Agreement, (v) amounts paid or payable to the Owner Trustee from Lessee pursuant to Section 18.2(c) of the Lease, (vi) Transaction Costs or other amounts or expenses paid or payable to, or for the benefit of, the Owner Participant pursuant to the Participation Agreement, (vii) the respective rights of the Owner Trustee in its individual or trust capacity or the Owner Participant to the proceeds of the foregoing, (viii) any payment of Rent attributable to an indemnity payment under the Tax Indemnity Agreement, (ix) any right to demand, collect, sue or otherwise receive and enforce the payment of any amount described in clauses (i) through (viii) above, and (x) the rights under Sections 9.13 and 11.06 hereof.

"Federal Aviation Act" means Subtitle VII of Title 49, U.S.C., as amended.

"Fixed Period" means the period after the Floating Period.

"Floating Period" means the period any Series SWA 1996 Trust N620SW-I Certificate is Outstanding.

"Government Obligations" shall have the meaning specified therefor in Section 10.05.

"Holder" or "Certificate Holder" means a Person in whose name a Certificate is registered on the Register including, so long as it holds a Series SWA 1996 Trust N620SW-I Certificate, the Original Holder.

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

"Indenture Documents" means each and every document or instrument referred to in the Granting Clause hereof.

"Indenture Estate" shall have the meaning specified therefor in the Granting Clause hereof.

"Indenture Event of Default" shall have the meaning specified therefor in Section 8.01.

"Indenture Trustee" means Wilmington Trust Company, and each other Person which may from time to time be acting as Indenture Trustee 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.

"Independent Investment Banker" means an Independent investment banking institution of national standing appointed by the Company on behalf of the Owner Trustee (and reasonably acceptable to the Owner Participant, which acceptance shall not be unreasonably withheld after notice to the Owner Participant); provided, that if the Indenture Trustee shall not have received written notice of such an appointment at least 10 days prior to the relevant Redemption Date or if a Lease Event of Default shall have occurred and be continuing, "Independent Investment Banker" shall mean such an institution appointed by the Indenture Trustee.

"Installment Certificate" means a Certificate, other than a Series SWA 1996 Trust N620SW-I Certificate, should any such Certificate be issued hereunder which shall provide for the payments of principal in installments.

"Installment Payment Amount" means, with respect to each Installment Certificate, the amount of the installment payment of principal due and payable on each Installment Payment Date, which amount shall be 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" means each date on which an installment payment of principal is due and payable on the Certificates, as set forth in Exhibit B-1 as completed in accordance with Article 15.

"Installment Payment Percentage" means, with respect to each Installment Payment Date, the percentage set forth opposite such Installment Payment Date in Exhibit B-1 as completed in accordance with Article 15.

The term "interest" payable, or to be payable, on any date during the Floating Period in respect of the Series SWA 1996 Trust N620SW-I Certificates shall include, without limitation, any and all accrued and unpaid compounded interest thereon.

"Interest Payment Date" means each July 2 and January 2 commencing on January 2, 1997.

"Interest Period" shall have the meaning specified therefor in Exhibit A.

"Lease" means the Sale and Lease Agreement, dated as of the date hereof, between the Owner Trustee, as lessor, and the Company, as lessee, relating to the Aircraft as such Sale and Lease Agreement may from time to time be supplemented, amended or modified in accordance with the terms thereof and this Agreement. The term "Lease" shall also include each Lease Supplement entered into pursuant to the terms of the Lease.

"Lease Loss Payment Date" means the date on which Stipulated Loss Value is payable pursuant to Section 10.1.4 of the Lease in connection with an Event of Loss in respect of the Aircraft.

"Lease Termination Date" means the date the Lease terminates pursuant to Section 9 of the Lease.

"Lending Office" of any Holder of a Series SWA 1996 Trust N620SW-I Certificate means the office through which such Holder makes and/or books and maintains the loan evidenced by its Certificate, which, in the case of the Original Holder, is New York, New York, as of the date hereof.

"LIBO Rate" shall have the meaning specified therefor in Exhibit A.

"Maturity Date" means, with respect to the Series SWA 1996 Trust N620SW Certificates, each of the dates specified in Exhibit B as a maturity date of such Certificates and shall have, in respect of the Series SWA 1996 Trust N620SW-I Certificates, the meaning specified therefor in Exhibit A.

"Officers' Certificate" means a certificate signed in the case of the Company, by (i) the Chairman of the Board of Directors, the President, or any Executive or Senior Vice President of the Company, signing alone, or (ii) any Vice President signing together with the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer or the Controller of the Company or, in the case of the Owner Trustee, a Responsible Officer of the Owner Trustee.

"Opinion of Counsel" means a written opinion of legal counsel, who in the case of counsel for the Company may be (i) the senior corporate attorney employed by the Company, (ii) Vinson & Elkins L.L.P. or (iii) other counsel designated by the Company and who shall be reasonably satisfactory to the Indenture Trustee or, in the case of legal counsel for the Owner Trustee, may be (x) Moore & Van Allen PLLC or (y) other counsel designated by the Owner Trustee and who shall be reasonably satisfactory to the Indenture Trustee.

"Original Holder" means Royal Bank of Canada, New York Branch, as the original holder of the loan evidenced by the Series SWA 1996 Trust N620SW-I Certificate and any branch or agency thereof in the United States to which the Series SWA 1996 Trust N620SW-I Certificate held by it may be transferred.

"Outstanding", when used with respect to Certificates, means, as of the date of determination, all Certificates theretofore executed and delivered under this Agreement other than:

(i) Certificates theretofore cancelled by the Indenture Trustee or delivered to the Indenture Trustee for cancellation pursuant to Section 2.07 or otherwise;

(ii) Certificates for whose payment or redemption money in the necessary amount has been theretofore deposited with the Indenture Trustee in trust for the Holders of such Certificates; provided, that if such Certificates 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 in exchange for or in lieu of which other Certificates have been executed and delivered pursuant to this Agreement;

provided, however, that in determining whether the Holders of the requisite aggregate principal amount of Certificates Outstanding have given any request, demand, authorization, declaration, direction, notice, consent or waiver hereunder, Certificates owned by or pledged to the Company or any Affiliate of

the Company or the Owner Trustee or the Owner Participant or any Affiliate thereof, shall (unless all Certificates are then owned thereby) 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 owned by the Company, or the Owner Trustee or the Owner Participant, which have been pledged in good faith may be regarded as Outstanding if the Company, or the Owner Trustee or the Owner Participant, 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, or the Owner Trustee or the Owner Participant or any Affiliate thereof.

"Owner Trustee" means First Union National Bank of North Carolina, not in its individual capacity, except as expressly provided herein, but solely as trustee under the Trust Agreement, and each other Person which may from time to time be acting as Owner Trustee in accordance with the provisions of the Operative Agreements.

"Past Due Rate" means, in respect of any Certificate, the rate of interest applicable pursuant to the provisions of such Certificate to any amount of principal or interest payable thereunder not paid when due.

"Paying Agent" means any person acting as Paying Agent hereunder pursuant to Section 2.03.

"Payment Date" means any Installment Payment Date, Interest Payment Date or Maturity Date.

"Permitted Investment" means any of the investments permitted by Section 22.1 of the Lease.

"Premium" means, with respect to each Series SWA 1996 Trust N620SW Certificate to be redeemed, purchased or otherwise prepaid pursuant to Article 6, an amount determined as of the Business Day next preceding the applicable Redemption Date which an Independent Investment Banker determines to be equal to an excess, if any, of (i) the present values of all remaining scheduled payments of such principal amount or portion thereof and interest thereon (excluding interest accrued from the immediately preceding Interest Payment Date to such Redemption Date) to the Maturity Date of such Certificate in accordance with generally accepted financial practices assuming a 360-day year consisting of twelve 30-day months at a discount rate equal to the Treasury Yield, all as determined by the Independent Investment Banker over (ii) the unpaid principal amount of such Certificate. Premium shall never be below zero.

"Premium Termination Date" means, with respect to each Series SWA 1996 Trust N620SW Certificate, the date set forth as the "Premium Termination Date" in Exhibit B hereto completed in accordance with Article 15 for Certificates of the Maturity Date of such Certificate.

"Principal Payment Date" shall have the meaning specified therefor in Exhibit A.

"Record Date" for the interest or Installment Payment Amount payable on any Interest Payment Date or Installment Payment Date (other than the Maturity Date of the Certificates), as the case may be, means the calendar day (whether or not a Business Day) which is 15 calendar days prior to the related Interest Payment Date or the related Installment Payment Date.

"Redemption Date" means the date on which the Certificates are to be redeemed or purchased pursuant to Section 6.01 or 6.02.

"Redemption Price" means the price at which any or all of the Certificates (as the context may require) are to be redeemed or purchased, determined as of the applicable Redemption Date, pursuant to Section 6.01, 6.02 or 15.03, as the case may be.

"Refinancing Date" means the date designated by the Company as the date for a refinancing of the Certificates in accordance with Section 17 of the Participation Agreement.

"Register" shall have the meaning specified therefor in Section 2.03.

"Registrar" means any person acting as Registrar hereunder pursuant to Section 2.03.

"Remaining Weighted Average Life" means, for any Installment Certificate, at the Redemption Date of such Certificate, the number of days equal to the quotient obtained by dividing (a) the sum of the products obtained by multiplying (i) the amount of each then remaining scheduled payment of principal, including the payment due on the Maturity Date of such Certificate, by (ii) the number of days from and including the Redemption Date to but excluding the regularly scheduled date of such scheduled payment of principal; by (b) the then unpaid principal amount of such Certificate.

"Responsible Company Officer" means, with respect to the Company or Owner Participant, its Chairman of the Board, its President, the Chief Financial Officer, any Vice President, the Treasurer or any other management employee (a) working under the direct supervision of such Chairman of the Board, President, Chief Financial Officer, Vice President or Treasurer and (b) whose responsibilities include the administration of the transactions and agreements, including the Lease, contemplated by the Participation Agreement.

"Responsible Officer", with respect to First Union National Bank of North Carolina, the Owner Trustee or the Indenture Trustee, means any officer in its Corporate Trust Administration Department or any officer of the Owner Trustee or the Indenture Trustee, as the case may be, 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 his knowledge of and familiarity with a particular subject, and in each case whose responsibilities include the administration of the transactions and agreements, including the Lease, contemplated by the Participation Agreement.

"SEC" means the Securities and Exchange Commission.

"Section 18 Refinancing Date" means the date specified by the Company for the refinancing of the Series SWA 1996 Trust N620SW-I Certificates in accordance with Section 18 of the Participation Agreement.

"Series SWA 1996 Trust N620SW Certificate" means any certificate of such designation issued by the Owner Trustee under this Agreement substantially in the form of Exhibit A-1 or A-2, should any of such certificates be issued hereunder, and any such certificate issued in replacement or exchange thereof in accordance with the provisions hereof.

"Series SWA 1996 Trust N620SW-I Certificate" means any certificate issued by the Owner Trustee under this Agreement, substantially in the form of Exhibit A, and any such certificate issued in replacement or exchange thereof in accordance with the provisions hereof.

"Treasury Yield" means (i) In the case of a Certificate having a Maturity Date within one year after the Redemption Date the average yield to maturity on a government bond equivalent basis of the applicable United States Treasury Bill due the week of the Maturity of such Certificate and (ii) in the case of a Certificate having a Maturity Date one year or more after the Redemption Date, the average yield of the most actively traded United States Treasury Notes (as reported by Cantor Fitzgerald Securities Corp. on page 5 of Telerate Systems, Inc., a financial news service, or if such report is not available, a source deemed comparable by the Independent Investment Banker selected to determine the Premium and reasonably acceptable to the Company and the Owner Participant) corresponding in maturity (x) for any Certificate issued in serial form, the Maturity Date or (y) for any Certificate issued in installment form, to the Average Life Date, in each case, of such Certificate (or, if there is no corresponding maturity, an interpolation of maturities by the Independent Investment Banker), in each case determined by the Independent Investment Banker selected to determine the Premium based on the average of the yields to stated maturity determined from the bid prices as of 10:00 A.M. and 2:00 P.M. New York time, on the second Business Day preceding the Redemption Date. "Average Life Date" means, with respect to the redemption of an Installment Certificate, the date which follows the Redemption Date by a period equal to the Remaining Weighted Average Life of such Certificate.

"Trust Estate" shall have the meaning specified therefor in the Trust Agreement.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

"Trust Indenture and Security Agreement", "this Indenture" or "this Agreement" means this Trust Indenture and Security Agreement, as the same may from time to time be supplemented, amended or modified, including by any Trust Supplement.

"Trust Office" means the principal corporate trust office of the Owner Trustee located at 230 South Tryon Street, 9th Floor, Charlotte, North Carolina 28288-1179, Attention: Bond Administration, or at such other office at which the Owner Trustee's corporate trust business shall be administered which the Owner Trustee shall have specified by notice in writing to the Company, the Indenture Trustee and each Holder.

"Trust Supplement" means a supplement to the Trust Agreement and this Agreement substantially in the form of Exhibit C.

"Trustee's Liens" shall have the meaning specified therefor in Section 9.10.

SECTION 1.02 OTHER DEFINITIONS. For all purposes of this Agreement, terms defined in the heading and recitals of this Agreement are used as so defined and capitalized terms used but not defined herein are used as defined in the Lease.

ARTICLE 2

THE CERTIFICATES

SECTION 2.01. CERTIFICATES; TITLE AND TERMS. One or more Series SWA 1996 Trust N620SW-I Certificates in the aggregate face amount equal to the Original Holder's Commitment under Section 1(b) of the Participation Agreement shall be issued on the Delivery Date as provided in Section 3(e) of the Participation Agreement in substantially the form set forth, and shall bear interest as provided, in Exhibit A. In the event more than one such Certificate is so issued, all references in this Indenture to a single Series SWA 1996 Trust N620SW-I Certificate shall be deemed to include each other such Certificate. The Series SWA 1996 Trust N620SW-I Certificate shall be dated the Delivery Date and the principal thereof shall be payable in installments on each Principal Payment Date as set forth in Annex A to the Series SWA 1996 Trust N620SW-I Certificate.

In connection with a refinancing of the Series SWA 1996 Trust N620SW-I Certificate in accordance with Section 18 of the Participation Agreement and Section 15.01 hereof, an additional series of Certificates may be issued hereunder. Such additional series of Certificates shall be designated as Series SWA 1996 Trust N620SW Certificates. The Series SWA 1996 Trust N620SW Certificates shall be substantially in the form set forth in Exhibit A-1 or A-2. The Series SWA 1996 Trust N620SW Certificates shall be dated the Delivery Date, shall be issued in the maturities and principal amounts, and shall bear the interest rates per annum (subject to Section 2.10 hereof), in each case as specified in Exhibit B to be delivered in connection with such refinancing of the Series SWA 1996 Trust N620SW-I Certificate in accordance with Section 15.01 of this Agreement. The principal of each Certificate, other than Installment Certificates, shall be payable in full on the Maturity Date for such Certificate. The principal of each Installment Certificate shall be payable in installments, on each Installment Payment Date, in amounts equal to the Installment Payment Amount for such Installment Payment Date.

The Series SWA 1996 Trust N620SW Certificates shall be issued in denominations of $1,000 and integral multiples thereof, except that one of such Certificates may be issued in any denomination. The Series SWA 1996 Trust N620SW-I Certificates may be issued in any denomination.

The Certificates shall be issued in registered form only. The Certificates are not redeemable prior to maturity except as provided in this Agreement. Interest accrued on the Certificates shall be calculated on the basis set forth therein.

The principal of, Break Amount, if any, Premium, if any, and interest on the Certificates shall be payable at the principal corporate trust office of the Indenture Trustee or at any office or agency maintained for such purpose pursuant to Section 2.03, provided, that subject to Section 15.04, all such amounts (other than those payable on the Maturity Date of the Installment Certificates) may be payable at the option of the Indenture Trustee or the Paying Agent by check mailed on or before the due date by the Indenture Trustee or the Paying Agent to the address of the Holder entitled thereto as such address shall appear in the Register.

All payments in respect of the Certificates shall be made in

Dollars. Any payment due on any Certificate on a day that is not a Business Day shall be made on the next succeeding day which is a Business Day and (provided such payment is made on such next succeeding Business Day) no interest shall accrue on the amount of such payment from and after such scheduled date.

SECTION 2.02. EXECUTION AND AUTHENTICATION. (a) Certificates shall be executed on behalf of the Owner Trustee by the manual or facsimile signature of its president, a senior vice president, a vice president, an assistant vice president, its treasurer, its secretary, an assistant secretary or an assistant treasurer.

(b) If any officer of the Owner Trustee executing the Certificates by facsimile signature no longer holds that office at the time the Certificate is executed on behalf of the Owner Trustee, the Certificate shall be valid nevertheless.

(c) At any time and from time to time after the execution of the Certificates, the Owner Trustee may deliver such Certificates to the Indenture Trustee for authentication and, subject to the provisions of Section 2.10, the Indenture Trustee shall authenticate the Certificates by manual signature upon written orders of the Owner Trustee. Certificates shall be authenticated on behalf of the Indenture Trustee by any authorized officer or signatory of the Indenture Trustee.

(d) A Certificate shall not be valid or obligatory for any purpose or entitled to any security or benefit hereunder until executed on behalf of the Owner Trustee by the manual or facsimile signature of the officer of the Owner Trustee specified in the first sentence of Section 2.02(a) 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(c). Such signatures shall be conclusive evidence that such Certificate has been duly executed, authenticated and issued under this Agreement.

SECTION 2.03. REGISTRAR AND PAYING AGENT. The Indenture Trustee shall maintain an office or agency where the Certificates may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where (subject to Sections 2.04 and 2.08) the Certificates may be presented for payment or for exchange (the "Paying Agent"). The Registrar shall keep a register (the "Register") with respect to the Certificates and to their transfer and exchange and the payments of Installment Payment Amounts thereon, if any. 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.

SECTION 2.04. TRANSFER AND EXCHANGE. At the option of the Holder thereof, Series SWA 1996 Trust N620SW-I Certificates or Series SWA 1996 Trust N620SW Certificates may be exchanged for an equal aggregate initial principal amount of other Series SWA 1996 Trust N620SW-I Certificates or Series SWA 1996 Trust N620SW Certificates of the same maturity and type, dated the Delivery Date, and of any authorized denominations or transferred upon surrender of the Series SWA 1996 Trust N620SW-I Certificates or Series SWA 1996 Trust N620SW Certificates to be exchanged or transferred at the principal corporate trust office of the Indenture Trustee, or at any office or agency maintained for such purpose pursuant to Section 2.03. Whenever any Series SWA 1996 Trust N620SW-I Certificate or Series SWA 1996 Trust N620SW Certificate is so surrendered for exchange, the Owner Trustee shall execute, and the Indenture Trustee shall authenticate and deliver, the replacement Series SWA 1996 Trust N620SW-I Certificate or Series SWA 1996 Trust N620SW Certificate which the Holder making the exchange is entitled to receive.

All Certificates issued upon any registration of transfer or exchange of Certificates shall be the valid obligations of the Owner Trustee, evidencing the same obligations, and entitled to the same security and benefits under this Agreement, as the Certificates 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 its attorney duly authorized in writing.

No service charge shall be made to a Holder or any transferee for any registration of transfer or exchange of Certificates, but the Registrar may, as a condition to any transfer or exchange hereunder require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of such transfer or exchange of Certificates.

The Registrar shall not be required to register the transfer of or to exchange any Certificate called for redemption or purchase pursuant to Section 6.01 or 6.02.

SECTION 2.05. 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 the Holders, which list shall be available to the Owner Trustee or its representative (which may be the Owner Participant) and the Company for inspection. If the Indenture Trustee is not the Registrar, the Registrar shall be required 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 the Holders.

(b) Ownership of the Certificates shall be proved by the Register kept by the Registrar. Prior to due presentment for registration of transfer of any Certificate, the Owner Trustee, the Owner Participant, the Company, the Indenture Trustee, the Paying Agent and the Registrar shall deem and treat the Person in whose name any Certificate is registered as the absolute owner of such

Certificate for the purpose of receiving payment of principal (including, subject to the provisions herein regarding the applicable record dates, Installment Payment Amounts) of, Premium, if any, and (subject to the provisions herein regarding the applicable record dates), interest on such Certificate and for all other purposes whatsoever, whether or not such Certificate is overdue, and none of the Owner Trustee, the Owner Participant, the Company, the Indenture Trustee, the Paying Agent or the Registrar shall be affected by notice to the contrary.

SECTION 2.06. MUTILATED, DESTROYED, LOST OR STOLEN CERTIFICATES. If any Certificate shall become mutilated, destroyed, lost or stolen, the Owner Trustee 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 Series SWA 1996 Trust N620SW-I Certificate or a new Series SWA 1996 Trust N620SW Certificate of the same type and having the same maturity, payable to the same Holder in the same principal amount and dated the same date 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 Owner Trustee and the Indenture Trustee such security or indemnity as may be required by it to save the Owner Trustee and the Indenture Trustee harmless and evidence satisfactory to the Owner Trustee and the Indenture Trustee of the destruction, loss or theft of such Certificate and of the ownership thereof; provided, however, that if the affected Holder is the Original Holder, the written notice of such destruction, loss or theft and such ownership and the written undertaking of such Holder delivered to the Owner Trustee and the Indenture Trustee to hold harmless the Owner Trustee and the Indenture Trustee in respect of the execution, authentication and delivery of such new Certificate shall be sufficient evidence, security and indemnity.

SECTION 2.07. 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 all cancelled Certificates.

SECTION 2.08. PAYMENT ON CERTIFICATES; DEFAULTED PRINCIPAL AND INTEREST. (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 2.09, of the principal of, the Break Amount, if any, Premium, if any, and interest on, and any other amounts payable on or in respect of each Certificate or to the Holder thereof hereunder. Interest, principal and other amounts payable on or in respect of the Series SWA 1996 Trust N620SW-I Certificate shall be paid as provided for therein and in Article 15. Payment on

Series SWA 1996 Trust N620SW Certificates in respect of interest and Installment Payment Amounts, if any, payable on an Interest Payment Date or Installment Payment Date, respectively (other than the Maturity Date of the Series SWA 1996 Trust N620SW Certificates) shall be paid in Dollars on each Interest Payment Date or Installment Payment Date (other than the Maturity Date of such Series SWA 1996 Trust N620SW Certificates), as the case may be, to the Holder thereof at the close of business on the relevant Record Date; 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 (other than those payable on the Maturity Date of the Installment Certificate) by check mailed on or before the due date to such Holder's address as it appears on the Register. Otherwise, principal of Series SWA 1996 Trust N620SW Certificates and Premium, if any, with

respect thereto, shall be payable only against presentation and surrender thereof at the principal corporate trust office of the Indenture Trustee or at the office of the Paying Agent maintained for such purpose pursuant to Section 2.03.

A Holder shall have no further interest in, or other right with respect to, the Indenture Estate when and if the principal amount of, Premium, if any, Break Amount, if any, and interest on all Certificates held by such Holder and all other sums payable to such Holder hereunder, under such Certificates and under the Participation Agreement shall have been paid in full.

(b) Any Installment Payment Amount payable on an Installment Payment Date (other than the Maturity Date with respect to a Certificate) or any interest payable on an Interest Payment Date on any Series SWA 1996 Trust N620SW Certificate which is not punctually paid on such Installment Payment Date or 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 Series SWA 1996 Trust N620SW 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 Owner Trustee, 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 Series SWA 1996 Trust N620SW Certificate 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 Series SWA 1996 Trust N620SW 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 Series SWA 1996 Trust

N620SW Certificates 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.

Any interest, principal or other amount payable on the Series SWA 1996 Trust N620SW-I Certificates which is not punctually paid when due shall be paid as provided in such Certificates.

(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 the Holders and the Indenture Trustee, all money held by such Paying Agent for the payment of the principal of, Break Amount, if any, Premium, if any, or interest or any other amounts payable to any Holder hereunder or under the Participation Agreement and shall give to the Indenture Trustee notice of any default in the making of any such payment upon the Certificates. 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.

SECTION 2.09. PAYMENT FROM INDENTURE ESTATE ONLY. All amounts payable by the Indenture Trustee and the Owner Trustee under the Certificates and this Agreement shall be made only from the income and proceeds of the Indenture Estate and from the other amounts specified in Section 3.03. Each Holder of a Certificate, by its acceptance of such Certificate, agrees that (a) it will look solely to the income and proceeds of the Indenture Estate and from the other amounts specified in Section 3.03 for the payment of such amounts, to the extent available for distribution to it as herein provided, and (b) none of the Owner Trustee, the Owner Participant or the Indenture Trustee is or shall be personally liable to any Holder of any Certificate for any amount payable under such Certificate or this Agreement or, except as expressly provided in this Agreement in the case of the Owner Trustee and the Indenture Trustee, for any liability thereunder.

First Union National Bank of North Carolina, is entering into this Agreement solely as Owner Trustee under the Trust Agreement and not in its individual capacity, and in no case whatsoever shall First Union National Bank of North Carolina, (or any entity acting as successor trustee under the 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 First Union National Bank of North Carolina, shall be liable hereunder in its individual capacity, (i) for the performance of its agreements in its individual capacity hereunder and under Section 8 of the Participation Agreement, (ii) for its own willful misconduct or gross negligence and (iii) failure to use ordinary care in the handling and disbursing of funds. If a successor Owner Trustee is appointed in accordance with the terms of the Trust Agreement and the 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 and First Union National Bank of North Carolina, shall be released from all further duties and obligations hereunder, without prejudice to any claims against First Union National Bank of North Carolina, or such predecessor Owner Trustee for any default by First Union National Bank of North Carolina, or such predecessor Owner Trustee, respectively, in the performance of its obligations hereunder prior to such appointment.

SECTION 2.10. EXECUTION, DELIVERY AND DATING OF CERTIFICATES UPON ISSUANCE. The Owner Trustee shall issue and execute, and the Indenture Trustee shall authenticate and deliver, the Certificates for original issuance upon payment of an amount equal to the aggregate original principal

amount of the Series SWA 1996 Trust N620SW-I Certificates to be issued at such time in the manner contemplated by Section 2 of the Participation Agreement. Each Certificate issued hereunder shall be dated the Delivery Date, and the Indenture Trustee shall note thereon, if issued after the Delivery Date, the date through which has been paid interest thereon. Interest shall accrue on the Series SWA 1996 Trust N620SW Certificates only from the date of issuance of such Certificate pursuant to Section 17 or 18 of the Participation Agreement.

ARTICLE 3

RECEIPT, DISTRIBUTION AND APPLICATION OF FUNDS IN THE INDENTURE ESTATE

SECTION 3.01. [RESERVED FOR POTENTIAL FUTURE USE].

SECTION 3.02. PAYMENT IN CASE OF REDEMPTION OF CERTIFICATES. (a) Except as otherwise provided in Section 3.05, in the event the Certificates are redeemed in accordance with the provisions of Section 6.01(a) or (b), the Indenture Trustee will apply on the Redemption Date any amounts then held by it in the Indenture Estate and received by it from or on behalf of the Owner Trustee or, as assignee of the Owner Trustee, from the Company, including, without limitation, pursuant to Section 9, 10, 11 or (subject to Section 7.03) 18.2 of the Lease in the following order of priority:

first, so much thereof as was received by the Indenture Trustee with respect to the amounts due to it pursuant to Section 9.06 shall be applied to pay the Indenture Trustee such amounts;

second, so much thereof remaining as shall be required to pay an amount equal to the Redemption Price on the Outstanding Certificates pursuant to Section 6.01(a) or (b), as the case may be, on the Redemption Date shall be applied to the redemption of the Certificates on the Redemption Date; and

third, the balance, if any, thereof remaining thereafter shall be distributed to the Owner Trustee to be held or distributed to the Owner Participant in accordance with the terms of the Trust Agreement.

(b) In the case of any refinancing or purchase of the Certificates pursuant to Section 6.01(c) or 6.02, the Indenture Trustee will apply on the Redemption Date the amounts received by it from or on behalf of the Owner Trustee, or as assignee of the Owner Trustee, from the Company, to the payment of the Redemption Price of the Outstanding Certificates pursuant to Section 6.01(c) or 6.02, as the case may be, on the Redemption Date; it being understood that any such payment shall be a refinancing or purchase of the indebtedness represented by the Outstanding Certificates and is not, and shall not be construed so as to be, a redemption thereof or payment or prepayment thereon.

SECTION 3.03. APPLICATION OF RENT WHEN NO INDENTURE EVENT OF DEFAULT IS CONTINUING. Except as otherwise provided in Section 3.02, 3.04, 3.05 or 3.06, each amount of Basic Rent received by the Indenture Trustee from the Owner Trustee or, as assignee of the Owner Trustee, from the Company, any payment of interest on overdue installments of Basic Rent, together with any

amount received by the Indenture Trustee pursuant to Section 8.03(e)(i), shall be distributed by the Indenture Trustee in the following order of priority:

first, so much of such aggregate amount as shall be required to pay in full the interest, principal of, and any other amounts then due on, all Outstanding Certificates shall be distributed to the Persons entitled thereto; 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 interest, principal, such other amounts payable to the Holders, and without any preference or priority of one Certificate over another, ratably according to the aggregate amount so due for interest, principal, and such other amounts at the date fixed by the Indenture Trustee for the distribution of such payments or amounts;

second, so much of such aggregate amount remaining as shall be required to pay any amount due the Indenture Trustee pursuant to Section 9.06 shall be applied to pay the Indenture Trustee such amounts; and

third, the balance, if any, of such aggregate amount remaining thereafter shall be distributed to the Owner Trustee to be held or distributed in accordance with the terms of the Lease, the Participation Agreement and the Trust Agreement; provided, however, that if an Indenture Default shall have occurred and be continuing, then such balance shall not be distributed as provided in this clause "third" but shall be held by the Indenture Trustee as part of the Indenture Estate until whichever of the following shall first occur: (i) all Indenture Events of Default shall have been cured, in which event such balance shall, to the extent not theretofore distributed as provided herein, be distributed as provided in this clause "third", or (ii) Section 3.04 or Section 3.05 shall be applicable, in which event such balance shall be distributed in accordance with the provisions of said Section 3.04 or Section 3.05, as the case may be, or (iii) such installment or payment shall have been held for a period in excess of 183 days (during which no Indenture Event of Default which is not a Lease Event of Default shall have occurred and be continuing and

during which period the Indenture Trustee and the Holders shall not have been stayed or otherwise precluded by operation of law from taking action to accelerate the Certificates or to exercise remedies hereunder or under the Lease), in which event such balance shall, to the extent not theretofore applied as provided herein, be distributed as provided in this clause "third".

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 otherwise pursuant to the Lease from any governmental authority or other Person pursuant to Section 10 of the Lease with respect to the Airframe or the Airframe and the Engines or engines then installed on the Airframe as the result of an Event of Loss, to the extent that such amounts are not required to be paid to the Company pursuant to said Section 10, and any amounts of insurance proceeds for damage to the Indenture Estate received directly or otherwise pursuant to the Lease (and not constituting Excluded Payments) from any insurer pursuant to Section 11 of the Lease with respect thereto as the result of an Event of Loss, to the extent such amounts are not required to be paid to the Company pursuant to said Section 11, shall, except as otherwise provided in the next sentence, be applied by the Indenture Trustee on behalf of, and as assignee of, the Owner Trustee in reduction of the Company's obligations to pay Stipulated Loss Value and the other amounts payable by the Company pursuant to Section 10 of the Lease and the remainder, if any, shall, except as provided in the next sentence, be distributed

to the Owner Trustee to be held or distributed in accordance with the terms of the Lease and the Trust Agreement. 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 the Lease, solely because a Lease Default of the type referred to in Section 14.1 or 14.5 of the Lease or Lease Event of Default shall have occurred and be continuing, shall, subject to Section 10.04 hereof, be held by the Indenture Trustee on behalf of the Owner Trustee as security for the obligations of the Company under the Lease and at such time as there shall not be continuing any Lease Default of the type referred to in Section 14.1 or 14.5 of the Lease or Lease Event of Default or such earlier time as shall be provided for in the Lease, or upon satisfaction and discharge of this Indenture as provided herein, such portion shall be paid to the Owner Trustee to be held or distributed in accordance with the terms of the Lease, unless the Indenture Trustee (as assignee from the Owner Trustee of the Lease) shall have theretofore commenced to exercise remedies pursuant to Section 15 thereof, in which event such portion shall be distributed in accordance with the provisions of Section 3.05 hereof.

SECTION 3.05. PAYMENTS DURING CONTINUANCE OF INDENTURE EVENT OF DEFAULT. All payments (except Excluded Payments) received and amounts held or realized by the Indenture Trustee after an Indenture Event of Default shall have occurred and so long as such an Indenture Event of Default shall be continuing, and after the Indenture Trustee shall foreclose or enforce this Indenture or after the Certificates shall have become due and payable as provided in Section 8.02 (including any amounts realized by the Indenture Trustee from the exercise of any remedies 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 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 all amounts then due it pursuant to Section 9.06 shall be applied to pay the Indenture Trustee such amounts;

second, so much of such payments or amounts remaining as shall be required to (i) 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 the Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements of and to the 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 the 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 and, to the extent permitted under the Lease, the Company), all in accordance with Section 8.03(c), shall be applied for such purposes and (ii) reimburse the Holders in full for payments made pursuant to Section 9.01(c) (to the extent not previously reimbursed) shall be distributed to such Holders, and if

the aggregate amount remaining shall be insufficient to reimburse all such payments in full, it shall be distributed ratably, without priority of any Certificate over any other, in the proportion that the aggregate amount of the unreimbursed payments made by each such Holder pursuant to Section 9.01(c) bears to the aggregate amount of the unreimbursed payments made by all Holders pursuant to Section 9.01(c);

third, so much of such payments or amounts remaining as shall be required to pay the principal of, Break Amount, if any, and accrued interest on all Certificates Outstanding and all other amounts payable to the Holders hereunder or under the Participation Agreement and then due and payable, whether by declaration of acceleration pursuant to Section 8.02 or otherwise, shall be applied to the payment of such interest, principal, Break Amount, if any, and such other amounts; 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 interest, principal, Break Amount, if any, such other amounts and interest, without any preference or priority of one Certificate over another, ratably according to the aggregate amount so due for interest, principal, Break Amount, if any, and such other amounts 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 distributed to the Owner Trustee to be held or distributed in accordance with the terms of the Lease, the Participation Agreement and the Trust Agreement.

SECTION 3.06. PAYMENTS FOR WHICH APPLICATION IS PROVIDED IN OTHER DOCUMENTS. Except as otherwise provided in this Agreement, any payment received by the Indenture Trustee for which provision as to the application thereof is made in the Lease or the Participation Agreement shall be distributed to the Person for whose benefit such payments were made in accordance with, and subject to the terms, thereof and hereof. The Indenture Trustee shall be obligated to distribute any Excluded Payments received by the Indenture Trustee promptly upon receipt thereof by the Indenture Trustee to the Person entitled thereto.

SECTION 3.07. PAYMENTS FOR WHICH NO APPLICATION IS OTHERWISE PROVIDED. Except as otherwise provided in Section 3.05:

(a) any payment received by the Indenture Trustee for which no provision as to the application thereof is made elsewhere in this Agreement, and

(b) any payment received and amounts realized by the Indenture Trustee with respect to the Aircraft 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 or for the defeasance of the Certificates shall have been duly satisfied, as well as any other amounts remaining as part of the Indenture Estate after such satisfaction shall be distributed by the Indenture Trustee in the following order of priority:

first, so much of such aggregate amount as shall be required to pay the Indenture Trustee all amounts then due it pursuant to Section 9.06 shall be applied to pay the Indenture Trustee such amounts; and

second, the balance, if any, of such aggregate amount remaining thereafter shall be distributed to the Owner Trustee to be held or distributed in accordance with the terms of the Trust Agreement.

SECTION 3.08. APPLICATION OF PAYMENTS. Each payment of principal and interest or other amounts due hereunder to the Indenture Trustee or any Holder or in respect of each Certificate shall, except as otherwise expressly provided herein, be applied, first, to the payment of any amount (other than the principal of or Premium, Break Amount or interest on such Certificate) due hereunder or in respect of such Certificate, second, to the payment of Premium or Break Amount, if any, and interest on such Certificate (as well as any interest on overdue principal and, to the extent permitted by law, interest and other amounts payable hereunder and thereunder) due

thereunder, third, to the payment of the principal of such Certificate then due and fourth, the balance, if any, remaining thereafter, to the payment of the principal of such Certificate remaining unpaid (provided, that such Certificate shall not be subject to prepayment or purchase without the consent of the affected Holder except as expressly permitted hereby). The amounts paid pursuant to clause fourth above shall be applied to the installments of principal of such Certificate in inverse order of maturity.

ARTICLE 4

COVENANTS OF OWNER TRUSTEE

SECTION 4.01. COVENANTS OF THE OWNER TRUSTEE. The Owner Trustee hereby covenants and agrees that:

(i) the Owner Trustee will duly and punctually perform its obligations under the Lease and will duly and punctually pay the principal of, Premium, if any, Break Amount, if any, and interest on and other amounts due hereunder and under the Certificates and all other amounts payable by it to the Holders under the Participation Agreement and the other Operative Agreements;

(ii) the Owner Trustee will not directly or indirectly create, incur, assume or suffer to exist any Lessor Lien attributable to it with respect to any of the properties or assets of the Indenture Estate and shall, at its own cost and expense, promptly take such action as may be necessary to discharge duly any such Lessor Lien, and the Owner Trustee will cause restitution to be made to the Indenture Estate in the amount of any diminution of the value thereof as the result of any Lessor Liens attributable to it;

(iii) in the event a Responsible Officer of the Owner Trustee shall have actual knowledge of an Indenture Event of Default or Indenture Default or an Event of Loss, the Owner Trustee will give prompt written notice of such Indenture Event of Default or Indenture Default or Event of Loss to the Indenture Trustee, the Owner Participant, the Company and, so long as the Series SWA 1996 Trust N620SW-I Certificate shall be Outstanding, the Original Holder;

(iv) except as contemplated by the Operative Agreements, the Owner Trustee will not contract for, create, incur, assume or permit to exist any Debt, and will not guarantee (directly or indirectly or by an instrument having the effect of assuring another's 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;

(v) the Owner Trustee will not enter into any activity other than owning the Aircraft, the leasing thereof to the Company and the carrying out of the transactions contemplated hereby and by the Participation Agreement, the Trust Agreement and the other Operative Agreements;

(vi) the Owner Trustee will furnish to the Indenture Trustee, and the Indenture Trustee will furnish to each Holder at the time outstanding, promptly upon receipt thereof, duplicates or copies of all reports, notices, requests, demands, certificates, financial statements and other instruments furnished to the Owner Trustee under the Lease, including, without limitation, a copy of each report or notice received pursuant to Section 11 of the Lease, to the extent that the same shall not be required to have been furnished directly to the Indenture Trustee pursuant to the Lease; and

(vii) the Owner Trustee will not (except as permitted herein) assign or pledge or otherwise dispose of, so long as this Indenture shall remain in effect and shall not have been terminated pursuant to Section 10.01, any of its right, title or interest hereby assigned to anyone other than the Indenture Trustee, and, with respect to such right, title and interest hereby assigned, will not, except as provided in this Indenture, (1) accept any payment that is subjected to the Lien of this Indenture from the Lessee or any sublessee, enter into any agreement amending or supplementing any of the Indenture Documents, execute any waiver or modification of, or consent under, the terms of any of the Indenture Documents, (2) exercise any rights with respect to the Indenture Estate, (3) settle or compromise any claim arising under any of the Indenture Documents, or (4) submit or consent to the submission of any dispute, difference or other matter arising under or in respect of any of the Indenture

Documents to arbitration thereunder.

SECTION 4.02. COVENANTS OF FIRST UNION NATIONAL BANK OF NORTH CAROLINA. First Union National Bank of North Carolina, hereby covenants and agrees that it will not directly or indirectly create, incur, assume or suffer to exist any Lessor Liens attributable to it with respect to any of the properties or assets of the Indenture Estate and it shall, at its own cost and expense, promptly take such action as may be necessary to discharge duly any such Lessor Lien. First Union National Bank of North Carolina, will cause restitution to be made to the Indenture Estate in the amount of any diminution of the value thereof as the result of any Lessor Liens thereon attributable to it.

ARTICLE 5

DISPOSITION, SUBSTITUTION AND RELEASE
OF PROPERTY INCLUDED IN THE INDENTURE ESTATE DURING
CONTINUATION OF LEASE

SECTION 5.01. DISPOSITION, SUBSTITUTION AND RELEASE OF PROPERTY INCLUDED IN THE INDENTURE ESTATE DURING CONTINUATION OF LEASE. So long as the Lease is in effect:

(a) Parts. Any Parts and alterations, improvements and modifications in and additions to the Aircraft shall, to the extent required or specified by the Lease, become subject to the lien of this Agreement and be leased to the Company under the Lease; provided, that to the extent permitted by and as provided in the 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 or the Indenture Trustee, to remove, replace and pool Parts and to make alterations, improvements and modifications in, and additions to, the Aircraft. The Indenture Trustee agrees that, to the extent permitted by and as provided in the 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 Part as provided in this Section 5.01, 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.

(b) Substitution Under the 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 occurring to the Airframe or an Engine, or (ii) a voluntary termination of the Lease with respect to an Engine, the Company, in accordance with the Lease, may, in the case of an Event of Loss which has occurred to the Airframe, or shall, except as provided in Section 10.2 of the Lease, in the case of an Event of Loss which has occurred to or termination of the Lease with respect to an Engine, substitute an airframe or engine, as the case may be, in which case, upon due satisfaction of all conditions to such substitution specified in Section 10 of the Lease, the Indenture Trustee shall release all of its right, interest and lien in and to the Airframe or such Engine in accordance with the provisions of the following sentence. The Indenture Trustee shall execute and deliver to the Owner Trustee an instrument releasing its lien in and to the Airframe or such Engine and shall execute for recording in public offices, at the expense of the Owner Trustee (if requested by the Owner Trustee) or the Company (if requested by the Company), such instruments in writing as the 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 the Owner Trustee and 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 a 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 a 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 Owner Trustee or the Company and with respect to which the Owner Trustee or the Company shall be duly entitled.

SECTION 5.02. CERTIFICATES IN RESPECT OF REPLACEMENT AIRCRAFT AND ENGINES. Upon the execution and delivery of a Trust Supplement covering a Replacement Airframe and/or Replacement Engine, as provided in Section 5.01(b), each Certificate shall be deemed to have been issued in connection with such Replacement Airframe and/or Replacement Engine and each Certificate issued thereafter upon a transfer or exchange of, or as a replacement for, a Certificate, shall be designated as having been issued in connection with such Replacement Airframe and/or Replacement Engine, but without any other change therein.

ARTICLE 6

REDEMPTION OF CERTIFICATES

SECTION 6.01. REDEMPTION OF CERTIFICATES UPON CERTAIN EVENTS. (a) If there shall be an Event of Loss to the Aircraft and the Aircraft is not replaced pursuant to Section 10.1.2 of the Lease, each Outstanding Certificate 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 plus, in the case of the Series SWA 1996 Trust N620SW-I Certificates, Break Amount, if any, and all other amounts payable to the Holders hereunder or under the Participation Agreement. The Redemption Date for Certificates to be redeemed pursuant to this Section 6.01(a) shall be the Lease Loss Payment Date. No Premium shall be paid in the case of a redemption pursuant to any provision of this Section 6.01(a).

(b) The Certificates shall be redeemed on the Lease Termination Date or upon the purchase of the Aircraft by the Company at its option on the Special Purchase Option Date pursuant to Section 18.2(b) of the Lease (unless the Company shall have elected to assume the rights and obligations of the Owner Trustee hereunder to the extent and as provided for in Section 7.03). In the case of any Series SWA 1996 Trust N620SW-I Certificate, the Redemption Price therefor shall be equal to the unpaid principal amount of such Certificate as at such date plus accrued and unpaid interest thereon to but excluding the Redemption Date, the Break Amount, if any, and all other amounts payable to the Holder thereof hereunder or under any other Operative Agreement, but without any other premium or penalty. In the case of any Series SWA 1996 Trust N620SW Certificate, such Redemption Price therefor shall be equal to the unpaid principal amount of such Certificate as at such Redemption Date together with an amount equal to the accrued but unpaid interest thereon and, in the case of each Certificate redeemed prior to the Premium Termination Date applicable to such Certificate, the Premium, if any. The Redemption Date for Certificates to be redeemed shall be (A) in the case of a termination of the Lease pursuant to Section 9 thereof, on the Lease Termination Date or (B) in the case of purchase of the Aircraft by the Company pursuant to Section 18.2(b) of the Lease, on the Special Purchase Option Date.

(c) (i) The Series SWA 1996 Trust N620SW-I Certificates may be refinanced in accordance with the provisions of Article 15 hereof and Sections 17 and 18 of the Participation Agreement and (ii) the Series SWA 1996 Trust N620SW Certificates may be refinanced if all the conditions to such refunding or refinancing set forth in Section 17 of the Participation Agreement shall

have been satisfied. In any such event, each Outstanding Certificate may be so refinanced at a Redemption Price determined in accordance with the procedures described above in Section 6.01(b); provided, however, that the applicable Redemption Date for the Series SWA 1996 Trust N620SW-I Certificates to be refinanced pursuant to clause (i) of this Section 6.01(c) shall be the applicable Refinancing Date under Section 17 of the Participation Agreement or the Section 18 Refinancing Date under Section 18 of the Participation Agreement, as the case may be, and the applicable Redemption Date for Certificates to be redeemed pursuant to clause (ii) of this Section 6.01(c) shall be the applicable Refinancing Date under Section 17 of the Participation Agreement.

SECTION 6.02. REDEMPTION OR PURCHASE OF CERTIFICATES UPON CERTAIN INDENTURE EVENTS OF DEFAULT. If the Owner Trustee shall have given notice of redemption or purchase to the Indenture Trustee pursuant to its rights under Section 8.03(e)(ii), each Outstanding Certificate shall be redeemed or purchased in whole at a Redemption Price equal to 100% of its

principal amount plus accrued and unpaid interest thereon (including, without limitation, interest on overdue interest) to but excluding the applicable Redemption Date as determined below and all other amounts payable to the Holders hereunder or under the Participation Agreement and, in the case of the Series SWA 1996 Trust N620SW-I Certificate, the Break Amount, if any, and, in the case of the Series SWA 1996 Trust N620SW Certificates, if to be purchased or redeemed pursuant to clause (y) above prior to the one year anniversary of the first occurrence of the relevant Lease Event of Default, the Premium, if any. The Redemption Date for Certificates to be redeemed or purchased pursuant to this Section 6.02 shall be the date specified in the notice given by the Owner Trustee to the Indenture Trustee pursuant to Section 8.03(e)(ii) (provided, however, that in the case of the Series SWA 1996 Trust N620SW-I Certificates, if such date is the last day of the then current Interest Period therefor, no Break Amount shall be payable). If the Owner Trustee elects to purchase the Certificates under Section 8.03(e)(ii), nothing herein, including use of the terms "Redemption Date" and "Redemption Price", shall be deemed to result in a redemption of the Certificates.

SECTION 6.03. NOTICE OF REDEMPTION TO HOLDERS. (a) Notice of redemption or purchase with respect to the Series SWA 1996 Trust N620SW Certificates shall be given by the Indenture Trustee by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of such Certificates to be redeemed or purchased, at such Holder's address appearing in the Register; provided, that in the case of a redemption pursuant to Section 6.01(b) related to Lessee's exercise of its option pursuant to Section 9 of the Lease, such notice shall be revocable and shall be deemed revoked in the event the Lease does not in fact terminate on the related Lease Termination Date.

All notices of redemption or purchase 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 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 or purchase of Certificates to be redeemed or purchased shall be given by the Indenture Trustee.

(b) Notice of redemption of the Series SWA 1996 Trust N620SW-I Certificate shall be given by the Owner Trustee (or by the Company on behalf of the Owner Trustee) not less than three Business Days prior to the Redemption Date, shall be irrevocable and shall be given by telephone, telex, telecopy, cable or other customary means of communication by the Owner Trustee or the Company, as the case may be, to the other and to the Indenture Trustee and to the Original Holder at each such Person's address designated in Section 12.01(a). Notwithstanding any provision to the contrary contained in this Article 6, the Series SWA 1996 Trust N620SW-I Certificate shall be redeemable as set forth in this Article 6 and in Article 15 without any premium, prepayment penalty or other cost or expense except for the Break Amount, if any, and the payment of all other amounts payable to the Holders thereof hereunder and under the Participation Agreement.

SECTION 6.04. DEPOSIT OF REDEMPTION PRICE. On or before the Redemption Date, the Owner Trustee (or any Person on behalf of the Owner Trustee) shall, to the extent an amount equal to the Redemption Price for the Certificates to be redeemed or purchased on the Redemption Date shall not then be held in the Indenture Estate, deposit or cause to be deposited with the Indenture Trustee or the Paying Agent by 12:00 Noon in immediately available funds (i) the Redemption Price of the Certificates to be redeemed, refinanced or purchased, as the case may be, on the Redemption Date and (ii) all other amounts due and payable hereunder, including any amounts payable to the Indenture Trustee pursuant to Section 9.06.

SECTION 6.05. CERTIFICATES PAYABLE ON REDEMPTION DATE. Notice of redemption, refinancing or purchase having been given as aforesaid (and not deemed revoked as contemplated in the proviso to Section 6.03(a)), the Certificates (or the purchase or refinancing price therefor) shall, on the applicable Redemption Date, become due and payable at the Redemption Price therefor at the principal corporate trust office of the Indenture Trustee or at any office or agency maintained for such purposes pursuant to Section 2.03, and

from and after such Redemption Date (unless there shall be a default in the payment of the Redemption Price) any Certificates then Outstanding shall cease to bear interest. Unless payment prior to surrender is expressly provided for herein or in the Participation Agreement, upon surrender of any such Certificate for redemption or purchase in accordance with said notice such Certificate shall be paid at the Redemption Price. The Certificates shall not be subject to prepayment, redemption, refunding or refinancing except as provided in this Article 6 and in Section 8.02 hereof.

If any Certificate called for redemption or purchase shall not be so paid upon surrender thereof for redemption or purchase, 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

MATTERS CONCERNING THE COMPANY

SECTION 7.01. REPAYMENT OF MONIES FOR CERTIFICATE PAYMENTS HELD BY THE INDENTURE TRUSTEE. Any money held by the Indenture Trustee or any Paying Agent in trust for any payment of the principal of, Premium, if any, or interest on any Series SWA 1996 Trust N620SW Certificate, 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; and the Holders of any Outstanding Certificates shall thereafter, as unsecured general creditors, look only to the Owner Participant (to the extent the Owner Trustee distributed any such trust money to the Owner Participant) and to the Company on behalf of the Owner Trustee 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 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 mailing, any unclaimed balance of such money then remaining will be repaid to the Owner Trustee as provided herein.

SECTION 7.02. [RESERVED FOR POTENTIAL FUTURE USE].

SECTION 7.03. ASSUMPTION OF OBLIGATIONS OF OWNER TRUSTEE BY THE COMPANY. In the event that the Company shall have elected to assume all of the rights and obligations of the Owner Trustee under this Agreement in respect of the Certificates pursuant to Section 8(r) of the Participation Agreement in connection with the purchase by the Company of the Aircraft, and if on or prior to the Special Purchase Option Date (the "Assumption Date") the Indenture Trustee shall have received:

(a) an instrument of assumption (the "Assumption Agreement") pursuant to which the Company irrevocably and unconditionally assumes and undertakes, with full recourse to the Company, the Owner Trustee's obligations with respect to principal, interest, Break Amount, Premium and all other amounts payable to the Holders or the Indenture Trustee under the Certificates then Outstanding, this Agreement, and the Participation Agreement and which incorporates therein events of default substantially similar in scope and effect to those set forth in the Lease and covenants substantially similar to the covenants of the Company under the Lease and the Participation Agreement;

(b) a supplement to this Agreement and/or such other instruments and documents (including, without limitation, Uniform Commercial Code financing statement(s)) covering all of the security interests created by or pursuant to this Indenture that are not covered by the recording system established by the Federal Aviation Act as may be necessary (or reasonably requested by the Indenture Trustee) for the security interest of the Indenture Trustee in the Aircraft and in the other rights, property and interests included in the Indenture Estate (other than those rights, property and interests that depend on the existence of the Trust Estate and the participation of the Owner Trustee and Owner Participant in the transactions contemplated by the Participation Agreement and this Indenture) to continue to be perfected and duly recorded with the Federal Aviation Administration and in all other places necessary or, in the reasonable opinion of the Indenture Trustee, advisable under the Uniform Commercial Code;

(c) an insurance report dated the Assumption Date of the independent insurance broker referred to in Section 11.5 of the Lease and the certificates of insurance, each in form and substance reasonably satisfactory to the Indenture Trustee as to the due compliance as of the Assumption Date with the terms of Section 11 of the Lease (as it relates to the Holders and the Indenture Trustee) relating to the insurance with respect to the Aircraft;

(d) evidence that as of the Assumption Date, and after giving effect to the transactions contemplated hereby, the Company has good title to the Aircraft free and clear of all Liens other than the Lien of, and the security interest created by, this Indenture and other Permitted Liens (other than Lessor Liens) and Section 18.2 of the Lease, if applicable;

(e) a copy of the application that was filed with the FAA on the Assumption Date regarding the registration of the Aircraft in the name of the Company;

(f) a certificate from a Responsible Company Officer of the Company that no Lease Default of the type referred to in Section 14.1 or 14.5 of the Lease or Lease Event of Default shall have occurred and be continuing as of the Assumption Date;

(g) an opinion of the General Counsel of the Company (or other counsel reasonably satisfactory to the Indenture Trustee) in form and substance reasonably satisfactory to the Indenture Trustee, addressed to the Indenture Trustee and dated the Assumption Date, to the effect that (i) the execution, delivery and performance of the Assumption Agreement and the supplement to this Indenture referred to in paragraph (b) of this Section 7.03 (and all other instruments and documents the execution of which are necessary for and directly related to the assumption of the obligations contemplated by this Section 7.03 or the continued perfection of the security interests referred to in paragraph (b) of this Section 7.03) have been duly authorized by the Company by all necessary action; (ii) the Assumption Agreement, such supplement to this Indenture, all such other documents and instruments referred to above and the security interests arising therefrom are legal, valid and binding obligations of the Company enforceable in accordance with their 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 Indenture, which laws, however, do not in the opinion of such counsel make the remedies provided for in this Indenture inadequate for the practical realization of the rights and benefits purported to be provided thereby; (iii) the Assumption Agreement, such supplement and all such other documents and instruments referred to above do not and will not contravene any provision of the Company's articles of incorporation or by-laws or any law or regulation applicable to the Company or any agreement, mortgage or instrument to which the Company is a party or by which the Company is bound; and (iv) the Indenture Trustee (on behalf of the Certificate Holders) should continue to be entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to the Aircraft upon and after the assumption of the obligations by the Company, provided, that the opinion referred to in this clause (iv) 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 assumption and provided, further, that such opinion may contain qualifications of the tenor contained in the opinion relating to said Section 1110 delivered pursuant to Section 4(a)(xi) of the Participation Agreement on the Delivery Date;

(h) an opinion of Daugherty, Fowler & Peregrin, special counsel in Oklahoma City (or other counsel reasonably satisfactory to the Indenture Trustee), in form and substance reasonably satisfactory to the Indenture Trustee, addressed to the Indenture Trustee and dated the Assumption Date, (i) to the effect that all documents executed in connection with the assumption of the obligations contemplated by this Section 7.03 and required to be filed with the Federal Aviation Administration are in proper form, and all steps necessary have been taken, for the Aircraft to be duly registered in the name of the Company and for the Lien of this Agreement with respect to the Aircraft and Engines to continue to be duly perfected and of first priority; and

(i) such other documentation reasonably requested by the Indenture Trustee (in form and substance reasonably satisfactory to the Indenture Trustee) to amend the Operative Agreements to give effect to the foregoing;

then, automatically and without the requirement of further action by any Person, effective as of the Assumption Date, the Owner Trustee shall be

released from all of its obligations under this Agreement in respect of the Certificates or otherwise (other than any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Assumption Date or arising out of or based upon events occurring on or prior to the Assumption Date, which obligations and liabilities shall remain the sole responsibility of the Owner Trustee in such capacity). Promptly upon the filing and recording of the documents referred to in the opinion of counsel specified in Section (h) above with the FAA, the Company shall cause such counsel to deliver to the Indenture Trustee an opinion addressed to the Indenture Trustee, in form and substance reasonably satisfactory to the Indenture Trustee, as to due recording of said documents with the FAA.

ARTICLE 8

DEFAULTS AND REMEDIES

SECTION 8.01. INDENTURE EVENTS OF DEFAULT. The following events shall constitute "Indenture Events of Default" under this Agreement (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) and each such Indenture Event of Default shall be deemed to exist so long as, but only so long as, it shall not be waived or remedied:

(a) the failure (other than by reason of a Lease Event of Default) of the Owner Trustee to pay when due any payment of principal of or Premium or Break Amount, if any, or interest on any Certificate and such failure shall have continued unremedied for seven Business Days, or the failure (other than by reason of a Lease Event of Default) of the Owner Trustee to pay when due any other amount due and payable hereunder, or under any Certificate, and such failure shall have continued unremedied for 10 Business Days after notice thereof to the Owner Trustee; or

(b) any Lessor Lien required to be discharged by First Union National Bank of North Carolina, pursuant to Section 4.02 or required to be discharged by the Owner Trustee pursuant to Section 4.01(ii) or required to be discharged or bonded (in a manner reasonably satisfactory to the Indenture Trustee) by the Owner Participant pursuant to Section 8(g) of the

Participation Agreement shall remain undischarged for a period of 30 calendar days after a Responsible Officer or Responsible Company Officer, as the case may be, of First Union National Bank of North Carolina, the Owner Trustee or the Owner Participant, as the case may be, shall have actual knowledge of such Lessor Lien; or

(c) any representation or warranty made by the Owner Trustee or the Owner Participant or First Union National Bank of North Carolina, herein or in the Participation Agreement, or made by any Person guaranteeing or supporting the obligations of the Owner Participant under the Operative Agreements in its guarantee or support agreement, shall prove to have been false or incorrect when made in any material respect to the Certificate Holders, is material at the time of discovery and, if curable, is not cured within 30 days of notice thereof to the Owner Participant and the Owner Trustee from the Indenture Trustee; or

(d) [Intentionally reserved]

(e) any failure by the Owner Trustee or First Union National Bank of North Carolina, to observe or perform any other covenant or obligation of the Owner Trustee or First Union National Bank of North Carolina, as the case may be, contained in this Indenture or in the Participation Agreement or any failure by the Owner Participant to observe or perform any other covenant or obligation of the Owner Participant contained in the Participation Agreement or any failure by any Person guaranteeing or supporting the obligations of the Owner Participant under the Operative Agreements to perform any covenant or obligation of such Person under its guarantee or support agreement which, in any case, is not remedied within a period of 30 calendar days after notice thereof has been given to the Owner Trustee and the Owner Participant or such Person, as the case may be; or

(f) there shall be a Lease Event of Default other than, without the consent of the Owner Trustee in its sole discretion, a Lease Event of Default arising by reason of nonpayment when due of any

Excluded Payments; or

(g) either the Trust Estate or the Owner Trustee with respect thereto (and not in its individual capacity) or the Owner Participant or any Person guaranteeing or supporting the obligations of the Owner Participant under the Operative Agreements shall (i) file, or consent by answer or otherwise to the filing against it of a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, (ii) make an assignment for the benefit of its creditors, or (iii) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or any substantial part of its property; provided, that an event referred to in this Section 8.01(g) with respect to the Owner Participant shall not constitute an Indenture Event of Default if (A) an order, judgment or decree shall be entered in a proceeding by a court or a trustee, custodian, receiver or liquidator which is either final and non-appealable or has not been stayed pending any appeal, or (B) an opinion of counsel satisfactory to the Indenture Trustee shall be provided by the Owner Participant, in each case to the effect that no part of the Trust Estate created by the Trust Agreement (except for the Owner Participant's beneficial interest in such Trust Estate) and no right, title or interest under the Indenture Estate shall be included in, or be subject to, any declaration or adjudication of, or

proceedings with respect to, the bankruptcy, insolvency or liquidation of the Owner Participant referred to in this Section 8.01(g); or

(h) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Trust Estate or the Owner Trustee with respect thereto (and not in its individual capacity) or the Owner Participant or any Person guaranteeing or supporting the obligations of the Owner Participant under the Operative Agreements, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Trust Estate or the Owner Trustee with respect thereto (and not in its individual capacity) or the Owner Participant or any Person guaranteeing or supporting the obligations of the Owner Participant under the Operative Agreements and any such order or petition is not dismissed or stayed within 90 days after the earlier of the entering of any such order or the approval of any such petition; provided, that an event referred to in this Section 8.01(h) with respect to the Owner Participant shall not constitute an Event of Default if (A) an order, judgment or decree shall be entered in a proceeding by a court or a trustee, custodian, receiver or liquidator which is either final and non-appealable or has not been stayed pending any appeal, or (B) an opinion of counsel satisfactory to the Indenture Trustee shall be provided by the Owner Participant, in each case to the effect that no part of the Trust Estate created by the Trust Agreement (except for the Owner Participant's beneficial interest in such Trust Estate) and no right, title or interest under the Indenture Estate shall be included in, or be subject to, any declaration or adjudication of, or proceedings with respect to, the bankruptcy, insolvency or liquidation of the Owner Participant referred to in this Section 8.01(h).

SECTION 8.02. ACCELERATION; RESCISSION AND ANNULMENT. If an Indenture Event of Default occurs and is continuing, either the Indenture Trustee, by notice to the Company and the Owner Trustee, or the Holders of at least 25% in aggregate principal amount of Outstanding Certificates, by notice to the Company, the Indenture Trustee and the Owner Trustee may declare the principal of all the Certificates to be due and payable, whereupon the same shall be accelerated and be and become due and payable; provided, that if an Indenture Event of Default referred to in clause (g) or (h) of Section 8.01 shall have occurred or a Lease Event of Default of the type referred to in clause (g) or (h) of said Section 8.01 shall have occurred with respect to the Company, then and in every such case the unpaid principal of all Certificates then Outstanding shall, unless the Indenture Trustee acting upon instructions of at least 25% in aggregate principal amount of Outstanding Certificates shall otherwise direct, immediately and without further act become due and payable, without presentment, demand, protest or notice, all of which are hereby waived. Upon such declaration (or automatic acceleration, as the case may be), the principal of all Certificates together with accrued interest thereon from the date in respect of which interest was last paid hereunder to the date payment

of such principal has been made or duly provided for, plus, in the case of the Series SWA 1996 Trust N620SW-I Certificates, the Break Amount, if any, and all other amounts payable to the Holders hereunder as at such date of payment shall be immediately due and payable (but not including any Premium). At any time after such declaration and prior to the sale or disposition of the Indenture Estate, the Holders of a majority in aggregate principal amount of all of the Outstanding Certificates, by notice to the Indenture Trustee, the Company and the Owner Trustee, may rescind such a declaration and thereby

annul its consequences if (i) an amount sufficient to pay all principal of, and, in the case of the Series SWA 1996 Trust N620SW-I Certificates, the Break Amount, if any, on any Certificates which have become due otherwise than by such declaration and any interest thereon and interest due or past due, if any, and all sums due and payable to the Indenture Trustee have been deposited with the Indenture Trustee, (ii) the rescission would not conflict with any judgment or decree and (iii) all existing Indenture Defaults and Indenture Events of Default under this Agreement have been cured or waived except nonpayment of principal of, or interest on, the Certificates that has become due solely because of such acceleration.

SECTION 8.03. OTHER REMEDIES AVAILABLE TO INDENTURE TRUSTEE. (a) After an Indenture Event of Default 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 or as holder of a security interest in the Aircraft or Engines or otherwise, may, and when required pursuant to the provisions of Article 9 shall, exercise, subject to Sections 8.03(b) and 8.03(e), any or all of the rights and powers and pursue any and all of the remedies accorded to the Owner Trustee pursuant to Section 15 of the Lease and this Article 8, may recover judgment in its own name as Indenture Trustee against the Indenture Estate and may take possession of all or any part of the Indenture Estate and may exclude the Owner Trustee and the Owner Participant and all Persons claiming under any of them wholly or partly therefrom. The Indenture Trustee shall have and may exercise all of the rights and remedies of a secured party under the Uniform Commercial Code as in effect in any applicable jurisdiction.

(b) After an Indenture Event of Default, subject to Section 8.03(e), the Indenture Trustee may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession, and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale to the Owner Trustee, the Owner Participant and the Company at least 10 days prior to the date of such sale, sell and dispose of the Indenture Estate, or any part thereof, or interest therein, at public or private auction, 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 the Indenture Estate or any part thereof) and time designated in the notice above referred to; provided, however, that notwithstanding any provision herein to the contrary, the Indenture Trustee may not provide the notice provided for above of its intention to sell any of the Indenture Estate or exercise other remedies against the Indenture Estate seeking to deprive the Owner Trustee or the Owner Participant of its rights therein unless a declaration of acceleration has been made pursuant to Section 8.02 or the Certificates have otherwise theretofore become due and payable through redemption or otherwise. 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, or any interest therein, may bid and become the purchaser at any such sale, and each Holder shall be entitled, at any such sale, to credit against the purchase price bid thereby all or any part of the unpaid obligations owing to such Holder and secured by the Lien of this Agreement. The Indenture Trustee may exercise such right without possession or production of the Certificates 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 the Indenture Estate. The Owner Trustee hereby irrevocably constitutes the Indenture Trustee the true and lawful attorney-in-fact of the Owner Trustee (in the name of the Owner Trustee 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 Trustee may consider necessary or appropriate, with full power of substitution, the Owner Trustee hereby 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 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(b) and 8.03(e), if an Indenture Event of Default has occurred and is continuing, the Owner Trustee 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. If the Owner Trustee 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 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 Owner Trustee 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 the Indenture Estate wherever it may be found and may enter any of the premises of the Owner Trustee or any other Person wherever the Indenture Estate may be or be supposed to be and search for the Indenture Estate and take possession of any item of the Indenture Estate pursuant to this Section 8.03(c). The Indenture Trustee may, from time to time, at the expense of the Indenture Estate, make all such expenditures for maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of the 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 the Indenture Estate, and to exercise all rights and powers of the Owner Trustee relating to the 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 the Indenture Estate or any part thereof; and the Indenture Trustee shall be entitled to collect and receive directly all tolls, rents (including Rent), issues, profits, products, revenues and other income of the Indenture Estate and every part thereof, without prejudice, however, to the right of the Indenture Trustee under any 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 Rent), issues, profits, products, revenues and other income shall be applied to pay the expenses of using, operating, storing, leasing, controlling or managing the 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 the 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 the Owner Trustee and, to the extent permitted by the 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 occurs and is continuing and the Indenture Trustee shall have obtained possession of or title to the Aircraft, the Indenture Trustee shall not be obligated to use or operate the Aircraft or cause the 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 the 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 and the Indenture Trustee, as trustee and individually, against any and all liability for loss or damage to the Aircraft and for public liability and property damage resulting from use or operation of the Aircraft and (ii) funds are available in the Indenture Estate to pay for all such insurance or, in lieu of such insurance, the Indenture Trustee is furnished with indemnification from the Holders or any other Person upon terms and in amounts satisfactory to the Indenture Trustee in its discretion to protect the Indenture Estate and the Indenture Trustee, as trustee and individually, against any and all such liabilities.

(d) Subject to Sections 8.03(b) and 8.03(e), the Indenture Trustee may proceed to protect and enforce this Agreement and the Certificates 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 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 power, legal or equitable remedy available under applicable law.

(e) (i) If the Company shall fail to make any payment of Basic Rent under the Lease and such failure shall have become a Lease Event of Default then as long as no other Indenture Event of Default shall have occurred and be continuing (other than those arising from a Lease Event of Default), the Owner Participant or the Owner Trustee may (but need not) pay to the Indenture Trustee, at any time prior to the expiration of a period of ten Business Days (the "10-Day Period") after such failure shall have become a Lease Event of Default (prior to the expiration of which 10-Day Period the Indenture Trustee shall not (without the prior written consent of the Owner Trustee) exercise any of the rights, powers or remedies pursuant to Section 15 of the Lease or this Article 8), an amount equal to the full amount of such payment of Basic Rent, together with any interest due thereon under the Lease on account of the delayed payment thereof to the date of such payment, and such payment by the Owner Participant or the Owner Trustee shall be deemed to cure any Indenture Event of Default which arose from such failure of the Company as of such date of payment (but such cure shall not relieve the Company of any of its obligations). If the Company shall fail to perform or observe any covenant, condition or agreement to be performed or observed by it under the Lease (other than its obligation to pay Basic Rent), and if (but only if) the performance or observance thereof can be effected by the payment of money alone (it being understood that actions such as the obtaining of insurance and the procurement of maintenance services can be so effected), then as long as no other Indenture Event of Default (other than those arising from a Lease Event of Default) shall have occurred and be continuing, the Owner Participant or the Owner Trustee 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 ten Business Days after the expiration of the grace period, if any, provided with respect to such failure on the part of the Company in Section 14 of the Lease (prior to the expiration of which 10-Day Period the Indenture Trustee shall not (without the prior written consent of the Owner Trustee) exercise any of the rights, powers or remedies pursuant to Section 15 of the Lease or 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 under the Lease on account of the delayed payment thereof to the date of such payment, and such payment by the Owner Participant or the Owner Trustee shall be deemed to cure any Indenture Event of Default which arose from such failure of the Company as of such date of payment (but such cure shall not relieve the Company of any of its obligations). If, on the basis specified in the preceding sentences, any Lease Events of Default shall have been remedied, then any declaration pursuant to this Indenture that the Certificates are due and payable or that an Indenture Event of Default exists hereunder, based solely upon such Lease Events of Default, shall be deemed to be rescinded, and, in the case of the first and second sentences of this Section 8.03(e)(i), the Owner Participant or the Owner Trustee shall (to the extent of any such payments made by it) be subrogated to the rights of the Holders of the Certificates under Section 3.03, to receive from the Indenture Trustee such payment of overdue Basic Rent or other amount (and the payment of interest on account of such Basic Rent or other amount being overdue) and shall be entitled, so long as no other Indenture Event of Default or Indenture Default shall have occurred and be continuing or would result therefrom, to receive, subject to the provisions of this Indenture, such payment upon receipt thereof by the Indenture Trustee; provided, that the Owner Participant shall not otherwise attempt to recover any such amount paid by it on behalf of the Company pursuant to this Section 8.03(e)(i) except by demanding payment of such amount or by commencing an action at law against the Company for the payment of such amount; and provided, further, that:

(x) this Section 8.03(e)(i) shall not apply with respect to any default in the payment of Basic Rent due under the Lease if the Lessee itself shall have theretofore failed to pay Basic Rent in the manner required under the Lease (after giving effect to any applicable grace period) (i) due on each of the two Rent Payment Dates immediately preceding the date of such default, or (ii) due on a total of four Rent Payment Dates; and

(y) neither the Owner Trustee nor the Owner Participant

shall have the right to cure any Lease Event of Default except as specified in this Section 8.03(e)(i).

(ii) In the event that (A) at any time one or more Lease Events of Default shall have occurred and be continuing for a period of 180 days during which the Holders or the Indenture Trustee shall not have been stayed or otherwise precluded by operation of law from taking action to accelerate the Certificates or to exercise remedies hereunder or under the Lease or (B) the Certificates shall have been accelerated pursuant to Section 8.02, the Owner Trustee or the Owner Participant may, at its option, give at least 30 days' prior irrevocable notice to the Indenture Trustee that the Owner Trustee or the Owner Participant will redeem (except subsequent to the establishment of the Redemption Date in respect of the Certificates) or purchase all Certificates then Outstanding on a date determined consistently with the applicable provisions of Article 6 and, concurrently with such notice, the Owner Trustee or the Owner Participant will deposit with the Indenture Trustee an amount sufficient to redeem (except subsequent to the establishment of the Redemption Date in respect of the Certificates) or purchase at the applicable Redemption Price determined in accordance with Article 6 all Certificates then Outstanding (including, when applicable, an estimate of the Premium to be paid on the Redemption Date computed using the Treasury Yield determined as if the Redemption Date were the date of such notice) and to pay the Indenture Trustee all amounts then due it hereunder, which funds shall be held by the Indenture Trustee as provided in Section 9.04. Subject to the subsequent satisfaction by the Owner Trustee of its obligations pursuant to the next following sentence, upon the giving of such notice and the receipt by the Indenture Trustee of such deposit, the Indenture Trustee shall deem all instructions received from the Owner Trustee as having been given by the Holders of

100% of the Outstanding principal amount of Certificates for all purposes of this Indenture. If such notice is given, the Owner Trustee further agrees that it will deposit or cause to be deposited with the Indenture Trustee, on or prior to the applicable Redemption Date, whether or not an Indenture Event of Default is then continuing, funds sufficient, when added to the funds already held by the Indenture Trustee for such purpose, to redeem or purchase at the applicable Redemption Price (including the Break Amount or Premium (if the Redemption Price includes Premium) actually payable in respect thereof, if any, and all other amounts payable to the Holders hereunder or under any other Operative Agreement on such Redemption Date) all Certificates then Outstanding and to pay the Indenture Trustee all amounts then due it hereunder.

(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 which arises solely by reason of one or more events or circumstances which constitute a Lease Event of Default unless the Indenture Trustee as security assignee of the Owner Trustee shall have exercised or concurrently be exercising one or more of the remedies provided for in Section 15 of the Lease with respect to the Aircraft, provided, that the requirement to exercise such remedies under the Lease shall not apply in circumstances where the Indenture Trustee is involuntarily stayed or otherwise prohibited by applicable law or court order from exercising such remedies under the Lease after the Section 1110 Period. The "Section 1110 Period" shall mean the period commencing on the date of such stay or prohibition and ending on the earlier of (x) the 60th day thereafter (or such longer period (A) as may be specified in Section 1110(a)(1) of the Bankruptcy Code, (B) equal to the period of an extension with the consent of the Indenture Trustee of the 60-day period specified therein pursuant to Section 1110(b) of the Bankruptcy Code, or (C) resulting from the Indenture Trustee's own failure to give any requisite notice to any Person) and (y) the date of repossession of the Aircraft. References in this sentence to particular sections of the Bankruptcy Code as in effect on the date hereof shall include any substantially similar successor provisions.

(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 shall have occurred and be continuing, neither the Indenture Trustee nor the Owner Trustee shall take any action in violation of the Company's rights under the Lease, including, without limitation, (x) the right to receive all monies due and payable to it in accordance with the provisions of the Lease and (y) the Company's rights to possession and use of, and of quiet enjoyment of, the Aircraft.

(g) 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 Owner Trustee or the Company or to be an acquiescence therein.

SECTION 8.04. WAIVER OF OWNER TRUSTEE. To the extent now or at any time hereafter enforceable under applicable law, the Owner Trustee covenants that it 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 appraisement of the Indenture Estate 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 Owner Trustee acquiring any interest in or title to the Indenture Estate or any part thereof subsequent to the date of this Agreement, 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 the Owner Trustee of its rights under Section 8.03(e).

The Indenture Trustee may maintain such a pleading, or in any manner whatsoever claim or take any benefit or advantage of or from any law now or hereafter in force 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 under this Agreement 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 aggregate principal amount of the Outstanding Certificates by notice to the Indenture Trustee may waive on behalf of the Holders an existing Indenture Default or Indenture Event of Default and its consequences except (i) an Indenture Default or Indenture Event of Default in the payment of the principal of or interest on any Certificate or (ii) in respect of a covenant or provision hereof which pursuant to Section 11.02 cannot be amended or modified without the consent of the Holder affected.

SECTION 8.06. CONTROL BY MAJORITY. The Holders of a majority in aggregate principal amount of the Outstanding Certificates 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. 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, without satisfactory indemnity from the Holders, subject the Indenture Trustee to personal liability.

SECTION 8.07. LIMITATION ON SUITS BY HOLDERS. A Holder of a Certificate 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 under this Agreement;

(2) the Holders of at least 25% in aggregate principal amount of the Outstanding Certificates 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 do not give the Indenture Trustee a direction inconsistent with the request.

A Holder may not use this Agreement to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 8.08. RIGHTS OF HOLDERS TO RECEIVE PAYMENT. Notwithstanding any other provision of this Agreement the right of any Holder to receive payment of principal of, Premium or Break Amount, if any, and interest on such Holder's 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 of the Holders allowed in any judicial proceedings relating to any obligor on the Certificates, its creditors, or its property.

ARTICLE 9

INDENTURE TRUSTEE

SECTION 9.01. DUTIES OF INDENTURE TRUSTEE.

(a) The Indenture Trustee will furnish to each Certificate Holder promptly upon receipt thereof, duplicates or copies of all reports, notices, requests, demands, certificates, financial statements and other instruments furnished to the Indenture Trustee under any Operative Agreement or received from the Owner Trustee pursuant to Section 4.01(vi) to the extent the same shall not have been otherwise directly distributed to the Holders pursuant to the express provision of any other Operative Agreement.

(b) Subject to the terms of Sections 8.03(e), 8.05, 8.06, 9.01(c), 11.02 and 11.06, upon the written instructions at any time and from time to time of Holders of a majority in aggregate principal amount of the Outstanding Certificates, the Indenture Trustee shall take such of the following actions as may be specified in such instructions: (i) exercise such election or option, or make such decision or determination, or give such notice, consent, waiver or approval or exercise such right, remedy or power or take such other action hereunder or under any other Operative Agreement or in respect of any part or all of the Indenture Estate as shall be specified in such instructions; (ii) take such action with respect to, or to preserve or protect, the Indenture Estate (including the discharge of Liens) as shall be specified in such instructions and as are consistent with this Indenture; and (iii) take such other action in respect of the subject matter of this Indenture as is consistent with the terms hereof and the other Indenture Documents. The Indenture Trustee will execute and the Owner Trustee will file or cause to be filed such continuation statements with respect to financing statements relating to the security interest created hereunder in the Indenture Estate as may be specified from time to time in written instructions of Holders of a majority in aggregate principal amount of the Outstanding Certificates (which instructions may, by their terms, be operative only at a future date and which shall be accompanied by the execution form of such continuation statement so to be filed).

(c) The Indenture Trustee shall not be required to take any action or refrain from taking any action under Section 8.06 or 9.01(b) unless the Indenture Trustee shall have been indemnified by the Holders against any liability, cost or expense (including counsel fees) which may be incurred in connection therewith. The Indenture Trustee shall not be under any obligation to take any action under this Agreement and nothing in this Agreement contained shall require the Indenture 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. The Indenture Trustee shall not be required to take any action under Section 8.06 or 9.01(b), nor shall any other provision of this Indenture be deemed to impose a duty on the Indenture Trustee to take any action, if the Indenture Trustee shall have been advised by counsel that such action is contrary to the terms hereof or is otherwise contrary to law.

(d) The Indenture Trustee shall not have any duty or

obligation to use, operate, store, lease, control, manage, sell, dispose of or otherwise deal with the Aircraft or any other part of the Indenture Estate, or to otherwise take or refrain from taking any action under, or in connection

with, this Indenture or any part of the Indenture Estate, except as expressly provided by the terms of this Indenture or as expressly provided in written instructions from Holders as provided in this Indenture; and no implied duties or obligations shall be read into this Indenture against the Indenture Trustee.

(e) The Owner Trustee and the Indenture Trustee agree that they will not use, operate, store, lease, control, manage, sell, dispose of or otherwise deal with the Aircraft or any other part of the Indenture Estate except (i) in accordance with the terms of the Lease or the Participation Agreement, or (ii) in accordance with the powers granted or reserved to, or the authority conferred upon, the Owner Trustee and the Indenture Trustee pursuant to this Indenture and in accordance with the express terms hereof.

(f) Subject to the provisions of Section 9.04, the Indenture Trustee shall not be liable for interest on any money received except as otherwise provided in any other Operative Agreement. Money held in trust by the Indenture Trustee need not be segregated from other funds except to be extent required by law.

SECTION 9.02. RIGHTS OF INDENTURE TRUSTEE. (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.

(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 the 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 the Owner Trustee, the Company and the Indenture Trustee, officer's certificates or opinions of counsel provided by the Company or the Owner Trustee.

(c) The Indenture Trustee may act 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 shall have occurred and be continuing no such agents shall be appointed by the Indenture Trustee 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.

(e) If an Indenture Event of Default under this Agreement has occurred and is continuing, the Indenture Trustee shall exercise its rights and powers under this Agreement, and shall use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

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 Owner Trustee, the Company or an Affiliate of the Owner Trustee or the

Company or a subsidiary of the 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.

SECTION 9.04. FUNDS MAY BE HELD BY INDENTURE TRUSTEE OR PAYING AGENT; INVESTMENTS. Any monies (including without limitation for purposes of this Section 9.04 Permitted Investments 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, 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 or (ii) at any time and from time to time, so long as no Lease Default (of the type described in Section 14.1 or 14.5 of the Lease) or Lease Event of Default 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 the Owner Trustee, shall be invested and reinvested in Permitted Investments 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 until so sold; provided, that the Company, on behalf of the Owner Trustee, as agent of the 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 Lease Default (of the type referred to in Section 14.1 or 14.5 of the Lease) or Lease Event of Default shall have occurred and be continuing, be entitled to receive from the Indenture Trustee, and the Indenture Trustee on behalf of the Owner Trustee, shall promptly pay to the Company pursuant to Section 22.1 of the Lease, any profit, income, interest, dividend or gain realized upon maturity, sale or other disposition of any Permitted Investment. If any Lease Default (of the type referred to in Section 14.1 or 14.5 of the Lease) or 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 the 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 Section 9.04.

SECTION 9.05. NOTICE OF DEFAULTS. If an Indenture Event of Default under this Agreement occurs and is continuing and the Indenture Trustee has actual knowledge of same, the Indenture Trustee shall (i) promptly send written notice thereof to the Company, the Owner Trustee and the Owner Participant and, so long as the Series SWA 1996 Trust N620SW-I Certificates shall be Outstanding, the Holders thereof and (ii) within 90 days after it occurs, mail to each other Holder notice of all uncured Indenture Events of Default under this Agreement. Except in the case of a default in the payment of the principal of, Premium, if any, or interest on any Certificates or during any period when the Series SWA 1996 Trust N620SW-I Certificate shall be Outstanding, Break Amount, 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. In addition, if an Indenture Default under this Agreement occurs and is continuing and if the Indenture Trustee has actual knowledge of same, the Indenture Trustee shall promptly send written notice thereof to the Company, the Owner Trustee and the Owner Participant and, so long as the Series SWA 1996 Trust N620SW-I Certificates shall be Outstanding, the Holders thereof.

SECTION 9.06. COMPENSATION AND INDEMNITY. (a) The Owner Trustee shall pay to the Indenture Trustee from time to time (i) reasonable compensation for its services, which compensation shall not be limited by any law on compensation of a trustee of an express trust, (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 (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 it arising out of or in connection with its acceptance or administration of the trust or trusts hereunder except (A) as such expenses or loss or liability might result from the gross negligence or willful misconduct of the Indenture Trustee or the inaccuracy of any representation or warranty of the Indenture Trustee in its individual capacity in Section 8 of the Participation Agreement or failure by the Indenture Trustee to perform its payment and investment obligations hereunder, (B) as otherwise provided in Section 9.10 and (C) as otherwise excluded by the terms of Sections 7(b) and 7(c) of the Participation Agreement from the Company's indemnities under said Sections; provided, that the Indenture Trustee shall not make any claim under this Section 9.06(a) for any claim or expense indemnified against by the Company under the Participation

Agreement without first making demand on, and pursuing such demand on a reasonable basis for a reasonable length of time, the Company for payment of such claim or expense. The Indenture Trustee shall notify the Owner Trustee and the Company promptly of any claim for which it is entitled to be indemnified hereunder. Subject to the conditions and procedures equivalent to those set forth in Sections 7(b) and 7(c) of the Participation Agreement, the Owner Trustee shall defend the claim and the Indenture Trustee shall cooperate in the defense. The Indenture Trustee may have separate counsel and the Owner Trustee shall pay the reasonable fees and expenses of such counsel. The 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 pursuant to this Section 9.06, the Indenture Trustee shall have a lien prior to that of the Holders of the Certificates on all money or property constituting a part of the Indenture Estate held or collected by the Indenture Trustee, except that held in trust to pay the principal of, and interest on, the Certificates.

SECTION 9.07. 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.

(b) The Indenture Trustee may resign by giving at least 30 days' prior written notice to the Company, the Owner Trustee and the Holders of a majority in aggregate principal amount of the Outstanding Certificates. The Holders of a majority in aggregate principal amount of the Outstanding Certificates may remove the Indenture Trustee by giving at least 30 days' prior written notice to the Indenture Trustee, the Owner Trustee and the Company and may appoint a successor Indenture Trustee with the Owner Trustee's and the Company's consent. At such time as Series SWA

1996 Trust N620SW Certificates are Outstanding, the Owner Trustee may remove the Indenture Trustee if:

(1) the Indenture Trustee fails to comply with Section 9.09, fails to perform its payment obligations hereunder or otherwise fails to perform any of its material obligations hereunder;

(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 for any reason, Holders of a majority in aggregate principal amount of the Certificates or, at such time as Series SWA 1996 Trust N620SW Certificates are Outstanding, the Owner Trustee, shall promptly appoint a successor Indenture Trustee.

(d) If a successor Indenture Trustee does not take office within 30 days after the retiring Indenture Trustee resigns or is removed, the retiring Indenture Trustee, the Company, the Owner Trustee or the Holders of a majority in aggregate principal amount of the Outstanding Certificates may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

(e) If the Indenture Trustee fails to comply with Section 9.09, any Holder may petition any court of competent jurisdiction for the removal of such Indenture Trustee and the appointment of a successor Indenture Trustee.

(f) A successor Indenture Trustee shall deliver a written acceptance of its appointment to the retiring Indenture Trustee, to the Company and to the Owner Trustee. 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 provided for in Section 9.06. The successor Indenture Trustee shall give notice of each appointment of a successor Indenture Trustee if there are Certificates Outstanding, by mailing written notice of such event by first-class mail to the Holders.

(g) All provisions of this Section 9.07 except subparagraphs (b)(l) and (e) and the words "subject to the lien provided for in Section 9.06" in subparagraph (f) shall apply also to any Paying Agent.

SECTION 9.08. 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 9.09. ELIGIBILITY; DISQUALIFICATION. This Agreement shall at all times have an Indenture Trustee which shall have a combined capital and surplus of at least $100,000,000 and shall be a "citizen of the United States" as defined in 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 9.09, 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 9.09, the Indenture Trustee shall resign immediately in the manner and with the effect specified in Section 9.07.

SECTION 9.10. 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 which are either (i) attributable to the Indenture Trustee in its individual capacity and which are unrelated to the transactions contemplated by the Operative Agreements, or (ii) which are attributable to the Indenture Trustee as trustee hereunder or in its individual capacity and which arise out of acts or omissions which are not expressly contemplated by this Agreement.

SECTION 9.11. WITHHOLDING TAXES; INFORMATION REPORTING. Without limitation of subsections 15.05(d) and 15.05(e), the Indenture Trustee shall exclude and withhold from each distribution of principal, Premium, if any, Break Amount, if any, and interest and other amounts due hereunder or under the Certificates any and all withholding taxes applicable thereto as required by law. 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, 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 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. Such withholding by the Indenture Trustee shall in no event give rise to an Indenture Event of Default.

SECTION 9.12. [RESERVED FOR POTENTIAL FUTURE USE]

SECTION 9.13. CERTAIN RIGHTS OF OWNER TRUSTEE AND OWNER PARTICIPANT. Notwithstanding any other provisions of this Indenture, including the Granting Clause, the following rights shall be reserved to the Owner Trustee or the Owner Participant, as the case may be (as separate and independent rights) to the extent described herein:

(a) at all times the Owner Trustee and the Owner Participant shall have the right, together with the Indenture Trustee, to receive from the Lessee all notices, certificates, reports,

filings, opinions of counsel and other documents and all information which the Company is permitted or required to give or furnish to the Owner Trustee or the Lessor pursuant to any Indenture Document;

(b) at all times (unless otherwise specified in the Lease) the Owner Trustee shall have the right (1) to the exclusion of the Indenture Trustee but subject to and without affecting the provisions of Section 11.06, (i) to exercise the rights, elections and options of the Lessor to make any decision or determination to exercise rights and to give any notice, consent, waiver or approval under Section 3.7 or (with respect to liability insurance for the Owner Participant and Owner Trustee) 11, of the Lease and Sections 17 and 18 of the Participation Agreement, (ii) to exercise the rights, elections and options of the Lessor with respect to the termination of the Lease and solicitations of bids and appraisals pursuant to Section 9 of the Lease, or with respect to renewals or purchase options and terminations to take effect upon or after the payment in full (or assumption by the Company) of the obligations secured hereby, (iii) to effect cures pursuant to Section 20 of the Lease; provided that this will not be deemed to cure the related Event of Default unless permitted by the terms of Section 8.03(e)(i), and (iv) to maintain and exercise all rights regarding separate insurance with respect to the Aircraft for its own account pursuant to Section 11.7 of the Lease (provided, that no such insurance impairs or reduces coverage under any insurance required to be maintained by the Company under Section 11 of the Lease) and (2) so long as no Indenture Event of Default shall have occurred and be continuing, (x) during the Floating Period, together with the Indenture Trustee (agreement of both being required) and (y) during the Fixed Period, to the exclusion of the Indenture Trustee (i) to approve as satisfactory any other accountants, inspectors, engineers or counsel to render services for or issue opinions to the Owner Trustee, together with the contents of any certificates and opinions to be delivered by such Persons, in each case pursuant to express provisions of the Operative Agreements and (ii) to grant such consents, approvals and waivers as may be requested under the Indenture Documents and (3) together with the Indenture Trustee (each acting separately), to request all certificates and documents of Lessee, to request assignment of any sublease of the Aircraft and to exercise inspection rights pursuant to Section 12 of the Lease;

(c) at all times, the Owner Trustee shall have the non-exclusive right, as Lessor, to seek specific performance of the covenants of the Company under the Lease relating to the protection, insurance, maintenance, possession and use of the Aircraft and to obtain performance by Lessee under Sections 11(a) and (b) of the Participation Agreement; and

(d) at all times each of the Owner Trustee (as Owner Trustee, individually and as Lessor) and the Owner Participant shall have the right, to the exclusion of the Indenture Trustee, to demand, collect, sue for or receive the payment of, and waive, modify or otherwise deal with Excluded Payments due and payable to it, and, in the case of the Owner Participant, to give the written notice referred to in the proviso to Section 14.1 of the Lease.

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, and the Owner Trustee and the Indenture Trustee shall, except as herein provided, be deemed to have been discharged from their respective obligations with respect to the Certificates (and the Indenture Trustee, on demand and at the expense of the Owner Trustee, shall execute proper instruments acknowledging satisfaction and discharge of this Agreement in respect of the Certificates), when

(a) (i) all Certificates theretofore executed and delivered (other than (A) Certificates which have been mutilated, destroyed, lost or stolen and which have been replaced or exchanged as provided in Section 2.06 and (B) Certificates 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 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 upon acceleration), 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 not theretofore canceled by the Indenture Trustee or delivered to the Indenture Trustee for cancellation, an amount of cash and/or Government Obligations sufficient to discharge such indebtedness, including the principal of, Premium, if any, and interest on the Certificates 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 and, in the case of the Series SWA 1996 Trust N620SW-I Certificate, Break Amount, if any, and all other amounts payable to the Original Holder hereunder or under any other Operative Agreement; or

(iii) the Certificates shall have been defeased as provided in Section 10.05; provided, however, that upon the making of the deposit referred to in subsection A of Section 10.05, the right of the Owner Trustee or the Company to cause the redemption of Certificates (except a redemption in respect of which irrevocable notice has theretofore been given) shall terminate;

(b) all other amounts then due and payable hereunder have been paid; and

(c) the Company on behalf of the Owner Trustee has delivered to the Indenture Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or 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, the obligations of the Indenture Trustee contained in Sections 2.01 through 2.08,

2.10, Section 7.01, Section 9.11, Section 10.03 and Section 10.04, and the rights, duties, immunities and privileges hereunder of the Indenture Trustee shall survive.

SECTION 10.03. MONIES TO BE HELD IN TRUST. All money and Government Obligations deposited with the Indenture Trustee pursuant to Section 10.01 shall be held in trust and applied by it, in accordance with the provisions of the Certificates and this Agreement, to the payment in the case of the Series SWA 1996 Trust N620SW-I Certificates, as provided for in Section 15.04 or, in the case of the Series SWA 1996 Trust N620SW Certificates, either directly or through any Paying Agent as the Indenture Trustee may determine, to the Holders, of all sums due and to become due thereon for principal, Premium, if any, interest, and, in the case of the Series SWA 1996 Trust N620SW-I Certificates, Break Amount, if any, and all other amounts payable to the Holders hereunder or under any other Operative Agreement, 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 upon request of the Owner Trustee any money or 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 for which money or Government Obligations have been deposited pursuant to Section 10.01.

SECTION 10.05. DEFEASANCE. The Owner Trustee may, at any time, defease the interest of the Indenture Trustee in the Indenture Estate in whole, but not in part, through the deposit with the Defeasance Trustee, in accordance with the provisions of this Section 10.05, of cash and/or Government Obligations; provided, however, that such defeasance shall not be applicable in respect of the Series SWA 1996 Trust N620SW-I Certificates. Such deposit shall be made pursuant to a declaration or other appropriate instrument of trust satisfactory in form and substance to the Defeasance Trustee and the Indenture Trustee; such deposit shall be absolute and irrevocable and the instrument of trust shall expressly provide that the Owner Trustee shall have no further title to or interest in or power to direct the use or application of the cash and/or Government Obligations so deposited or any of the proceeds arising therefrom; such instrument shall state that the trust created thereby and the cash and/or Government Obligations deposited pursuant thereto are for the sole and exclusive benefit of the Holders and shall expressly provide that the Defeasance Trustee shall apply such cash and payments of principal and/or interest on such Government Obligations to, and only to, the punctual payment of the principal and interest on the Certificates as and when such payments become due (such declaration or instrument to contain appropriate provisions for the recording of transfers of Certificates and the names and addresses of the Holders); and the Owner Trustee shall agree to pay, as the same shall become due and payable, all fees, costs and charges of the Defeasance Trustee under such instrument of trust, including those which may become payable after

the date the conditions hereinbelow specified have been met. Upon compliance with the following conditions, and provided, that no Indenture Event of Default or Indenture Default shall have occurred and be continuing on a date 91 days after the date of the deposit of Government Obligations and/or cash with the Defeasance Trustee as provided in Subsection A below, the Owner Trustee's obligations with respect to the Certificates will be discharged and this Indenture shall terminate as provided in Section 10.01:

A. the Owner Trustee shall have deposited with the Defeasance Trustee absolutely and irrevocably (irrespective of whether the conditions in Subsections B, C, D and E of this

Section 10.05 have been satisfied) (1) cash and/or (2) Government Obligations which through the payment of principal and interest in respect thereof in accordance with their terms, without any reinvestment or further investment of the principal of or interest earned on such Government Obligations, will absolutely and unconditionally provide in any and all circumstances not later than one day before each Payment Date an amount sufficient to pay and discharge the payment of principal and interest to be due and payable on such Payment Date;

B. no Indenture Event of Default or Indenture Default shall have occurred and be continuing on the date of the deposit of cash and/or Government Obligations as contemplated hereby;

C. the Owner Trustee shall have delivered to the Defeasance Trustee and to the Certificate Holders written confirmation by a nationally recognized firm of independent public accountants (other than the accounting firm then serving as First Union National Bank of North Carolina's or the Owner Participant's regular auditors) selected by the Owner Trustee, the form and substance of which confirmation and the identity of such accounting firm shall be satisfactory to the Indenture Trustee, that the Government Obligations deposited for payment of the Certificates, together with any cash deposited by the Owner Trustee, are sufficient to satisfy the requirements of Subsection A hereof;

D. the Owner Trustee shall have delivered to the Defeasance Trustee, the Indenture Trustee and the Certificate Holders an opinion of counsel in form and substance satisfactory to the Indenture Trustee to the effect that (1) the trust declaration or other instrument, as the case may be, is legal, valid, binding and enforceable in accordance with its terms for the sole benefit and use of the Holders, is irrevocable and the Government Obligations and/or cash deposited thereunder and the proceeds thereof and therefrom are held by the Defeasance Trustee thereunder in trust solely for the benefit of the Holders and will not be subject to any valid interest, lien, claim or encumbrance of any other Person, including the Owner Trustee or the Owner Participant or any Person claiming by, through, under or in the name or on behalf of the Owner Trustee or the Owner Participant or any creditor or beneficiary of the Owner Trustee or the Owner Participant, or by any court or trustee in bankruptcy and (2) such deposit will not constitute a preferential transfer or a fraudulent conveyance under any bankruptcy or other similar law and shall cover such other matters as the Indenture Trustee may reasonably require in connection with such final deposit and matters relating thereto;

E. the Owner Trustee shall have delivered to the Defeasance Trustee, the Indenture Trustee and the Certificate Holders an Officers' Certificate and an Opinion of Counsel (1) to the effect that there has been published by the Internal Revenue Service a ruling, or (2) since the date of this Agreement that there has been a change in or clarification of the applicable Federal income tax law, in either case to the effect that Holders will not recognize income, gain or loss for Federal income tax purposes as a result of the exercise by the Owner Trustee of its option under Section 10.01(a)(iii) and will be subject to Federal income tax on the same amounts and in the same manner and at the same times, as would have been the case if such option had not been exercised; and

F. the Owner Trustee shall have (1) taken such further action and executed such further documents as may be reasonably required by any Holder, the Indenture Trustee or the

Defeasance Trustee and (2) delivered to the Defeasance Trustee, the Indenture Trustee and to the Holders a certificate of a Responsible Officer of the Owner Trustee stating that all conditions precedent herein to the defeasance of the Certificates contemplated by this Section 10.05 have been satisfied.

The Owner Participant will pay all expenses (including, without limitation, reasonable legal fees) incident to the implementation of the transactions contemplated by this Section 10.05.

For the purpose of this Article 10, the following terms have the following definitions:

"Defeasance Trustee" shall mean an institution authorized to transact in the State of New York the business of a trust company selected by the Owner Trustee and approved by the Indenture Trustee; provided, that at the time of the delivery of cash and/or Government Obligations pursuant to this Section 10.05, the institution selected shall have a combined capital and surplus of at least $500,000,000 and shall not be an Affiliate of the Company, the Owner Participant or First Union National Bank of North Carolina.

"Government Obligations" shall mean direct U.S. Dollar obligations of the United States of America which are not callable, redeemable or prepayable, directly or indirectly, by any Person.

ARTICLE 11

AMENDMENTS AND WAIVERS

SECTION 11.01. AMENDMENTS TO THIS AGREEMENT WITHOUT CONSENT OF HOLDERS. The Owner Trustee and the Indenture Trustee may enter into one or more agreements supplemental hereto without the consent of any Holder for any of the following purposes:

(1) to correct any mistake or cure any ambiguity, defect or inconsistency herein or in the Certificates or to make any change not inconsistent with the provisions hereof; provided, that such change does not adversely affect the interests of any Holder;

(2) to evidence the succession of another party as the Owner Trustee in accordance with the terms of the Trust Agreement or to evidence (in accordance with Article 9) the succession of a new trustee hereunder, the removal of the trustee hereunder or the appointment of any co-trustee or co-trustees or any separate or additional trustee or trustees;

(3) 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;

(4) 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 to subject to the Lien of this Agreement the Airframe or Engines or airframe or engines substituted for the Airframe or Engines in accordance herewith or with the Lease; provided,

that Trust Supplements entered into for the purpose of subjecting to the Lien of this Agreement the Airframe or Engines (or the Replacement Airframe or any Replacement Engines) in accordance with the Lease need only be executed by the Owner Trustee;

(5) to add to the covenants of the Owner Trustee, for the benefit of the Holders, or to surrender any rights or power herein conferred upon the Owner Trustee or the Owner Participant;

(6) to add to the rights of the Holders;

(7) to provide for the assumption by the Company of the obligations of the Owner Trustee hereunder in accordance with the terms and conditions applicable thereto specified in Section 7.03;

(8) to provide for the redemption of the Series SWA 1996 Trust N620SW-I Certificate and the issuance of the Series SWA 1996 Trust N620SW Certificates in accordance with the terms and conditions applicable thereto specified in Article 15; or

(9) to include on the Certificates any legend as may be required by applicable law.

SECTION 11.02. AMENDMENTS TO THIS AGREEMENT WITH CONSENT OF HOLDERS. (a) With the written consent of the Holders of a majority of the aggregate principal amount of the Outstanding Certificates, the Owner Trustee and the Indenture Trustee may enter into such supplemental agreements to add any provisions to or to change or eliminate any provisions of this Agreement or of any such supplemental agreements or to modify the rights of the Holders; provided, however, that without the consent of each Holder affected thereby, an amendment under this Section 11.02 may not:

(1) reduce the principal amount of, Premium or Break Amount, if any, or any installment of interest on, any Certificate; or

(2) change the date on which any principal amount of, any Installment Payment Amount payable with respect to, Premium or Break Amount, if any, or interest on any Certificate, is due or payable; or

(3) create any Lien on the Indenture Estate prior to or pari passu with the Lien thereon under this Agreement except such as are permitted by this Agreement, or deprive any Holder of the benefit of the Lien on the Indenture Estate created by this Agreement; or

(4) reduce the percentage in principal amount of the Outstanding Certificates, 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 Section 8.05, 8.08, or (but only for so long as the Series SWA 1996 Trust N620SW-I Certificates shall be Outstanding) Article 15, or this Section 11.02(a).

(b) It is not necessary under this Section 11.02 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 and the Indenture Trustee of any supplemental agreement pursuant to the provisions of this Section 11.02, the Indenture Trustee shall transmit by first-class mail a notice, setting forth in general terms the substance of such supplemental agreement, to all Holders, as the names and addresses of such Holders appear on the Register. Any failure of the Indenture Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

SECTION 11.03. REVOCATION AND EFFECT OF CONSENTS. Until an amendment or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder, even if notation of the consent is not made on any Certificate. However, any such Holder or subsequent Holder may revoke the consent as to his Certificate if the Indenture Trustee receives the notice of revocation before the date the amendment or waiver becomes effective. After an amendment or waiver becomes effective, it shall bind every Holder affected by such amendment or waiver.

SECTION 11.04. 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 execute new Certificates that reflect the amendment or waiver.

SECTION 11.05. INDENTURE TRUSTEE PROTECTED. The Indenture Trustee need not sign any supplemental agreement that adversely affects its rights.

SECTION 11.06. AMENDMENTS, WAIVERS, ETC. OF OTHER OPERATIVE AGREEMENTS. (a) Subject to Sections 9.13 and 11.01, without the consent of the Holders of a majority in principal amount of Outstanding Certificates, the

respective parties to the Participation Agreement, the Lease and the Trust Agreement may not modify, amend or supplement any of said agreements, or give any consent, waiver, authorization or approval thereunder, for any purpose, including adding any provisions to or changing in any manner or eliminating any of the provisions thereof or modifying in any manner the rights of the respective parties thereunder; provided, however, that the actions specified in subsection (b) of this Section 11.06 may be taken without the consent of the Indenture Trustee or any Holder.

(b) Subject to the provisions of subsection (c) of this Section 11.06, the respective parties to the Participation Agreement, the Lease and the Trust Agreement, at any time and from time to time without the consent of the Indenture Trustee or of any Holder may:

(1) so long as no Indenture Event of Default shall have occurred and be continuing, modify, amend or supplement the Lease, or give any consent, waiver, authorization

or approval with respect thereto, except that without compliance with subsection (a) of this Section 11.06 (except as specifically provided below) the parties to the Lease shall not modify, amend or supplement, or give any consent, waiver, authorization or approval 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, with respect to the following provisions of the Lease as originally executed: Sections 2, 3.1, 3.2 (if the result thereof would be to shorten the Term of the Lease to a period shorter than the period ending with the final Principal Payment Date, Installment Date or Maturity Date of the Certificates), 3.3, 3.4, 3.5 (except to the extent such Section relates to Excluded Payments and amounts payable to the Indenture Trustee in its individual capacity), 3.6 (except insofar as it relates to the address or account information of the Owner Trustee or the Indenture Trustee), 4, 5 (but only insofar as it relates to return condition upon termination of the Lease pursuant to Section 15), 6, 7 (except that further restrictions may be imposed on the Company), 9, 10 (except that additional requirements may be imposed on the Company), 11 (except for Section 11.6 insofar as such Section relates to the Owner Participant and the Lessor and except that additional insurance requirements may be imposed on the Company), 12 (except in order to increase the Company's liabilities or enhance the Lessor's rights thereunder), 13 (except in the case of an assignment by the Lessor in circumstances where the Aircraft shall remain registrable under the Federal Aviation Act), 14 (except to impose additional or more stringent Lease Events of Default), 15 (except to impose additional remedies), 16, 17, 18.2(b) (except to impose additional requirements on the Company), 19, 20, 21 and 22, and (i) any definition of terms used in the Lease, to the extent that any modification of such definition would result in a modification of the Lease not permitted pursuant to this subsection (b) and (ii) any other provision of the Lease not hereinabove referred to if the modification, amendment or supplement thereto, or consent, waiver, authorization or approval in respect thereof would adversely affect the Indenture Trustee's interest in the Trust Estate, reduce Lessee's obligations in respect of maintaining the Aircraft or otherwise impair the value of the Trust Estate; provided, that in the event an Indenture Event of Default shall have occurred and be continuing, the Indenture Trustee shall have all rights of the Owner Trustee as Lessor under the Lease to modify, amend or supplement the Lease or give any consent, waiver, authorization or approval thereunder, for any purpose, including, 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 Lessor thereunder; provided, further, that without the prior consent of the Owner Trustee, and whether or not an Indenture Event of Default shall have occurred and be continuing, no such action shall be taken with respect to any of the provisions of Sections 1 (to the extent any modification of a definition contained therein would result in a modification of the Lease not permitted by this proviso), 3.7, 4, 5 (to the extent not related to return upon termination of the Lease pursuant to Section 15 of the Lease), 6 (to the extent such action would reduce the Company's obligations), 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 (insofar as it relates to the Lessor), 18, 19, 20, 21 and 22 of the Lease, or any other Section of the Lease to the extent such action shall affect the amount or timing of any amounts payable by the Company under the Lease as originally executed (or as subsequently modified with the consent of the Owner Trustee) which, absent the occurrence and continuance of an Indenture Event of Default, will be distributable to the Owner Trustee under Article 3; and provided, further, that the parties to the Lease may take any such action

without the consent of the Indenture Trustee or any Holder to the extent such action relates to the payment of amounts constituting, or the

Owner Trustee's, the Owner Participant's or the Company's rights or obligations with respect to, Excluded Payments;

(2) modify, amend or supplement the Trust Agreement, or give any consent, waiver, authorization or approval with respect thereto, in each case only to the extent any such action shall not adversely affect the interests of the Holders;

(3) modify, amend or supplement the Participation Agreement, or give any consent, waiver authorization or approval with respect thereto, except that without compliance with subsection (a) of this Section 11.06 the parties to the Participation Agreement shall not modify, amend or supplement, or give any consent, waiver, authorization or approval 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, with respect to the following provisions of the Participation Agreement as originally executed: Sections 1(b), 7 (insofar as such Section 7 relates to the Indenture Trustee and the Holders), 8, 11, 13, 17, 18 and 19 and (i) any definition of terms used in the Participation Agreement, to the extent that any modification of such definition would result in a modification of the Participation Agreement not permitted pursuant to this subsection (b) and (ii) any other provision of the Participation Agreement not hereinabove referred to if the modification, amendment or supplement thereto, or consent, authorization or approval in respect thereof would adversely affect the Indenture Trustee's interest in the Trust Estate or otherwise impair the value of the Trust Estate; and

(4) modify, amend or supplement any of said agreements in order to cure any ambiguity, to correct or supplement any provisions thereof which may be defective or inconsistent with any other provision thereof or of any provision of this Indenture, or to make any other provision with respect to matters or questions arising thereunder or under this Agreement which shall not be inconsistent with the provisions of this Agreement, provided the making of any such other provision shall not adversely affect the interests of the Holders.

(c) No modification, amendment, supplement, consent, waiver, authorization or approval with respect to the Lease or the Participation Agreement, whether effected pursuant to subsection (a) or pursuant to subsection (b) of this Section 11.06 and anything in such subsections or elsewhere in this Agreement to the contrary notwithstanding, shall, without the consent of the holder of each Outstanding Certificate affected thereby,

(1) modify, amend or supplement the Lease in such a way as to extend the time of, or the manner of making any, payment of any Basic Rent, or Stipulated Loss Value or any other amounts payable to the Indenture Trustee for its own account or for the account of the Holders (subject in any event to the last paragraph of Section 3.3 of the Lease) upon the occurrence of an Event of Loss or Termination Value and any other amounts payable to the Indenture Trustee for its own account or for the account of the Holders (subject in any event to the last paragraph of Section 3.3 of the Lease) upon termination of the Lease with respect to the Aircraft, payable under, or as provided in, the Lease as originally executed, or reduce the amount of any installment of any Basic Rent or Supplemental Rent so that the same is less than the payment of principal of, Premium, if any, Break Amount, if any, and interest on the Certificates, as the case may be, to be made from such installment of any Basic Rent or

Supplemental Rent, or reduce the aggregate amount of Stipulated Loss Value, or any other amounts payable under, or as provided in, the Lease as originally executed upon the occurrence of an Event of Loss so that the same is less than the accrued interest on and the principal as of the Lease Loss Payment Date, and Break Amount, if any, of the Certificates at the time Outstanding or reduce the amount of

Termination Value or Special Purchase Price and any other amounts payable under, or as provided in, the Lease as originally executed upon termination of the Lease so that the same is less than the accrued interest on and principal as of the date of any such termination and Premium, if any, and Break Amount, if any of Certificates at the time Outstanding, or

(2) modify, amend or supplement the Lease in such a way as to, or consent to any assignment of the Lease or give any consent, waiver, authorization or approval which would, release the Company from its obligations in respect of payment of Basic Rent or Supplemental Rent, or Stipulated Loss Value and any other amounts payable to the Indenture Trustee for its own account or the account of the Holders (subject in any event to the last paragraph of Section 3.3 of the Lease) upon the occurrence of any Event of Loss, or Termination Value or Special Purchase Price and any other amounts payable to the Indenture Trustee for its own account or the account of the Holders (subject in any event to the last paragraph of Section 3.3 of the Lease), payable under, or as provided in, the Lease as originally executed, and except as provided in the Lease as originally executed.

SECTION 11.07. TRUST SUPPLEMENT. The Owner Trustee and the Indenture Trustee hereby confirm and agree that upon execution and delivery of any Trust Supplement covering the Aircraft by the Owner Trustee substantially in the form attached hereto as Exhibit C or any trust supplement covering a sublease of the Aircraft, this Agreement shall be supplemented by such Trust Supplement or such trust supplement without further action by the Owner Trustee or Indenture Trustee.

ARTICLE 12

MISCELLANEOUS

SECTION 12.01. 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 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 written communication, and any such notice shall be effective when delivered,

if to the Indenture Trustee, to:

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001

Attention: Corporate Trust Administration

Telex: 835437 WILM TR
Facsimile: (302) 651-8882
Telephone: (302) 651-1000

if to the Owner Trustee, to:

First Union National Bank of North Carolina
230 South Tryon Street, 9th Floor
Charlotte, North Carolina 28288-1179

Attention: Bond Administration

Telex: 684-3115 CHA FUN
Facsimile: (704) 383-7316
Telephone: (704) 383-5272

or if to any other Person, addressed to such Person as provided in the Participation Agreement.

(b) The Company, the Owner Trustee, the Indenture Trustee, the Owner Participant or the Original Holder 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 Series SWA 1996 Trust N620SW Certificates shall be mailed by first-class mail to the

addresses for Holders shown on the Register kept by the Registrar and to addresses filed with the Indenture Trustee for other Holders. Failure so to mail a notice or communication or any defect in such notice or communication shall not affect its sufficiency with respect to other Holders of such Certificates of that or any other series entitled to receive notice.

(d) If a notice or communication is mailed in the manner provided above within the time prescribed, it is conclusively presumed to have been duly given, whether or not the addressee receives it.

(e) 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 12.02. [RESERVED FOR POTENTIAL FUTURE USE]

SECTION 12.03. [RESERVED FOR POTENTIAL FUTURE USE]

SECTION 12.04. RULES BY INDENTURE TRUSTEE AND AGENTS. The Indenture Trustee may make reasonable rules for action by or a meeting of the Holders. The Paying Agent or Registrar may make reasonable rules and set reasonable requirements for its functions.

SECTION 12.05. NON-BUSINESS DAYS. With respect to the Series SWA 1996 Trust N620SW Certificates only, if a payment date is not a Business Day at a place of payment, payment may be made at such place on the next succeeding day that is a Business Day, and no interest shall accrue for the intervening period.

SECTION 12.06. GOVERNING LAW. THIS AGREEMENT AND THE CERTIFICATES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 12.07. NO RECOURSE AGAINST OTHERS. No director, officer, employee or stockholder, as such, of the Company, the Owner Trustee or the Owner Participant, as the case may be, shall have any liability for any obligations of the Company, the Owner Trustee or the 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 12.08. 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 12.09. APPLICABILITY ONLY TO ORIGINAL HOLDER. Notwithstanding any provision to the contrary herein, Sections 15.03 through 15.05 shall only be applicable to the Holders of Series SWA Trust N620SW-I Certificates.

SECTION 12.10. SEVERABILITY. Any provision of this Indenture which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

ARTICLE 13

ACTIONS TO BE TAKEN UPON TERMINATION OF LEASE

SECTION 13.01. ACTIONS TO BE TAKEN UPON TERMINATION OF LEASE. Upon any of:

(a) the voluntary termination of the Lease by the Company pursuant to Section 9 thereof on the Lease Termination Date, and upon payment to the Indenture Trustee of an amount equal to the Redemption Price of all Outstanding Certificates, or

(b) the purchase of the Aircraft by the Company at its option pursuant to Section 18.2 of the Lease on the Special Purchase Option

Date (unless the Company shall have elected to assume all of the rights and obligations of the Owner Trustee hereunder as provided for in Section 8(r) of the Participation Agreement), and upon payment to the Indenture Trustee of an amount equal to the Redemption Price as at the applicable Redemption Date of all Outstanding Certificates, or

(c) the termination of the Lease, on the Lease Loss Payment Date, following an Event of Loss suffered by the Airframe under circumstances where the Company does not exercise its option to substitute a Replacement Airframe therefor pursuant to Section 10.1.2 of the Lease, and upon payment to the Indenture Trustee of an amount equal to the Redemption Price as at the Redemption Date of all Outstanding Certificates, 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 shall terminate (except for the Lien on funds held by the Indenture Trustee to pay the Certificates and the Lien on amounts due from the Company under the Lease necessary to pay the Certificates or the Indenture Trustee) and the Indenture Trustee shall execute such instruments as may be requested by the Company or the Owner Trustee to evidence such termination (at the Company's or the Owner Trustee's expense).

ARTICLE 14

[RESERVED FOR POTENTIAL FUTURE USE]

ARTICLE 15

ISSUANCE AND APPLICATION OF PROCEEDS OF SERIES SWA 1996 TRUST N620SW CERTIFICATES; SPECIAL PROVISIONS GOVERNING REDEMPTION AND METHOD OF PAYMENT OF THE SERIES SWA 1996 TRUST N620SW-I CERTIFICATES; OTHER SPECIAL PROVISIONS RELATING TO THE SERIES SWA 1996 TRUST N620SW-I CERTIFICATES

SECTION 15.01. CONDITIONS PRECEDENT TO ISSUANCE OF SERIES SWA 1996 TRUST N620SW CERTIFICATES. The issuance of the Series SWA 1996 Trust N620SW Certificates pursuant to Section 18 of the Participation Agreement is subject to all conditions specified in such section.

Simultaneously with the satisfaction of such conditions, Lessee as agent for the Owner Trustee shall deliver to the Indenture Trustee a completed version of Exhibits B, B-1 and B-2 with

respect to the Series SWA 1996 Trust N620SW Certificates, which completed Exhibits B, B-1 and B-2 shall specify the maturities and principal amounts of the Series SWA 1996 Trust N620SW Certificates and the applicable interest rates, together with the reference dates for purposes of determining the Owner Trustee's rights to redeem such Certificates as provided for in the Operative Agreements. Such completed Exhibits B, B-1 and B-2 shall be deemed upon such delivery automatically to have been incorporated herein without further action of the parties hereto.

SECTION 15.02. PAYMENT UPON ISSUANCE OF SERIES SWA 1996 TRUST N620SW CERTIFICATES. Simultaneously with the receipt of the proceeds of the issuance of the Series SWA 1996 Trust N620SW Certificates, the Indenture Trustee, on behalf of the Owner Trustee, shall apply an amount equal to the Redemption Price of the Series SWA 1996 Trust N620SW-I Certificates to the redemption of the Series SWA 1996 Trust N620SW-I Certificates in accordance with Section 15.03.

SECTION 15.03. SPECIAL PROVISION GOVERNING REFINANCING OF THE SERIES SWA 1996 TRUST N620SW-I CERTIFICATE. Notwithstanding any other provision of this Agreement, as long as any Series SWA 1996 Trust N620SW-I Certificate is Outstanding, if a refinancing shall be effected pursuant to Section 17 or 18 of the Participation Agreement and if all the conditions to such refinancing set forth herein and in such Section 17 or 18 shall have been satisfied, the Series SWA 1996 Trust N620SW-I Certificates may be refinanced in whole at a Redemption Price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon to, but excluding, the applicable Redemption Date plus the Break Amount, if any, and any other amounts payable to the Holders thereof hereunder or under the Participation Agreement, but without any other premium or penalty; provided, however, that the applicable Redemption Date for the redemption of the Series SWA 1996 Trust N620SW-I Certificates pursuant to this Section 15.03 shall be the applicable Refinancing Date or

Section 18 Refinancing Date, as the case may be.

SECTION 15.04. SPECIAL PROVISION FOR PAYMENTS IN RESPECT OF THE SERIES SWA 1996 TRUST N620SW-I CERTIFICATE. Notwithstanding any other provision of this Agreement, all amounts payable in respect of the Series SWA 1996 Trust N620SW-I Certificates shall be paid by the Indenture Trustee (i) if to the Original Holder by FedWire transfer in immediately available funds in Dollars for the for credit to Chase Manhattan Bank, New York, ABA #021000021, in favor of Royal Bank of Canada, New York Branch, Account No. 920-1-0333-63, for further credit to Account No. 2185999, ref: Southwest Airlines, or (ii) if to any other Holder of such Certificates (or as may otherwise be directed by the Original Holder), to such account maintained by such Holder with any bank located in the United States and designated by such Holder to the Indenture Trustee, in any case without presentment or surrender of any Certificate, except that in the case of any final payment with respect to any Series SWA 1996 Trust N620SW-I Certificate, such Certificate shall be surrendered promptly thereafter to the Indenture Trustee by the Holder thereof for cancellation. Such payment shall be made by the Indenture Trustee, in the case of any such designated account in New York, New York, prior to 2:00 P.M., New York time, on the due date thereof if such payment is received by the Indenture Trustee by 1:00 P.M., New York time, or by 12:00 Noon, New York time on the next succeeding Business Day if such payment is received after 1:00 P.M., New York time. In the event the Indenture Trustee shall fail to make any such payment as provided in the immediately foregoing sentence after its receipt of funds at the place and prior to the time specified above, the Indenture Trustee, in its individual capacity and not as trustee, agrees to compensate the Certificate Holders for loss of use of funds in a commercially reasonable manner.

SECTION 15.05. INCREASED COSTS, BREAK AMOUNT, ADDITIONAL INTEREST, TAXES, ETC. (a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements which are provided for in subsection (c), below) after the Delivery Date in any law or regulation or in the interpretation thereof by any government or central bank or other governmental department, agency, board, service or governmental body charged with responsibility for the administration or interpretation thereof or (ii) the compliance with any guideline or request made after the Delivery Date by any government or central bank or other governmental department, agency, board, service or other governmental body (whether or not having the force of law), there shall be any increase in the cost to, or any reduction of the rate of return on assets or equity of, any Holder (or any of its Affiliates) of the Series SWA 1996 Trust N620SW-I Certificate of agreeing to make or making, funding or maintaining the loan evidenced by its Series SWA 1996 Trust N620SW-I Certificate in respect of (x) any period as to which the applicable Debt Rate is determined by reference to the LIBO Rate and (y) capital adequacy requirements, then the Owner Trustee shall from time to time pay to such Holder such amount as shall be necessary to reimburse such Holder for such increase in cost within 10 Business Days after delivery to the Owner Trustee, the Indenture Trustee and the Company of a certificate of an officer of such Holder setting forth in reasonable detail the event by reason of which it claims such increase in cost and the basis for the determination of the amount of such increase in cost; provided, however, that the Original Holder shall not be entitled to assert any claim under this subsection 15.05(a) in respect of taxes (including Taxes (as defined in the Participation Agreement) and the taxes referred to in subsections (d) and (e) of this Section 15.05). Such certificate shall, in the absence of manifest error, be binding and conclusive. Such Holder shall notify the Owner Trustee, the Indenture Trustee and the Company as soon as possible of the occurrence of any event by reason of which it is entitled to make a claim as described in this subsection (a), but the failure to give such notice shall not affect the obligations of the Owner Trustee hereunder.

(b) In the event that any Holder of the Series SWA 1996 Trust N620SW-I Certificate incurs any Break Amount (as defined below) in connection with any payment, prepayment, acceleration, redemption, refinancing or purchase, in whole or in part, of the principal of its Series SWA 1996 Trust N620SW-I Certificate in accordance with the provisions of this Agreement or otherwise on a date other than the last day of an Interest Period, then the Owner Trustee shall pay to such Holder such Break Amount on the date of such payment, prepayment, acceleration, redemption, refinancing or purchase, as the case may be.

For the purposes hereof, "Break Amount" means an amount equal to the net funding loss or additional expense which any Holder of a Series SWA 1996 Trust N620SW-I Certificate sustains or incurs or will sustain or incur as a result of any payment, prepayment, acceleration, redemption, refinancing or purchase (whether by mandatory or voluntary prepayment, optional purchase, acceleration or otherwise) of any principal of its Series SWA 1996 Trust N620SW-I Certificate on a date other than the last day of an Interest Period, as reasonably determined by such Holder and set forth in a certificate of such

Holder which includes in reasonable detail the basis or the calculations of the amount being claimed.

(c) The Owner Trustee agrees to pay to any Holder of a Series SWA 1996 Trust N620SW-I Certificate, to the extent that such Holder shall require, due to either (i) the introduction of or any change after the Delivery Date in any law or regulation or in the interpretation thereof by the Federal Reserve Board (or any governmental authority succeeding thereto) or (ii) compliance with any guideline or request made after the Delivery Date by the Federal Reserve Board (whether or not having

the force of law), to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of the loan evidenced by its Series SWA 1996 Trust N620SW-I Certificate, in respect of any period to which such reserve maintenance requirement is so applicable and the applicable Debt Rate is determined by reference to the LIBO Rate, in an amount as to any such period equal to the amount obtained by applying to the outstanding principal amount of such loan during such period an interest rate equal at all times to the remainder obtained by subtracting (A) the applicable LIBO Rate from (B) the rate obtained by dividing such LIBO Rate by a percentage equal to 100% minus the Eurocurrency Reserve Percentage, if any, applicable from time to time to such Holder. Such additional interest shall be paid by the Owner Trustee to any Holder of a Series SWA 1996 Trust N620SW-I Certificate from time to time as and when interest is payable under such Holder's Certificate, subject to receipt of notice of the amount of such additional interest for such Holder.

(d) Should any Holder of a Series SWA 1996 Trust N620SW-I Certificate fail to qualify for a complete exemption from withholding of United States Federal income tax because of a change in the provisions of the Code or other relevant laws from those in effect on the Delivery Date, and the Indenture Trustee is required by law to deduct or withhold United States Federal income tax from amounts paid to such Holder, the amounts payable hereunder and under its Series SWA 1996 Trust N620SW-I Certificate shall be increased as may be necessary so that, after all required deductions and withholdings for United States Federal income tax resulting from any such change in the Code, such Holder receives an amount equal to the excess of (i) the amount it would have received had no such deduction or withholding been made over (ii) the additional amount of United States Federal income tax that would have been payable by it under Section 882 of the Code in the absence of such change in the Code.

(e) Each Holder of a Series SWA 1996 Trust N620SW-I Certificate by its acceptance of such Series SWA 1996 Trust N620SW-I Certificate, agrees that it will, promptly after it becomes aware of any event or the existence of a condition that would give rise to reimbursement or payment pursuant to subsection 15.05(a), 15.05(c) or 15.05(d) or to increased payment hereunder and under the Series SWA 1996 Trust N620SW-I Certificate pursuant to subsection 15.05(d), to the extent not inconsistent with such Holder's internal policies, use reasonable efforts to make, fund or maintain the loan evidenced by the Series SWA 1996 Trust N620SW-I Certificate through a different Lending Office if, as a result thereof, the amount of such reimbursement or payment or increased payment, as the case may be, which would otherwise be required to be made would be materially reduced and if, as determined by such Holder in its reasonable discretion the making, funding or maintaining of such loan through such different Lending Office would not otherwise adversely affect such loan or such Holder. Each Holder agrees that it will consult with the Owner Trustee in connection with any relocation of its Lending Office. The Owner Trustee hereby agrees to pay all reasonable expenses incurred by each such Holder in considering or taking action pursuant to this subsection (e).

(f) Amounts payable to the Holder of any Series SWA 1996 Trust N620SW-I Certificate pursuant to this Article 15 that are not paid when due shall bear interest from the due date thereof to, but excluding the date paid, at the Past Due Rate.

IN WITNESS WHEREOF, the Owner Trustee 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.

FIRST UNION NATIONAL BANK OF NORTH CAROLINA, in its individual capacity only as expressly provided herein and otherwise solely as Owner Trustee

By: /s/ Pablo de la Canal

Corporate Trust Officer

WILMINGTON TRUST COMPANY, not in its individual capacity, except as otherwise expressly provided herein, but solely as Indenture Trustee

By: /s/ David A. Vanaskey, Jr.

Senior Financial Services Officer

TRUST INDENTURE AND SECURITY AGREEMENT [N620SW]

Exhibit A
to Trust Indenture
and Security Agreement

Form of Series SWA 1996 Trust N620SW-I Certificate

THIS CERTIFICATE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO THE SECURITIES LAWS OF ANY STATE. ACCORDINGLY, THIS CERTIFICATE MAY NOT BE SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED UNDER THE ACT AND SUCH APPLICABLE STATE LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

$_____ No. _____

SERIES SWA 1996 TRUST N620SW-I CERTIFICATE

FIRST UNION NATIONAL BANK OF NORTH CAROLINA,

Not in its Individual Capacity,
but solely as Owner Trustee under a
Trust Agreement
Dated as of June 1, 1996

Issued in Connection with Aircraft N620SW
Leased to
SOUTHWEST AIRLINES CO.

Date: _____ ___, 1996

FIRST UNION NATIONAL BANK OF NORTH CAROLINA, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement, dated as of June 1, 1996 between the Owner Trustee in its individual capacity and the institution referred to therein as the "Owner Participant" relating to the Aircraft (such agreement as the same may be modified, amended or supplemented being referred to herein as the "Trust Agreement"), for value received hereby promises to pay to ROYAL BANK OF CANADA, NEW YORK BRANCH (the "Bank"), the principal sum of _____ Dollars on or before _____ (the "Maturity Date"), together with interest on such principal amount remaining unpaid from time to time from the date hereof until such principal amount is paid in full. The principal amount of this Certificate shall be payable in installments on the dates (each a "Principal Payment Date") set forth in Annex A hereto equal to the corresponding percentage of the original principal amount of this Certificate set forth in

Annex A hereto. To the extent the "Percentage of Original Principal Amount" column on Annex A hereto shall indicate a negative number on any Principal Payment Date, the outstanding Principal of this Certificate shall be deemed correspondingly to be increased on such date by the actual amount of interest unpaid and accrued to such date (whether or not equal to the amount set forth on Annex A) and the corresponding amount of accrued but unpaid interest on this Certificate shall be deemed to be paid by virtue thereof.

Notwithstanding the foregoing, the final payment made on this Certificate shall be in an amount sufficient to discharge in full the unpaid principal amount and all accrued and unpaid interest on, and any other amounts due under this Certificate or as provided for in the Trust Indenture and Security Agreement, dated as of June 1, 1996 relating to the Aircraft (such agreement as the same may be modified, amended or supplemented being referred to herein as the "Indenture"; the defined terms used therein and not otherwise defined herein being used herein with the same meanings), between the Owner Trustee and Wilmington Trust Company, as Indenture Trustee thereunder.

Interest on the principal amount of this Certificate shall accrue at the applicable Debt Rate (as defined below). The "Debt Rate" applicable in respect of any day in any Interest Period (as defined below) or portion thereof, shall be the LIBO Rate (as defined below) or in the case of an Interest Period of less than 30 days, the Overnight Rate (as defined below), applicable to such Interest Period, plus the margin applicable from time to time determined pursuant to the following table:

<TABLE>
<CAPTION>

Interest Period:		
Commencing On or After:	Ending on or before And Including:	Margin in Basis Points Per Annum*
<S>	<C>	
Delivery Date	December 2, 1996	
December 3, 1996	June 2, 1997	
June 3, 1997	December 2, 1997	
December 3, 1997	June 2, 1998	
	Any date subsequent to June 2, 1998	

</TABLE>

*The portion of this text set forth in this column is intentionally deleted from the FAA filing counterpart as the parties hereto deem it to contain confidential information.

Interest accrued and unpaid on any Interest Payment Date shall be paid on such Interest Payment Date; provided, however, that all interest accrued and unpaid on this Certificate on the date this Certificate shall be paid in full shall be paid on such date; provided, however, that if any Interest Period Date (as defined below) is not also an Interest Payment Date, all interest accrued during the Interest Period relevant thereto (unless the related Interest Period Date shall also be an Interest Payment Date in which case all accrued and unpaid interest shall be paid on such date) shall be compounded until the next succeeding Interest Payment Date and shall bear interest at the Debt Rate applicable from time to time hereunder during the period from such Interest Period Date to the next succeeding Interest

Payment Date and all such compounded interest shall be due and payable on such next succeeding Interest Payment Date; provided, finally, that any amount of principal or interest payable hereunder which is not paid when due shall, to the maximum extent permitted by law, bear interest, payable on demand, from the due date therefor until the date of payment at an interest rate equal to the Debt Rate plus 2% per annum. All computations of interest shall be made by the Original Holder on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable.

Notwithstanding any provision hereof to the contrary, this Certificate shall not constitute an obligation to pay nor shall the Bank be entitled hereunder to collect any amount of interest to the extent not permitted by applicable law.

Notwithstanding anything to the contrary contained herein, if any date on which a payment under this Certificate becomes due and payable is not a Business Day, then such payment shall not be made on such scheduled date but shall be made on the next succeeding Business Day.

For purposes of this Certificate, the following capitalized terms used

herein shall have the following meanings:

"Basis Point" shall mean one one-hundredth of one percent (1/100 of 1%).

"Interest Payment Date" shall mean each July 2 and January 2 commencing on January 2, 1997.

"Interest Period" shall mean a period of up to 30 consecutive days, as available, or one, two, three or six months, as selected by the Owner Trustee or Southwest Airlines Co. (the "Company") (acting on behalf of the Owner Trustee) as provided for below; provided, however, that (i) the initial Interest Period shall commence on the Delivery Date; (ii) each Interest Period immediately succeeding an Interest Period shall commence on the last day of the preceding Interest Period; (iii) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; (iv) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month; and (v) notwithstanding anything to the contrary contained herein, no Interest Period shall extend beyond a date which is a Principal Payment Date.

"Interest Period Date" shall mean each Business Day on which an Interest Period expires.

"LIBO Rate" shall mean, as to any Interest Period, a rate per annum equal to the London Interbank Offered rate for Dollar deposits which appears on Telerate Page 3750 (or such other page or service as may replace Telerate Page 3750) as of 11:00 a.m. (London time) on the day that is two Business Days prior to the first day of such Interest Period for a period

comparable to such Interest Period or if no such rate is available, the rate (rounded to the nearest 1/100 of 1% or, if there is no nearest 1/100 of 1%, the next higher 1/100 of 1%) at which deposits in United States dollars approximately equal in principal amount to the sum of the unpaid Original Amount on the first day of such Interest Period which will be outstanding during such Interest Period are offered in immediately available funds to the principal office of Royal Bank of Canada in London (or if Royal Bank of Canada does not at the time any such determination is made maintain an office in London, England, National Westminster Bank plc) by leading banks in the London Interbank Market for Eurodollars at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.

"Overnight Rate" shall mean, as to any Interest Period, the rate at which deposits in U.S. dollars in same day funds would be offered to Original Holder at 11:00 a.m. New York time.

The selection of the duration of the Interest Period related to the LIBO Rate shall be made by telephonic notice (followed by telex, telecopy or other written confirmation) from the Owner Trustee or the Company (acting on behalf of the Owner Trustee) to the Original Holder or its designee by not later than 11:00 A.M. (New York time) on the third Business Day preceding the first day of the relevant Interest Period; provided, however, that if a Lease Default shall have occurred or be continuing or no such notice shall have been given, the Debt Rate will be deemed, effective upon the last day of the then current Interest Period, to be determined by reference to the LIBO Rate for an Interest Period of one month.

The Bank shall determine each LIBO rate applicable to this Certificate pursuant to the definition of "LIBO Rate" above. The Bank shall notify the Company, Indenture Trustee and Owner Trustee of such rates as promptly as reasonably possible. The Bank's determination thereof shall be conclusive in the absence of manifest error.

All payments of principal, interest and other amounts, if any, to be made by the Owner Trustee hereunder and under the Indenture shall be made only from the income and proceeds from the Indenture Estate and the other amounts referred to in Section 3.03 of the Indenture and only to the extent that the Indenture Trustee shall have sufficient income or proceeds from the Indenture Estate and such other amounts to make such payments in accordance with the

terms of the Indenture, and the Bank, by its acceptance of this Certificate, agrees that it will look solely to the income and proceeds from the Indenture Estate and the other amounts referred to in Section 3.03 of the Indenture to the extent available for distribution to the Holder hereof as above provided and that none of the Owner Participant, the Owner Trustee or the Indenture Trustee is personally liable or liable in any manner extending to any assets, other than the Indenture Estate, to the Bank for any amounts payable under this Certificate or the Indenture or, except as provided in the Indenture, for any liability under the Indenture; provided, however, that nothing herein contained shall limit, restrict or impair the right of the Indenture Trustee, subject always to the terms and provisions of the Indenture, to accelerate the maturity of this Certificate upon an Indenture Event of Default, to bring suit and obtain a judgment against the Owner Trustee on this Certificate for purposes of realizing upon the Indenture Estate and to exercise all rights and remedies provided under the Indenture or otherwise realized upon the Indenture Estate.

Both the original amount of principal due hereunder and interest and other amounts due hereunder shall be payable in United States currency in immediately available funds pursuant to

Section 15.04 of the Indenture. Each such payment shall be made on the date such payment is due and without any presentment or surrender of this Certificate, except that in the case of any final payment with respect to this Certificate, the Certificate shall be surrendered promptly thereafter to the Indenture Trustee by the Bank for cancellation.

The Bank, by its acceptance of this Certificate, agrees that each payment received by it hereunder shall be applied in the manner provided in Section 3.08 of the Indenture.

This Certificate is one of the Series SWA 1996 Trust N620SW-I Certificates referred to in the Indenture which has been or is to be issued by the Owner Trustee pursuant to the terms of the Indenture. The Indenture Estate is held by the Indenture Trustee as security for the Certificates. The rights of the Owner Trustee under the Indenture, as well as the beneficial interest of the Owner Participant in and to the properties of the Owner Trustee assigned, pledged or mortgaged as part of the Indenture Estate, are subject and subordinate to the rights of the Holders of the Certificates to the extent provided for in the Indenture. Reference is hereby made to the Indenture for a statement of the rights of the Bank in respect of, and the nature and extent of the security for, this Certificate, and the rights of the Owner Trustee, as well as for a statement of the terms and conditions of the trusts created by the Indenture, to all of which terms and conditions in the Indenture the Bank agrees by its acceptance of this Certificate.

Any Holder of this Certificate shall be deemed to have made the following representation by its acquisition of this Certificate: either that (a) no part of the funds used by it to acquire this Certificate constitutes "plan assets" of any "employee benefit plan" within the meaning of ERISA or any "plan" within the meaning of Section 4975(e)(1) of the Code, or (b) its purchase or acquisition of this Certificate will not result in a non-exempt prohibited transaction under Section 4975 of the Code or Section 406 of ERISA.

This Certificate is subject to prepayment by redemption or acceleration as provided in Articles 6 and 15 of the Indenture.

Prior to due presentment for registration of transfer of this Certificate, the Owner Trustee, the Indenture Trustee, the Paying Agent, the Registrar, the Owner Participant 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, the Owner Participant nor the Company shall be affected by notice to the contrary.

THIS CERTIFICATE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Owner Trustee has caused this Certificate to be executed in its corporate name by its officer thereunto duly authorized on the date hereof.

FIRST UNION NATIONAL BANK OF NORTH CAROLINA, not in its individual capacity,

but solely as Owner Trustee

By:

Title:

[FORM OF INDENTURE TRUSTEE'S
CERTIFICATE OF AUTHENTICATION]

This is one of the Certificates referred to in the within-mentioned Indenture.

WILMINGTON TRUST COMPANY, not in its individual capacity, but solely as Indenture Trustee

By:

Title:

Annex A to
Equipment Trust
Certificate

<TABLE>
<CAPTION>

Principal Payment Date	Percentage of Original Principal Amount
<S>	<C>

</TABLE>

Exhibit A-1 to
Trust Indenture and
Security Agreement

Form of Series SWA 1996 Trust N620SW Installment Certificates

$_____ No. _____

Dated as of _____ __, 199_

SERIES SWA 1996 TRUST N620SW CERTIFICATE

FIRST UNION NATIONAL BANK OF NORTH CAROLINA,
Not in its Individual Capacity,
but Solely as Owner Trustee
Under the Trust Agreement
Dated as of June 1, 1996

Issued in connection with Aircraft N620SW
Leased to
SOUTHWEST AIRLINES CO.

INTEREST RATE	MATURITY DATE
_____	_____, 2___

FIRST UNION NATIONAL BANK OF NORTH CAROLINA, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement dated as of June 1, 1996, between the Owner Trustee in its

individual capacity and the institution referred to therein as the "Owner Participant" relating to the Aircraft (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 herein 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 _____, 1996 or from the most recent date to which interest has been paid or duly provided for, semiannually, on _____ and _____ in each year, commencing _____, 1996, 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 June 1, 1996, as supplemented (as 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), by and among the Owner Trustee and Wilmington Trust Company, as Indenture Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate and the other amounts referred to in Section 3.03 of the Indenture. 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 and the other amounts referred to in Section 3.03 of the Indenture for payment of such amounts, to the extent available for distribution to the Holder hereof as provided in the Indenture and (b) neither the Owner Trustee, the Owner Participant nor 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, for any liability under the Indenture.

Any amount of interest or principal (including any Installment Payment Amount) payable hereunder which is not paid when due shall, to the maximum extent permitted by law, bear interest from the due date thereof until the date of payment at an interest rate equal to the interest rate specified above plus 2% per annum. Any other amounts payable to the Holder hereof hereunder (including, without limitation, Premium) or under the Indenture which is not paid when due shall bear interest from the due date thereof, until the date of payment at an interest rate equal to the Overdue Rate. All computations of interest hereunder shall be calculated on the basis of a year of twelve 30-day months.

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 fifteenth day (whether or not a Business Day) 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 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 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, 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 on or before the due date to the address of the Holder entitled thereto as such address shall appear on the Register.

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.

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 Indenture Trustee and the Holders of the Certificates, the terms upon which the

Certificates are, and are to be, executed and delivered, the terms upon which the Certificates may be redeemed, 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 herein.

<TABLE>
<CAPTION>

Installment Payment Date	Installment Payment Percentage
<S> <C>	<C>
_____, _____	_____%
_____, _____	_____%
_____, _____	_____%
_____, _____	_____%

</TABLE>

As more fully provided in the Indenture, the Certificates are subject to redemption on not less than 30 nor more than 60 days' notice by mail, under the circumstances set forth in the Indenture, at a Redemption Price equal to the unpaid principal amount thereof, Premium, if any, plus accrued interest thereon to the Redemption Date.

If an Indenture Event of Default shall occur and be continuing, the principal amount remaining unpaid of the Certificates 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, the Indenture Trustee may, to the exclusion of the Owner Trustee, exercise one or more of the remedies of the Owner Trustee provided in the Lease. Such remedies include (but are not limited to) the right to repossess and use or operate the Aircraft, to sell or relet the 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 the Aircraft over the aggregate fair market rental value thereof for the remainder of the term for the Aircraft, (ii) any unpaid Basic Rent plus the excess of the Stipulated Loss Value of the Aircraft over the fair market sales value thereof or (iii) if the Aircraft has been sold, any unpaid Basic Rent plus the excess of the Stipulated Loss Value thereof over the net sales proceeds.

By acceptance of this Certificate, the Holder hereof agrees to be bound by the provisions of the Participation Agreement applicable to Holders.

The Owner Trustee or the Owner Participant may cure any default by the Company under the Lease arising from the failure of the Company to make any payment of Basic Rent under the Lease, provided, that such failure of the Company is not the third consecutive such failure, or the fifth 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 the Lease which can

be cured by the payment of money, by making such payment on behalf of the Company, subject, however, to certain limitations.

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 (except for certain

matters, including obligations to register the transfer or exchange of Certificates, replace stolen, lost or mutilated Certificates, maintain paying agencies and hold money 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 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 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 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 are issuable only as registered Certificates. The Certificates 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 are exchangeable for a like aggregate principal amount of Certificates of the same 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, the Owner Participant 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, the Owner Participant 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 NEW YORK.

* * *

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

FIRST UNION NATIONAL
BANK OF NORTH CAROLINA,
not in its individual capacity, but solely as
Owner Trustee

By: _____

Title: _____

Issue Date:

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Certificates referred to in the within-mentioned Indenture.

WILMINGTON TRUST COMPANY,
not in its individual capacity, but solely as
Indenture Trustee

By:

Authorized officer or signatory

Exhibit A-2 to
Trust Indenture and
Security Agreement

Form of Series SWA 1996 Trust N620SW Serial Certificates

$_____ No. _____

Dated as of _____ __, 199_

SERIES SWA 1996 TRUST N620SW CERTIFICATE

FIRST UNION NATIONAL BANK OF NORTH CAROLINA,
Not in its Individual Capacity,
but Solely as Owner Trustee
Under the Trust Agreement
Dated as of June 1, 1996

Issued in connection with Aircraft N620SW
Leased to
SOUTHWEST AIRLINES CO.

INTEREST RATE MATURITY DATE
_____, 2___

FIRST UNION NATIONAL BANK OF NORTH CAROLINA, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement dated as of June 1, 1996 between the Owner Trustee in its individual capacity and the institution referred to therein as the "Owner Participant" relating to the Aircraft (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 _____, 1996 or from the most recent date to which interest has been paid or duly provided for, semiannually, on _____ and _____ in each year, commencing _____, 1996, 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 June 1, 1996, as supplemented (as 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), by and among the Owner Trustee and Wilmington Trust Company, as Indenture Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate and the other amounts referred to in Section 3.03 of the Indenture. 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 and the other amounts referred to in Section 3.03 of the Indenture for payment of such amounts, to the extent available for distribution to the Holder hereof as provided in the Indenture and (b) neither the Owner Trustee, the Owner Participant nor 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, for any liability under the Indenture.

Any amount of interest or principal payable hereunder which is not paid when due shall, to the maximum extent permitted by law, bear interest from the due date thereof until the date of payment at an interest rate equal to the interest rate specified above plus 2% per annum. Any other amounts payable to the Holder hereof hereunder (including, without limitation, Premium) or under the Indenture which is not paid when due shall bear interest from the due date thereof, until the date of payment at an interest rate equal to the

Overdue Rate. All computations of interest hereunder shall be calculated on the basis of a year of twelve 30-day months.

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 fifteenth day (whether or not a Business Day) 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 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, 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 on or before the due date to the address of the Holder entitled thereto as such address shall appear on the Register.

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.

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 Indenture Trustee and the Holders of the Certificates, the terms upon which the Certificates are, and are to be, executed and delivered, the terms upon which the Certificates may be redeemed, 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 are subject to redemption on not less than 30 nor more than 60 days' notice by mail, under the circumstances set forth in the

Indenture, at a Redemption Price equal to the unpaid principal amount thereof, Premium, if any, plus accrued interest thereon to the Redemption Date.

If an Indenture Event of Default shall occur and be continuing, the principal of the Certificates 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, the Indenture Trustee may, to the exclusion of the Owner Trustee, exercise one or more of the remedies of the Owner Trustee provided in the Lease. Such remedies include (but are not limited to) the right to repossess and use or operate the Aircraft, to sell or relet the 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 the Aircraft over the aggregate fair market rental value thereof for the remainder of the term for the Aircraft, (ii) any unpaid Basic Rent plus the excess of the Stipulated Loss Value of the Aircraft over the fair market sales value thereof or (iii) if the 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 the Lease arising from the failure of the Company to make any payment of Basic Rent under the Lease, provided, that such failure of the Company is not the third consecutive such failure, or the fifth 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 the Lease which can be cured by the payment of money, by making such payment on behalf of the Company, subject, however, to certain limitations.

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.

By acceptance of this Certificate, the Holder hereof agrees to be bound by the provisions of the Participation Agreement applicable to Holders.

The Owner Trustee and the Indenture Trustee will be discharged from their respective obligations in respect of the Certificates (except for certain matters, including obligations to register the transfer or exchange of Certificates, replace stolen, lost or mutilated Certificates, maintain paying agencies and hold money 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 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 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 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 are issuable only as registered Certificates. The Certificates 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 are exchangeable for a like aggregate principal amount of Certificates of the same 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, the Owner Participant 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, the Owner Participant 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 NEW YORK.

* * *

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

FIRST UNION NATIONAL BANK
OF NORTH CAROLINA,
not in its individual capacity, but solely as
Owner Trustee

By: _____

Title: _____

Issue Date:

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Certificates referred to in the within-mentioned Indenture.

WILMINGTON TRUST COMPANY,
not in its individual capacity, but solely as
Indenture Trustee

By: _____
Authorized officer or signatory

Exhibit B to
Trust Indenture and
Security Agreement

<TABLE>
<CAPTION>
Maturity Dates, Principal Amounts and
Interest Rates of Series SWA 1996 Trust N620SW Certificates

Maturity Date	Principal Amount	Interest Rate	Premium Termination Date
<S>	<C>	<C>	<C>

</TABLE>

[To be completed at time of issuance of Series SWA 1996 Trust N620SW Certificates, if any shall be issued hereunder.]

Exhibit B-1 to
Trust Indenture and
Security Agreement

Installment Payment Dates and Installment Payment Percentages

Installment Certificates shall be those Certificates with the following Maturity Dates:

Installment Certificate No. 1 - Maturity Date: _____

<TABLE>
<CAPTION>

Installment Payment	Installment Payment	Aggregate Installment

Date	Percentage	Payment Amount
<S>	<C>	<C>

</TABLE>

[To be completed at time of issuance of Series SWA 1996 Trust N620SW Certificates, if any shall be issued hereunder.]

<TABLE>

<S>	<C>	<C>
TOTAL	100.00000000	_____

</TABLE>

Installment Certificate No. 2 - Maturity Date: _____

<TABLE>
<CAPTION>

Installment Payment Date	Installment Payment Percentage	Aggregate Installment Payment Amount
<S>	<C>	<C>

</TABLE>

[To be completed at time of issuance of Series SWA 1996 Trust N620SW Certificates, if any shall be issued hereunder.]

<TABLE>

<S>	<C>	<C>
TOTAL	100.00000000	_____

</TABLE>

Exhibit B-2 to
Trust Indenture and
Security Agreement

Issuance of Series SWA 1996 Trust N620SW Certificates

The Series SWA 1996 Trust N620SW Certificates issued hereunder shall be issued to and shall be payable to _____ under the _____ with respect to the [grantor trusts created thereby], in each case as set forth below:

Exhibit C to
Trust Indenture and
Security Agreement

[FORM OF]
TRUST AGREEMENT AND TRUST INDENTURE AND
SECURITY AGREEMENT SUPPLEMENT

This TRUST AGREEMENT AND TRUST INDENTURE AND SECURITY AGREEMENT SUPPLEMENT, is dated _____, 1996 (herein called the "Supplement") of FIRST UNION NATIONAL BANK OF NORTH CAROLINA, not in its individual capacity, but solely as Owner Trustee (herein called the "Owner Trustee"), under the Trust Agreement, dated as of June 1, 1996 (herein called the "Trust Agreement"), between the Owner Trustee and the Owner Participant named therein,

WITNESSETH:

WHEREAS, the Trust Agreement provides for the execution and delivery of one or more supplements thereto substantially in the form hereof, which shall particularly describe the Aircraft (such term and other terms defined in the Trust Indenture referred to below, or in the Lease therein referred to, being used herein as therein defined) included in the property covered by the Trust Agreement;

WHEREAS, the Trust Indenture and Security Agreement, dated as of June 1, 1996 (herein called the "Trust Indenture"), between the Owner Trustee and Wilmington Trust Company, as Indenture Trustee (herein called the "Indenture Trustee"), provides for the execution and delivery of a supplement thereto substantially in the form hereof, which shall particularly describe the Aircraft, and shall specifically mortgage such Aircraft to the Indenture Trustee; and

WHEREAS, each of the Trust Agreement and Trust Indenture relates to the Airframe and Engines described below, and a counterpart of the Trust Indenture is attached hereto and made a part hereof and this Supplement, together with such counterpart of the Trust Indenture, is being filed for recordation on the date hereof with the Federal Aviation Administration as one document;

NOW, THEREFORE, This Supplement Witnesseth, that, to secure the prompt payment of the principal of, Break Amount, if any, Premium, if any, and interest on, and all other amounts due with respect to, all Certificates from time to time Outstanding and all other amounts due to the Holders under the Trust Indenture and the Participation Agreement and the performance and observance by each of the Company and the Owner Trustee of all the agreements, covenants and provisions in the Trust Indenture and in the other Operative Agreements for the benefit of the Indenture Trustee and the Holders of the Certificates and in the Certificates contained, and the prompt payment of all amounts from time to time owing under the Operative Agreements to the Holders of the Certificates, and for the uses and purposes of the Trust Indenture, and in consideration of the premises and of the covenants contained in the Trust Indenture, and of the acceptance of the Certificates by the Holders thereof, and of the sum of $1.00 paid to the Owner Trustee by the Indenture Trustee at or before the delivery hereof, the receipt whereof is hereby acknowledged, the Owner Trustee has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm unto the Indenture Trustee, its successors and assigns, for the security and benefit of the Holders from time to time of the Certificates, upon the
trusts created by the Trust Indenture, all right, title and interest of the Owner Trustee in, to and under the following described property:

AIRFRAME

One Airframe Identified as follows:

<TABLE>
<CAPTION>

Manufacturer	Model	FAA Registration Number	Manufacturer's Serial Number
<S>	<C>	<C>	<C>
The Boeing Company	737-3H4	N620SW	28036

</TABLE>

together with all Parts relating to such airframe.

AIRCRAFT ENGINES

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

<TABLE>
<CAPTION>

Manufacturer	Model	Manufacturer's Serial Number
<S>	<C>	<C>
CFM International	CFM56-3-B1	858287
CFM International	CFM56-3-B1	858292

</TABLE>

together with all Parts relating to such engines.

Together with all substitutions or replacements of and additions, improvements, accessories and accumulations to the property above described for which title vests in the Owner Trustee under the Operative Agreements and all property which shall hereafter become physically attached to or incorporated in the property above described, whether the same are now owned by the Owner Trustee or shall hereafter be acquired by it for which title vests in the Owner Trustee under the Operative Agreements.

As further security for the obligations referred to above and secured by the Trust Indenture and hereby, the Owner Trustee has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto the Indenture Trustee, its successors and assigns, for the security and benefit of the Holders from time to time of the Certificates, in the trust created by the Trust Indenture, all of the right, title and interest of the Owner Trustee in, to and under the Lease Supplement of even date herewith covering the property described above.

Notwithstanding any provision hereof, no Excluded Payment

shall constitute security for any of the aforementioned obligations.

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Indenture Trustee, its successors and assigns, in trust for the benefit and security of the Holders from time to time of the Certificates for the uses and purposes and subject to the terms and provisions set forth in the Trust Indenture.

This Supplement shall be construed as supplemental to the Trust Indenture and to the Trust Agreement and shall form a part of each, and the Trust Agreement and the Trust Indenture are each hereby incorporated by reference herein and each is hereby ratified, approved and confirmed.

AND, FURTHER, the Owner Trustee hereby acknowledges that the Aircraft referred to in this Supplement and the aforesaid Lease Supplement has been delivered to the Owner Trustee and is included in the property of the Owner Trustee covered by all the terms and conditions of the Trust Agreement, subject to the pledge and mortgage thereof under the Trust Indenture.

THIS SUPPLEMENT IS BEING DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Owner Trustee has caused this Supplement to be duly executed by one of its officers, thereunto duly authorized, on the day and year first above written.

FIRST UNION NATIONAL
BANK OF NORTH CAROLINA,
not in its individual capacity, but solely as
Owner Trustee

By: _____

Title: _____

EXHIBIT 4.6

- ---

FIRST AMENDMENT

TO

TRUST INDENTURE AND SECURITY AGREEMENT

Dated as of May 1, 1998

between

FIRST UNION NATIONAL BANK,
in its individual capacity only as
expressly set forth herein and
otherwise solely as Owner Trustee

and

WILMINGTON TRUST COMPANY,
as Indenture Trustee

One Boeing 737-3H4 Aircraft N620SW
Southwest Airlines Co.
Series SWA 1996 Trust N620SW Certificates
(Southwest Airlines 1996 Trust N620SW)

- ---

FIRST AMENDMENT TO
TRUST INDENTURE AND SECURITY AGREEMENT

THIS FIRST AMENDMENT TO TRUST INDENTURE AND SECURITY AGREEMENT dated as of May 1, 1998 (this "Amendment") between FIRST UNION NATIONAL BANK, in its individual capacity only as expressly set forth herein and otherwise solely as Owner Trustee under that certain Trust Agreement establishing the Southwest Airlines 1996 Trust N620SW and dated as of June 1, 1996 (in such capacity, the "Owner Trustee") and WILMINGTON TRUST COMPANY, as Indenture Trustee (the "Indenture Trustee"), amends that certain related Trust Indenture and Security Agreement dated as of June 1, 1996 (the "Original Indenture") between the Owner Trustee and the Indenture Trustee (the Original Indenture, as supplemented by Trust Agreement and Trust Indenture and Security Agreement Supplement dated June 3, 1996 by the Owner Trustee, relating to the aircraft having U.S. registration number N620SW, being referred to herein as the "Indenture"),

W I T N E S S E T H :

WHEREAS, except as otherwise defined in this Amendment, the capitalized terms used herein shall have the meanings attributed thereto in the Indenture;

WHEREAS, a counterpart to the Indenture was recorded by the Federal Aviation Administration on July 17, 1996 and assigned Conveyance No. S098303;

WHEREAS, the Owner Trustee has agreed to refinance the Series SWA 1996 Trust N620SW-1 Certificates with Series SWA 1996 Trust N620SW Certificates; and

WHEREAS, in order to effect such refinancing, the Owner Trustee and the Indenture Trustee have agreed to amend the Indenture as provided for below;

NOW THEREFORE, in consideration of the mutual agreements contained herein, the parties hereto agree as follows:

Section 1. Amendments to the Indenture. The Indenture is, effective as of the date hereof, hereby amended as follows:

(a) The definitions of "Business Day" and "Holder" in Section 1.01(b) of the Indenture are amended in their entirety to read as follows:

"Business Day" means any day other than a Saturday or Sunday or a day on which commercial banks are required or authorized to close in the City of Dallas, Texas; New York, New York; or the city and state in which (i) so long as any Certificates shall be Outstanding, each of the Indenture Trustee and the Pass Through Trustee and (ii) thereafter, the Owner Trustee, has its principal place of business; or the city and state in which the Indenture Trustee, the Pass Through Trustee or the Owner Trustee, as the case may be, receives and disburses funds.

"Holder" or "Certificate Holder" means a Person in whose name a Certificate is registered on the Register including, so long as it holds a Series SWA 1996 Trust N620SW Certificate, the Pass Through Trustee.

(b) The following new definitions are inserted in Section 1.01(b) of the Indenture after the definition of "Owner Trustee":

"Pass Through Certificate" means any of the Pass Through Certificates issued pursuant to the Pass Through Trust Agreement.

"Pass Through Trust" means each pass through trust created pursuant to the Pass Through Trust Agreement.

"Pass Through Trust Agreement" means the Pass Through Trust Agreement dated as of February 1, 1993, between the Company and the Pass Through Trustee, as supplemented by Trust Supplement No. 1998-A, dated as of May 1, 1998, as the same may from time to time be further amended, supplemented or otherwise modified.

"Pass Through Trustee" means Wilmington Trust Company in its capacity as trustee under the Pass Through Trust Agreement, and such other Person that may from time to time be acting as successor trustee under the Pass Through Trust Agreement.

(c) The first sentence of Section 6.02 of the Indenture is amended to be and read in its entirety as follows:

"If the Owner Trustee shall have given notice of redemption or purchase to the Indenture Trustee pursuant to its rights under Section 8.03(e)(ii), each Outstanding Certificate shall be redeemed or purchased in whole at a Redemption Price equal to 100% of its principal amount plus accrued and unpaid interest thereon (including, without limitation, interest on overdue interest) to but excluding the applicable Redemption Date as determined below and all other amounts payable to the Holders hereunder or under the Participation Agreement and, in the case of the Series SWA 1996 Trust N620SW-I Certificate, the Break Amount, if any, and, in the case of the Series SWA 1996 Trust N620SW Certificates, if to be purchased or redeemed pursuant to Section 8.03(e)(ii)(A) prior to the one year anniversary of the first occurrence of the relevant Lease Event of Default, and, if such purchase or redemption is effected prior to the Premium Termination Date in respect of any Certificate, the Premium, if any, in respect of such Certificate."

(d) Clause (iii) of Section 9.13(b)(1) of the Indenture is amended to be and read in its entirety as follows:

"(iii) to effect cures pursuant to Section 20 of the Lease; provided that this will not be deemed to cure the related Indenture Event of Default unless permitted by the terms of Section 8.03(e)(i), and".

(e) Exhibits A-1, B, B-1 and B-2 to the Indenture are replaced in their entirety by Exhibits A-1, B, B-1 and B-2 hereto. Said revised Exhibits B, B-1 and B-2 shall, for all purposes, be deemed to have been, and are, completed in accordance with Article 15 of the Indenture.

Section 2. Lease Amendment. As of the date hereof, the Lessee and the Owner Trustee are entering into First Amendment to Sale and Lease Agreement (the "Lease Amendment") to the Sale and Lease Agreement dated as of June 1, 1996 relating to the Aircraft, which Sale and Lease Agreement (together with Sale and Lease Agreement Supplement No. One, dated June 3, 1996 thereto) was recorded with the Federal Aviation Administration on July 17, 1996 and assigned Conveyance No. S098304. The Lease Amendment is attached hereto and, without limiting the generality of the Granting Clause of the Indenture, is covered by the Lien of the Indenture and is made part of the Indenture Estate.

Section 3. Amendment and Incorporation by Reference. This Amendment is and shall be construed as an amendment and supplement to the Indenture and shall form a part thereof, and the Indenture is hereby incorporated herein by reference and is hereby ratified, approved and confirmed.

Section 4. GOVERNING LAW. THIS AMENDMENT IS BEING DELIVERED IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 5. Execution in Counterparts. This Amendment may be executed by the Owner Trustee and the Indenture Trustee in separate counterparts, each of which when so executed and delivered is an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Owner Trustee and the Indenture Trustee have caused this Amendment to be duly executed by their respective officers thereunto duly authorized, as of the day and year first above written.

FIRST UNION NATIONAL BANK
in its individual capacity
only as expressly set forth
herein and otherwise solely as
Owner Trustee

By:

Corporate Trust Officer

WILMINGTON TRUST COMPANY,
not in its individual
capacity, except as otherwise
expressly provided herein,
but solely as Indenture Trustee

By:

Senior Financial Services Officer

Exhibit A-1 to
First Amendment to
Trust Indenture and
Security Agreement

Form of Series SWA 1996 Trust N620SW Installment Certificates

$_____ No._____

Dated as of June 3, 1996

SERIES SWA 1996 TRUST N620SW CERTIFICATE

FIRST UNION NATIONAL BANK
Not in its Individual Capacity
but Solely as Owner Trustee
Under the Trust Agreement
Dated as of June 1, 1996

Issued in connection with Aircraft N620SW
Leased to
SOUTHWEST AIRLINES CO.

INTEREST RATE	MATURITY DATE
_____	July 2, 2019

FIRST UNION NATIONAL BANK, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement dated as of June 1, 1996, between the Owner Trustee in its individual capacity and the institution referred to therein as the "Owner Participant" relating to the Aircraft (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 herein 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 _____ or from the most recent date to which interest has been paid or duly provided for, semiannually, on January 2 and July 2 in each year, commencing July 2, 1998, until the principal hereof is paid or made available for payment in full. All amounts payable by the Owner Trustee hereunder and under the related Trust Indenture and Security Agreement dated as of June 1, 1996, as supplemented and amended by Trust Agreement and Trust Indenture and Security Agreement Supplement dated June 3,

1996 and First Amendment to Trust Indenture and Security Agreement dated as of May 1, 1998 (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), by and among the Owner Trustee and Wilmington Trust Company, as Indenture Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate and the other amounts referred to in Section 3.03 of the Indenture. 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 and the other amounts referred to in Section 3.03 of the Indenture for payment of such amounts, to the extent available for distribution to the Holder hereof as provided in the Indenture and (b) neither the Owner Trustee, the Owner Participant nor 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, for any liability under the Indenture.

Any amount of interest or principal (including any Installment Payment Amount) payable hereunder which is not paid when due shall, to the maximum extent permitted by law, bear interest from the due date thereof until the date of payment at an interest rate equal to the interest rate specified above plus 2% per annum. Any other amounts payable to the Holder hereof hereunder (including, without limitation, Premium) or under the Indenture which is not paid when due shall bear interest from the due date thereof, until the date of payment at an interest rate equal to the Overdue Rate. All computations of interest hereunder shall be calculated on the basis of a year of twelve 30-day months.

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 fifteenth day (whether or not a Business Day) 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 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 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, 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 Payment 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 on or before the due date to the address of the Holder entitled thereto as such address shall appear on the Register.

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 any 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.

Reference is made to the Indenture and all supplements and amendments thereto (copies of which are 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 Indenture Trustee and the Holders of the Certificates, the terms upon which the Certificates are, and are to be, executed and delivered, and the terms upon which the Certificates may be redeemed 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 herein, all as shown on Exhibit A hereto.

As more fully provided in the Indenture, the Certificates are subject to redemption on not less than 30 nor more than 60 days' notice by mail, under the circumstances set forth in the Indenture, at a Redemption Price equal to the unpaid principal amount thereof, Premium, if any, plus accrued interest thereon to the Redemption Date.

If an Indenture Event of Default shall occur and be continuing, the principal of the Certificates 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, the Indenture Trustee may, to the exclusion of the Owner Trustee, exercise one or more of the remedies of the Owner Trustee provided in the Lease. Such remedies include (but are not limited to) the right to repossess and use or operate the Aircraft, to sell or relet the 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 the Aircraft over the aggregate fair market rental value thereof for the remainder of the term for the Aircraft, (ii) any unpaid Basic Rent plus the excess of the Stipulated Loss Value of the Aircraft over the fair market sales value thereof or (iii) if the Aircraft has been sold, any unpaid Basic Rent plus the excess of the Stipulated Loss Value thereof over the net sales proceeds.

By acceptance of this Certificate, the Holder hereof agrees to be bound by the provisions of the Participation Agreement applicable to Holders.

The Owner Trustee or the Owner Participant may cure any

default by the Company under the Lease arising from the failure of the Company to make any payment of Basic Rent under the Lease, provided that such failure of the Company is not the third consecutive such failure, or the fifth 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 the Lease which can be cured by the payment of money, by making such payment on behalf of the Company, subject, however, to certain limitations.

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 (except for certain matters, including obligations to register the transfer or exchange of Certificates, replace stolen, lost or mutilated Certificates, maintain paying agencies and hold money 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 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 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, or a change in or clarification of the applicable Federal income tax law, in either case 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 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 are issuable only as registered Certificates. The Certificates 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 are exchangeable for a like aggregate principal amount of Certificates of the same 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 or 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, the Owner Participant 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, the Owner Participant 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 NEW YORK.

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

FIRST UNION NATIONAL BANK,
not in its individual capacity but solely
as Owner Trustee

By:

Corporate Trust Officer

Issue Date:

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Certificates referred to in the within-mentioned Indenture.

WILMINGTON TRUST COMPANY, not in
its individual capacity, but solely
as Indenture Trustee

By:

Authorized Officer or Signatory

Exhibit B to
First Amendment to
Trust Indenture and
Security Agreement

Maturity Dates, Principal Amounts,
Interest Rates, Etc. of Series SWA 1996 Trust N620SW Certificates

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Series	Maturity Date	Principal	Interest Rate	Premium Termination Date	Type of Certificate
<S>	<C>	<C>	<C>	<C>	<C>
1998-A	July 2, 2019	$23,882,858.75	6.53%	February 26, 2010	Installment

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Exhibit B-1 to
First Amendment to
Trust Indenture and
Security Agreement

PAYMENT DATES AND PAYMENT PERCENTAGES AND AMOUNTS

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Payment Date	Payment Percentage	Aggregate Installment Payment Amount
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Exhibit B-2 to
First Amendment to
Trust Indenture and
Security Agreement

ISSUANCE OF SERIES SWA 1996 TRUST N620SW CERTIFICATES

The Series SWA 1996 Trust N620SW Certificates issued hereunder shall be issued to and shall be payable to the Pass Through Trustee under the Pass Through Trust Agreement with respect to the grantor trust created thereby, such trust consisting of the 6.53% Certificate due July 2, 2019.

EXHIBIT 4.8

PARTICIPATION AGREEMENT

dated as of June 1, 1996

among

SOUTHWEST AIRLINES CO.,
Lessee,

CHRYSLER FINANCIAL CORPORATION,
Owner Participant,

ROYAL BANK OF CANADA, NEW YORK BRANCH,
Original Loan Participant,

FIRST UNION NATIONAL BANK OF NORTH CAROLINA,
in its individual capacity only
as expressly provided herein and
otherwise solely as Owner Trustee,

and

WILMINGTON TRUST COMPANY,
in its individual capacity and as Indenture Trustee

One Boeing Model 737-3H4 Aircraft

SOUTHWEST AIRLINES 1996 TRUST N620SW
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PARTICIPATION AGREEMENT

THIS PARTICIPATION AGREEMENT dated as of June 1, 1996 (the "Agreement") is among (i) SOUTHWEST AIRLINES CO., a Texas corporation ("Lessee"), (ii) CHRYSLER FINANCIAL CORPORATION, a Michigan corporation (the "Owner Participant"), (iii) ROYAL BANK OF CANADA, a Canadian chartered bank, acting through its New York Branch, (the "Original Loan Participant"), (iv) FIRST UNION NATIONAL BANK OF NORTH CAROLINA, a national banking association, in its individual capacity, only as expressly provided herein (in such capacity, "FUNB") and otherwise, solely as Owner Trustee under the Trust Agreement (in such capacity, the "Owner Trustee"), and (v) WILMINGTON TRUST COMPANY, a Delaware banking corporation, in its individual capacity and as Indenture Trustee under the Trust Indenture (the "Indenture Trustee").

W I T N E S S E T H:

WHEREAS, pursuant to the Purchase Agreement (such capitalized term and other capitalized terms used herein without definition being defined in Section 1 hereof) between Lessee and the Manufacturer, the Manufacturer has agreed to sell to Lessee, among other things, certain Boeing Model 737-3H4 aircraft, and has sold one such aircraft having U.S. Registration No. N620SW and Manufacturer's serial number 28036 to Lessee which is the subject of this Agreement; and

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Participant is entering into the Trust Agreement pursuant to which Trust Agreement the Owner Trustee agrees, among other things, to hold the Trust Estate defined in Section 1.01 thereof (the "Trust Estate") for the use and benefit of the Owner Participant; and

WHEREAS, on the Delivery Date,

(i) Lessee and the Owner Trustee will enter into a Purchase Agreement Assignment whereby Lessee agrees to assign to the Owner Trustee certain rights and interests of Lessee under the Purchase Agreement with respect to the Aircraft; and

(ii) the Manufacturer will have executed the Manufacturer's Consent with respect to the Purchase Agreement Assignment; and

WHEREAS, the Indenture Trustee and the Owner Trustee concurrently with the execution and delivery of this Agreement are entering into the Trust Indenture pursuant to which the Owner Trustee agrees, among other things, to issue one or more Certificates as evidence of the Owner Trustee's indebtedness to the Holders, which Certificates are to be secured by the mortgage and security interest in, among other things, the Aircraft, created pursuant to the Trust Indenture by the Owner Trustee in favor of the Indenture Trustee, and the Owner Trustee shall execute and deliver the Trust Supplement covering the Aircraft, supplementing the Trust Agreement and the Trust Indenture; and

WHEREAS, as described in Section 2 hereof, the Owner Trustee and Lessee are entering into the Lease whereby, subject to the terms and conditions set forth therein, the Owner Trustee agrees to purchase the Aircraft from Lessee and to lease the same back to Lessee, and Lessee agrees to sell the Aircraft to the Owner Trustee and to lease the same back from the Owner Trustee;

NOW THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

SECTION 1. CERTAIN DEFINITIONS; PARTICIPATIONS IN LESSOR'S COST OF THE AIRCRAFT. (a) The terms "Lessee," "Owner Participant," "Original Loan Participant," "Owner Trustee" and "Indenture Trustee" shall have the further meanings attributed thereto in the Sale and Lease Agreement dated as of the date hereof (the "Lease") between the Owner Trustee and Lessee relating to the Aircraft referred to in the first recital herein, and, except as otherwise defined in this Agreement, terms used herein in capitalized form shall have the meanings attributed thereto in the Lease or the Trust Indenture. The term "Trust Supplement" has the meaning attributed to the term "Indenture and Trust Supplement" in the Lease and to the term "Trust Supplement" in the Trust Indenture. The terms "Indenture Estate," "Outstanding," "Permitted Investments," "Register" and "Trust Office" shall have the meanings set forth in the Trust Indenture, and the term "Trust Estate" shall have the meaning set forth in the Trust Agreement. Unless the context otherwise requires, any reference herein to any of the Operative Agreements refers to such document as it may be amended from time to time in accordance with its terms and the terms of each other agreement restricting the amendment thereof.

(b) Subject to the terms and conditions of this Agreement, (i) the Original Loan Participant agrees to finance, in part, the Owner Trustee's payment of Lessor's Cost for the Aircraft by making a secured loan to the Owner Trustee (herein called the "Loan") on a date to be designated pursuant to Section 2 hereof, but in no event later than September 30, 1996, in the amount in Dollars equal to the percentage of Lessor's Cost set forth opposite its name on Schedule II hereto and (ii) the Owner Participant hereby agrees, in connection with its equity investment in the beneficial ownership of the Aircraft and the sale of the Aircraft by Lessee to the Owner Trustee pursuant to the Lessee FAA Bill of Sale and Lessee Warranty Bill of Sale, as contemplated hereby, to make its equity investment in the beneficial ownership of the Aircraft on a date to be designated pursuant to Section 2 hereof, but in no event later than September 30, 1996, in an amount in Dollars equal to the percentage of Lessor's Cost set forth opposite its name on Schedule II hereto. In the case of the Owner Participant, the amount of its participation to be made as provided above in the payment of Lessor's Cost and, in the case of the Original Loan Participant, the aggregate principal amount of the Series SWA 1996 Trust N620SW-I Certificate to be simultaneously issued to it, is hereinafter called such Participant's "Commitment" for the Aircraft. In case either Participant shall default in its obligation to make the amount of its Commitment available pursuant to Section 2 hereof in respect of the Aircraft, the other Participant shall have no obligation to make any portion of such amount available or to increase the amount of its Commitment and the obligation of the nondefaulting Participant shall remain subject to the terms and conditions set forth in this Agreement.

(c) In the event that either Participant shall for any reason fail or refuse to make the full amount of its Commitment available to the Owner Trustee in accordance with the terms of paragraph (b) of this Section 1 (such Participant, for the purpose of this Agreement, being called a

"Defaulting Participant"), the Owner Trustee shall give, at the earliest practicable time (which may be the next Business Day), each party hereto telephonic notice (to be confirmed promptly in writing) of such failure or refusal and the funds received by the Owner Trustee in connection with the Aircraft will be held in accordance with the terms of, and for the period provided in, paragraph (b) of Section 2. In such event the Defaulting Participant will have no further right to participate in, or make a loan for, as the case may be, the payment of Lessor's Cost for the Aircraft. Lessee shall have the right to designate a financial institution (which term, as used in this paragraph (c), shall mean any banking or financial institution, institutional investor or fund which is not affiliated with Lessee or with Owner Participant) to be substituted for the Defaulting Participant; provided, however, that (i) such substituted financial institution shall sign and deliver an amendment to this Agreement, in form and substance satisfactory to the Owner Trustee, the Indenture Trustee and the remaining Participant, whereby such financial institution agrees to be a party to this Agreement, to be bound by all the terms hereof and to undertake all the obligations of the Defaulting Participant contained herein, other than obligations, if any, arising from the aforesaid failure or refusal by such Defaulting Participant, (ii) if the Defaulting Participant is Owner Participant (A) such substituted financial institution shall have been approved by the Original Loan Participant, (B) each such substituted financial institution shall be domiciled in the United States and shall be a citizen of the United States within the meaning of the Act and shall have the requisite power and authority to enter into and carry out the transactions contemplated by this Agreement and the Trust Agreement, (C) such substituted financial institution shall enter into amendments to the Trust Agreement, in form and substance satisfactory to the Owner Trustee, the Indenture Trustee and the Original Loan Participants, whereby such substituted financial institution agrees to be a party to the Trust Agreement, to be bound by all the terms thereof and to undertake all the obligations of the Defaulting Participant contained therein, and (D) the substitution of such substituted financial institution as above provided shall not violate any provisions of the Act or the regulations promulgated thereunder, or create a relationship which would be in violation thereof and such substituted financial institution shall so represent in writing to each other party hereto, and (iii) if the Defaulting Participant is the Original Loan Participant, such substituted financial institution shall be approved in writing by Owner Participant. No action by Lessee in finding a financial institution to be substituted as above provided shall be deemed to constitute a waiver or release of any right which Lessee may have against the Defaulting Participant. Each financial institution substituted for an Original Loan Participant pursuant to this paragraph (c) shall be deemed the Original Loan Participant for all purposes of this Agreement; and each financial institution substituted for the Owner Participant pursuant to this paragraph (c) shall (collectively, if more than one) be deemed the Owner Participant for all purposes of this Agreement.

SECTION 2. LESSEE'S NOTICE OF DELIVERY DATE. (a) Lessee agrees to give the Owner Participant, the Owner Trustee, the Original Loan Participant and the Indenture Trustee at least three (3) Business Days' written notice of the Delivery Date for the Aircraft, which Delivery Date shall be a Business Day not later than September 30, 1996, which notice shall specify (i) the amount of each Participant's Commitment for the Aircraft and (ii) the model and FAA registration number of the Aircraft and the manufacturer's serial numbers of the Airframe and each Engine. As to each Participant, the making of its Commitment for such Aircraft available in the manner required by this Section 2 shall constitute a waiver of such notice. The Owner Trustee and the Indenture Trustee shall be deemed to have waived such notice if the Owner Trustee shall have received from the Owner Participant funds in the full amount of the Owner Participant's Commitment and the proceeds of the

sale of the Series SWA 1996 Trust N620SW-I Certificate in the full amount of the Original Loan Participant's Commitment.

Subject to the terms and conditions of this Agreement, and simultaneously with receipt by the parties hereto of all amounts to be paid to them on the Delivery Date pursuant to this Section 2, Lessee shall transfer title to and deliver the Aircraft to the Owner Trustee, the Owner Trustee shall purchase and take title to, and accept delivery of, the Aircraft, and the Owner Trustee shall lease the Aircraft to Lessee, it being understood that the transactions described in this Section 2 are simultaneous and mutually dependent. The Owner Trustee shall issue and the Indenture Trustee shall authenticate the Series SWA 1996 Trust N620SW-I Certificate which shall be delivered simultaneously to the Original Loan Participant. On the Delivery Date, subject to the terms and conditions of this Agreement, and in consideration for the transfer of title to the Aircraft to the Owner Trustee, the Owner Trustee shall pay over the funds made available to it pursuant to the succeeding paragraph to Lessee in an aggregate amount equal to Lessor's Cost to

Lessee's Account No. 98120109 at Bank One, Dallas, N.A., ABA No. 111000614, 1717 Main Street, Dallas, Texas.

The Original Loan Participant and the Owner Participant each agree to make its Commitment available to First Union National Bank of North Carolina, Charlotte, North Carolina, Account No. 465946, ABA No. 053000219, Reference: Southwest Airlines 1996 Trust N620SW, at or before 10:00 a.m. Dallas time, on the Delivery Date specified in Lessee's notice referred to in the first paragraph of this Section 2 (such specified Delivery Date being herein called the "Scheduled Delivery Date").

(b) If for any reason whatsoever the closing of the transactions contemplated hereby is not consummated on the Scheduled Delivery Date, Lessee may by telephonic notice given by 4:30 p.m., New York City time, on the Scheduled Delivery Date to each Participant, the Owner Trustee and the Indenture Trustee designate a delayed date for such closing (the "Delayed Delivery Date"), not later than the fifth Business Day after the Scheduled Delivery Date and in no event later than September 30, 1996. In the event that no Delayed Delivery Date is designated or, if designated, such closing does not occur on the Delayed Delivery Date, or if any Participant shall so request, such funds of each Participant shall be promptly returned to it by the Owner Trustee or the Indenture Trustee, as the case may be.

If the closing of the transactions contemplated hereby is not consummated on the Scheduled Delivery Date, Lessee will reimburse each Participant which has made its funds available pursuant to this Section 2 for the loss of the use of its funds by paying to such Participant a sum equal to interest on such funds at the Applicable Rate (as defined below) on the amount for the period from and including the Scheduled Delivery Date to but excluding the Delayed Delivery Date, or, as the case may be, to but excluding the Business Day on which such Participant's funds are returned if such return is made by 10:00 a.m. (New York City time) or to but excluding the next following Business Day if such return is not made by such time and, in the case of the Original Loan Participant, for the Break Amount, if any, applicable to the Series SWA 1996 Trust N620SW-I Certificate.

"Applicable Rate" shall mean with respect to the Owner Participant the Federal Funds Effective Rate and, with respect to the Original Loan Participant, the rate per annum borne by the Series SWA 1996 Trust N620SW-I Certificate in respect of which such Original Loan Participant's

Commitment is made available. "Federal Funds Effective Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Owner Participant from three federal funds brokers of recognized standing selected by it; provided, that the "Federal Funds Effective Rate" for any non- Business Day shall be the "Federal Funds Effective Rate" for the previous Business Day.

FUNB agrees that in the event it has received telephonic notice (to be confirmed promptly in writing) from Lessee on the Scheduled Delivery Date that the closing of the transactions contemplated hereby will not be consummated on the Scheduled Delivery Date, it will, if instructed in the notice from Lessee in regard to the funds received by it from the Participants, use reasonable efforts to invest, at the risk, expense and direction of Lessee, the funds received by it from the Participants in marketable direct obligations of the United States of America or obligations of any of its agencies that are guaranteed as to principal and interest by the United States of America, in any such case having a stated maturity not later than 91 days from the date of acquisition. Any such investment may be made through a repurchase agreement in commercially reasonable form with FUNB or a bank or other financial institution having capital, surplus and undivided profits of at least $100,000,000; provided, that title to the underlying obligations shall pass to FUNB and that such underlying securities shall be segregated in a custodial or trust account of or for the benefit of FUNB. Any such obligations purchased by FUNB, whether directly or through a repurchase agreement, shall be held in trust by FUNB (but not as part of the Trust Estate or Trust Indenture Estate) for the benefit of the respective Participants. Lessee shall, on the Delayed Delivery Date or the date the funds furnished by the Participants are required to be returned to the Participants, as the case may be, reimburse FUNB for the benefit of the respective Participant, for any losses incurred on such investments.

All income and profits on the investment of such funds not in excess of the Applicable Rate shall be for the respective accounts of the Participants (such income and profits to be credited against Lessee's

obligation to reimburse the Participants for the loss of use of funds made available to FUNB) and all other income and profits and all losses on the investment of such funds shall be for the account of Lessee; and FUNB shall not be liable for failure to invest such funds or for any losses incurred on such investments except for its own willful misconduct or negligence.

SECTION 3. INSTRUCTIONS TO THE OWNER TRUSTEE AND INDENTURE TRUSTEE. Subject to the terms and conditions of this Agreement, the Owner Trustee, upon its receipt in full of the Owner Participant's and the Original Loan Participant's Commitment for the Aircraft, as provided in Section 2 hereof, together with instructions from such Participant or its special counsel to release such funds to Lessee, shall transfer such funds to Lessee and the Owner Trustee shall purchase the Aircraft from Lessee and lease the Aircraft to Lessee and such action shall constitute, without further act, authorization and direction by the Owner Participant to the Owner Trustee:

(a) to pay to Lessee (on behalf of the Owner Trustee) the Lessor's Cost in the manner set forth in Section 2;

(b) to the extent not previously accomplished by a prior authorization, to authorize a representative or representatives of the Owner Trustee (who shall be an employee or employees, or an agent or agents, of Lessee designated by Lessee) to accept delivery of the Aircraft on the Delivery Date;

(c) to accept from Lessee the Lessee Warranty Bill of Sale and the Lessee FAA Bill of Sale and the invoice with respect to the Aircraft;

(d) to execute an aircraft registration application, a Lease Supplement and a Trust Supplement, in each case covering the Aircraft;

(e) to borrow the Loan from the Holders to finance a portion of Lessor's Cost and to issue to the Original Loan Participant a Series SWA 1996 Trust N620SW-I Certificate in a principal amount equal to the amount borrowed pursuant to the Trust Indenture; and

(f) to take such other action as may be required to be taken by the Owner Trustee on the Delivery Date by the terms of any Operative Agreement.

SECTION 4. CONDITIONS. (A) CONDITIONS PRECEDENT TO THE PARTICIPATIONS IN THE AIRCRAFT. It is agreed that the respective obligations of the Participants to participate in the payments of Lessor's Cost are subject to the satisfaction prior to or on the Delivery Date of the following conditions precedent, except that paragraphs (iii), (xvii), (xxix) (insofar as it relates to the Original Loan Participant), (xxii) and (xxiii) shall not be a condition precedent to the obligation of the Original Loan Participant, and paragraphs (iv), (xiii), (xxi) (insofar as it relates to the Owner Participant) and (xxiv) shall not be a condition precedent to the obligation of the Owner Participant:

(i) NOTICE. Each Participant shall have received due notice with respect to such participation pursuant to Section 2 hereof (or shall have waived such notice either in writing or as provided in Section 2).

(ii) NO CHANGE IN LAW. No change shall have occurred after the date of the execution and delivery of this Agreement in applicable law or regulations thereunder or interpretations thereof by appropriate regulatory or judicial authorities which, in the opinion of the Owner Participant or the Original Loan Participant, as the case may be, would make it a violation of law or regulations for (x) Lessee, the Indenture Trustee, any Participant or the Owner Trustee to execute, deliver and perform the Operative Agreements to which any of them is a party or (y) the Original Loan Participant or the Owner Participant to make its Commitment available or, in the case of the Original Loan Participant, to acquire the Series SWA 1996 Trust N620SW-I Certificate or to realize the benefits of the security afforded by the Trust Indenture.

(iii) ORIGINAL LOAN PARTICIPANT'S COMMITMENT. In the case of the Owner Participant, the Original Loan Participant shall have made available the amount of its Commitment for the Aircraft in accordance with Section 1 hereof.

(iv) OWNER PARTICIPANT'S COMMITMENT. In the case of the Original Loan Participant, the Owner Participant shall have made available the amount of its Commitment for the Aircraft in accordance with Section 1 hereof.

(v) AUTHORIZATION, EXECUTION AND DELIVERY OF DOCUMENTS. 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 Participants and shall be in full force and effect and executed counterparts shall have been delivered to each Participant and its respective counsel; provided, that only the Original Loan Participant shall receive an executed original of the Series SWA 1996 Trust N620SW-I Certificate, only the Indenture Trustee, acting on behalf of the Holders, shall receive the original counterpart of the Lease and the initial Lease Supplement, and only Lessee and the Owner Participant shall receive copies of the Tax Indemnity Agreement:

(1) the Lease;

(2) a Lease Supplement covering the Aircraft and dated the Delivery Date;

(3) the Tax Indemnity Agreement;

(4) the Trust Agreement;

(5) a Trust Supplement covering the Aircraft and dated the Delivery Date;

(6) the Bills of Sale and an invoice from Lessee specifying the Lessor's Cost and dated the Delivery Date;

(7) the Purchase Agreement Assignment;

(8) an acceptance certificate covering the Aircraft in the form agreed to by the Participants and Lessee (the "Acceptance Certificate") duly completed and executed by the Owner Trustee or its agent, which shall be a representative of Lessee, and by such representative on behalf of Lessee;

(9) the Trust Indenture;

(10) the Series SWA 1996 Trust N620SW-I Certificate; and

(11) the Manufacturer's Consent.

(vi) UCC-1'S. Uniform Commercial Code financing statement or statements covering all of the security interests created by or pursuant to the Granting Clause of the Trust Indenture and precautionary Uniform Commercial Code financing statement or statements with respect to the Lease shall have been executed and delivered, and all such

financing statement or statements shall have been duly filed in all places necessary or advisable, and any additional Uniform Commercial Code financing statements deemed advisable by the Owner Participant or the Original Loan Participant shall have been executed and delivered by Lessee, the Indenture Trustee or the Owner Trustee and duly filed.

(vii) PROOF OF CORPORATE ACTION, ETC. Each Participant and the Indenture Trustee shall have received the following, in each case in form and substance satisfactory to it:

(1) a certified copy of the Restated Articles of Incorporation and Bylaws of Lessee and a copy of resolutions of the board of directors of Lessee or the executive committee thereof, certified by the Secretary or an Assistant Secretary of Lessee, duly authorizing the execution, delivery and performance by Lessee of this Agreement, the Lease, the Purchase Agreement Assignment, the Lessee Warranty Bill of Sale, the Lessee FAA Bill of Sale, the Tax Indemnity

Agreement and each other document required to be executed and delivered by Lessee on the Delivery Date in accordance with the provisions hereof and thereof;

(2) such other documents and evidence with respect to Lessee, the Manufacturer, the Owner Trustee, the Indenture Trustee and the Participants, as the Original Loan Participant or the Owner Participant, or their respective counsel, may reasonably request in order to establish the authority of such parties to consummate the transactions contemplated by this Agreement, the taking of all corporate proceedings in connection therewith and the compliance with the conditions herein set forth;

(3) a certificate of Lessee as to the person or persons authorized to execute and deliver this Agreement, the other Lessee Documents, and any other documents to be executed on behalf of Lessee in connection with the transactions contemplated hereby and as to the signature of such person or persons;

(4) a copy of the Purchase Agreement (to the Owner Participant and the Indenture Trustee only) certified by the Treasurer, the Assistant Treasurer or an Assistant Secretary of Lessee as being a true and accurate copy of the same with all amendments attached thereto that relate to the Manufacturer's warranties or related obligations or any right in such Agreement assigned by Lessee to the Owner Trustee pursuant to the Purchase Agreement Assignment; and

(5) a copy of the general authorizing resolutions of the boards of directors (or executive committees) or other satisfactory evidence of authorization of the Indenture Trustee (in its individual capacity), FUNB and the Owner Participant, certified as of the Delivery Date by the Secretary or an Assistant Secretary of the Indenture Trustee (in its individual capacity), FUNB and the Owner Participant, respectively, which authorize the execution, delivery and performance by the Indenture Trustee (in its individual capacity), FUNB and the Owner Participant, respectively, of all of the Operative Agreements to which it is a party, together with

such other documents and evidence with respect to the Indenture Trustee (in its individual capacity), FUNB and the Owner Participant as either the Original Loan Participant (or its counsel) or the Owner Participant (or its counsel) may reasonably request in order to establish the consummation of the transactions contemplated by this Agreement, the taking of all corporate proceedings in connection therewith and compliance with the conditions herein set forth; provided, this clause shall not be a condition precedent as to any Participant as to documents to be provided by that Participant.

(viii) GOVERNMENTAL APPROVALS. All appropriate action required to have been taken by the Federal Aviation Administration, or any other 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.

(ix) TITLE, REGISTRATION, AIRWORTHINESS, ETC. On the Delivery Date, the following statements shall be true, and the Participants, the Owner Trustee and the Indenture Trustee shall have received evidence satisfactory to each of them to the effect that:

(1) the Owner Trustee has good and marketable title (subject to filing and recording of the Lessee FAA Bill of Sale with the Federal Aviation Administration in accordance with the Act) to the Aircraft, free and clear of Liens other than the rights of Lessee under the Lease and Lease Supplement covering the Aircraft, the mortgage and security interest created by the Trust Indenture,

the rights of the Owner Participant under the Trust Agreement and the Trust Supplement and Liens permitted by clause (d) (solely for taxes not yet due) or (e) of Section 6 of the Lease;

(2) application for registration of the Aircraft in the name of the Owner Trustee (together with any required affidavits), the FAA Bill of Sale and the Lessee FAA Bill of Sale have been duly filed with the FAA;

(3) the Trust Agreement, the Trust Indenture and the Trust Supplement and the Lease and the Lease Supplement have been duly filed with the FAA for recordation pursuant to the Act;

(4) each of the Owner Trustee, as lessor under the Lease, and the Indenture Trustee, as assignee thereof, is entitled to the protection of Section 1110 of the United States Bankruptcy Code in connection with its right to take possession of the Airframe and Engines in the event of a case under Chapter 11 of the United States Bankruptcy Code in which Lessee is a debtor; and

(5) the Aircraft has been duly certificated by the FAA as to type and airworthiness in accordance with the terms of the Lease and has a current, valid U.S. standard certificate of airworthiness issued by the FAA.

(x) REPRESENTATIONS AND WARRANTIES ACCURATE; NO EVENT OF DEFAULT; NO ADVERSE CHANGE. On the Delivery Date, (A) the representations and warranties of Lessee contained in Section 7 hereof and in the Tax Indemnity Agreement 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), (B) no event shall have occurred and be continuing, or would result from the purchase, sale, lease or mortgage of the Aircraft, which constitutes (or would, with the passage of time or the giving of notice or both, constitute) a Lease Event of Default or an Indenture Event of Default, and (C) no material adverse change shall have occurred in the consolidated financial condition of Lessee and its subsidiaries from that shown in the consolidated financial statements of Lessee and its subsidiaries as of December 31, 1995.

(xi) OPINIONS OF LESSEE'S COUNSEL. Each Participant shall have received a favorable opinion, in form and substance satisfactory to it, addressed to the Participants, the Indenture Trustee and the Owner Trustee from Deborah Ackerman, Associate General Counsel for Lessee.

(xii) OPINION OF OWNER TRUSTEE'S COUNSEL. Each Participant shall have received a favorable opinion, in form and substance satisfactory to it, addressed to the Participants, the Indenture Trustee, the Owner Trustee and Lessee, from Moore & Van Allen, PLLC, counsel for the Owner Trustee.

(xiii) OPINIONS OF OWNER PARTICIPANT'S COUNSEL. The Original Loan Participant shall have received a favorable opinion, in form and substance satisfactory to it, addressed to the Indenture Trustee, the Original Loan Participant, the Owner Trustee and Lessee from (a) Morgan, Lewis & Bockius, LLP, special counsel to the Owner Participant and (b) in-house or other counsel for the Owner Participant in a position to address the Owner Participant's due organization and due authorization and execution of the Operative Agreements to which the Owner Participant is a party.

(xiv) OPINION OF OKLAHOMA CITY COUNSEL. Each Participant shall have received a favorable opinion, in form and substance satisfactory to it, addressed to the Participants, the Indenture Trustee, the Owner Trustee and Lessee, from Daugherty, Fowler & Peregrin, special counsel in Oklahoma City, Oklahoma.

(xv) OPINION OF INDENTURE TRUSTEE'S COUNSEL. Each Participant shall have received a favorable opinion, in form and substance satisfactory to it, addressed to the Participants, the Owner Trustee and Lessee from Potter Anderson & Corroon, special counsel for the Indenture Trustee.

(xvi) LESSEE'S BRINGDOWN CERTIFICATE. Each Participant and the Indenture Trustee shall have received a certificate signed by the President, any Vice President, the Treasurer or the Assistant Treasurer of Lessee, dated the Delivery Date, certifying as to the fulfillment of all conditions in this Section 4(a) insofar as they relate to Lessee and as to the matters stated in paragraphs (x) (insofar as it relates to Lessee), (xix) and (xx) (to the knowledge of Lessee, except in regard to matters relating to the Participants, Indenture Trustee or the Owner Trustee, in which event such representation shall be to the knowledge of Lessee without any investigation whatsoever) of this Section 4(a).

(xvii) APPRAISAL. The Owner Participant shall have received an opinion, in form and substance reasonably satisfactory to the Owner Participant, from Aero Economics, Inc., independent aircraft appraisers, or such other recognized aircraft appraiser selected by the Owner Participant, to the effect set forth in Schedule III hereto.

(xviii) INSURANCE CERTIFICATES. Each Participant, the Owner Trustee and the Indenture Trustee shall have received an independent insurance broker's report and certificates of insurance, in form and substance reasonably satisfactory to the Participants, as to the due compliance with the terms of Section 11 of the Lease relating to insurance with respect to the Aircraft.

(xix) NO EVENT OF LOSS. 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.

(xx) NO PROCEEDINGS. No action or proceeding shall have been instituted, nor shall action or proceeding be threatened before any court or governmental agency, nor shall any order, judgment or decree have been issued or proposed to be issued by any court or governmental agency at the time of the Delivery Date to set aside, restrain, enjoin or prevent the completion and consummation of this Agreement or the transactions contemplated hereby.

(xxi) BRINGDOWN OF OTHER PARTIES' REPRESENTATIONS AND WARRANTIES. The respective representations and warranties of each Participant, the Indenture Trustee and the Owner Trustee contained in Section 8 hereof shall be true and accurate as of the Delivery Date 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 event such representations and warranties shall have been true and accurate on and as of such earlier date) and (a) each Participant shall, by making its Commitment available as provided in Section 1(b) of this Agreement, (b) the Indenture Trustee shall, by authenticating the Series SWA 1996 Trust N620SW-I Certificate issued on the Delivery Date, and (c) the Owner Trustee shall, by accepting the Lessee Warranty Bill of Sale and the Lessee FAA Bill of Sale, be respectively deemed to have reaffirmed as of the Delivery Date the representations and warranties made by it (individually or in its trust capacities, as the case may be) in Section 8 of this Agreement.

(xxii) OPINION OF OWNER PARTICIPANT'S TAX COUNSEL. The Owner Participant shall have received from Morgan, Lewis & Bockius, special counsel to the Owner

Participant, a favorable opinion, in form and substance satisfactory to the Owner Participant, with respect to income tax aspects of the transactions contemplated by the Operative Agreements.

(xxiii) NO TAX LAW CHANGE. In the opinion of the Owner Participant and its special counsel, there shall have been, since May 9, 1996, no amendment, modification, addition or change in or to the provisions of the Code (including for this purpose, any non-Code provisions of legislation affecting the Code such as transition rules or effective date provisions), the regulations promulgated under the Code (including temporary or proposed regulations), Internal Revenue Service Revenue Procedures or Revenue

Rulings, or other administrative interpretations, applicable judicial precedents or Executive Orders of the President of the United States which would adversely affect the accuracy of the Tax Assumptions set forth in Section 2 of the Tax Indemnity Agreement.

(xxiv) COPY OF APPRAISAL. The Original Loan Participant shall have received a copy of the opinion referred to in paragraph (xvii) above (without any tax-sensitive provisions) in form and substance reasonably satisfactory to the Original Loan Participant to the effect that the fair market value of the Aircraft on the Delivery Date is at least equal to Lessor's Cost, and that the assumptions made in reaching such conclusion are fair and reasonable, but otherwise without regard to the form and substance thereof.

(xxv) WITHHOLDING TAX FORMS. If the Original Loan Participant is required to execute any form or document in order for payments to it to qualify for exemption from, or reduction of, withholding tax imposed by the Government, in respect to such payments, such Original Loan Participant shall have executed such form or document (including, without limitation, United States Internal Revenue Forms 1001, W-8 and/or 4224) and delivered it to the Indenture Trustee in accordance with applicable regulations to qualify for such exemption or reduction.

Promptly upon the registration of the Aircraft and the recording of the Lease, the Trust Indenture, the Trust Agreement, the Lease Supplement and the Trust Supplement covering the Aircraft pursuant to the Federal Aviation Act, Lessee will request Daugherty, Fowler & Peregrin, special counsel in Oklahoma City, Oklahoma, to deliver to the Owner Participant, the Indenture Trustee, the Original Loan Participant, the Owner Trustee and Lessee an opinion as to the due and valid registration of the Aircraft in the name of the Owner Trustee, the due recording of the FAA Bill of Sale, the Lessee FAA Bill of Sale, the Trust Indenture, the Lease Supplement, the Trust Supplement, the Lease and the Trust Agreement and the lack of filing of any intervening documents with respect to the Aircraft.

(b) CONDITIONS PRECEDENT TO THE OBLIGATIONS OF LESSEE. It is agreed that the obligations of Lessee (A) to participate in the sale of the Aircraft to the Owner Trustee, (B) to accept delivery of the Aircraft under the Lease, and (C) to enter into its other Operative Agreements, are all subject to the fulfillment to the satisfaction of Lessee prior to or on the Delivery Date of the following conditions precedent:

(i) The conditions specified in Sections 4(a)(iii), 4(a)(iv), 4(a)(viii), 4(a)(xix) and 4(a)(xxv) hereof shall have been satisfied, unless such nonsatisfaction is the result of the actions of Lessee.

(ii) Those documents described in Section 4(a)(v) shall have been duly authorized, executed and delivered by the respective party or parties thereto (other than Lessee) in the manner specified in Section 4(a)(v), shall each be satisfactory in form and substance to Lessee, shall be in full force and effect on the Delivery Date, and an executed counterpart of each thereof (other than the Series SWA 1996 Trust N620SW-I Certificate) shall have been delivered to Lessee or its counsel.

(iii) Lessee shall have received a copy of the general authorizing resolutions of the boards of directors (or executive committees) or other satisfactory evidence of authorization of the Indenture Trustee (in its individual capacity), FUNB and the Owner Participant, certified as of the Delivery Date by the Secretary or an Assistant Secretary of the Indenture Trustee (in its individual capacity), FUNB and the Owner Participant, respectively, which authorize the execution, delivery and performance by the Indenture Trustee (in its individual capacity), FUNB and the Owner Participant, respectively, of all the Operative Agreements to which it is a party, together with such other documents and evidence with respect to the Indenture Trustee (in its individual capacity), FUNB and the Owner Participant as Lessee or its counsel may reasonably request in order to establish the consummation of the transactions contemplated by this Agreement, the taking of all corporate proceedings in connection therewith and compliance with the conditions herein set forth.

(iv) The representations and warranties of each Participant, the Indenture Trustee and the Owner Trustee contained in Section 8 hereof shall be true and accurate as of the Delivery Date 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 event such representations and warranties shall have been true and accurate on and as of such earlier date).

(v) Lessee shall have received the opinions set forth in Sections 4(a)(xii), 4(a)(xiii), 4(a)(xiv), and 4(a)(xv), in each case addressed to Lessee and dated the Delivery Date.

(vi) No change shall have occurred after the date of the execution and delivery of this Agreement in applicable law or regulations thereunder or interpretations thereof by appropriate regulatory or judicial authorities which, in the opinion of Lessee, would make it a violation of law or regulations for Lessee to execute, deliver or perform the Operative Agreements to which it is a party.

(vii) In the opinion of Lessee and its counsel, there shall have been, since May 9, 1996, no amendment, modification, addition or change in or to the Code (including for this purpose, any non-Code provisions of legislation affecting the Code such as transition rules or effective date provisions), the regulations promulgated under the Code (including temporary or proposed regulations), Internal Revenue Service Revenue Procedures or Revenue Rulings, or other administrative interpretations, applicable judicial precedents or

Executive Orders of the President of the United States which might give rise to an indemnity obligation under any of the Operative Agreements, or as a result of which any adjustments to the Lease payments are requested by the Owner Participant which would adversely affect the accuracy of the Tax Assumptions set forth in Section 2 of the Tax Indemnity Agreement.

SECTION 5. CONFIDENTIALITY OF PURCHASE AGREEMENT. The Owner Trustee, the Participants and the Indenture Trustee shall keep the Purchase Agreement confidential and shall not disclose the same to any Person, except (A) to prospective and permitted transferees of the Owner Trustee's, the Original Loan Participant's, the Owner Participant's or the Indenture Trustee's interest who agree to hold such information confidential, in accordance with this Section 5, (B) to the aforementioned prospective and permitted transferees', the Owner Trustee's, the Original Loan Participant's, the Owner Participant's or the Indenture Trustee's counsel or special counsel, independent insurance brokers or other agents who agree to hold such information confidential, in accordance with this Section 5, (C) as may be required by any statute, court or administrative order or decree or governmental ruling or regulation, including federal or state banking examiners, tax auditors or taxing authorities, or (D) as may be necessary or desirable for purposes of protecting the interest of any such Person or for enforcement of any Operative Agreement by the Owner Trustee, the Original Loan Participant, the Owner Participant or the Indenture Trustee; provided, however, that any disclosures of any part of the Purchase Agreement which are permitted by clause (C) or (D) 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 6. EXTENT OF INTEREST OF HOLDERS. No Holder shall have any further interest in, or other right with respect to, the mortgage and security interests created by the Trust Indenture when and if the outstanding principal amount of, Break Amount, if any, Premium, if any, and interest on all Certificates held by such Holder and all other sums payable to such Holder hereunder, under the Trust Indenture and under such Certificates shall have been paid in full. Each Holder, by its acceptance of a Certificate, agrees that it will look solely to the income and proceeds from the Trust Indenture Estate to the extent available for distribution to such Holder as provided in Section 2.09 of the Trust Indenture and that neither the Owner Participant nor the Owner Trustee shall be personally liable to any Holder for any amounts payable under the Certificates, the Trust Indenture, hereunder, or under any other Operative Agreement (including, without limitation, amounts payable as Premium or Break Amount), except as expressly provided in this Agreement or (in the case of the Owner Trustee) in the Trust Indenture.

SECTION 7. LESSEE'S REPRESENTATIONS AND WARRANTIES; INDEMNITIES.

(a) IN GENERAL. Lessee represents warrants, covenants and agrees that:

(i) ORGANIZATION, CITIZENSHIP, ETC. Lessee (A) is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas, (B) is a "citizen of the United States" (as defined in Section 40102 of Title 49, U.S.C.)

holding an air carrier operating certificate issued by the Secretary of Transportation pursuant to Chapter 447 of Title 49, U.S.C. for aircraft capable of carrying 10 or more individuals or 6,000 pounds or more of cargo, (C) has the corporate power and authority to carry on its business as now conducted, to own or hold under lease its properties and to enter into and perform its

obligations under this Agreement and the other Operative Agreements to which Lessee is or will be a party, and (D) is duly qualified to do business as a foreign corporation in good standing in each state in which the nature of its business makes such qualification necessary or the failure to be so qualified or so to be in good standing would have a material adverse effect on its business or operations or would impair its ability to perform its obligations under the Operative Agreements.

(ii) CORPORATE AUTHORIZATION, ETC. The execution, delivery and performance of this Agreement and the other Operative Agreements to which Lessee is or will be a party (A) have been duly authorized by all necessary corporate action on the part of Lessee, (B) do not require any shareholder approval, or approval or consent of any trustee or holders of indebtedness or obligations of Lessee or of any lessor under any lease to Lessee except such as have been duly obtained, and (C) do not and will not (1) contravene any law, judgment, governmental rule, regulation or order applicable to or binding on Lessee or any of its subsidiaries or the articles of incorporation or by-laws of Lessee (each as amended to date), or (2) contravene or result in any breach of, or constitute any default under, or result in the creation of any Lien (other than Permitted Liens) upon any property of Lessee under, its articles of incorporation or by-laws, or any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, lease, note or bond purchase agreement, license, bank loan, credit agreement or other agreement to which Lessee is a party or by which it or its properties may be bound or affected.

(iii) GOVERNMENTAL APPROVALS. Neither the execution and delivery by Lessee of this Agreement or the other Operative Agreements to which Lessee is or will be a party, nor the consummation of any of the transactions by Lessee contemplated hereby or thereby, requires the consent or approval of, the giving of notice to, the registration with, or the taking of any other action in respect of, the FAA, the DOT, the SEC, any court or any other federal, state or foreign governmental authority or agency, except for (A) routine filings of copies of such Operative Agreements with the SEC, (B) the certification referred to in Section 4(a)(ix)(5), the registration referred to in Section 4(a)(ix)(2) and the filings and recordings referred to in Sections 4(a)(vi), 4(a)(ix)(1), 4(a)(ix)(2) and 4(a)(ix)(3), and (C) such federal and state securities law approvals or filings that will be required in connection with the public offering, if any, of the Certificates.

(iv) VALID AGREEMENTS. This Agreement and the other Operative Agreements to which Lessee is or will be a party, as and when entered into, do or will, assuming due authorization, execution and delivery by the party or parties thereto other than Lessee, constitute legal, valid and binding obligations of Lessee enforceable against Lessee in accordance with the respective terms hereof and thereof.

(v) NO PROCEEDINGS. There are no pending or, to Lessee's knowledge, threatened actions or proceedings before any court or administrative agency which, having regard to both the size of the claim and the possibility of an adverse determination, are likely to materially adversely affect the consolidated financial condition of Lessee and its subsidiaries, or the ability of Lessee to perform its obligations under this Agreement and the other Operative Agreements to which Lessee is or will be a party.

(vi) TAXES. Lessee and its subsidiaries have filed or caused to be filed all federal, state, local and foreign tax returns which are required to be filed and have paid or caused to

be paid all taxes shown to be due and payable on such returns or on any assessment received by Lessee or any of its subsidiaries to the extent that such taxes have become due and payable (except to the extent being contested in good faith and by appropriate proceedings and for the payment of which adequate provisions have been made).

(vii) FINANCIAL CONDITION. The audited consolidated financial statements of Lessee and its subsidiaries contained in Lessee's Annual Report to Shareholders for the year ended December 31, 1995 and the unaudited consolidated financial statements of Lessee and its subsidiaries contained in the Lessee's Quarterly Report on Form 10-Q for the period ended March 31, 1996 (copies of each of which have been furnished to each Participant) have been prepared in accordance with generally accepted accounting principles, present fairly, in all material respects, the consolidated financial position of Lessee and its subsidiaries as of such dates and the consolidated results of their operations and their cash flows for the periods then ended, and since December 31, 1995, there has been no material adverse change in such consolidated financial position.

(viii) REGISTRATION AND RECORDATION. Except for (A) the registration of the Aircraft with the FAA pursuant to the Act in the name of Owner Trustee, (B) the filing for recordation of the instruments referred to in Section 4(a)(ix)(2) and (3) and this Agreement, if deemed necessary due to the incorporation by reference in such other instruments of terms defined herein, (C) the filing of the UCC financing statements referred to in Section 4(a)(vi) and continuation statements at periodic intervals, (D) the taking of possession by the Indenture Trustee of the original counterparts of the Lease and the initial Lease Supplement, and (E) the affixation of the nameplate referred to in Section 7.1.2 of the Lease, no further action, including any filing or recording of any document (including any financing statement in respect thereof under Article 9 of the Uniform Commercial Code of any applicable jurisdiction), is necessary or advisable in order to establish and perfect the right, title or interest of Owner Trustee in the property constituting the Trust Estate, or of Indenture Trustee in the property constituting the Trust Indenture Estate, in any applicable jurisdiction within the United States of America.

(ix) CHIEF EXECUTIVE OFFICE; NAME. The chief executive office (as such term is defined in Article 9 of the UCC) of Lessee is 2702 Love Field Drive, Dallas, Texas 75235, and Lessee agrees to give the Participants, Owner Trustee and Indenture Trustee 10 days' prior written notice of any relocation of said chief executive office from its present location or change of its name.

(x) SECURITIES LAWS. Neither Lessee nor anyone acting on behalf of Lessee has directly or indirectly offered any beneficial interest or security relating to the ownership of the Aircraft or the Lease or any interest in the Trust Estate or the Trust Indenture Estate, or any of the Certificates or any other interest in or security under the Trust Indenture, or any similar interest or security, for sale to, or solicited any offer to acquire any such interest or security from, or has sold any such interest or security to, any Person other than the Participants and not more than 21 other leasing companies or other institutional investors (in

the case of such beneficial interest or securities), or 15 other institutional investors (in the case of the Certificates and other similar interests and securities) or (assuming the accuracy of the representations in Sections 8(a), 8(d), 8(k)(vi) and 8(p)(viii)) to any Person in violation of the Securities Act or applicable state securities laws, or both, and Lessee will take no action which would constitute or cause such violation.

(xi) NO MISSTATEMENT OR OMISSION. Neither the financial statements referred to in Section 7(a)(vii) nor any other documents furnished by Lessee to Owner Trustee, Indenture Trustee or any Participant in connection with the transactions contemplated by this Agreement or the other Operative Agreements contains any untrue statement of a material fact or omits a material fact necessary to make the statements contained therein (in the case of statements referred to in Section 7(a)(vii), as of the date made) not misleading; there is no fact known by Lessee which Lessee has not disclosed to such parties in writing which materially adversely affects or, so far as Lessee can now reasonably foresee, will materially adversely affect the ability of Lessee to carry on its business and perform its obligations under this Agreement or the other

Operative Agreements to which it is a party.

(xii) INVESTMENT COMPANY. Neither Lessee nor any subsidiary of Lessee is an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(xiii) NO EVENT OF DEFAULT. No Lease Event of Default or Lease Default has occurred and is continuing under the Lease.

(xiv) EFFECTIVE SALE. On the Delivery Date, the Aircraft will be situated in Texas and the sale of the Aircraft by Lessee to Owner Trustee shall be complete and effective and not voidable or void.

(xv) ERISA. Lessee has never sponsored, maintained or made contributions to any defined benefit plan subject to the provisions of Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and (in reliance upon the Participants' representations in Section 8(o)) the transactions contemplated by this Agreement do not constitute a "prohibited transaction" within the meaning of Section 406 of ERISA or Section 4975 of the Code for which an exemption is not available by statute, regulation or class exemption. The execution and delivery of this Agreement and the other Operative Agreements and the consummation of the transactions contemplated hereby and thereby will not involve any non-exempt prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code (such representation being made solely in reliance upon and subject to the accuracy of the representations contained in Section 8(o)).

(xvi) TITLE TO AIRCRAFT, ETC. Good and marketable title to the Aircraft will be at the time of delivery to Owner Trustee vested in Lessee free and clear of all Liens other than the rights of Lessee under the Lease and the Lease Supplement covering the Aircraft, the Lien of the Trust Indenture, the beneficial interest of the Owner Participant in the Aircraft and the Liens permitted by clause (d) (solely for taxes not yet due) or (e) of Section 6 of the Lease; and, subject to the filing for recordation of the Lessee FAA Bill of Sale in

accordance with the Act, good and marketable title to the Aircraft will have been duly conveyed by Lessee to Owner Trustee, free and clear of all Liens other than the rights of Lessee under the Lease and the Lease Supplement covering the Aircraft, the Lien of the Trust Indenture, the beneficial interest of the Owner Participant in the Aircraft, and the Liens permitted by clause (d) (solely for taxes not yet due) or (e) of Section 6 of the Lease.

(xvii) CONDITION OF AIRCRAFT. The Aircraft has been duly certificated by the FAA as to type and airworthiness, is fully equipped to operate in commercial service and complies with all material governmental requirements governing such service; the Aircraft has been continuously operated and maintained by Lessee (in a manner that would satisfy the provisions of Sections 7.1.3 and 8.1 of the Lease) since its delivery to Lessee by Manufacturer, Lessee is unaware of any material mechanical or structural defects in or damage to the Aircraft since its delivery to Lessee by Manufacturer and there has not occurred any event which constitutes or would, with the passage of time or the giving of notice, or both, constitute an Event of Loss.

(xviii) USE OF PROCEEDS. None of the proceeds from the issuance of the Certificates or from the acquisition by the Owner Participant of its beneficial interest in the Trust Estate will be used directly or indirectly by Lessee so as to result in a violation of Regulation G or U of the Board of Governors of the Federal Reserve System.

(xix) NO FEDERAL APPROVALS. No governmental approval in the United States of any kind is required of the Owner Participant, the Original Loan Participant, the Owner Trustee or the Indenture Trustee for their respective execution of or performance under this Agreement or any agreement contemplated hereby solely by reason of any fact or circumstance peculiar to: (a) Lessee (as contrasted to other airlines), (b) the nature of the Aircraft, or (c) Lessee's proposed operations or use of the Aircraft.

(xx) SECTION 1110. Owner Trustee, as lessor under the Lease, and the Indenture Trustee, as assignee thereof, are entitled to the protection of Section 1110 of the United States Bankruptcy Code in connection with their right to take possession of the Airframe and Engines in the event of a case under Chapter 11 of the United States Bankruptcy Code in which Lessee is a debtor. Lessee acquired the Aircraft new from the Manufacturer after October 22, 1994, and Lessee first placed the Aircraft in service after such date.

(b) GENERAL TAX INDEMNITY.

(i) INDEMNITY. Lessee hereby agrees to pay, to indemnify, and, on written demand, reimburse and hold each Indemnified Party (which, unless otherwise indicated herein, for purposes of this Section 7(b) shall include any Affiliate of any Participant, and all entities which are included in a consolidated, combined or unitary return with such Indemnified Party) harmless from, any and all license, documentation, recording and registration fees and any and all taxes (including, without limitation, sales, use, turnover, value-added, property (tangible and intangible), ad valorem, consumption, rental, license, excise and stamp taxes), levies, imposts, duties, charges, assessments or withholdings of any nature whatsoever together with any and all penalties, fines, additions to tax or interest thereon

or computed with reference thereto (collectively "Taxes"), howsoever imposed by any federal, state or local government or governmental subdivision or taxing authority in or of the United States of America (including any possession or territory of the United States of America), or by any foreign government, taxing authority or governmental subdivision of a foreign country, upon, against, or with respect to any Indemnified Party, Lessee, the Aircraft, Airframe, any Engine, any other engine installed on the Airframe, Part or any other part thereof or interest therein or upon or with respect to the purchase, acquisition, acceptance, rejection, mortgaging, financing, refinancing, manufacture, sale, transfer of title, ownership, delivery, nondelivery, insuring, inspection, leasing, possession, use, registration, reregistration, deregistration, operation, repair, replacement, abandonment, redelivery, modification, rebuilding, importation, exportation, return or other disposition thereof, or the imposition of any Lien (or the occurrence of any liability to refund or pay over any amount as a result of any Lien) thereon, or upon or with respect to the rentals, receipts or earnings arising therefrom, or upon or with respect to this Agreement, the Trust Agreement, the Trust Indenture, the Lease, a Lease Supplement, the Purchase Agreement, the Purchase Agreement Assignment, the Certificates or the issuance, reissuance, acquisition, redemption, expiration or subsequent transfer thereof under the Trust Indenture, or the beneficial interests in the Trust Estate or the creation thereof, or any payment made pursuant to any such agreement or instrument or upon or with respect to the property, held by Owner Participant or by the Trust Estate or by Indenture Trustee under the Trust Indenture, or otherwise with respect to or in connection with the transactions contemplated by the Operative Agreements.

(ii) EXCEPTIONS. The indemnity set forth in Section 7(b)(i) shall not extend in the case of any Indemnified Party to Taxes (1) on, based on, or measured by, the receipts, gross or net income, capital or net worth of such Indemnified Party (whether denominated as franchise, excess profits, conduct of business, capital gains, minimum and/or alternative minimum taxes) or accumulated earnings, personal holding company, succession taxes and estate or franchise taxes (other than taxes which are in the nature of sales or use taxes, value-added taxes, rental taxes, license taxes, consumption taxes, ad valorem taxes or property taxes) imposed by (A) the federal government of the United States (including without limitation any taxes collected by withholding) (but specifically excluding any excise taxes imposed in connection with the occurrence of a "prohibited transaction", within the meaning of Section 406 of ERISA or Section 4975 of the Code, for which an exemption is not available by statute, regulation or class exemption) or (B) any state or local government or governmental subdivision or state or local taxing authority in the United States of America (including any possession or territory of the United States of America) other than in the case of (B) any such tax which is a Covered Income Tax, as defined below; (2) on, based on, or measured by, any fees or compensation received by Owner Trustee or Indenture Trustee in its individual capacity for services rendered in connection with the transactions

contemplated hereby; (3) relating to the Aircraft for any period after the later of (A) the expiration or early termination of the Lease and the return of the Aircraft in connection therewith in accordance with the terms thereof and (B) payment in full of Stipulated Loss Value or Termination Value, as the case may be, and all Rent due and owing in accordance with the Lease; (4) arising out of or caused by the wilful misconduct or gross negligence of such Indemnified Party or the inaccuracy or breach of any representation, warranty or covenant of such Indemnified Party contained in any Operative Agreement; (5) imposed on the income of such Indemnified Party by a foreign government or

taxing authority, except to the extent such Taxes are imposed by reason of the location, operation, use or rental of the Aircraft or any Part thereof in such jurisdiction or the presence of Lessee or Sublessee or other user in such jurisdiction or the making of payments from such jurisdiction; (6) which may become payable in connection with the occurrence of a "prohibited transaction", within the meaning of Section 406(b) of ERISA or Section 4975(c)(1)(E) or (F) of the Code, involving the assets of any "employee benefit plan" within the meaning of Section 3(3) of ERISA, or of any "plan" within the meaning of Section 4975(e)(1) of the Code, with respect to which the Owner Participant is the "plan sponsor" within the meaning of Section 3(16)(B) of ERISA; and (7) which become payable as a result of any involuntary disposition attributable to the bankruptcy of the Owner Participant or Owner Trustee or any voluntary sale, transfer, mortgaging, pledging or financing by such Indemnified Party of all or a portion of its interest in the Aircraft, the Trust Estate, the Trust Indenture Estate, the Lease, or any other Operative Agreement in a transaction not contemplated by the Operative Agreements (it being understood that any disposition of the Aircraft or any Part as a result of a substitution, replacement or modification thereof or thereto by Lessee shall not be treated as voluntary) unless, in each case, such transfer shall occur (A) pursuant to the exercise of remedies under Section 15 of the Lease or (B) pursuant to Section 7, 8, 9, 10 or 18 thereof. As used in clause (1)(B) of this Section 7(b)(ii), the term "Covered Income Tax" means a Tax described in said clause (1)(B) imposed on an Indemnified Party by any taxing authority (A) in whose jurisdiction such Indemnified Party (including for this purpose all entities with which it is combined, integrated or consolidated in such taxing authority's jurisdiction) did not engage in business, did not maintain an office or other place of business and was not otherwise located, if such Tax resulted from the operation of the Aircraft or any Engine in such jurisdiction or the transactions contemplated by the Operative Agreements, or (B) in whose jurisdiction such Indemnified Party in fact is doing business, maintaining an office or other place of business or is otherwise located, if such circumstance was no factor in the imposition of such Tax.

(iii) CALCULATION. Lessee agrees that, with respect to any payment or indemnity pursuant to Section 7(b)(i) or Section 7(c) hereof, such payment or indemnity shall include an amount payable to the Indemnified Party sufficient to hold such Indemnified Party harmless on an after-tax basis from all Taxes required to be paid by such Indemnified Party with respect to such payment or indemnity under the laws of any federal, state or local government or governmental subdivision or taxing authority in or of the United States of America, including any possession or territory of the United States, or under the laws of any foreign government, taxing authority or governmental subdivision of a foreign country; provided, that if any Indemnified Party realizes a reduction in Taxes not subject to indemnification hereunder (a "tax benefit") by reason of such payment or indemnity (whether such tax benefit shall be by means of investment tax credit, foreign tax credit, depreciation deduction or otherwise), such Indemnified Party shall, so long as no Lease Default (of the type described in Section 14.1 or 14.5 of the Lease) or Lease Event of Default shall have occurred or be continuing, pay Lessee (but not before Lessee shall have made all payments or indemnities to such Indemnified Party then due under the Operative Agreements) an amount equal to the sum of such tax benefit plus any other tax benefit realized by such Indemnified Party as the result of any payment made pursuant to this proviso; provided, however, that such payment by an Indemnified Party shall not exceed the aggregate payments by Lessee to such Indemnified Party under Section 7(b)(i) hereof (but any such excess shall be carried forward

and shall reduce Lessee's obligation to make any subsequent payments to such Indemnified Party pursuant to Section 7(b) or 7(c) hereof). Each such Indemnified Party shall in good faith use reasonable efforts in filing its tax returns and in dealing with taxing authorities to seek and claim any such tax benefit of which it is actually aware or of which it has been given notice. Any Taxes that are imposed on any Indemnified Party as a result of the disallowance or reduction of such tax benefit referred to in the next preceding sentence in a taxable year subsequent to the year of allowance and utilization by such Indemnified Party (including the expiration of any tax credit carryovers or carrybacks of such Indemnified Party that would not otherwise have expired) shall be indemnifiable pursuant to the provisions of Section 7(b)(i) without regard to Section 7(b)(ii). In determining the amount of any net reduction in Taxes which is attributable to more than one transaction, an Indemnified Party shall be deemed to have utilized its deductions and credits attributable first, to all transactions other than leveraged equipment leasing transactions and then to this transaction and to all such other leveraged equipment leasing transactions on a pari passu basis.

If as a result of any Advance (as hereinafter defined) to an Indemnified Party the aggregate taxes paid or accrued by such Indemnified Party for any taxable year shall be more than the amount of such taxes which would have been payable by the Indemnified Party had no such Advance been made, and if such increase in taxes was not taken into account in determining the amount of the Advance, then such increase in taxes will be treated as Taxes for which Lessee must indemnify the Indemnified Party pursuant to this Section 7(b). Upon the final determination of any contest pursuant to Section 7(b)(iv) hereof in respect of any Taxes for which Lessee has made an Advance, the amount of Lessee's obligation shall be determined under this Section 7(b)(iii) as if such Advance had not been made. Any obligation of Lessee under this Section 7(b) and the Indemnified Party's obligation to repay the Advance will be satisfied first by set off against each other and any difference owing by either party will be paid within 10 days of such final determination.

(iv) NOTICE AND CONTEST. If written claim is received by an Indemnified Party for Taxes, which claim, if sustained, would require the payment of an indemnity by Lessee pursuant to this Section 7(b), such Indemnified Party shall notify Lessee of such claim within 15 days after its receipt; provided, that failure to provide such notice within 15 days will not relieve Lessee of any indemnification obligation pursuant to this Section 7(b) if such failure does not preclude Lessee from exercising its contest rights hereunder. Payments due from Lessee to such Indemnified Party pursuant to this Section 7(b) shall be made directly to such Indemnified Party within 30 days of written demand by such Indemnified Party to Lessee. If requested by Lessee in writing (provided, that Lessee shall have furnished Indemnified Party with a written opinion of Vinson & Elkins L.L.P. or other independent counsel selected by Lessee and reasonably satisfactory to Indemnified Party to the effect that a reasonable basis in law and fact exists under ABA opinion 85-352), such Indemnified Party shall upon receipt of indemnity reasonably satisfactory to it and at the expense of Lessee (including, without limitation, all reasonable costs, expenses, losses, legal and accountants' fees, and disbursements, penalties, interest incurred in contesting such claim, and additions to tax) in good faith contest, in the name of such Indemnified Party or, if requested by Lessee, in the name of Lessee (or permit Lessee, if desired by Lessee, to contest in the name of Lessee) if permissible under applicable laws, the validity, applicability or

amount of such Taxes by (i) resisting payment thereof if practicable, (ii) not paying the same except under protest, if protest shall be necessary and proper, (iii) if payment shall be made, using reasonable efforts to obtain a refund thereof in appropriate administrative and judicial proceedings, and (iv) taking such other action as is reasonably requested by Lessee from time to time. The Indemnified Party shall determine the method of any contest and (in good faith consultation with Lessee) control the conduct thereof. Notwithstanding anything contained in this Section 7(b)(iv), an Indemnified Party will not be required to contest, or to continue to contest, the validity, applicability or amount of any Tax (or portion thereof) (w) unless Lessee shall have acknowledged in writing its obligation to indemnify the Indemnified Party hereunder in the event

the Indemnified Party does not prevail in such contest, (x) if such contest would result in any material risk of criminal penalties or any material risk of sale, forfeiture or loss (or loss of use) of the Aircraft, the Airframe or any Engine or any Part or any interest therein, (y) if a Lease Event of Default has occurred and is continuing or (z) if the claim (when aggregated with related or correlative adjustments with respect to such Indemnified Party) will not exceed $10,000. The Owner Participant shall not be required to appeal, or seek leave to appeal, an adverse judicial determination with respect to such Taxes to the United States Supreme Court. If an Indemnified Party contests a Tax by making a payment and seeking a refund thereof, then Lessee shall advance to such Indemnified Party, on an interest-free basis, an amount equal to the Taxes and any penalties, additions to tax, fines and interest thereon (which shall collectively be known, only for the purpose of this Section 7(b), as an "Advance") that are paid by such Indemnified Party in connection with such contest. Such Advance shall be repayable to Lessee at the time and in the manner specified in the last paragraph of Section 7(b)(iii). If any Indemnified Party shall obtain a refund of all or any part of such Taxes for which an indemnity was paid by Lessee, such Indemnified Party shall pay Lessee the amount of such refund as is attributable to the Taxes for which such indemnity was paid; provided, however, that such amount shall not be payable before such time as Lessee shall have made all payments or indemnities to such Indemnified Party then due under this Section 7(b) and under the Lease. If in addition to such refund such Indemnified Party shall receive an amount representing interest on the amount of such refund, Lessee shall be paid that proportion of such interest which is fairly attributable to Taxes paid with an indemnity payment or Advance by Lessee prior to the receipt of such refund, reduced by taxes imposed on such Indemnified Party on receipt of such refund or interest and increased by any taxes saved by reason of the deductibility of such payment by the Indemnified Party. Any subsequent determination that such Indemnified Party was not entitled to all or any portion of any refund paid to Lessee shall be treated as a Tax indemnifiable under Section 7(b)(i) without regard to Section 7(b)(ii). Lessee shall not be deemed to be in default under any of the indemnification provisions under this Section 7(b) so long as it or any Indemnified Party shall diligently prosecute such contest; provided, that Lessee shall nonetheless be required to pay all Advances and expenses required hereunder. In case any report or return is required to be made with respect to any obligation of Lessee under this Section 7(b) or arising out of this Section 7(b), Lessee will either timely make such report or return in such manner as will show the ownership of the Aircraft in Owner Trustee, and send a copy of such report or return to Owner Trustee (except for any report or return that an Indemnified Party has notified Lessee that the Indemnified Party intends to file or that the Indemnified Party is required by law to file), or will notify Owner Trustee of such requirement and prepare and deliver such report or return

to the Indemnified Party in such manner as shall be satisfactory to such Indemnified Party and Owner Trustee.

Notwithstanding the above provisions of this Section 7(b), any Indemnified Party in its sole discretion (by written notice to Lessee) may unconditionally waive its rights to the indemnities provided for in this Section 7(b) with respect to any Taxes, and refrain from contesting, or continuing the contest of such Taxes, in which event Lessee shall have no liability to such Indemnified Party hereunder with respect to such Taxes. In addition, if an Indemnified Party shall agree to a settlement of any contest under this Section 7(b) without the prior written consent of Lessee, then the Indemnified Party shall be deemed to have waived its rights to the indemnities provided in this Section 7(b) with respect to the subject matter of such settlement.

(v) WITHHOLDINGS. Notwithstanding the exceptions in Section 7(b)(ii), Lessee agrees that each payment of Rent and any amount payable on the Certificates shall be free of all withholdings (other than a U.S. withholding tax, except to the extent described in Section 15.05(d) of the Trust Indenture) of any nature whatsoever except to the extent otherwise required by law, and in the event that any such withholding is so required, Lessee shall pay an additional amount of Rent such that after the deduction of all amounts required to be withheld, the net amount actually received by each Indemnified Party will equal the amount that would be due absent such withholding. In the event additional Rent is paid by Lessee to provide for withholdings pursuant to the preceding sentence in respect of Taxes that are excepted from indemnification hereunder pursuant to Section 7(b)(ii), the Indemnified Party on whom the Tax is imposed by way of withholding on payments

to such person shall, promptly upon receipt of notice from Lessee, reimburse Lessee for such additional Rent. As used in this Section 7(b)(v), a "U.S. withholding tax" shall mean any withholding tax imposed by the United States of America (A) with respect to interest payments under any Certificate pursuant to treaty or federal law imposing withholding tax generally on interest payments to Persons not resident in the United States or (B) in the nature of backup withholding under section 3406 of the Code and the regulations thereunder, or any successor or similar provision of the Code, federal tax law or regulations thereunder. All U.S. withholding taxes with respect to interest payments shall be borne by the Holder of the relevant Certificate and none of Lessee, Owner Participant, Indenture Trustee or Owner Trustee shall be responsible for any U.S. withholding tax with respect to interest payments on such Certificate. Owner Trustee may (or, if Lessee is making any payment directly to the Holder of any Certificate or to the Indenture Trustee, Lessee shall) withhold any applicable U.S. withholding tax from the amount of the interest payment then due and pay (and, if Lessee is making any payment to the Holder or the Indenture Trustee, Lessee shall pay) any amount withheld to the appropriate federal taxing authority; provided, that Lessee shall indemnify and hold the Owner Trustee and the Owner Participant harmless on an after-tax basis from and against any and all liability arising from any failure by any Person to withhold any U.S. withholding taxes with respect to payments required to be made with respect to the Certificates, and Lessee shall timely prepare and file, or, if required by applicable law, present to the Owner Trustee for filing, all information returns required to be prepared with respect to any such withholding tax payments or otherwise with respect to payments under the Certificates.

(c) GENERAL INDEMNITY.

(i) INDEMNITY. Lessee hereby agrees, whether or not any of the transactions contemplated hereby shall be consummated, to pay, assume liability for and indemnify, protect, defend, save and keep harmless each Indemnified Party from and against, on a net after-tax basis as provided in Section 7(b)(iii), any and all liabilities, obligations, losses, damages, settlements, claims, actions, suits, penalties, costs, expenses and disbursements (including but not limited to reasonable legal and investigative fees and expenses and Transaction Costs to the extent not required to be paid by Owner Participant pursuant to Section 16 hereof, and all costs and expenses relating to amendments, supplements, waivers and consents to and under the Operative Agreements, but excluding internal overhead costs and expenses such as salaries) of whatsoever kind and nature, including but not limited to negligence, liability of an owner, strict or absolute liability, liability without fault and liability in tort (any of the foregoing being called a "Loss") which may from time to time be imposed on, incurred by or asserted against any Indemnified Party or the Aircraft, Airframe, any Engine or any Part or any portion of the Trust Estate or the Trust Indenture Estate (whether or not any such Loss is also indemnified or insured against by any other Person or such Indemnified Party has also indemnified any other Person against such Loss) in any way relating to or arising out of (a) any Operative Agreement, the enforcement thereof or any of the transactions contemplated thereby (including, without limitation, the performance or observance of all obligations and conditions of Lessee thereunder, or the falsity of any representations or warranties of Lessee therein or thereunder or in any document or certificate delivered pursuant thereto), (b) the purchase, acceptance or rejection of the Aircraft, (c) the Aircraft, the Airframe, any Engine, any engine or any Part, any data or any other thing delivered or to be delivered under an Operative Agreement, including without limitation, the ownership, financing, refinancing, delivery, nondelivery, lease, sublease, assignment, registration, reregistration, deregistration, possession, use, non- use, presence, operation, condition, storage, preparation, installation, testing, manufacture, design, fitness for use, merchantability, modification, replacement, substitution, alteration, maintenance, repair, re-lease, sale, return, transportation, transfer, abandonment or other disposition thereof or any portion thereof (including, without limitation, latent and other defects, whether or not discoverable, and any claim for patent, trademark or copyright infringement, or arising under environmental control, noise or pollution laws or regulations, and loss of or damage to any property or the environment or death or injury to any person), or (d) the offer, sale or delivery of the Certificates, whether before or after the Delivery Date (the indemnity in this clause (d) to extend also to any Person who controls an Indemnified Party, its successors, assigns, employees, servants and agents within the meaning of Section 15 of the Securities Act).

(ii) EXCEPTIONS. The indemnity set

forth in Section 7(c)(i) shall not extend to any Loss with respect to such Indemnified Party (A) to the extent that such Loss is caused by acts, omissions or events which occur after full and final compliance by Lessee with all the terms of the Operative Agreements, (B) to the extent such Loss is caused by acts, omissions or events which occur following the earlier of: (I) acceptance of possession of the Aircraft by Lessor or its designee pursuant to the terms of the Lease (other than pursuant to Section 15 thereof, in which case Lessee's liability under this Section 7(c) shall survive for so long as Lessor shall be entitled to exercise remedies under such Section 15), (II) the termination

of the Term in accordance with Section 9 of the Lease, or (III) the transfer of title to the Aircraft to Lessee (or its designee) pursuant to Section 10.1.4 or Section 18.2 of the Lease, (C) to the extent that such Loss is a Tax or a loss of tax benefits, whether or not Lessee is required to indemnify therefor pursuant to Section 7(b) hereof, (D) to the extent that such Loss is caused by the willful misconduct or gross negligence of such Indemnified Party (other than willful misconduct or gross negligence imputed to such Indemnified Party solely by reason of its interest in the Aircraft) or any material misrepresentation or violation or breach of any obligations of such Indemnified Party contained in the Operative Agreements then in force unless such misrepresentation, violation or breach is a result of Lessee's failure to comply with the terms of any Operative Agreement to which it is a party, or (E) to the extent such Loss is associated with a sale, assignment or transfer by such Indemnified Party of its respective interest in the Aircraft, the Certificates or the transactions contemplated hereby (other than (1) as required by the Operative Agreements and (2) during the continuance of a Lease Default (of the type described in Section 14.1 or 14.5 of the Lease) or a Lease Event of Default or the exercise of remedies under the Lease). This Section 7(c) does not constitute a guarantee of the useful life or residual value of the Aircraft or a guarantee that the Certificates will be paid.

(iii) NOTICE. If any Indemnified Party or Lessee has knowledge of any Loss for which Lessee is obligated to indemnify under this Section 7(c), it shall give prompt written notice thereof to Lessee or such Indemnified Party, as the case may be, but failure to give such notice shall not relieve Lessee of its obligations hereunder or from any other obligation that Lessee may have to such Indemnified Party at law or in equity, and no payment by Lessee to an Indemnified Party pursuant to this Section 7(c) shall be deemed to constitute a waiver or release of any right or remedy which Lessee may have against such Indemnified Party for any actual damages as a result of the failure by such Indemnified Party to give Lessee such notice.

(iv) RIGHT TO DEFEND; SUBROGATION; FEES AND EXPENSES OF TRUSTEES. Lessee shall be entitled (and, at the Indemnified Party's election, shall be obligated), at its sole cost and expense, acting through counsel selected by Lessee reasonably acceptable to the respective Indemnified Party, (A) in any judicial or administrative proceeding that involves solely a claim for which payment or indemnity is sought under this Section 7(c), to assume responsibility for and control thereof, (B) in any judicial or administrative proceeding involving a claim for which payment or indemnity is sought under this Section 7(c), and other claims related or unrelated to the transactions contemplated by the Operative Agreements, to assume responsibility for and the control of such claim for which payment or indemnity is sought under this Section 7(c) to the extent that the same may be and is severed from such other claims (and such Indemnified Party shall use its reasonable best efforts to obtain such severance), and (C) in any other case, to be consulted by such Indemnified Party with respect to judicial proceedings subject to the control of such Indemnified Party. Notwithstanding any of the foregoing to the contrary, Lessee shall not be entitled to assume responsibility for and control of any such judicial or administrative proceedings (1) while any Lease Default (of the type described in Section 14.1 or 14.5 of the Lease) or Lease Event of Default shall have occurred and be continuing, (2) if such proceedings will involve a material risk of the sale, forfeiture or loss of, or the creation of any Lien (other than a Permitted Lien) on, the Aircraft or the Trust Estate or the Trust Indenture Estate or any part thereof or the loss or impairment of the Lien

of the Trust Indenture on all or any part of the Trust Indenture Estate, (3) if such proceedings could, in the good faith opinion of the Indemnified Party, entail any risk of criminal liability or material civil penalty or (4) if in the written opinion of counsel to such Indemnified Party an actual or potential material conflict of interest exists making it advisable for such Indemnified Party to be represented by separate counsel. The Indemnified Party may participate at its own expense and with its own counsel in any judicial proceeding controlled by Lessee pursuant to the preceding provisions.

The Indemnified Party shall supply Lessee, at Lessee's expense, with such information within its possession reasonably requested by Lessee as is necessary or advisable for Lessee to control or participate in any proceeding to the extent permitted by this Section 7(c). Such Indemnified Party shall not enter into a settlement or other compromise with respect to any Loss without the prior written consent of Lessee (except during the continuance of a Lease Default (of the type described in Section 14.1 or 14.5 of the Lease) or Lease Event of Default when such consent shall not be required if such Indemnified Party gives 10 days' prior written notice to Lessee describing the proposed settlement or other compromise), which consent shall not be unreasonably withheld or delayed, unless such Indemnified Party waives its right to be indemnified with respect to such Loss under this Section 7(c).

Lessee shall supply the Indemnified Party with such information reasonably requested by the Indemnified Party as is necessary or advisable for the Indemnified Party to control or participate in any proceeding to the extent permitted by this Section 7(c).

Upon payment or indemnification of any amount pursuant to this Section 7(c), Lessee, without any further action, shall be subrogated to any claims the Indemnified Party may have relating thereto other than claims under Section 5.03 or 7.01 of the Trust Agreement or Section 9.06 of the Trust Indenture, comparable claims arising in favor of the Owner Trustee or the Indenture Trustee as a matter of trust law and claims under any insurance maintained by any Indemnified Party or any of its Affiliates. The Indemnified Party agrees to give such further assurances or agreements and to cooperate in all reasonable respects with Lessee and its insurers to permit Lessee to pursue such claims.

In the event that Lessee shall have paid an amount to an Indemnified Party pursuant to this Section 7(c), and such Indemnified Party subsequently shall be reimbursed in respect of such indemnified amount by any other Person, such Indemnified Party shall (provided no Lease Default or Lease Event of Default shall have occurred and be continuing) promptly pay (but not before Lessee shall have made all payments then due to such Indemnified Party pursuant to this Section 7(c) and any other payments then due under the Operative Agreements) an amount equal to the amount of such reimbursement (adjusted for any net tax impact of such receipt and payment, but in no event more than such indemnified amount previously paid to such Person) to Lessee. Subject to the provisions of the preceding sentence, Lessee's obligations under the indemnities provided for in this Agreement shall be those of a primary obligor, whether or not the Person indemnified shall also be indemnified with respect to the same matter under the terms of any other document or instrument, and the Person seeking indemnification from Lessee pursuant to any provision of this Agreement may proceed directly against Lessee without first seeking to enforce any other right of indemnification.

Lessee agrees to pay the reasonable and continuing fees and expenses of the Indenture Trustee (including the reasonable fees and expenses of its counsel and any agent appointed in accordance with Section 9.02(c) of the Trust Indenture) and, as provided in Section 6.07 of the Trust Agreement, the Owner Trustee (including, but not limited to, the reasonable fees and expenses of its counsel), without cost, on a net after-tax basis, to the Owner Participant, for acting as such, other than such fees and expenses which constitute Transaction Costs and are payable by the Owner Participant under Section 16. Lessee agrees that it will pay the reasonable fees and expenses of any separate owner trustee or co-trustee appointed pursuant to Section 9.02 of the Trust Agreement as a result of any requirement of law or if otherwise required by any Operative Agreement or if requested, or consented to, by the Lessee.

(d) OWNER PARTICIPANT'S INDEMNITY. Owner Participant covenants and agrees that if (i) Lessee has elected pursuant to Section 9.1 of the Lease to terminate the Lease by causing the Aircraft to be sold pursuant to

Section 9.2 of the Lease and (ii) Owner Trustee has, pursuant to Section 9.3 of the Lease, given to Lessee written notice of Lessor's election to retain title to the Aircraft, and (iii) Owner Trustee has failed to make, on or before the proposed termination date, any payment required to be made by Owner Trustee pursuant to Section 9.3 in connection with its retention of title to the Aircraft, Owner Participant will indemnify Lessee for any losses, damages, costs or expenses of any kind (including any excess of the highest bid received in accordance with Section 9.1 of the Lease on or before the proposed termination date over the price for which the Aircraft may subsequently be sold (but disregarding any portion of such bid or such price in excess of the applicable Termination Value), any additional Rent paid by Lessee (less an amount representing the fair value to Lessee of its use of the Aircraft for the period of time in respect of which such Rent was paid) and any reasonable fees and expenses of lawyers, appraisers, brokers or accountants) incurred as a consequence of such failure by Owner Trustee.

(e) PAYMENTS. Any payments made pursuant to this Section 7 shall be made directly to the Person entitled thereto within 10 Business Days of demand therefor in immediately available funds at such bank or to such account as specified by the payee in written directions to the payor, or, if no such direction shall have been given, by check of the payor payable to the order of the payee and mailed to the payee by certified mail, postage prepaid at its address as set forth in this Agreement.

(f) INTEREST ON OVERDUE AMOUNTS. If any amount payable by Lessee or any Indemnified Party, as the case may be, under this Section 7 is not paid when due, Lessee or such Indemnified Party, as the case may be, shall pay an additional amount equal to interest at the Overdue Rate on the overdue amount for the period from and including the due date for the overdue payment to but excluding the date of payment of the overdue amount.

(g) SURVIVAL. All indemnities, obligations, adjustments and payments provided for in this Section 7 shall survive, and remain in full force and effect, notwithstanding the expiration or other termination of this Agreement, the Lease or any other Operative Agreement. The obligations of Lessee in respect of all such indemnities, obligations, adjustments and payments are expressly made for the benefit of, and shall be enforceable by, each Indemnified Party or other indemnitee entitled thereto, without taking any action under the Lease.

SECTION 8. OTHER REPRESENTATIONS, WARRANTIES, COVENANTS AND INDEMNITIES. (a) SECURITIES LAWS. The Owner Participant represents that it is acquiring its interest in the Trust Estate for investment purposes only and not with a present intent as to any resale or distribution thereof except as otherwise permitted by Rule 144A under the Securities Act, (subject nonetheless to any requirement of law that the disposition of its properties shall at all times be and remain within its control) and that neither it nor anyone acting on its behalf has directly or indirectly offered any interest in the Trust Estate or any Certificates or any similar securities for sale to, or solicited any offer to acquire any of the same from, anyone in a manner which would result in a violation of the Securities Act or the securities laws, rules and regulations of any state.

(b) CITIZENSHIP. Each of the Owner Participant and FUNB, in its individual capacity, represents and warrants to the other parties to this Agreement that it is a "citizen of the United States" as defined in 49 U.S.C. Section 40102(a)(15)(C). The Owner Participant agrees, solely for the benefit of Lessee, each Sublessee, the Indenture Trustee and the Holders, that if at any time (i) it shall not be a "citizen of the United States" within the meaning of 49 U.S.C. Section 40102(a)(15)(C) and (ii) the Aircraft shall be, or would therefore become, ineligible for registration in the name of the Owner Trustee under the Act and regulations then applicable thereunder (it being understood that the effect of any such status shall be determined without giving consideration to any provision of the Act (or any superseding statute) which permits United States registration of an aircraft based on conditions which impose restrictions on the location and use of such aircraft or otherwise restrict the ability of an air carrier to operate an aircraft in the ordinary course of its business), then the Owner Participant shall (at its own expense and without any reimbursement or indemnification from Lessee) as soon as is reasonably practicable but in any event within 30 days after a Responsible Company Officer of the Owner Participant shall obtain actual knowledge of such loss of citizenship (A) effect voting trust or other similar arrangements or take any other action as may be necessary to prevent any deregistration or to maintain the United States registration of the Aircraft and (to the extent such recordation is dependent on the U.S. registration of the Aircraft) the recordation with the FAA of the Trust Indenture and the Lease, or (B) transfer its beneficial interest in the Trust Estate in accordance with Section 8(l) hereof. It is understood that: (1) the Owner Participant shall be liable to any of the other parties hereto for any damages suffered by any such other

party as the result of the representation and warranty of the Owner Participant in the first sentence of this Section 8(b) proving to be untrue as of the Delivery Date; and (2) the Owner Participant shall be liable to Lessee, any Sublessee and any Holder for any damages which may be incurred by Lessee, any Sublessee or such Holder as a result of such loss of citizenship by the Owner Participant and the inability to register (or maintain the registration of) the Aircraft in the name of the Owner Trustee under the Act and regulations then applicable thereunder as a result of such loss of citizenship. Each of Lessee (as provided in Section 11(b)), the Original Loan Participant, the Owner Trustee and the Indenture Trustee agrees, upon the request and at the sole expense of the Owner Participant, to take all reasonable acts requested by the Owner Participant in complying with its obligations under clause (A) or (B) of the second sentence of this Section 8(b). FUNB, in its individual capacity, agrees that if at any time a responsible officer of FUNB shall obtain actual knowledge that FUNB has ceased to be a "citizen of the United States" within the meaning of the Act, it will promptly resign as Owner Trustee (if and so long as such citizenship is necessary under the Act as in effect at such time or, if it is not necessary, if and so long as the Owner Trustee's citizenship would have any adverse effect on a Holder, Lessee, a Sublessee or the Owner Participant), effective upon the appointment of a successor Owner Trustee in accordance with Section 9.01 of the Trust Agreement.

(c) CHIEF EXECUTIVE OFFICE OF FUNB. FUNB in its individual capacity represents and warrants that both the principal place of business of the Owner Trustee and the place where its records concerning the Aircraft and all of its interest in, to and under the Operative Agreements to which it is a party are or will be kept is Charlotte, North Carolina (other than such as may be maintained or held by the Indenture Trustee pursuant to the Trust Indenture) and has its chief executive office (as such term is used in Article 9 of the Uniform Commercial Code) in Charlotte, North Carolina. FUNB in its individual capacity agrees that it will not change the location of such office to a location outside of Charlotte, North Carolina, without 10 days' prior written notice to Lessee, Indenture Trustee and the Owner Participant.

(d) SECURITIES LAWS. The Original Loan Participant represents and warrants that the Series SWA 1996 Trust N620SW-I Certificate to be issued to it pursuant to the Trust Indenture is being acquired by it with no present intent to make any resale or distribution thereof which would require registration under the Securities Act and it will not offer or sell any Certificate in violation of the Securities Act; provided, that the disposition of its property shall at all times be and remain within its control, and that neither it nor anyone acting on its behalf has offered any Certificates or any similar securities relating to the Aircraft for sale to, or solicited any offer to buy any Certificates or any similar securities relating to the Aircraft from, any person or entity other than in a manner required by the Securities Act and the rules and regulations thereunder and the securities laws, rules and regulations of any state.

(e) [INTENTIONALLY RESERVED].

(f) OWNER PARTICIPANT'S REPRESENTATIONS AND WARRANTIES. The Owner Participant represents and warrants as follows:

(i) the Owner Participant is a corporation duly organized and validly existing and in good standing under the laws of the state of Michigan and has the corporate power and authority to carry on its business as now conducted, to own or hold under lease its properties and to enter into and perform its obligations under the Owner Participant Agreements;

(ii) the Owner Participant Agreements have been duly authorized by all necessary corporate action on the part of the Owner Participant, do not require any approval not already obtained of stockholders of the Owner Participant or any approval or consent not already obtained of any trustee or holders of any indebtedness or obligations of the Owner Participant, and have been duly executed and delivered by the Owner Participant, and, subject to and in reliance upon the representations made by the Original Loan Participant and Lessee in Sections 8(o) and 7(a)(xv), respectively, and compliance with the covenants of Section 8(d), neither the execution and delivery thereof by the Owner Participant, nor the consummation of the transactions contemplated thereby by the Owner Participant, nor compliance by the Owner Participant with any of the terms and provisions thereof will contravene any United States federal or state law, judgment, governmental rule, regulation or order applicable to or binding on the Owner Participant (it being understood that no representation or warranty is made with respect to laws, rules or regulations relating to aviation or to the nature of the equipment owned by the Owner Trustee, other than such laws, rules or regulations

relating to the citizenship

requirements of the Owner Participant under applicable aviation law) or contravene or result in any breach of or constitute any default under, or result in the creation of any Lien (other than Permitted Liens of the type described in clause (a) of the definition thereof) upon the Trust Estate under any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan or credit agreement, corporate charter, by-law or other agreement or instrument to which the Owner Participant is a party or by which it or its properties may be bound or affected;

(iii) assuming that each such agreement is the legal, valid and binding obligation of each other party thereto, each of the Owner Participant Agreements constitutes a legal, valid and binding obligation of the Owner Participant enforceable against the Owner Participant in accordance with the terms thereof;

(iv) there are no pending or, to the knowledge of the Owner Participant, threatened actions or proceedings against the Owner Participant before any court or administrative agency which, if determined adversely to the Owner Participant, would materially adversely affect the financial condition of the Owner Participant or the ability of the Owner Participant to perform its obligations under the Owner Participant Agreements;

(v) on the Delivery Date, there will be no Lessor Liens attributable to the Owner Participant;

(vi) the Owner Participant's net worth (as defined in Section 8(l)) is at least $75,000,000; and

(vii) there has not occurred any event which constitutes (or to the best of its knowledge would, with the passage of time or the giving of notice or both, constitute) an Indenture Event of Default which has been caused by or relates to the Owner Participant and which is presently continuing.

(g) LESSOR LIENS. Each of FUNB in its individual capacity and the Owner Participant severally covenants and agrees (i) that it shall not cause or permit to exist a Lessor Lien attributable to it with respect to the Aircraft or any other portion of the Trust Estate, (ii) that it will promptly, at its own expense, take such action as may be necessary duly to discharge such Lessor Lien attributable to it, and (iii) that it will make restitution to the Trust Estate for any actual diminution of the assets of the Trust Estate resulting from such Lessor Liens attributable to it.

(h) INDENTURE TRUSTEE LIENS. Wilmington Trust Company in its individual capacity covenants and agrees that it shall not cause or permit to exist any Lien, arising as a result of (i) claims against the Indenture Trustee not related to its interest in the Aircraft or the administration of the Trust Estate pursuant to the Trust Indenture, (ii) acts of the Indenture Trustee not permitted by, or failure of the Indenture Trustee to take any action required by, the Operative Agreements to the extent such acts arise or such failure arises from or constitutes gross negligence or willful misconduct, (iii) claims against the Indenture Trustee relating to Taxes or Losses which are excluded from the indemnification provided by Section 7 hereof pursuant to said Section 7, or (iv) claims against the Indenture Trustee arising out of the transfer by the Indenture Trustee of all or any portion of its interest

in the Aircraft, the Trust Estate, the Trust Indenture Estate or the Operative Agreements other than (A) a transfer of the Aircraft pursuant to Section 9, 10 or 18 of the Lease or Article 5 or 8 of the Trust Indenture, (B) any borrowing pursuant to Section 17 hereof, or (C) a transfer of the Aircraft pursuant to Section 15 of the Lease while a Lease Event of Default is continuing and prior to the time that the Indenture Trustee has received all amounts due pursuant to the Trust Indenture.

(i) TERMINATION INSTRUCTIONS TO OWNER TRUSTEE. The Owner Participant will not instruct the Owner Trustee to terminate any Operative Agreement in violation of the terms thereof.

(j) EXCESS PAYMENT. If (i) all or any part of the Trust

Estate becomes the property of, or the Owner Participant becomes, a debtor subject to the reorganization provisions of the Bankruptcy Reform Act of 1978 or any successor provision, (ii) pursuant to such reorganization provisions the Owner Trustee (in its individual capacity) or the Owner Participant is required, by reason of the Owner Trustee (in its individual capacity) or the Owner Participant being held to have recourse liability to any Holder or the Indenture Trustee, directly or indirectly (other than the recourse liability of the Owner Participant under this Agreement), to make payment on account of any amount payable as principal, Break Amount, if any, Premium, if any, or interest on the Certificates, and (iii) any such Holder or the Indenture Trustee actually receives any Excess Payment (as hereinafter defined) which reflects any payment by the Owner Trustee (in its individual capacity) or the Owner Participant on account of clause (ii) above, then such Holder or the Indenture Trustee shall promptly refund to the Owner Trustee or the Owner Participant (whichever shall have made such payment) such Excess Payment. For purposes of this Section 8(j), "Excess Payment" means the amount by which such payment exceeds the amount which would have been received by such Holder or the Indenture Trustee if the Owner Trustee (in its individual capacity) or the Owner Participant had not become subject to the recourse liability referred to in clause (ii) above. Nothing contained in this Section 8(j) shall prevent such Holder or the Indenture Trustee from enforcing any personal recourse obligation (and retaining the proceeds thereof) of the Owner Trustee (in its individual capacity) or the Owner Participant under this Agreement or the Trust Indenture (and any exhibits or annexes thereto).

(k) REPRESENTATIONS AND WARRANTIES OF INDENTURE TRUSTEE IN INDIVIDUAL CAPACITY. The Indenture Trustee represents and warrants, in its individual capacity, as follows:

(i) it is a "citizen of the United States" as defined in the Act, that it will notify promptly all parties to this Agreement if in its reasonable opinion its status as a "citizen of the United States" is likely to change and that it will resign as Indenture Trustee as provided in Section 9.07 of the Trust Indenture if it should cease to be a "citizen of the United States";

(ii) it is a banking corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to enter into and perform its obligations under the Trust Indenture and this Agreement and to authenticate the Certificates;

(iii) the Indenture Trustee Agreements, and the authentication of the Certificates have been duly authorized by all necessary corporate action on its part, and neither

the execution and delivery thereof nor its performance of any of the terms and provisions thereof will violate any federal or Delaware law or regulation governing its banking or trust powers or any judgment or order binding on it or contravene or result in any breach of, or constitute any default under its charter or by-laws or the provisions of any indenture, mortgage, contract or other agreement to which it is a party or by which it or its properties may be bound or affected;

(iv) each of the Indenture Trustee Agreements has been duly executed and delivered by it and, assuming that each such agreement is the legal, valid and binding obligation of each other party thereto, is the legal, valid and binding obligation of the Indenture Trustee, enforceable against it in accordance with its terms;

(v) neither the execution and delivery by it, in its individual capacity or as Indenture Trustee, as the case may be, of this Agreement or the Trust Indenture nor the consummation of any of the transactions contemplated hereby or thereby requires the consent or approval of, the giving of notice to, or the registration with, any governmental authority or agency pursuant to any law of the State of Delaware or the United States governing the banking or trust powers of the Indenture Trustee; and

(vi) neither it nor anyone authorized to act on its behalf has directly or indirectly offered any beneficial interest or security relating to the ownership of the Aircraft or the Lease or any interest in the Trust Estate or the Trust Indenture Estate, or any of the Certificates or any other interest in or security under the Trust Indenture, for sale to, or solicited any offer to acquire any such interest or security from, or has sold any interest or security to, any Person, and it will not directly or indirectly make any such offer, solicitation or sale.

(l) TRANSFERS OF EQUITY INTERESTS; RIGHTS OF OWNER PARTICIPANT AND OWNER TRUSTEE. So long as the Aircraft shall be leased to Lessee under the Lease and so long as the Certificates are outstanding, the Owner Participant will not sell, assign, convey or otherwise transfer any of its right, title or interest in and to this Agreement, the Trust Estate or the Trust Agreement to any Person unless (i) the proposed transferee is a "Transferee" (as defined below) and (ii) the Owner Participant shall have delivered to the Owner Trustee, Lessee and the Indenture Trustee an opinion (in form, scope and substance reasonably satisfactory to the Indenture Trustee and Lessee) of counsel reasonably satisfactory to the Indenture Trustee and Lessee to the effect that the agreement referred to in clause (O) below and any guaranty required by clause (B) or (C) below, are the legal, valid, binding and enforceable obligations of the Transferee and the guarantor, if any, as the case may be. A "Transferee" shall mean either (A) a U.S. bank or other financial institution with a combined capital, surplus and undivided profits of at least $75,000,000 or a limited partnership or corporation whose net worth is at least $75,000,000, (B) any subsidiary of such a bank, financial institution, limited partnership or corporation; provided, that such bank, financial institution, limited partnership or corporation furnishes to the Owner Trustee, the Indenture Trustee and Lessee a guaranty substantially in the form of Exhibit A with respect to the Owner Participant's obligations, in the case of the Owner Trustee, under the Trust Agreement and, in the case of the Indenture Trustee and Lessee, the Owner Participant's obligations hereunder, or (C) any other corporation, limited liability company or limited partnership, provided such obligations are guaranteed (such guaranty to be substantially in the form

of Exhibit A) by the transferor Owner Participant; provided, however, that unless otherwise consented to by Lessee any Transferee shall not be an air carrier, an air freight forwarder or other similar Person or a corporation controlling, controlled by or under common control with such an air carrier, an air freight forwarder or other similar Person. Each such transfer to a Transferee shall be subject to the conditions that (M) upon giving effect to such transfer, the Transferee is a "citizen of the United States" within the meaning of 49 U.S.C. Section 40102(a)(15)(C) or the Transferee, at its sole cost and expense on an after-tax basis (including any continuing costs of any voting trust), shall have entered into a voting trust or similar arrangement which permits the registration of the Aircraft under the Act in the name of the Owner Trustee without any restriction on the operation of the Aircraft, (N) the Transferee has the full power and authority to enter into and carry out the transactions contemplated hereby, (O) the Transferee enters into an agreement or agreements substantially in the form of Exhibit B, (P) such transfer does not result in a nonexempt prohibited transaction under Section 4975 of the Code or Section 406 of ERISA with respect to such Holders about which the Owner Participant shall have received such information as may be reasonably necessary in making such determination (and Owner Participant shall request such information and each of Lessee, the Original Loan Participant and the Indenture Trustee shall cooperate in providing such information as may be available), (Q) such transfer does not violate any applicable law including, without limitation, the Act, or any rules or regulations promulgated thereunder, the Securities Act or the Trust Indenture Act of 1939, (R) after giving effect to such transfer, there shall be no more than one Owner Participant of record at that time and (S) such transfer will not give rise to an Indenture Default or Indenture Event of Default; and Lessee or the Indenture Trustee may request such Transferee to provide an opinion of counsel (who shall be reasonably satisfactory to Lessee and the Indenture Trustee) in form, scope and substance reasonably satisfactory to Lessee and the Indenture Trustee as to any matter set forth in clause (Q) and as to such other matters as Lessee or the Indenture Trustee may reasonably request. Upon any such transfer by the Owner Participant as above provided, the Transferee shall be deemed the Owner Participant for all purposes hereof and of the other Operative Agreements and each reference herein to the transferor Owner Participant shall be deemed for all purposes, with respect to circumstances existing and requirements arising thereafter, to be to the Transferee and the transferor Owner Participant shall be relieved of all obligations of the transferring Owner Participant under the Owner Participant Agreements arising after the date of such transfer except to the extent fairly attributable to acts or events occurring prior thereto and not assumed by the transferee Owner Participant. If the Owner Participant intends to transfer its interests hereunder, it shall give prior written notice thereof as soon as practicable, but in no event less than ten (10) Business Days prior thereto, to the Indenture Trustee, the Owner Trustee and Lessee, specifying the name and address of the proposed Transferee and the facts necessary to determine whether or not the requirements for a Transferee, as set forth herein, are satisfied. The Owner Participant shall pay, or shall cause the transferee Owner Participant to pay, all of the reasonable costs and expenses (including, without limitation, legal fees and expenses) of the other parties hereto (except the costs and expenses of Lessee if such transfer is effected during the continuance of a Lease Default (of the type described in Section 14.1 or 14.5 of the Lease) or a Lease Event of Default or in connection

with the exercise of remedies under the Lease), on a net after-tax basis, of any such transfer. For purposes of this Agreement, "net worth" shall mean the excess of total tangible assets over total liabilities, each to be determined in accordance with generally accepted accounting principles consistently applied.

(m) OBLIGATIONS OF TRUSTEES. The Indenture Trustee shall be responsible for the payment, performance and discharge of, and shall fully and completely pay, perform and

discharge, all of its obligations under the Trust Indenture in accordance with the terms thereof. Subject to the terms and provisions of the Trust Agreement, the Owner Trustee shall be responsible for the payment, performance and discharge of, and shall fully and completely pay, perform and discharge, all of its obligations under the Lease in accordance with the terms thereof.

(n) COMPLIANCE WITH TRUST INDENTURE. FUNB and Wilmington Trust Company, each in its individual capacity, agrees for the benefit of Lessee to comply with the terms of the Trust Indenture which it is required to comply with in its individual capacity.

(o) ERISA. The Owner Participant represents and warrants that no part of the funds used by it to acquire its interest in the Trust Estate constitutes "plan assets" of any "employee benefit plan" within the meaning of ERISA or of any "plan" within the meaning of Section 4975(e)(1) of the Code, as interpreted by the Department of Labor. The Original Loan Participant represents and warrants that no part of the funds used by it to acquire the Certificates or any interest therein (including any participation in such Certificates) constitutes "plan assets" of any "employee benefit plan" within the meaning of ERISA or any "plan" within the meaning of Section 4975(e)(1) of the Code.

(p) FUNB'S REPRESENTATIONS AND WARRANTIES. FUNB, in its individual capacity, represents, warrants and covenants that:

(i) each of the Owner Trustee Documents has been duly executed and delivered by one of its officers who is duly authorized to execute and deliver such instruments on behalf of the Owner Trustee or FUNB, as the case may be;

(ii) the Trust Estate is free and clear of Lessor Liens attributable to FUNB in its individual capacity, and there are no Liens affecting the title of the Owner Trustee to the Aircraft or resulting from any act or claim against FUNB in its individual capacity arising out of any event or condition not related to the ownership, leasing, use or operation of the Aircraft or to any other transaction contemplated by this Agreement or any of the other Operative Agreements, including any Lien resulting from the nonpayment by FUNB in its individual capacity of any Taxes imposed or measured by its net income;

(iii) there has not occurred any event which constitutes (or to the best of its knowledge would, with the passage of time or the giving of notice or both, constitute) an Indenture Event of Default which has been caused by or relates to FUNB in its individual capacity and which is presently continuing;

(iv) it is a national banking association duly organized, validly existing and in good standing under the laws of the United States and (assuming due authorization, execution and delivery of the Trust Agreement by the Owner Participant) has the corporate power and authority to enter into and perform its obligations under the Trust Agreement and this Agreement (in its individual capacity), and (assuming due authorization, execution and delivery of the Trust Agreement by the Owner Participant) has full right, power and authority to enter into and perform its obligations as Owner Trustee pursuant to the Trust Agreement under each of the other Owner Trustee Documents;

(v) each of the Trust Agreement and this Agreement (in its individual capacity) and the Owner Trustee Documents (in its trust capacity) has been duly authorized by all necessary corporate action on its part, and neither the execution and delivery

thereof nor its performance of any of the terms and provisions thereof will violate any federal or North Carolina law or regulation relating to its banking or trust powers or contravene or result in any breach of, or constitute any default under, its charter or by-laws or the provisions of any indenture, mortgage, contract or other agreement to which it is a party or by which it or its properties may be bound or affected;

(vi) assuming due authorization, execution and delivery of the Trust Agreement by the Owner Participant, each of the Owner Trustee Documents has been duly executed and delivered by it and, each of the Trust Agreement and this Agreement (to the extent executed by the Owner Trustee in its individual capacity) is a legal, valid and binding obligation of FUNB in its individual capacity and as Owner Trustee, as the case may be, enforceable against such party in accordance with the terms thereof;

(vii) on the Delivery Date, the Owner Trustee shall have received whatever title to the Aircraft as was conveyed to it by Lessee;

(viii) neither it nor anyone acting on its behalf has offered any interest in the Trust Estate or any Certificates or any similar securities for sale to, or solicited any offer to acquire the same from, anyone, and no responsible officer or responsible employee of FUNB has knowledge of any such offer or solicitation, except as set forth in Section 7(a)(x) hereof;

(ix) assuming due authorization, execution and delivery of each of the Owner Trustee Documents by each of the parties thereto (other than the Owner Trustee), each of the Owner Trustee Documents is a legal, valid and binding obligation of the Owner Trustee, enforceable against the Owner Trustee in accordance with its respective terms;

(x) there are no proceedings pending or, to the best knowledge of FUNB, threatened, against FUNB in any court or before any governmental authority or arbitration board or tribunal which, if adversely determined, would materially and adversely affect the right, power and authority of FUNB to enter into or perform its obligations under the Owner Trustee Documents;

(xi) neither the due execution and delivery of the Owner Trustee Documents by FUNB, in its individual capacity or as Owner Trustee under the Trust Agreement, as the case may be, nor the consummation by it of any of the transactions contemplated thereby require the consent or approval of, the giving of notice to, or the registration with, any federal or North Carolina governmental authority or agency pursuant to any federal or North Carolina law governing the banking or trust powers of FUNB; and

(xii) no later than sixty (60) days after Lessee shall so request, Owner Trustee shall execute and deliver to Lessee (on a form to be supplied by Lessee) a Texas Sales and Use Tax Certificate of Resale reflecting Owner Trustee's Texas or North Carolina sales

tax permit number and Owner Trustee's purchase of the Aircraft pursuant to the Lease for lease to Lessee thereunder, and, if necessary to permit Owner Trustee to issue such Certificate, Owner Trustee shall apply for (on a form to be supplied by Lessee) a Texas sales tax permit.

(q) OWNER PARTICIPANT'S LEASE EXPENSES. The Owner Participant covenants and agrees to pay or cause the Owner Trustee to pay those costs and expenses specified to be paid by the Owner Participant pursuant to the Lease.

(r) LESSEE'S ASSUMPTION OF DEBT. Subject to compliance by Lessee with all of its obligations under the Operative Agreements and provided that the Series SWA 1996 Trust N620SW-I Certificate is no longer outstanding, each of the Owner Trustee, the Indenture Trustee and the Owner Participant covenants and agrees that, at Lessee's expense on a net after-tax basis (including, without limitation, reasonable attorneys' fees and expenses of each of such parties), (i) if Lessee elects to terminate the Lease and to purchase the Aircraft pursuant to Section 18.2(b) of the Lease, each of such parties will, subject to due compliance by Lessee with the provisions of said Section 18.2(b), execute and deliver appropriate documentation to Transfer to Lessee the Aircraft, and (ii) Lessee, in connection with such purchase, may (if

no Lease Event of Default shall have occurred and be continuing, unless such Lease Event of Default is waived by the Indenture Trustee) assume (and, as set forth in Section 18.2(c) of the Lease, receive a credit in an amount equal to the principal amount of the debt assumed, against the purchase price payable by Lessee pursuant to Section 18.2(b) of the Lease) the obligations of the Owner Trustee pursuant to Section 7.03 of the Trust Indenture and the Certificates (and the Lease, to the extent that the Owner Trustee's obligations thereunder are incorporated into the Trust Indenture or the Certificates), and in such event each of the parties shall execute and deliver appropriate documentation as contemplated by Section 7.03 of the Trust Indenture.

(s) [INTENTIONALLY RESERVED].

(t) [INTENTIONALLY RESERVED].

(u) LEASE ADJUSTMENTS. Section 3.7 of the Lease contemplates that, under certain circumstances, the Owner Participant will make certain recalculations and the Owner Participant hereby agrees to promptly take such actions as may be necessary or desirable to give effect to and to cause the Owner Trustee to give effect to the provisions of Section 3.7 of the Lease.

(v) REVOCATION OF TRUST AGREEMENT. The Owner Participant agrees, notwithstanding anything to the contrary contained in the Trust Agreement, (i) solely for the benefit of the Indenture Trustee that it will not revoke or otherwise terminate the Trust Agreement as long as the Trust Indenture is in effect, and (ii) solely for the benefit of Lessee that it will not revoke or otherwise terminate the Trust Agreement during the Term without the prior written consent of Lessee, except that, notwithstanding the foregoing clauses (i) and (ii), or any other provision of the Operative Agreements to the contrary, the Owner Participant shall have the right to terminate the trusts set forth in the Trust Agreement without the consent of any other party to the Operative Agreements, at any time, if in connection therewith the Owner Participant shall simultaneously create a new trust upon substantially the same terms and conditions as the trusts so terminated and shall cause the Trust Estate to be vested in the Owner Trustee under the new trust upon the same terms and conditions so applied to such terminated trust; provided, however, that in connection with any such termination (A) none

of the creation of such new trust, the termination of the trust set forth in the Trust Agreement or the transactions consummated in connection therewith will have any adverse impact on any of Lessee's rights or the Indenture Trustee's rights under the Operative Agreements (including the first priority lien status of the Lien of the Trust Indenture), (B) Lessee shall have no responsibility to indemnify any Indemnified Party under any provision of any Operative Agreement for any Taxes or other consequences that in either case would not have been incurred but for such termination and transfer, (C) the Owner Participant shall indemnify Lessee and the Indenture Trustee for any costs, expenses, taxes or other consequences that in either case would not have been incurred but for such termination and transfer, (D) the Owner Participant shall provide Lessee and the Indenture Trustee with an opinion in form and substance reasonably satisfactory to them as to the effect of such termination and transfer, and (E) immediately after such transfer, the beneficiary of the new trust shall be the same as the beneficiary of the trust set forth in the Trust Agreement. The Owner Participant further agrees (x) promptly to provide instructions to the Owner Trustee, upon the request of the Owner Trustee and as otherwise required under the Trust Agreement, so as to enable the Owner Trustee to perform its duties and obligations under the Operative Agreements in accordance with the terms and provisions thereof and (y) not to remove the institution acting as Owner Trustee, and not to replace the institution acting as Owner Trustee in the event that such institution resigns as Owner Trustee, unless the Owner Participant shall have consulted in good faith with Lessee prior to such removal or replacement; provided, that no such consultation shall be required if a Lease Event of Default shall have occurred and be continuing.

(w) [INTENTIONALLY RESERVED].

(x) WITHHOLDING TAXES. The Original Loan Participant represents that it is exempt from United States withholding taxes, and covenants that, if required to obtain or renew such exemption, it will properly prepare and promptly furnish to each of the Owner Trustee, the Indenture Trustee and Lessee Internal Revenue Service Form 1001, Form 4224 (with respect to each tax year) or Form W-8, whichever is applicable. The Original Loan Participant represents, warrants and covenants that it will promptly notify the Owner Trustee, the Indenture Trustee and Lessee if it transfers any interest in its Series SWA 1996 Trust N620SW-I Certificate to any Person, other than pursuant to Section 17 or 18 hereof or Section 8.03(e)(ii) of the Indenture.

The Original Loan Participant shall indemnify (on an after-tax

basis) and hold harmless the Indenture Trustee, the Owner Trustee, Lessee and the Owner Participant against any United States withholding taxes (and related interest and penalties) which the Indenture Trustee fails to withhold on payments to it as a result of its failure to provide the required certificate or form or the invalidity of any certificate or form provided by it pursuant to this Section 8(x) or as a result of any inaccuracy of the representations set forth in the immediately preceding paragraph. Any amount payable hereunder shall be paid within 30 days after receipt by the Original Loan Participant of a written demand therefor and shall include interest at the Overdue Rate from the date any withholding tax has been paid by such party until the date indemnified by the Original Loan Participant.

(y) DISCHARGE OF TRUST INDENTURE. The Owner Participant agrees that, at Lessee's expense (including, without limitation, reasonable attorneys' fees and other out-of-pocket expenses of the Owner Trustee and Owner Participant), upon request of Lessee, the Owner Participant will negotiate promptly in good faith with respect to any arrangements pursuant to which the Trust

Indenture may be satisfied and discharged in respect of the Certificates in accordance with subsection (ii) or (iii) of Section 10.01(a) of the Trust Indenture, and the Owner Trustee agrees to act upon the instructions of the Owner Participant in connection therewith; provided, however, that the determination whether to so satisfy and discharge the Certificates shall be in the Owner Participant's sole discretion. The Owner Trustee agrees that it will not, and the Owner Participant agrees that during such time as a Lease Event of Default has not occurred it will not cause the Owner Trustee to, take any action to effect such satisfaction and discharge except upon the request of Lessee made pursuant to this Section 8(y).

(z) PERMITTED INVESTMENTS. The Owner Trustee agrees that (i) so long as the Trust Indenture has not been duly discharged, any profit, income, interest, dividend or gain realized upon the maturity, sale or other disposition of any Permitted Investment made by the Indenture Trustee pursuant to Section 9.04 of the Trust Indenture, and paid to Lessee on behalf of the Owner Trustee by the Indenture Trustee in accordance with the terms of such Section 9.04, shall be entirely for the account of, and the sole property of, Lessee who, for such purposes, shall not be deemed to be acting as agent of the Owner Trustee, and Lessee shall have no obligation to pay over such profit, income, interest, dividend or gain to the Owner Trustee, (ii) any such profit, income, interest, dividend or gain not theretofore distributed shall, upon discharge of the Trust Indenture, be paid by the Indenture Trustee to Lessee, unless instructed by the Owner Participant to distribute such funds to the Owner Participant or the Owner Trustee to the extent the Owner Participant or the Owner Trustee is owed any amounts under the Operative Agreements that have not been paid when due, and (iii) except to the extent the Owner Trustee or Owner Participant is owed any amounts under the Operative Agreements by Lessee and such amounts are not paid when due, the Owner Participant may cause the Indenture Trustee to distribute and apply such profit, income, interest, dividend or gain realized upon the maturity, sale or other disposition of investment of funds pursuant to Section 22.1 of the Lease, in satisfaction or partial satisfaction of the amounts so due.

(aa) SPECIAL PURCHASE OPTION. If Lessee shall have elected both (i) to assume all of the rights and obligations of Lessor under the Trust Indenture in accordance with Section 7.03 of the Trust Indenture and (ii) to pay to Lessor the installments specified in the proviso to Section 18.2(c) of the Lease, then, as further conditions precedent to those specified in paragraphs (c) and (d) of Section 18.2 of the Lease to such assumption:

(1) the Indenture Trustee shall have received evidence reasonably satisfactory to it that the Trust Indenture, after giving effect to the transactions contemplated by Section 18.2(d) of the Lease, constitutes a first priority and perfected security interest in the Aircraft, which evidence shall include an opinion of the tenor contemplated by Section 7.03(h) of the Trust Indenture; and (2) the Indenture Trustee and the Owner Trustee shall execute and deliver an intercreditor agreement that covers the following matters:

(x) the Owner Trustee shall not, notwithstanding any Lease Event of Default, exercise any remedy accorded to it pursuant to Section 15 of the Lease until the Trust Indenture shall have been discharged pursuant to Section 10.01 of the Trust Indenture;

(y) payment of the Supplemental Rent under the Lease in respect of the installments specified in Section 18.2(c) of the Lease, and all other amounts owing to the Owner Trustee (other than Excluded Payments) (collectively, "Equity Payments"), shall be fully and unconditionally subordinated to the payment in full in cash of principal, interest, Break Amount or Premium, if any, and all other amounts owing to the Holders or the Indenture Trustee under or in respect of the Certificates or the Trust Indenture (collectively, "Debt Payments"), all pursuant to such terms of subordination as shall be effectively and substantively equivalent to the manner in which Debt Payments are paid or payable in priority to the Equity Payments, and such other customary terms of subordination as shall be reasonably required by the Indenture Trustee; and

(z) the Owner Trustee shall have the substantive equivalent of the cure and buy-out rights specified in clauses (e)(i) and (e)(ii) of Section 8.03 of the Trust Indenture.

(bb) TRANSFERS OF DEBT INTERESTS. Except in connection with any transfer pursuant to Section 17 or 18 hereof, or Section 8.03(e)(ii) of the Indenture, the Original Loan Participant covenants that it will not (i) transfer or (ii) grant participations in, its Certificate to any Person unless such Person represents, warrants and covenants in writing to the Original Loan Participant and, in the case of a transfer, to the Owner Participant and Lessee, (A) to the effect set forth in Section 8(x) hereof and (B) further represents and warrants to the Original Loan Participant and, in the case of a transfer, to the Owner Participant and Lessee either that (a) no part of the funds used by it to acquire its Series SWA 1996 Trust N620SW-I Certificate or participation constitutes "plan assets" of any "employee benefit plan" within the meaning of ERISA or any "plan" within the meaning of Section 4975(e)(1) of the Code, or (b) its purchase or acquisition of such Series SWA 1996 Trust N620SW-I Certificate or participation will not result in a nonexempt prohibited transaction under Section 4975 of the Code or Section 406 of ERISA. Any such Person shall require any transferee of its interest to make the representations, warranties and covenants in the preceding sentence.

(cc) [INTENTIONALLY RESERVED].

(dd) [INTENTIONALLY RESERVED].

(ee) LESSEE AS PRICING AGENT FOR CERTIFICATE. The Owner Trustee hereby appoints Lessee as its agent to select the pricing provisions and related Interest Periods in respect of the Series SWA 1996 Trust N620SW-I Certificate, such appointment to be effective so long as no Lease Default or Lease Event of Default shall have occurred and be continuing.

SECTION 9. PAYMENTS TO LESSEE OF TRUST INDENTURE MONIES. The Owner Participant hereby agrees to instruct the Owner Trustee to promptly distribute any money received by it pursuant to Section 7.01 or 10.04 of the Trust Indenture to Lessee to the extent such amounts were paid by Lessee or on behalf of Lessee and the Owner Trustee or the Owner Participant is not owed any amounts under any of the Operative Agreements by Lessee (and if the Owner Trustee or Owner Participant is owed any such amount, the monies received under Section 7.01 or 10.04 of the Trust Indenture may be applied in satisfaction or partial satisfaction thereof). Lessee agrees to hold any

money received by it pursuant to the foregoing sentence in trust for the benefit of the Owner Participant and may, in its discretion, invest and reinvest all money so held by it in such Permitted Investments as Lessee deems appropriate. Lessee will apply such money to the payment of previously unclaimed payments with respect to the Certificates when and as claims for payment are made by the Holders of such Certificates. So long as no Lease Event of Default or Lease Default (of the type described in Section 14.1 or 14.5 of the Lease) shall have occurred and be continuing, as compensation for its services pursuant to this Section 9, Lessee shall be entitled to an annual fee from the Owner Participant in an amount to be agreed to at the time by Lessee and the Owner Participant but in no event shall such fee exceed at any time the amount of earnings on the monies so held in trust distributable at such time to the Owner Participant. Any net losses on such investment shall be for the account of Lessee. Any net earnings on such investment shall be distributed from time to time by Lessee to the Owner Participant after deducting therefrom any portion of such fee then due and unpaid. Upon the date

required by applicable law dealing with unclaimed property, Lessee will distribute to the Owner Participant any amount held by it pursuant to this Section 9 and not previously applied to the payment of the Certificates, after deducting therefrom any portion of such fee then due and unpaid.

SECTION 10. OTHER DOCUMENTS; AMENDMENT. Lessee acknowledges receipt of executed copies of the Trust Agreement and Trust Indenture and hereby consents in all respects to the execution and delivery of the Trust Agreement and Trust Indenture and to all the terms thereunder, including, without limitation, the assignment under the Trust Indenture of Lessor's rights under the Lease. Each of the Owner Participant and the Owner Trustee hereby (A) agrees with Lessee and the Indenture Trustee to comply with all of the terms of the Trust Agreement and, to the extent the same purports or is stated to bind the Owner Participant, the Trust Indenture (each as the same may hereafter be amended or supplemented from time to time in accordance with the terms thereof) applicable to it, to the extent such non-compliance would be adverse to such party; and (B) subject to Section 8(v), agrees with Lessee and the Indenture Trustee not to amend, supplement or otherwise modify any provision of the Trust Agreement in a manner adversely affecting such party without the prior written consent of such party. In addition, unless a Lease Default (of the type referred to in Section 14.1 or 14.5 of the Lease) or Lease Event of Default shall have occurred and be continuing and so long as the Lease has not been terminated, the Indenture Trustee and the Owner Trustee hereby agree for the benefit of Lessee that without the consent of Lessee they will not (and the Owner Participant agrees that it will not cause the Owner Trustee to) amend, supplement or otherwise modify any provision of the Trust Indenture in a manner adversely affecting Lessee. The Indenture Trustee and the Owner Trustee agree to promptly furnish to Lessee copies of any supplement, amendment, waiver or modification of any of the Operative Agreements to which Lessee is not a party. Each Holder agrees that it will not take any action in respect of the Trust Indenture Estate except through the Indenture Trustee pursuant to the Trust Indenture or as otherwise permitted by the Trust Indenture.

SECTION 11. CERTAIN COVENANTS OF LESSEE. Lessee covenants and agrees with the Participants, the Indenture Trustee and the Owner Trustee, in its capacity as such and in its individual capacity, as follows:

(a) FURTHER ASSURANCES. Lessee will cause to be done, executed, acknowledged and delivered all and every such further acts, conveyances and assurances as the Owner Trustee, the Indenture Trustee or any Participant shall reasonably require for accomplishing the purposes of this Agreement and the other Operative Agreements. Lessee, forthwith upon delivery of the Aircraft under

the Lease, shall cause the Aircraft to be duly registered, and at all times thereafter to remain duly registered, in the name of the Owner Trustee, or shall furnish to the Owner Trustee such information as may be required to enable the Owner Trustee to make application for such registration (at the expense of Lessee, including, without limitation, reasonable attorneys' fees and expenses), and shall promptly furnish to the Owner Trustee such information as may be required to enable the Owner Trustee to timely file any reports required to be filed by it as the lessor under the Lease or as the owner of the Aircraft with any governmental authority (including tax authorities), it being understood that Lessee shall not be required to comply with this covenant to the extent that FUNB's or the Owner Participant's failure to comply with its covenant in Section 8(b) with regard to its citizenship makes such compliance by Lessee impossible.

(b) FILING AND RECORDING, ETC. Lessee, at its expense, will, at the request of any party hereto, take, or cause to be taken, such action with respect to the recording, filing, rerecording and refiling of the Trust Agreement, the Lease, all Lease Supplements, the Trust Indenture, all Trust Supplements and any financing statements or other instruments as are necessary to maintain, so long as the Trust Indenture or the Lease is in effect, the perfection of the security interests created by the Trust Indenture and any security interest that may be claimed to have been created by the Lease and the ownership interest of the Owner Trustee in the Aircraft. Lessee agrees, upon the request and at the sole expense of the Owner Participant, to take all reasonable acts requested by the Owner Participant in complying with its obligations under clause (A) or (B) of the second sentence of Section 8(b).

(c) FAA FILINGS. Upon the execution and delivery of the Lessee FAA Bill of Sale, the Lease Supplement and Trust Supplement covering the Aircraft, the Lease and the Trust Indenture shall be filed for recording with the FAA in the following order of priority: first, the Lessee FAA Bill of Sale; second, the FAA registration application; third, the Trust Indenture, with the Trust Agreement and the Trust Supplement covering the Aircraft

attached; and fourth, the Lease, with the Lease Supplement covering the Aircraft, the Trust Indenture and the Trust Supplement covering the Aircraft attached. Lessee agrees to furnish the Participants and the Indenture Trustee with copies of the foregoing documents with recording data as promptly as practicable following the issuance of same by the FAA.

(d) ANNUAL COMPLIANCE OPINIONS. Lessee will furnish to Owner Trustee and Indenture Trustee annually after the execution hereof (but not later than December 1 of each year), commencing with the year 1997, opinions of counsel for Lessee selected by Lessee and reasonably satisfactory to Owner Trustee and Indenture Trustee stating that, in the opinion of such counsel, either (a) such action has been taken (or specifying any action which must be taken) with respect to the recording, filing, rerecording and refiling of (i) the appropriate Operative Agreements and any supplements and amendments thereto, (ii) UCC financing statements, and (iii) such other filings or recordings as are necessary to maintain for the 15-month period succeeding the date of such opinion the perfection of Owner Trustee's and Indenture Trustee's title to and interest in the Aircraft and the Operative Agreements and the ownership interest of Owner Trustee in the Aircraft, reciting the details of such actions, or (b) no such action is necessary to maintain for the 15-month period succeeding the date of such opinion the perfection of such title and interest.

(e) ENGINE PURCHASE AGREEMENT. Lessee agrees to furnish the Owner Trustee and the Indenture Trustee, promptly upon demand therefor, an agreement (the "Engine Purchase Agreement Assignment") assigning the rights of Lessee under the purchase agreement pursuant to which Lessee originally acquired the Engines (the "Engine Purchase Agreement") to the Owner Trustee (which rights are collaterally assigned to the Indenture Trustee), substantially in the form of the Purchase Agreement Assignment, and to use its best efforts to obtain from the Engine Manufacturer a consent and agreement in substantially the form of the Manufacturer's Consent.

(f) MERGER. Lessee will not consolidate with or merge into any other corporation or convey, transfer or lease all or substantially all of its assets to any Person unless:

(i) the corporation formed by such consolidation or into which Lessee is merged or the Person which acquires by conveyance, transfer or lease all or substantially all of the assets of Lessee as an entirety, as the case may be (the "Successor") shall be (A) a corporation organized and existing under the laws of the United States of America or any state thereof or the District of Columbia, (B) a "citizen of the United States" as defined in the Act, and (C) a United States certificated air carrier, such that Owner Trustee will have the benefit of Section 1110 of the United States Bankruptcy Code to the extent Owner Trustee had such benefit immediately prior to such consolidation or merger;

(ii) the Successor shall execute and deliver to the Owner Trustee, the Indenture Trustee and the Participants an agreement in form reasonably satisfactory to the Owner Trustee, the Indenture Trustee and each Participant containing an assumption by the Successor of the due and punctual performance and observance of each covenant and condition of the Operative Agreements to be performed or observed by Lessee;

(iii) immediately after giving effect to such transaction and as a result of giving effect to such transaction, no Lease Default or Lease Event of Default shall have occurred and be continuing;

(iv) Lessee shall have delivered to the Owner Trustee, the Indenture Trustee and each Participant an Officer's Certificate and an opinion of counsel to the Successor reasonably satisfactory to the Owner Trustee, the Indenture Trustee and each Participant, each stating that such consolidation, merger, conveyance, transfer or lease and the assumption agreement mentioned in subparagraph (ii) above comply with this Section 11(f) (except that such opinion need not refer to subparagraph (iii) above), that the agreements entered into to effect such consolidation, merger, conveyance, transfer or lease and such assumption agreement are legal, valid and binding obligations of the Successor, enforceable against the Successor in accordance with their respective terms (subject to applicable bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and to general principles of equity), and that all conditions precedent herein provided for relating to such transaction have been complied with; and

(v) the Successor shall make such filings and recordings with the FAA pursuant to the Act, as shall be necessary or desirable to evidence such consolidation, merger, conveyance, transfer or lease with or to such Successor.

Upon any such consolidation, merger, conveyance, transfer or lease, the Successor shall succeed to, and be substituted for, and may exercise every right and power of, Lessee under the applicable Operative Agreements with the same effect as if the Successor had been named as Lessee therein. No such conveyance, transfer or lease of all or substantially all of the assets of Lessee as an entirety shall have the effect of releasing Lessee or any successor corporation or Person which shall theretofore have become such in the manner prescribed in this Section 11(f) from its liability in respect of any Operative Agreement to which it is a party. Nothing contained herein shall permit any lease, sublease or other arrangement for the use, operation or possession of the Aircraft except in compliance with the applicable provisions of the Lease (or any assignment by Lessee of its rights under the Lease, except in connection with a transaction in compliance with the express provisions of this Section 11(f)).

(g) CORPORATE EXISTENCE. Except as permitted by Section 11(f) hereof, Lessee shall at all times maintain its corporate existence. Lessee covenants and agrees that it will at all times be a "citizen of the United States" within the meaning of the Act.

(h) CERTIFICATE SCHEDULE. Lessee will provide on behalf of the Owner Trustee the amortization schedule for the Certificate to be issued to the Original Loan Participant at least two days before the Delivery Date.

(i) NO CERTIFICATE OWNERSHIP. Lessee agrees that it will not, at any time, hold any Certificates.

SECTION 12. OWNERSHIP OF AIRCRAFT. It is hereby agreed among Lessee, the Owner Participant and the Owner Trustee that for all purposes the Owner Trustee will be the owner of the Aircraft (except that the Owner Participant will be the owner for income tax purposes and except under the circumstances contemplated by the proviso to Section 18.2(d) of the Lease) and Lessee will be the lessee thereof, and each party hereto agrees to characterize the Lease as a lease for income tax purposes and all other relevant purposes (subject to the election referred to above).

SECTION 13. NOTICES; CONSENT TO JURISDICTION. (a) Except as otherwise provided in this Agreement respecting telephone notices, all notices, demands, instructions and other communications required or permitted to be given to or made upon any party hereto shall be in writing and shall be personally delivered or sent by registered or certified mail, postage prepaid, or by prepaid telex, TWX or telegram (with messenger delivery specified in the case of a telegram), or by telecopier, or by prepaid courier service, and shall be deemed to be given for purposes of this Agreement on the day that such writing is delivered or, if given by certified mail, three (3) Business Days after being deposited in the mails, in accordance with the provisions of this Section 13(a). Unless otherwise specified in a notice sent or delivered in accordance with the foregoing provisions of this Section 13(a), notices, demands, instructions and other communications in writing shall be given to or made upon the respective parties hereto at their respective addresses (or to their respective telex, TWX or telecopier numbers) as follows: (A) if to Lessee, the Owner Trustee, the Original Loan Participant, the Indenture Trustee or the Owner Participant, to the respective addresses set forth on Schedule I hereto (and in the case of Owner Trustee a copy shall be sent to the Owner Participant) or (B) if to a subsequent Owner Participant, addressed to such subsequent Owner Participant at such address as such subsequent Owner Participant shall have furnished by notice to the parties hereto or (C) if to any subsequent Holder,

addressed to such Holder at its address set forth in the Register maintained pursuant to Section 2.03 of the Trust Indenture.

(b) Each party to this Agreement (individually a "Party" and collectively "Parties") irrevocably agrees that any legal suit, action or proceeding brought by any other Party, which arises solely out of or relates solely to the Operative Agreements or any of the transactions contemplated hereby or thereby or any document referred to herein or therein, may be

instituted in the competent courts of the State of New York in New York County or the United States District Court for the Southern District of New York and that they, to the maximum extent permitted by law, hereby waive the right to trial by jury in any such proceeding; provided, however, that the foregoing provisions shall not apply to third party tort claims (but shall apply to an indemnity claim with respect to such tort claim) and that the foregoing shall not apply to any right a party may have to seek removal of such legal suit, action or proceeding to federal court or to seek consolidation of any separate legal suits, actions or proceedings brought by any one or more of the other parties in the same or different jurisdictions. The agreement set forth in this Section 13(b) is given solely for the benefit of the Parties, and such agreement is not intended to and shall not (i) confer exclusive jurisdiction on any court or (ii) inure to the benefit of any other Person.

SECTION 14. CHANGE OF SITUS OF OWNER TRUST.

The Owner Participant agrees that if, at any time, the Trust Estate becomes subject to any Taxes for which it is indemnified pursuant to Section 7(b) hereof and if, as a consequence thereof, Lessee should request that the situs of the trust be moved to another state in the United States from the state in which it is then located, the situs of the trust may be moved and the Owner Participant will take whatever action may be reasonably necessary to accomplish such removal; provided, that (A) Lessee shall provide such additional tax indemnification as the Owner Participant may reasonably request, (B) the rights and obligations under the Operative Agreements of the Owner Participant shall not be adversely altered as a result of the taking of such action, or the Owner Participant shall be indemnified by Lessee to its reasonable satisfaction for any such alteration, (C) the lien of the Trust Indenture on the Trust Indenture Estate shall not be adversely affected by such action, and Lessee shall execute and deliver such documents as may be requested by the Indenture Trustee to continue the perfection and priority of the lien on the Trust Indenture Estate, (D) the Owner Participant shall have received an opinion or opinions of counsel (reasonably satisfactory to the Owner Participant) in scope, form and substance reasonably satisfactory to the Owner Participant to the effect that (I) the trust, as thus removed, shall remain a validly established trust and the Trust Agreement and other Operative Agreements shall remain valid, binding and enforceable in accordance with their terms, (II) any amendments to the Trust Agreement necessitated by such removal shall have been duly authorized, executed and delivered by the parties thereto and shall constitute the legal, valid and binding obligations of such parties, enforceable in accordance with their terms, (III) such removal will not result in the imposition of, or increase in the amount of, any Tax for which Lessee is not required to indemnify the Owner Participant, the Owner Trustee or the Trust Estate pursuant to Section 7(b) hereof (taking into account any additional indemnification provided by Lessee pursuant to clause (A) of this sentence), (IV) such removal will not result in any Loss of MACRS Deductions, Transaction Expense Deductions, Interest Deductions or an Inclusion (as defined in the Tax Indemnity Agreement) with respect to which Lessee is not required to indemnify the Owner Participant pursuant to Section 6 of the Tax Indemnity Agreement (taking into account any additional indemnification provided by Lessee pursuant to clause (A) of this sentence), and (V) covering such other matters as the Owner Participant may reasonably request, (E) if

such removal involves the replacement of the Owner Trustee, the Owner Participant shall have received an opinion of counsel to such successor Owner Trustee in form and substance reasonably satisfactory to the Owner Participant covering the matters addressed by the opinion delivered pursuant to Section 4(a)(xii) hereof, and (F) Lessee shall indemnify and hold harmless the Owner Participant on a net after-tax basis against any and all reasonable and actual costs and expenses including attorneys' fees and disbursements, registration, recording or filing fees incurred by the Owner Trustee or Owner Participant, in connection with such change of situs.

SECTION 15. MISCELLANEOUS.

(a) CONSENTS UNDER LEASE AND TRUST INDENTURE. Each of the Owner Participant and each Holder covenants and agrees that it shall not unreasonably withhold its consent to any consent requested of the Owner Trustee, as Lessor, or the Indenture Trustee under the terms of the Lease, which by its terms is not to be unreasonably withheld by the Owner Trustee, as Lessor, or by the Indenture Trustee. Each Holder covenants and agrees that it shall not unreasonably withhold its consent to any consent requested of the Indenture Trustee under the terms hereof or in the Trust Indenture, which by its terms is not to be unreasonably withheld by the Indenture Trustee.

(b) SURVIVAL. The representations, warranties, indemnities and agreements of Lessee, the Owner Trustee, the Indenture Trustee, the Owner Participant and the Original Loan Participant provided for in this Agreement, and Lessee's, the Owner Trustee's, the Indenture Trustee's, the Original Loan Participant's and the Owner Participant's obligations under any

and all thereof, shall survive the making available of the respective Commitments by the Participants, the delivery or return of the Aircraft, the transfer of any interest of the Owner Participant in the Trust Estate or the Aircraft or any Engine or the transfer of any interest by any Holder in any Certificate or the Trust Indenture Estate and the expiration or other termination of this Agreement or any other Operative Agreement, except as otherwise expressly provided herein or therein.

(c) COUNTERPARTS; WAIVERS; GOVERNING LAW. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified, except by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification is sought; and no such termination, amendment, supplement, waiver or modification shall be effective unless a signed copy thereof shall have been delivered to Lessee, the Indenture Trustee and the Owner Trustee. The terms of this Agreement shall be binding upon, and inure to the benefit of and shall be enforceable by, Lessee, the Participants, the Indenture Trustee and the Owner Trustee. THIS AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. THIS AGREEMENT IS BEING DELIVERED IN THE STATE OF NEW YORK.

(d) NO RECOURSE AGAINST OWNER TRUSTEE. The parties hereto agree that all of the statements, representations, covenants and agreements made by the Owner Trustee (when made in such capacity) contained in this Agreement and any agreement referred to herein other than the Trust Agreement, unless expressly otherwise stated, are made and intended only for the purpose of binding

the Trust Estate and establishing the existence of rights and remedies which can be exercised and enforced against the Trust Estate. Therefore, anything contained in this Agreement or such other agreements to the contrary notwithstanding (except for any express provisions that the Owner Trustee is responsible for or is acting in or making representations or agreements in its individual capacity), no recourse shall be had with respect to this Agreement or such other agreements against the Owner Trustee in its individual capacity or against any institution or person which becomes a successor trustee or co-trustee or any officer, director, trustee, servant or direct or indirect parent or controlling person or persons of any of them; provided, however, that this Section 15(d) shall not be construed to prohibit any action or proceeding against any party hereto for its own willful misconduct or grossly negligent conduct; and provided, further, that nothing contained in this Section 15(d) shall be construed to limit the exercise and enforcement in accordance with the terms of this Agreement or such other agreements of rights and remedies against the Trust Estate. The foregoing provisions of this Section 15(d) shall survive the termination of this Agreement and the other Operative Agreements.

(e) DUTIES LIMITED. No Participant shall have any obligation or duty to Lessee, to any other Participant or to others with respect to the transactions contemplated hereby except those obligations or duties of such Participant expressly set forth in this Agreement and the other Operative Agreements and no Participant shall be liable for performance by any other party hereto of such other party's obligations or duties hereunder. Without limitation of the generality of the foregoing, under no circumstances whatsoever (except as provided in Section 7(d) hereof) shall any Participant be liable to Lessee, nor shall any Participant be liable to any other Participant, for any action or inaction on the part of the Indenture Trustee or the Owner Trustee in connection with the transactions contemplated herein, whether or not such action or inaction is caused by the willful misconduct or gross negligence of the Indenture Trustee or the Owner Trustee.

(f) BINDING ON PARTIES AND SUCCESSORS. This Agreement shall be binding upon and shall inure to the benefit of and shall be enforceable against, the parties hereto and their respective successors and permitted assigns including each successive holder of the Owner Participant's interest and each successive holder of any Certificate issued and delivered pursuant to this Agreement or the Trust Indenture whether or not an express assignment to such holder of rights and obligations under this Agreement has been made.

(g) ENFORCEABILITY REPRESENTATIONS. Every representation or warranty contained herein as to the enforceability of any Operative Agreement shall be deemed to be made subject to the effects of applicable bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and of general principles of equity.

(h) QUIET ENJOYMENT. So long as no Lease Event of Default shall have occurred and be continuing during the Term, none of the Participants, the Indenture Trustee or the Owner Trustee will, through its own actions or breaches of any of its obligations under the Operative Agreements, interfere in the quiet enjoyment of the Aircraft by Lessee or any Permitted Sublessee.

(i) COPIES. Lessee shall furnish to the Indenture Trustee copies of all reports, notices, requests, demands, certificates, financial statements and other instruments furnished to the Owner Trustee under the Lease, to the extent that the same shall not have been furnished directly to the Indenture Trustee pursuant to the Lease.

SECTION 16. TRANSACTION COSTS; INVOICES AND PAYMENT OF EXPENSES. (a) The parties hereto agree that the term "Transaction Costs" shall mean (i) with respect to the closing on the Delivery Date and the subsequent placement of the permanent debt pursuant to Section 17 or 18 hereof, the reasonable and actual fees, expenses and disbursements of (1) Potter Anderson & Corroon, special counsel for the Indenture Trustee, (2) Moore & Van Allen, PLLC, counsel for the Owner Trustee, (3) Daugherty, Fowler & Peregrin, special counsel in Oklahoma City, Oklahoma, (4) Shearman & Sterling, special counsel for the Original Loan Participant and for the underwriters in a potential refinancing transaction pursuant to Section 18 hereof, to the extent not paid by the underwriters, and (5) Vinson & Elkins L.L.P., special counsel for Lessee, but only to the extent of their expenses and disbursements, (ii) all fees, taxes and other charges payable in connection with the recording or filing of instruments and financing statements, (iii) the initial fee and initial reasonable and actual disbursements of the Owner Trustee under the Trust Agreement, (iv) the initial fee and initial reasonable and actual disbursements of the Indenture Trustee under the Trust Indenture, (v) the fee and expenses of Aero Economics, Inc. (or of such other appraiser as shall be acceptable to Lessee and the Owner Participant) with respect to the appraisal of the Aircraft required on or before the Delivery Date pursuant to Section 4(a) hereof, (vi) the advisory fees and expenses of Babcock & Brown Financial Corporation, (vii) the reasonable out-of-pocket disbursements, costs and expenses of the Original Loan Participant relating to the transactions contemplated hereby, (viii) the reasonable out-of-pocket expenses of the Owner Participant relating to the transactions contemplated hereby, excluding the fees and expenses of Owner Participant's counsel, (ix) the initial fee, if any, of the Original Loan Participant, (x) the placement or underwriting fees, commissions and expenses, if any, in placing the permanent debt pursuant to Section 18 hereof and all costs and expenses associated with a public offering, if any, pursuant thereto, and (xi) printing and distribution costs.

(b) Each of the Owner Trustee, the Indenture Trustee, Lessee and the Participants shall promptly submit to the Owner Participant copies of invoices of the Transaction Costs as they are received. Lessee shall also be provided with a copy of any bill for legal expenses, with an opportunity to review and approve it (such approval not to be unreasonably withheld or delayed). The Owner Participant agrees to pay such amounts directly or to transfer to the Owner Trustee from time to time promptly upon receipt of invoices of Transaction Costs such amount as shall be necessary in order to enable the Owner Trustee to pay such Transaction Costs. To the extent of funds received by it, the Owner Trustee agrees to pay all invoices of Transaction Costs that have been so approved promptly upon receipt thereof. Notwithstanding the foregoing, Lessee, (x) at its option, may pay directly any Transaction Costs in excess of (i) 0.327156% of Lessor's Cost incurred in connection with the closing of this transaction on the Delivery Date and (ii) 0.641933% of Lessor's Cost incurred in connection with the refinancing or refunding of the Certificates pursuant to Section 18, (y) shall pay the fees of its special counsel and, (z) in the event that the transactions contemplated hereby shall not be consummated, Lessee shall pay all Transaction Costs, plus the fees and expenses of Owner Participant's counsel, except that the fees and expenses referred to in clause (a) (viii) above, and the fees, expenses and disbursements of the Owner Participant's counsel, shall be borne by the Owner Participant if such failure to consummate the transactions results from the failure of the Owner Participant to close after all conditions precedent to the Owner Participant's funding (other than those conditions within the control of the Owner Participant) of its Commitment set forth herein have been satisfied. In any and all events, Lessee agrees to pay on a net after-tax basis the reasonable out-of-pocket costs and expenses (including counsel fees) of each Indemnified Party incurred in connection with the entering into or giving or withholding of any future waiver, modification, supplement,

consent, amendment or other action with respect to any Operative Agreement which (a) is requested by Lessee, (b) results from any adjustment pursuant to Section 3.7 of the Lease, or (c) is necessary to effectuate the intent of any Operative Agreement. In addition, upon such failure to consummate, Lessee shall pay the Original Loan Participant any applicable Break Amount.

SECTION 17. OPTIONAL REDEMPTION OF CERTIFICATES. (a) Subject to paragraph (d) below, in the event that Lessee shall have given written notice to the Owner Trustee, the Indenture Trustee and the Owner Participant requesting that there be effected a voluntary redemption of the Outstanding Certificates by the Owner Trustee as part of a refunding or refinancing transaction, the Owner Participant agrees to negotiate promptly in good faith to conclude an agreement with Lessee as to the terms of such refunding or refinancing transaction (including the terms of any debt to be issued in connection with such refunding or refinancing transaction and the documentation to be executed in connection therewith), and if after such good faith negotiation Lessee and the Owner Participant shall have concluded an agreement with respect to such terms:

(1) within ten (10) Business Days after the reaching of such agreement, the Owner Participant will deliver to Lessee a certificate of an authorized representative of the Owner Participant (the "Refinancing Certificate") setting forth (i) the proposed date on which the Outstanding Certificates will be redeemed, describing the new debt to be issued and the other aspects of such refunding or refinancing transaction to be consummated (such date, the "Refinancing Date", which date shall be determined so as to comply with Section 6.03(a) of the Trust Indenture) and (ii) the following information: (A) subject to the limitations set forth in this Section 17, the proposed adjusted ratio of debt evidenced by the Certificates to the Owner Participant's investment in the beneficial ownership of the Aircraft (such ratio, the "Debt/Equity Ratio"), (B) the principal amount of debt to be issued by the Owner Trustee on the Refinancing Date, and (C) the proposed revised debt amortization and schedules of Basic Rent, Stipulated Loss Value percentages and Termination Value percentages and the revised Special Purchase Price (including any installments thereof). The Refinancing Certificate shall not provide for a Debt/Equity ratio of more than 4:1. Within ten (10) Business Days of its receipt of the Refinancing Certificate, Lessee may demand a verification of the information set forth in the Refinancing Certificate in the manner described in Section 3.7 of the Lease. Upon the acceptance by Lessee of the accuracy of the information set forth in the Refinancing Certificate or the determination of such information pursuant to such verification procedures (such information, the "Refinancing Information") the appropriate parties will take the actions specified in subparagraphs (2) through (6) below;

(2) the appropriate parties will enter into a financing or loan agreement in form and substance reasonably satisfactory to the Owner Participant, the Owner Trustee and Lessee (which may involve an underwriting agreement in connection with a public offering of such debt or the purchase of such debt by a publicly funded entity (or entities) or the sale of the Owner Trustee's interest in the Trust Estate and/or the Aircraft and its simultaneous resale to the Owner Trustee) with the institution or institutions to be named therein (A) providing for (i) the issuance and sale by the Owner Trustee to such institution or institutions on the Refinancing Date of debt securities in an aggregate principal amount specified in the Refinancing Information, which amount shall be at least equal to the aggregate principal amount of all Certificates Outstanding on the Refinancing Date (such debt securities, the "New

Debt"), (ii) the application of the proceeds of the sale of the New Debt to the redemption of all such Certificates on the Refinancing Date and the payment of any other amounts payable to the Holders under the Operative Agreements on the Refinancing Date, and (iii) the payment of the excess, if any, of such proceeds over the amount necessary to effect such redemption to the Owner Trustee for payment to the Owner Participant and (B) pursuant to which the parties to the refinancing transaction (including the Owner Participant and Lessee but excluding any public holders of debt) make such representations, warranties and covenants as the Owner Participant or Lessee may reasonably require;

(3) Lessee and the Owner Trustee will amend the Lease to provide that (i) Basic Rent payable in respect of the period from and after the Refinancing Date shall be as provided in the

Refinancing Information, (ii) amounts payable in respect of Stipulated Loss Value and Termination Value from and after the Refinancing Date shall be as provided in the Refinancing Information, and (iii) in the event that the Series SWA 1996 Trust N620SW Certificates shall have been publicly issued, the early termination notice revocation and payment provisions shall be modified to comport with the applicable notice and payment requirements of The Depository Trust Company or any other depository;

(4) the Owner Trustee will enter into an agreement to provide for the securing thereunder of the New Debt in like manner as the Certificates and will enter into such amendments and supplements to the Trust Indenture (or such new indenture or other security agreement) as may be necessary to effect such security;

(5) unless otherwise agreed to or required by the Owner Participant to be paid as a Transaction Cost and whether or not such refunding or refinancing transaction is consummated, Lessee shall pay on a net after-tax basis all of the reasonable out-of-pocket expenses of all parties to such refunding or refinancing, including, without limitation, the reasonable fees and expenses of such parties' counsel (including allocated costs of the Original Loan Participant's in-house counsel) and any related loan or commitment fees;

(6) subject to compliance by the Owner Trustee with all applicable terms and conditions for voluntary redemption under the Trust Indenture and this Agreement, each Holder of a Certificate being refinanced or refunded will transfer on the applicable Redemption Date to the Owner Trustee each Certificate held by it immediately prior to such refunding or refinancing for cancellation (and the Owner Trustee shall cancel the same), against simultaneous receipt by such Holder of payment for the then outstanding principal amount of such Certificate, accrued and unpaid interest thereon, Premium, if any, plus in the case of the Series SWA 1996 Trust N620SW-I Certificates, Break Amount, if any, together with payment in full of all other amounts then payable to such Holder and the Indenture Trustee hereunder or under the Trust Indenture; and

(7) the Owner Participant's obligations under this Section 17(a) may be discharged by the appointment of an investment banker satisfactory to Lessee.

(b) In the case of a refunding or refinancing involving a public offering of the New Debt, the Owner Participant shall have the right (but not the obligation) to review and approve (which

approval shall not be unreasonably withheld) any registration statement filed with the SEC to be employed in connection therewith. Any public offering of the New Debt shall not, except as required by Lessee, contain any restrictions on the sale to Holders who may use ERISA funding sources. It is expressly understood that the Owner Participant shall have no obligation hereunder to consent to such public refunding or refinancing if, in its good faith judgment, such refunding or refinancing increases its or any of its Affiliates' exposure to (i) liabilities under federal or state securities laws, (ii) regulation under state or federal securities laws, (iii) the need to disclose publicly information that is not generally available to the public, or (iv) being adversely affected in its ability to engage in any other financing transaction, in each case to a level unacceptable to it in its reasonable, good faith judgment. Any trustee of public debt shall be (i) Wilmington Trust Company or (ii) a bank or trust company in the United States and having a combined capital and surplus of at least $100,000,000, if there be such an institution willing, able and legally qualified to perform the duties of trustee upon reasonable or customary terms.

(c) Lessee shall give the Indenture Trustee at least thirty (30) days' irrevocable written notice of the proposed date of the optional refunding or refinancing.

(d) Anything in this Section 17 to the contrary notwithstanding, (i) all agreements and instruments to be executed and delivered by the Owner Participant or the Owner Trustee under this Section 17 shall be reasonably satisfactory in form and substance to the Owner Participant, (ii) neither Owner Participant nor the Owner Trustee shall be required to execute and deliver any such agreement or instrument or to make any other arrangements which in its opinion would result in any unreimbursed increased costs or liability, including any adverse tax consequences or risk thereof (unless indemnified against to its reasonable satisfaction) or would result in any other material detriment or disadvantage to it, and (iii) the

Owner Participant shall have no obligation to make any additional investment in connection with any such refinancing.

(e) Without the consent of the Owner Participant, there shall be no more than two optional refundings or refinancings under this Section 17.

(f) Any refunding or refinancing pursuant to this Section 17 shall be of all Certificates then Outstanding and shall be effected in accordance with Section 6.03(a) of the Trust Indenture.

(g) When calculating any of the information required to be set forth in a Refinancing Certificate, the Owner Participant shall make such calculations in a manner which (A) maintains its Net Economic Return, (B) minimizes the Net Present Value of Rents to the extent possible consistent with clause (A), (C) is consistent with Rev. Proc. 75-21 and Rev. Proc. 75-28 (or any successor thereto) and would not cause the Lease to constitute a "disqualified leaseback or long term agreement" within the meaning of Section 467 of the Code (or any successor thereto), and (D) uses the same methodology and assumptions used by the Owner Participant in determining Basic Rent, Stipulated Loss Values, Termination Values and Special Purchase Price on the Delivery Date (except to the extent such assumptions have been altered since the Delivery Date in connection with an adjustment to Rent pursuant to Section 3.7 of the Lease).

(h) No refinancing or refunding pursuant to this Section 17 shall be permitted during the continuance of a Lease Default or a Lease Event of Default.

SECTION 18. INTERIM DEBT. (a) The parties hereto acknowledge and agree that each Series SWA 1996 Trust N620SW-I Certificate originally issued to the Original Loan Participant on the Delivery Date represents interim debt financing and that it is intended that the Series SWA 1996 Trust N620SW-I Certificates be refinanced by Series SWA 1996 Trust N620SW Certificates issued to new Holders. In connection therewith, in the event that Lessee shall have given written notice to the Owner Trustee, the Indenture Trustee, the Owner Participant and the Original Loan Participant that Lessee is requesting a voluntary redemption of the Series SWA 1996 Trust N620SW-I Certificates (in compliance with the provisions of Articles 6 and 15 of the Trust Indenture) by the Owner Trustee as part of a refunding or refinancing transaction, the Owner Participant agrees to negotiate promptly in good faith with Lessee in connection therewith (including the terms of any debt to be issued in connection with such refunding or refinancing transaction, the documentation to be executed in connection therewith and with respect to such amendments to the Operative Agreements as may be necessary in order to facilitate such permanent debt financing), and if after such good faith negotiation Lessee and the Owner Participant shall have concluded an agreement with respect to such terms:

(1) within five (5) Business Days after the reaching of such agreement, the Owner Participant will deliver to Lessee a certificate of an authorized representative of the Owner Participant (the "Section 18 Refinancing Certificate") setting forth (i) the proposed date on which the Outstanding Series SWA 1996 Trust N620SW-I Certificates will be redeemed, describing the new debt to be issued and the other aspects of such refunding or refinancing transaction to be consummated (such date, to be determined so as to comply with Section 6.03(a) or 6.03(b) of the Trust Indenture (as appropriate), the "Section 18 Refinancing Date") and (ii) the following information: (A) the principal amount of debt to be issued by the Owner Trustee on the Section 18 Refinancing Date (which may include interest accrued to the Section 18 Refinancing Date on the Outstanding Series SWA 1996 Trust N620SW-I Certificate), (B) and, if such amount is less than the principal amount of the Outstanding Series SWA 1996 Trust N620SW-I Certificates, then the amount of any additional contribution to the Trust Estate to be made by the Owner Participant on the Section 18 Refinancing Date and (C) the proposed revised debt amortization and schedules of Basic Rent, Stipulated Loss Value percentages and Termination Value percentages and the revised Special Purchase Price (including any installments thereof). The principal amount of debt to be issued by the Owner Trustee on the Section 18 Refinancing Date shall not equal more than 80.00% of Lessor's Cost. Within five (5) Business Days of its receipt of the Section 18 Refinancing Certificate, Lessee may demand a verification of the information set forth in the Section 18 Refinancing Certificate in the manner described in Section 3.7 of the Lease. Upon the acceptance by Lessee of the accuracy of the information set forth in the Section 18 Refinancing Certificate or the determination of such information pursuant to such verification procedures (such

information, the "Section 18 Refinancing Information") the appropriate parties will take the actions specified in paragraphs (2) through (10) below;

(2) the appropriate parties will enter into a financing or loan agreement in form and substance reasonably satisfactory to Lessee, the Owner Participant and the Owner

Trustee (which, subject to subsection (d) below, may involve an underwriting agreement in connection with a public offering of such debt or the purchase of such debt by a publicly funded entity (or entities)) with the institution or institutions to be named therein (A) providing for (i) the issuance and sale by the Owner Trustee to such institution or institutions on the Section 18 Refinancing Date of Series SWA 1996 Trust N620SW Certificates in an aggregate principal amount specified in the Section 18 Refinancing Information (such debt securities, the "Section 18 New Debt"), (ii) the application of the proceeds of the sale of the Section 18 New Debt, plus any additional contribution to the Trust Estate, to the redemption of the Series SWA 1996 Trust N620SW-I Certificates Outstanding on the Section 18 Refinancing Date and the payment of any other amounts payable to the Holders under the Operative Agreements on the Section 18 Refinancing Date, all in accordance with Section 6.03(b) of the Trust Indenture, and (iii) the payment of the excess, if any, of such proceeds over the amount necessary to effect such redemption to the Owner Trustee for payment to the Owner Participant and (B) pursuant to which the parties to the refinancing transaction (including the Owner Participant and Lessee but excluding any public holders of debt (other than any representations, warranties and covenants deemed made by such Holders by virtue of their accepting any Certificate issued to them)) make such representations, warranties and covenants as the Owner Participant or Lessee may reasonably require;

(3) Lessee and the Owner Trustee will amend the Lease to provide that (i) Basic Rent payable in respect of the period from and after the Section 18 Refinancing Date shall be as provided in the Section 18 Refinancing Information (and shall take into account any variation of the sum of any interest payment made pursuant to paragraph (5) of this Section 18(a)), (ii) amounts payable in respect of Stipulated Loss Value, Termination Value and Special Purchase Price from and after the Section 18 Refinancing Date shall be as provided in the Section 18 Refinancing Information, and (iii) in the event that the Series SWA 1996 Trust N620SW Certificates shall have been publicly issued, the early termination notice revocation and payment provisions shall be modified to comport with the applicable notice and payment requirements of The Depository Trust Company or any other depository;

(4) the Owner Trustee will enter into an agreement to provide for the securing thereunder of the Section 18 New Debt in like manner as the Series SWA 1996 Trust N620SW-I Certificates and will enter into such amendments and supplements to the Trust Indenture (or such new indenture or other security agreement) as may be necessary to effect such security;

(5) Lessee on behalf of the Owner Trustee shall pay or cause to be paid to the Original Loan Participant as Supplemental Rent the Break Amount, if any (as indemnification for the loss resulting from such refunding or refinancing), and all accrued and unpaid interest on the Certificates (in each case, without duplication of other amounts, if any, payable pursuant to any other provision of the Operative Agreements);

(6) except as provided in paragraph (5) above, the Owner Trustee shall pay all of the costs of any such refunding or refinancing so consummated, such costs shall be considered as Transaction Costs and paid in accordance with and subject to the limitations of Section 16 above and such Transaction Costs shall be appropriately considered in calculating

the proposed revised debt amortization and schedules of Basic Rent, Stipulated Loss Value percentages and Termination Value percentages;

(7) each Holder of the Series SWA 1996 Trust N620SW-I Certificates will deliver to the Owner Trustee the Series SWA 1996 Trust N620SW-I Certificate held by it immediately prior to such refunding or refinancing for cancellation (and the Owner Trustee shall cancel the same), against simultaneous receipt by such Holder of payment of the then outstanding principal amount of such Series SWA 1996 Trust N620SW-I Certificate, accrued and unpaid interest thereon plus Break Amount, if any, together with payment in full of all other amounts then payable to such Holder hereunder or under the Series SWA 1996 Trust N620SW-I Certificates or the Trust Indenture;

(8) the appropriate parties will amend such of the Operative Agreements in such respects as shall be necessary to reflect any amendments agreed upon by the parties thereto; provided, that (i) all agreements and instruments to be executed and delivered by the Owner Participant or the Owner Trustee under this Section 18 shall be reasonably satisfactory in form and substance to the Owner Participant, (ii) neither Owner Participant nor the Owner Trustee shall be required to execute and deliver any such agreement or instrument or to make any other arrangements which in its opinion would result in any unreimbursed increased costs or liability, including any adverse tax consequences or risk thereof (unless indemnified against to its reasonable satisfaction) or would result in any other material detriment or disadvantage to it, and (iii) the Owner Participant shall have no obligation to make any additional investment in connection with any such refinancing;

(9) the appropriate parties will execute and deliver appropriate closing documents, execute and deliver appropriate closing certificates and deliver appropriate opinions of counsel;

(10) the Owner Participant shall not be obligated to proceed with any refinancing under this Section 18 if, in its opinion, there is a risk that such refinancing would result in any unindemnified adverse consequences (including tax consequences); provided, however, that the Owner Participant will be obligated to proceed with such refinancing if Lessee agrees to indemnify the Owner Participant for such unindemnified adverse consequences (any such indemnity to be satisfactory to the Owner Participant). Notwithstanding the foregoing, the Owner Participant shall not be obligated to proceed with any refinancing under this Section 18 unless (i) the Lessee requires in the case of a private refinancing, each Holder to represent to the Lessee that it is not using ERISA funding sources, or that an exemption is available with respect to its purchase and holding of the debt, or (ii) in the case of a public refinancing, an exemption with respect to pass through certificates (such as Prohibited Transaction Exemption 89-89 or 90-24 or any other comparable exemption) is available; and

(11) the Owner Participant's obligations under this Section 18(a) may be discharged by the appointment of an investment banker satisfactory to Lessee.

(b) Only one optional refinancing or refunding pursuant to this Section 18 shall be permitted during the Term and such refinancing shall occur on or prior to the second anniversary of the Delivery Date.

(c) Any refinancing or refunding pursuant to this Section 18 shall be of all Series SWA 1996 Trust N620SW-I Certificates then Outstanding.

(d) Any public refinancing pursuant to this Section 18 shall comply with all the restrictions, limitations and conditions applicable in the case of a public refinancing pursuant to Section 17(b) hereof.

(e) No refunding or refinancing pursuant to this Section 18 shall be permitted during the continuance of a Lease Default (of the type described in Section 14.1 or 14.5 of the Lease) or a Lease Event of Default.

(f) When calculating any of the information required to be set forth in a Section 18 Refinancing Certificate, the Owner Participant shall make such calculations in a manner which (A) maintains its Net Economic Return, (B) minimizes the Net Present Value of Rents to the extent possible consistent with clause (A), (C) is consistent with Rev. Proc. 75-21 and Rev. Proc. 75-28 (or any successor thereto) and would not cause the Lease to constitute a "disqualified leaseback or long term agreement" within the meaning of Section 467 of the Code (or any successor thereto), and (D) uses the same methodology and assumptions used by the Owner Participant in determining Basic Rent, Stipulated Loss Values, Termination Values and Special Purchase Price on

the Delivery Date (except to the extent such assumptions have been altered since the Delivery Date in connection with an adjustment to Rent pursuant to Section 3.7 of the Lease).

SECTION 19. SECTION 1110 COMPLIANCE. The Participants and Lessee agree that the transactions contemplated by this Agreement and the other Operative Agreements are intended to be, shall be and should be construed so as to be, entitled to the full benefits of 11 U.S.C. Section 1110.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

SOUTHWEST AIRLINES CO.,
Lessee

By: /s/ John D. Owen

Treasurer

CHRYSLER FINANCIAL CORPORATION,
Owner Participant

By: [SIGNATURE ILLEGIBLE]

Assistant Secretary

ROYAL BANK OF CANADA,
acting through its New York Branch
Original Loan Participant

By: /s/ Brian Bolotin

Associate

FIRST UNION NATIONAL BANK OF NORTH CAROLINA, in its individual capacity only as expressly provided herein and otherwise solely as Owner Trustee,

By: /s/ Pablo de la Canal

Corporate Trust Officer

WILMINGTON TRUST COMPANY, not in its individual capacity, except as otherwise expressly provided herein, but solely as Indenture Trustee

By: /s/ David A. Vanaskey, Jr.

Senior Financial Services Officer

SCHEDULE I
Names and Addresses

<TABLE>

<S>	<C>
Lessee:	Owner Trustee:
---	---
Southwest Airlines Co.	First Union National Bank of North Carolina
2702 Love Field Drive	230 South Tryon Street, 9th Floor
P.O. Box 36611	Charlotte, NC 28288-1179

Dallas, Texas 75235-1611
Attn: Treasurer
Telecopy: (214) 792-4022
Payment Instructions:
Southwest Airlines Co.
Bank One Dallas
ABA No. 11100614
Account No. 98120109
Reference: N620SW

Owner Participant:

Chrysler Financial Corporation

225 High Ridge Road
Stamford, CT 06905
Telecopy: (203) 975-3910
Payment Instructions:
Chase Manhattan Bank
ABA No. 021000021
For the account of
Chrysler Financial Corporation
Account No. 036-1-069768
Reference: Southwest Airlines

Original Loan Participant:

Royal Bank of Canada, New York Branch
Financial Square
New York, New York 10005-3531
Attn: Don Calancie
Telecopy: (212) 428-6459
Payment Instructions:
Chase Manhattan Bank of New York
ABA No. 021000021
For the Account of Royal Bank of Canada,
New York
Account No. 920-1-033363
For further credit to Account No. 2185999

Attn: Bond Administration
Telecopy: (704) 383-7316
Payment Instructions:
First Union National Bank of North Carolina
230 South Tryon Street, 9th Floor
Charlotte, NC 28288-1179
ABA No. 053000219
Account No. 465946
Attn: Bond Administration - Pablo de la Canal
Reference: Southwest Airlines

Indenture Trustee:

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001
Attn: Corporate Trust Administration
Telecopy: (302) 651-8882
Payment Instructions:
Wilmington Trust Company
Wilmington, Delaware
ABA No. 031100092
For the account of Southwest Airlines 1996-1
Account No. 30875-0

Reference: N620SW
Attn: David A. Vanaskey
Corporate Trust Administration

</TABLE>

SCHEDULE II

Commitments

<TABLE>
<CAPTION>

Original Loan Participant:	Percentage of Lessor's Cost	Dollar Amount
<S>	<C>	<C>
Royal Bank of Canada, New York Branch	74.48186621%	$24,579,015.85
Owner Participant:		
Chrysler Financial Corporation	25.51813379%	$ 8,420,984.15
Total Commitments:	100%	$33,000,000.00

</TABLE>

SCHEDULE III

Appraisal

1. The fair market value of the Aircraft on the Delivery Date is equal to Lessor's Cost.

2. The Aircraft is reasonably estimated to have:

(A) a useful life of at least 30.5 years;

(B) a residual value as of January 2, 2020 of more than 20% of Lessor's Cost (without taking into account any increase or decrease for inflation or deflation); and

(C) an estimated fair market value (taking into account expected inflation or deflation) of not more than the Special Purchase Price on January 2, 2015.

3. The Aircraft will not be "limited use property" as described in Rev. Proc. 76-30, 1976-7. CB. 647.

4. Such other matters as may be reasonably requested by the Owner Participant.

EXHIBIT A

TRANSFEREE OP GUARANTY

TRANSFEREE OP GUARANTY, dated as of _____by_____, a _____ _____ corporation ("Transferee OP Guarantor") to and for the benefit of the Indenture Trustee, the Owner Trustee, individually and as Owner Trustee, the Lessee and the Original Loan Participant referred to in the Participation Agreement described below (collectively, together with their permitted successors and assigns, "Beneficiaries" and, individually, a "Beneficiary").

WITNESSETH:

WHEREAS, _____ a _____ [corporation] ("Transferor"), is Owner Participant under that certain Participation Agreement, dated as of _____ among Southwest Airlines Co., as Lessee, Chrysler Financial Corporation, as Owner Participant [and Transferor's predecessor in interest], Royal Bank of Canada, New York Branch, as the Original Loan Participant, First Union National Bank of North Carolina, in its individual capacity only as expressly provided therein and otherwise solely as Owner Trustee, and Wilmington Trust Company, in its individual capacity and as Indenture Trustee (the "Participation Agreement");

WHEREAS, Transferor wishes to transfer, except to the extent expressly reserved to Transferor, all of its right, title and interest in and to the Participation Agreement, the Trust Estate and the other Operative Agreements to which Transferor is a party, and all proceeds therefrom as set forth in the Assignment and Assumption Agreement dated the date hereof between Transferor and _____, a _____corporation ("Transferee"); and

WHEREAS, the terms of the Participation Agreement provide that the aforementioned transfer is conditioned upon the execution and delivery of this Guaranty by Transferee OP Guarantor;

NOW, THEREFORE, Transferee OP Guarantor hereby agrees with and for the benefit of Beneficiaries as follows:

1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings given such terms in the Sale and Lease Agreement, dated as of June 1, 1996 between the Owner Trustee and Lessee, and the rules of usage set forth therein shall apply hereto.

2. Guaranty. (a) Transferee OP Guarantor hereby unconditionally and irrevocably guarantees, as primary obligor and not as a surety, to Beneficiaries and their respective successors, endorsees, transferees and assigns, the prompt and complete payment by Transferee when due (whether at the stated maturity, by acceleration or otherwise) of, and the faithful performance of and compliance with, all payment obligations of Transferee under the Participation Agreement and each other Operative Agreement to which Owner Participant is a party or by which it is bound (collectively,

the "Relevant Documents"), strictly in accordance with the terms thereof and

the timely performance of all other obligations of Transferee thereunder (such payment and other obligations, the "Obligations"), and Transferee OP Guarantor further agrees to pay all expenses (including, all fees and disbursements of counsel) that may be paid or incurred by Beneficiaries in enforcing any rights with respect to, or collecting, any or all of the Obligations and/or enforcing any rights with respect to, or collecting against, Transferee OP Guarantor under this Guaranty.

(b) No payment or payments made by Transferee, Transferee OP Guarantor, any other guarantor or any other Person or received or collected by any Beneficiary from Transferee, Transferee OP Guarantor, any other guarantor or any other person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of Transferee OP Guarantor hereunder until the Obligations are paid and performed in full.

(c) If for any reason any Obligation (whether affirmative or negative in character) shall not be observed or performed or paid promptly when due and payable, Transferee OP Guarantor shall promptly perform or observe or cause to be performed or observed each such Obligation or undertaking and shall forthwith pay such amount at the place and to the person or entity entitled thereto pursuant to the Relevant Documents regardless of whether or not any Beneficiary or anyone on behalf of any Beneficiary shall have instituted any suit, action or proceeding or exhausted its remedies or taken any steps to enforce any rights against Transferee or any other person or entity to compel any such performance or to collect all or any part of such amount pursuant to the provisions of the Relevant Documents or at law or in equity, or otherwise, and regardless of any other condition or contingency.

3. No Subrogation. Notwithstanding any payment or payments made by Transferee OP Guarantor hereunder or any set-off or application of funds of Transferee OP Guarantor by any Beneficiary, Transferee OP Guarantor shall not be entitled to be subrogated to any of the rights of any Beneficiary against Transferee or any collateral, security or guarantee or right of set-off held by any Beneficiary for the payment of the Obligations, nor shall Transferee OP Guarantor seek or be entitled to seek any reimbursement from Transferee in respect of payments made by Transferee OP Guarantor hereunder, unless all amounts and performance then owing to Beneficiaries by Transferee on account of the Obligations shall have been paid and performed in full.

4. Amendments, etc., with respect to the Obligations; Waiver of Rights. The Transferee OP Guarantor shall remain fully obligated hereunder notwithstanding that, without any reservation of rights against the Transferee OP Guarantor and without notice to or further assent by the Transferee OP Guarantor, any demand for payment or performance of any of the Obligations made by any Beneficiary may be rescinded by such party and any of the Obligations continued, and the Obligations, or the liability of any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by any Beneficiary and any Relevant Document, and/or any collateral security document or other guarantee or document in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the parties thereto may deem advisable from time to time, and any

collateral security, guarantee or right of offset at any time held by any Beneficiary for the payment or performance of the Obligations may be sold, exchanged, waived, surrendered or released. No Beneficiary shall have any obligation to protect, secure, perfect or insure any lien at any time held by it as security for the Obligations or for this Guaranty or any property subject thereto. When making any demand hereunder against the Transferee OP Guarantor, a Beneficiary may, but shall be under no obligation to, make a similar demand on the Transferee or any other guarantor, and any failure by a Beneficiary to make any such demand or to collect any payments from the Transferee or any such other guarantor or any release of the Transferee or such other guarantor shall not relieve the Transferee OP Guarantor of its obligations or liabilities hereunder, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of any Beneficiary against the Transferee OP Guarantor. For purposes hereof, "demand" shall include the commencement and continuance of any legal proceedings.

5. Guaranty Absolute and Unconditional. The Transferee OP Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by any Beneficiary upon this Guaranty or acceptance of this Guaranty; the Obligations, and any of them, shall conclusively be deemed to have been

created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Guaranty; and all dealings between the Transferee or the Transferee OP Guarantor and any Beneficiary shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guaranty. The Transferee OP Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Transferee or the Transferee OP Guarantor with respect to the Obligations. The Transferee OP Guarantor understands and agrees that this Guaranty shall be construed as a continuing, absolute and unconditional guarantee of payment and performance (and not merely of collectibility) without regard to (a) the validity, regularity or enforceability of any Relevant Document, any of the Obligations or any collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by any Beneficiary, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) that may at any time be available to or be asserted by the Transferee against any Beneficiary, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Transferee or the Transferee OP Guarantor) that constitutes, or might be construed to constitute, an equitable or legal discharge of the Transferee for the Obligations, or of the Transferee OP Guarantor under this Guaranty, in bankruptcy or in any other instance. When pursuing its rights and remedies hereunder against the Transferee OP Guarantor, any Beneficiary may, but shall be under no obligation to, pursue such rights and remedies as it may have against the Transferee or any other person or entity or against any collateral security or guarantee for the Obligations or any right of offset with respect thereto, and any failure by any Beneficiary to pursue such other rights or remedies or to collect any payments from the Transferee or any such other person or entity or to realize upon any such collateral security or guarantee or exercise any such right of offset, or any release of the Transferee or any such other person or entity or any such collateral security, guarantee or right of offset, shall not relieve the Transferee 0P Guarantor of any liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of any Beneficiary against the Transferee OP Guarantor. This Guaranty shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Transferee OP Guarantor and the successors and assigns thereof, and shall inure to the benefit of the Beneficiaries, and their respective successors, endorsees, transferees and assigns, until all of the Obligations and the obligations of the Transferee OP Guarantor under this Agreement shall have been

satisfied by payment and performance in full. The Transferee OP Guarantor further agrees that, without limiting the generality of this Guaranty, if any Beneficiary (or any assignee thereof) shall be prevented by applicable law from exercising its remedies (or any of them) against the Transferee under any Operative Document, such Beneficiary (or any assignee thereof) shall be entitled to receive hereunder from the Transferee OP Guarantor, upon demand therefor, the sums that would have otherwise been due from the Transferee had such remedies been able to be exercised.

6. Reinstatement. This Guaranty shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, or any of the Obligations is rescinded or must otherwise be restored or returned by any Beneficiary upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Transferee or the Transferee OP Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Transferee or the Transferee OP Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made. The Transferee OP Guarantor shall not commence any "case" (as defined in Title 11 of the United States Code) against the Transferee.

7. Payments. The Transferee OP Guarantor hereby guarantees that payments hereunder shall be paid without set-off, counterclaim, deduction or withholding, except as required by applicable law, and shall be made in Dollars, provided, if any withholding Taxes are so imposed under applicable law, the Transferee OP Guarantor shall pay an additional amount such that the net amount actually received by the Person entitled thereto, free of withholding, will equal the amount then due absent such withholding.

8. Representations and Warranties. The Transferee OP Guarantor hereby represents and warrants that:

(a) it is a [corporation] duly organized and validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the corporate power and authority to carry on its business as now conducted, to own or hold under lease its properties and to enter into and perform its obligations under this Guaranty;

(b) this Guaranty has been duly authorized by all necessary corporate action on the part of the Transferee OP Guarantor, does not require any approval not already obtained of stockholders of the Transferee OP Guarantor or any approval or consent not already obtained of any trustee or holders of any indebtedness or obligations of the Transferee OP Guarantor, and has been duly executed and delivered by the Transferee OP Guarantor;

(c) this Guaranty constitutes a legal, valid and binding obligation of the Transferee OP Guarantor enforceable in accordance with its terms;

(d) there are no pending or, to the knowledge of the Transferee OP Guarantor, threatened actions or proceedings against the Transferee OP Guarantor before any court or administrative agency which, if determined adversely to the Transferee OP Guarantor, would materially adversely affect the financial condition of

the Transferee OP Guarantor or the ability of the Transferee OP Guarantor to perform its obligations under this Guaranty;

(e) its net worth (as defined in Section 8(l) of the Participation Agreement) is at least $75,000,000; and

(f) there has not occurred any event which constitutes (or to the best of its knowledge would, with the passage of time or the giving of notice or both, constitute) an Indenture Event of Default which has been caused by or relates to the Transferee OP Guarantor and which is presently continuing.

9. Severability. Any provision of this Guaranty that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10. No Waiver; Cumulative Remedies . No Beneficiary shall by any act (except by a written instrument pursuant to Section 12 hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of any Beneficiary, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by a Beneficiary of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy that such Beneficiary would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

11. Integration. This Guaranty represents the entire agreement of Transferee OP Guarantor with respect to the subject matter hereof and there are no promises or representations by any Beneficiary relative to the subject matter hereof not reflected herein.

12. Amendments and Waivers. None of the terms or provisions of this Guaranty may be waived, amended or supplemented or otherwise modified except by a written instrument executed by Transferee OP Guarantor and each Beneficiary.

13. Section Headings. The Section headings used in this Guaranty are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

14. Successors and Assigns. This Guaranty shall be binding upon the successors and assigns of Transferee OP Guarantor and shall inure to the benefit of Beneficiaries and their respective successors and assigns.

15. GOVERNING LAW. THIS GUARANTY SHALL IN ALL RESPECTS BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, WITHOUT REFERENCE TO ANY CONFLICT OF LAW RULES WHICH MIGHT LEAD TO THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

16. Notices. All notices and other communications required under the terms and conditions hereof shall be given and shall be effective in accordance with the provisions of Section 13(a) of the Participation Agreement; provided that notices to the Transferee OP Guarantor shall be sent to _____.

IN WITNESS WHEREOF, the undersigned has caused this Transferee OP Guaranty to be duly executed and delivered by its duly authorized officer as of the day and the year first above written.

[NAME OF TRANSFEREE OP GUARANTOR]

By: _____

Title: _____

EXHIBIT B

ASSIGNMENT AND ASSUMPTION AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT dated as of _____, between _____, a _____ [corporation] ("Assignor") and _____, a _____[corporation] ("Assignee") (the "Agreement").

WITNESSETH:

WHEREAS, the parties hereto desire to effect (a) the transfer by Assignor to Assignee of all of the right, title and interest of the Assignor (except as reserved below) in, under and with respect to, among other things, (i) the Participation Agreement, dated as of June 1, 1996, among Southwest Airlines Co., as Lessee, Chrysler Financial Corporation, as Owner Participant, Royal Bank of Canada, New York Branch, as Original Loan Participant, First Union National Bank of North Carolina, in its individual capacity only as expressly provided therein and otherwise solely as Owner Trustee, and Wilmington Trust Company, in its individual capacity and as Indenture Trustee, as the same may be amended, modified or supplemented from time to time (the "Participation Agreement"), (ii) the Trust Agreement identified in the Participation Agreement, (iii) the Trust Estate (as defined in the Trust Agreement) and (iv) the proceeds therefrom and (b) the assumption by Assignee of the obligations of Assignor accruing thereunder;

NOW, THEREFORE, it is hereby agreed as follows:

1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings given such terms in the Sale and Lease Agreement, dated as of June 1, 1996 between the Owner Trustee and Lessee, and the rules of usage set forth therein shall apply hereto.

2. Assignment. Assignor does hereby sell, convey, assign, transfer and set over unto Assignee, as of the date hereof, all of its right, title and interest in, under and with respect to the Participation Agreement, the Trust Agreement, the Tax Indemnity Agreement, the Trust Estate or any other contract, agreement, document or instrument relating to the Trust Estate by which Assignor is bound, and any proceeds therefrom, together with all other documents and instruments evidencing any of such right, title and interest, except such rights of Assignor as have accrued to Assignor prior to the date hereof (including the right to receive any amounts due or accrued to Assignor under the Trust Agreement as of a date prior to such date and the right to receive any indemnity payment pursuant to the Participation Agreement or the Tax Indemnity Agreement with respect to events occurring prior to such date).

3. Assumption. Assignee hereby undertakes, for the benefit of Assignor, Indenture Trustee, Owner Trustee, Original Loan Participant and Lessee and their successors and assigns, all of the duties and obligations of Assignor whenever accrued (other than duties and obligations of Assignor required to be performed by it on or prior to the date hereof under the Participation Agreement, the Trust Agreement, the Tax Indemnity Agreement or any other contract, agreement, document or other instrument relating to the Trust Estate to which Assignor is a party or by which it is bound) pursuant to the Participation Agreement, the Trust Agreement, the Tax Indemnity Agreement or any other

contract, agreement, document or other instrument relating to the Trust Estate to which Assignor is a party or by which it is bound, and hereby confirms that it shall be deemed a party to the Participation Agreement, the Trust Agreement, the Tax Indemnity Agreement and each other contract, agreement, document or other instrument relating to the Trust Estate to which Assignor is a party or by which it is bound as if therein named as Owner Participant.

4. Release of Assignor. Except for liabilities not assumed as provided in Section 3 hereof and except to the extent applicable as a condition to the continued enforcement of any rights thereunder retained by Assignor, upon the execution of this Assignment and Assumption Agreement, Assignor shall have no further duty or obligation under the Participation Agreement, the Trust Agreement, the Tax Indemnity Agreement or under any other contract, agreement, document or other instrument relating to the Trust Estate to which Assignor is a party or by which it is bound; provided, however, that Assignor shall in no event be released from any liability on account of any breach by it of any representations or warranties, covenants or obligations set forth in the Participation Agreement or for any fraudulent or willful misconduct engaged in by it on or prior to the date hereof; provided further, that Assignor shall remain liable for, and shall indemnify and hold harmless the Original Loan Participant from and against any reduction in the amount payable out of the Trust Estate to the Original Loan Participant, and any other losses, costs or expenses incurred by the Original Loan Participant to the extent that any such reduction, loss, cost or expense shall result from the imposition or enforcement of any Lien or any claim against the Trust Estate by a taxing authority because of the nonpayment by Assignor of taxes imposed on or measured by its income or gross receipts by such taxing authority arising from the assignment hereunder.

5. Appointment as Attorney-in-Fact. In furtherance of the within assignment, Assignor hereby constitutes and appoints Assignee, and its successors and assigns, the true and lawful attorneys of Assignor, with full power of substitution, in the name of Assignee or in the name of Assignor but on behalf of and for the benefit of and at the expense of Assignee, to collect for the account of Assignee all items sold, transferred or assigned to Assignee pursuant hereto; to institute and prosecute, in the name of Assignor or otherwise, but at the expense of Assignee, all proceedings that Assignee may deem proper in order to collect, assert or enforce any claim, right or title of any kind in or to the items sold, transferred or assigned; to defend and compromise at the expense of Assignee any and all actions, suits or proceedings as to title to or interest in any of the property acquired by Assignee; and to do all such acts and things in relation thereto at the expense of Assignee as Assignee shall reasonably deem advisable. Assignor hereby acknowledges that this appointment is coupled with an interest and is irrevocable by Assignor in any manner or for any reason.

6. Payments. Assignor hereby covenants and agrees to pay over to Assignee, if and when received following the date hereof, any amounts (including any sums payable as interest in respect thereof) paid to or for the benefit of Assignor that, under Section 2 hereof, belong to Assignee, and Assignee hereby covenants and agrees to pay over to Assignor, if and when received following the date hereof, any amounts (including any sums payable as interest in respect thereof) paid to or for the benefit of Assignee that, under Section 2 hereof, belong to Assignor.

7. Representations and Warranties. Assignee represents and warrants that:

(a) it is a [corporation] duly organized and validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the corporate power and authority to carry on its business as now conducted, to own or hold under lease its properties and to enter into and perform its

obligations under this Agreement and the Owner Participant Agreements;

(b) this Agreement has been duly authorized by all necessary corporate action on the part of the Assignee, does not require any approval not already obtained of stockholders of the Assignee or any approval or consent not already obtained of any trustee or holders of any indebtedness or obligations of the Assignee, and has been duly executed and delivered by the Assignee;

(c) assuming that this Agreement and each of the Owner Participant Agreements is the legal, valid and binding obligation of each other party thereto, this Agreement and each such Owner Participant Agreement constitute the legal, valid and binding obligations of the Assignee enforceable in accordance with their respective terms;

(d) subject to and in reliance upon the representations made by the Original Loan Participant and Lessee in Sections 8(o) and 7(a)(xv) of the Participation Agreement, respectively, and compliance with the covenants of Section 8(d) and 8(bb) of the Participation Agreement, neither the execution and delivery by the Assignee of this Agreement, nor the consummation of the transactions contemplated hereby or by the Owner Participant Agreements, nor compliance by the Assignee with any of the terms and provisions hereof or of the Owner Participant Agreements will contravene any United States federal or state law, judgment, governmental rule, regulation or order applicable to or binding on the Assignee (it being understood that no representation or warranty is made with respect to laws, rules or regulations relating to aviation or to the nature of the equipment owned by the Owner Trustee, other than such laws, rules or regulations relating to the citizenship requirements of the Owner Participant under applicable aviation law) or contravene or result in any breach of or constitute any default under, or result in the creation of any Lien (other than Permitted Liens of the type described in clause (a) of the definition thereof) upon the Trust Estate under any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan or credit agreement, corporate charter, by-law or other agreement or instrument to which the Assignee is a party or by which it or its properties may be bound or affected;

(e) there are no pending or, to the knowledge of the Assignee, threatened actions or proceedings against the Assignee before any court or administrative agency which, if determined adversely to the Assignee, would materially adversely affect the financial condition of the Assignee or the ability of the Assignee to perform its obligations under this Agreement or the Owner Participant Agreements;

(f) on the Delivery Date, there will be no Lessor Liens attributable to the Assignee;

(g) the Assignee's net worth (as defined in Section 8(l) of the Participation Agreement) is at least $75,000,000;

(h) there has not occurred any event which constitutes (or to the best of its knowledge would, with the passage of time or giving of notice or both, constitute) an Indenture Event of Default which has been caused by or relates to the Assignee and which is presently continuing;

(i) it is a permitted Transferee under Section 8(l)(A) of the Participation Agreement;

(j) it is a "citizen of the United States" within the meaning of 49 U.S.C. Section 40102(a)(15)(C) [or it has, at its sole cost and expense on an after-tax basis (including any continuing costs of any voting trust), entered into a voting trust or similar arrangement which permits the registration of the Aircraft under the Act in the name of the Owner Trustee without any restriction on the operation of the Aircraft]; and

(k) it has the full power and authority to enter into the transactions contemplated by the Owner Participant Agreements.

8. GOVERNING LAW. THIS ASSIGNMENT AND ASSUMPTION AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, WITHOUT REFERENCE TO ANY CONFLICT OF LAW RULES WHICH MIGHT LEAD TO THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment and Assumption Agreement as of the day and year first above written.

[ASSIGNOR]

By

Title:

[ASSIGNEE]

By _____

Title: _____

EXHIBIT 4.9

FIRST AMENDMENT TO PARTICIPATION AGREEMENT

Dated as of May 1, 1998

among

SOUTHWEST AIRLINES CO.,
as Lessee

CHRYSLER FINANCIAL CORPORATION,
as Owner Participant

FIRST UNION NATIONAL BANK,
in its individual capacity only as expressly provided herein and
otherwise solely as Owner Trustee,

and

WILMINGTON TRUST COMPANY,
in its individual capacity and as Indenture Trustee
and in its capacity as Pass Through Trustee under
the Pass Through Trust Agreement
and as Holder

One Boeing Model 737-3H4 Aircraft
(Southwest Airlines 1996 Trust N620SW)

FIRST AMENDMENT TO PARTICIPATION AGREEMENT

THIS FIRST AMENDMENT TO PARTICIPATION AGREEMENT dated as of May 1, 1998 (this "Amendment") by and among (i) Southwest Airlines Co., a Texas corporation ("Lessee"), (ii) Chrysler Financial Corporation, a Michigan corporation ("Owner Participant"), (iii) First Union National Bank, a national banking association, not in its individual capacity, except as expressly provided herein, but solely as Owner Trustee under the Trust Agreement ("Owner Trustee"), and (iv) Wilmington Trust Company, a Delaware banking corporation, in its individual capacity and as Indenture Trustee under the Trust Indenture (the "Indenture Trustee") and in its capacity as Pass Through Trustee under the Pass Through Trust Agreement ("Pass Through Trustee") and as Holder, amends that certain Participation Agreement respecting the aircraft having U.S. registration number N620SW and dated as of June 1, 1996 (the "Participation Agreement"), by and among Lessee, Owner Participant, Royal Bank of Canada, a Canadian chartered bank, acting through its New York Branch (the "Original Loan Participant"), Owner Trustee and Indenture Trustee,

WITNESSETH:

WHEREAS, except as otherwise defined in this Amendment, capitalized terms used herein shall have the meanings attributed thereto in the Participation Agreement; and

WHEREAS, the Delivery Date occurred on June 3, 1996; and

WHEREAS, concurrently with the execution of this Amendment, the Series SWA 1996 Trust N620SW-I Certificate held by the Original Loan Participant is being refinanced by the issuance of one or more new Certificates issued to Pass Through Trustee as Holder; and

WHEREAS, as contemplated by Section 18 of the Participation Agreement, the parties hereto desire to amend the Participation Agreement in certain respects;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

Section 1. Amendment to Schedule I. Schedule I to the Participation Agreement is hereby deleted in its entirety and replaced with Schedule I to this Agreement.

Section 2. Amendments to Section 7(b). Section 7(b) of the Participation Agreement is hereby amended in the following manner:

(i) Section 7(b) is hereby amended such that wherever the phrase "Operative Agreement" or "Operative Agreements" is used, such phrase is

hereby amended to be and read in its entirety as follows:

"Operative Agreement or Pass Through Trust Agreement" and
"Operative Agreements or Pass Through Trust Agreement"

except in the case of Section 7(b)(iii) where the phrase "Operative Agreements" is hereby amended to be and read, in its entirety, "Operative Agreements and the Pass Through Trust Agreement."

(ii) Section 7(b)(i) is hereby amended as follows:

(a) the following language is added immediately after the words "combined or unitary return with such Indemnified Party)" and before the words "harmless from, any and all":

"except that for purposes of this Section 7(b)(i) an Indemnified Party shall not include any Holder other than Original Loan Participant";

(b) unless as otherwise provided in (c) below, wherever the term "Certificates" is used, such term is hereby amended to be and read in its entirety as follows:

"Certificates and each Pass Through Certificate"; and

(c) the language immediately after the phrase "or the issuance, reissuance, acquisition, redemption, expiration or subsequent transfer thereof under the Trust Indenture" is hereby amended to be and read in its entirety as follows:

"and the Pass Through Trust Agreement, or the beneficial interests in the Trust Estate and the Pass Through Trust Estate or the creation thereof, or any payments made pursuant to any such agreement or instrument or upon or with respect to the property held by Owner Participant or by the Trust Estate or by Indenture Trustee under the Trust Indenture or the property held by Pass Through Trustee under the Pass Through Trust Estate, amounts payable with respect to the Certificates and each Pass Through Certificate, including withholding Taxes imposed on payments of principal, interest, Premium or Break Amount on the Certificates or payments of principal of, interest on or any other amounts payable with respect to each Pass Through Certificate that are asserted against the Owner Participant, Owner Trustee or Pass Through Trustee, as withholding agent, or otherwise with respect to or in connection with the transactions contemplated by the Operative Agreements."

Section 3. Amendments to Section 7(c). Section 7(c) of the Participation Agreement shall be amended in the following manner:

(i) Section 7(c) is hereby amended such that wherever the phrase "Operative Agreement" or "Operative Agreements" is used, such phrase includes the Pass Through Trust Agreement.

(ii) Clause (d) of Section 7(c)(i) is hereby amended to be and read in its entirety as follows:

"(d) the offer, sale or delivery of the Certificates or the Pass Through Certificates, whether before or after the Delivery Date (the indemnity in this clause (d) to extend

also to any Person who controls an Indemnified Party, its successors, assigns, employees, servants and agents within the meaning of Section 15 of the Securities Act)."

(iii) The final paragraph of Section 7(c) is hereby amended to be and read in its entirety as follows:

"Lessee agrees to pay the reasonable and continuing fees and expenses of Indenture Trustee (including the reasonable fees and expenses of its counsel and any agent appointed in accordance with Section 9.02(c) of the Trust Indenture) and Pass Through Trustee and, as provided in Section 6.07 of the Trust Agreement, Owner Trustee (including, but not limited to,

the reasonable fees and expenses of its counsel), without cost, on a net after-tax basis, to Owner Participant, for acting as such, other than such fees and expenses which constitute Transaction Costs and are payable by Owner Participant under Section 16. Lessee agrees that it will pay the reasonable fees and expenses of any separate owner trustee or co-trustee appointed pursuant to Section 9.02 of the Trust Agreement as a result of any requirement of law or if otherwise required by any Operative Agreement or if requested, or consented to, by Lessee."

Section 4. Amendments to Section 8. Section 8 of the Participation Agreement is hereby amended in the following respects:

(i) Section 8(e) is hereby amended to be and read in its entirety as follows:

"(e) (i) Pass Through Trustee hereby agrees that, except as otherwise required by applicable law including, without limitation, any law which requires Pass Through Trustee to act within its own discretion, it shall not, without the prior written consent of Owner Trustee, direct Indenture Trustee to take or refrain from taking any action under the Trust Indenture that requires the approval, waiver, authorization, direction or consent of, or notice from, the Holders holding a specified percentage in principal amount of Outstanding (as defined in the Trust Indenture) Certificates unless Pass Through Trustee receives a Direction (as defined in the Pass Through Trust Agreement) to so direct the Indenture Trustee from Certificateholders (as defined in the Pass Through Trust Agreement) holding the same percentage in principal amount of Outstanding Certificates (as defined in the Pass Through Trust Agreement) evidencing Fractional Undivided Interests (as defined in the Pass Through Trust Agreement) in the Trust (as defined in the Pass Through Trust Agreement) holding the Certificates.

(ii) Lessee and Pass Through Trustee hereby agree that Article X of the Pass Through Trust Agreement (to the extent relating to the Certificates) shall not be amended without the prior written consent of Owner Participant.

(iii) Pass Through Trustee hereby agrees that, except as otherwise required by applicable law including, without limitation, any law which requires Pass Through

Trustee to act within its own discretion, if requested to do so by Owner Trustee or Owner Participant, Pass Through Trustee shall request a Direction from the relevant Certificateholders to establish whether Pass Through Trustee, in its capacity as a Holder, may direct the Indenture Trustee to take or refrain from taking any action under the Operative Agreements."

(ii) Section 8(l) is hereby amended by deleting the references therein to the Original Loan Participant.

(iii) Section 8(bb) is hereby amended to be and read in its entirety as follows:

"(bb) Transfers of Debt Interests. Except in connection with any transfer pursuant to Section 17 or 18 hereof, or Section 8.03(e)(ii) of the Indenture, each Holder covenants that it will not transfer its Certificate to any Person unless such Person represents and warrants in writing to such Holder, the Owner Participant and Lessee either that (a) no part of the funds used by it to acquire its Certificate constitutes 'plan assets' of any 'employee benefit plan' within the meaning of ERISA or any 'plan' within the meaning of Section 4975(e)(1) of the Code or (b) its purchase or acquisition of such Certificate will not result in a nonexempt prohibited transaction under Section 4975 of the Code or Section 406 of ERISA. Any such Person shall require any transferee of its interest to make the representations and warranties in the preceding sentence."

Section 5. Amendments to Section 11(f). Section 11(f) of the Participation Agreement is hereby amended such that wherever the phrase "Operative Agreement" or "Operative Agreements" is used, such phrase is hereby amended to be and read in its entirety as follows:

"Operative Agreement and the Pass Through Trust Agreement" and "Operative Agreements and the Pass Through Trust Agreement."

Section 6. Amendments to Section 15. Section 15(b) of the Participation Agreement is hereby amended to be and read in its entirety as follows:

"(b) Survival. The representations, warranties, indemnities and agreements of Lessee, Owner Trustee, Indenture Trustee, Owner Participant, Pass Through Trustee and any Holder provided for in this Agreement, and Lessee's, Owner Trustee's, Indenture Trustee's, Owner Participant's, Pass Through Trustee's and any Holder's obligations under any and all thereof, shall survive the making available of the Owner Participant's Commitment, the delivery or return of the Aircraft, the transfer of any interest of Owner Participant in the Trust Estate or the Aircraft or any Engine or the transfer of any interest by any Holder in any Certificate or the Trust Indenture Estate and the expiration or other termination of this Agreement, any other Operative Agreement or the Pass Through Trust Agreement, except as otherwise expressly provided herein or therein."

Section 7. Amendment to Section 16. Section 16(b) of the Participation Agreement is hereby amended by changing "0.327156%" in clause (i) thereof to read "0.332897%" and by changing "0.641933%" in clause (ii) thereof to read "0.643305%."

Section 8. Ratification. Except as amended hereby, the Participation Agreement continues and shall remain in full force and effect in all respects.

Section 9. Authorization to Execute Amendments. By execution of this Amendment, Owner Participant hereby authorizes, directs and instructs Owner Trustee to execute and deliver this Amendment and any and all other amendments, agreements and certificates as may be necessary as a result of the refinancing contemplated hereby and by Section 18 of the Participation Agreement.

Section 10. Pass Through Trustee a Party. Effective as of the date hereof, Pass Through Trustee shall be a party to the Participation Agreement and shall have the rights and obligations of the Holders as set forth in the Participation Agreement, as amended hereby.

Section 11. Counterparts. This Amendment may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 12. Governing Law. THIS AMENDMENT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. THIS AMENDMENT IS BEING DELIVERED IN THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Participation Agreement to be duly delivered in the State of New York and executed by their respective officers thereunto duly authorized as of the day and year first above written.

SOUTHWEST AIRLINES CO., Lessee

By: _____
Treasurer

CHRYSLER FINANCIAL CORPORATION
Owner Participant

By: _____
Vice President

FIRST UNION NATIONAL BANK,
in its individual capacity only as
expressly provided herein and
otherwise solely as Owner Trustee

By:

Corporate Trust Officer

WILMINGTON TRUST COMPANY,
not in its individual capacity,
except as otherwise expressly
provided herein, but solely as
Indenture Trustee

By:

Senior Financial Services Officer

WILMINGTON TRUST COMPANY,
in its capacity as Pass Through
Trustee under each of the
separate Pass Through Trust
Agreements and as Holder

By:

Senior Financial Services Officer

SCHEDULE I
Names and Addresses

<TABLE>
<S>

Lessee:

Southwest Airlines Co.
2702 Love Field Drive
P.O. Box 36611
Dallas, Texas 75235-1611
Attn: Treasurer
Telecopy: (214) 792-4022

Payment Instructions:
Southwest Airlines Co.
Bank One Dallas
ABA No. 11100614
Account No. 98120109
Reference: N620SW

Owner Participant:

Chrysler Financial Corporation
225 High Ridge Road
Stamford, CT 06905
Telecopy: (203) 975-3910

Payment Instructions:
The Chase Manhattan Bank
ABA No. 021000021
For the account of
Chrysler Financial Corporation
Account No. 036-1-069768
Reference: Southwest Airlines

Owner Trustee:

First Union National Bank
230 South Tryon Street, 9th Floor
Charlotte, NC 28288-1179

<C>

Indenture Trustee and Pass Through
Trustee and Holder:

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001

Attn: Corporate Trust
Administration
Telecopy: (302) 651-8882

Payment Instructions:
Wilmington Trust Company
Wilmington, Delaware
ABA No. 031100092
For the account of Southwest
Airlines 1996-1
Account No. 30875-0
Reference: N620SW
Attn: David A. Vanaskey
Corporate Trust Administration

Attn: Bond Administration
Telecopy: (704) 383-7316

Payment Instructions:
First Union National Bank
230 South Tryon Street, 9th Floor
Charlotte, NC 28288-1179
ABA No. 053000219
Account No. 465946
Attn: Bond Administration/Pablo de la Canal
Reference: Southwest Airlines
</TABLE>

- ---

EXHIBIT 4.10

SALE AND LEASE AGREEMENT

dated as of June 1, 1996

between

FIRST UNION NATIONAL BANK OF NORTH CAROLINA,
Owner Trustee,

Lessor

and

SOUTHWEST AIRLINES CO.,

Lessee

_____

One Boeing Model 737-3H4 Aircraft

SOUTHWEST AIRLINES 1996 TRUST N621SW

- ---

All right, title and interest of Lessor in and to this Sale and Lease Agreement and the Aircraft (including the Engines) has been assigned to and is subject to a security interest in favor of WILMINGTON TRUST COMPANY, as Indenture Trustee. This Sale and Lease Agreement has been executed in several counterparts. No security interest in Lessor's right, title and interest in and to this Sale and Lease Agreement may be created through the transfer or possession of any counterpart other than the counterpart identified, for purposes of perfection of a security interest in chattel paper (as such term is defined in the UCC), as the original counterpart. [This is not the original counterpart.]

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THIS SALE AND LEASE AGREEMENT, dated as of June 1, 1996, is between FIRST UNION NATIONAL BANK OF NORTH CAROLINA, a national banking association, not in its individual capacity except as expressly stated herein, and otherwise as Owner Trustee under the Trust Agreement hereinafter referred to (together with any successor in such capacity and its permitted assigns, "Lessor"), and SOUTHWEST AIRLINES CO., a Texas corporation (together with its successors and permitted assigns, "Lessee").

RECITALS

1. On March 6, 1996, an AC Form 8050-2 Bill of Sale dated January 19, 1996, from Manufacturer (as defined below) in favor of Lessee covering the Aircraft (as defined below) was recorded by the FAA (as defined below) as Conveyance Number TO51154.

2. The parties hereto desire that Lessor purchase the Aircraft from and lease it back to Lessee as hereinbelow provided.

In consideration of the premises and the mutual agreements herein contained, Lessor and Lessee agree as follows:

SECTION 1. DEFINITIONS. Unless the context otherwise requires, the following terms shall have the following meanings for all purposes of this Lease and shall be equally applicable to both the singular and the plural forms of the terms herein defined. Any agreement referred to below shall mean such agreement as amended, supplemented and modified (including as the same may be amended and restated) from time to time, to the extent permitted by, and in accordance with, the terms thereof. For all purposes of this Lease the capitalized terms used but not defined herein are used as defined in the Trust Indenture or, if not defined therein, as defined in the Participation Agreement.

"Act" means Subtitle VII of Title 49 of the United States Code, as amended from time to time.

"Affiliate" means, with respect to a specified Person, 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.

"Aircraft" means the Airframe, together with the two Engines, whether or not any of such Engines may from time to time be installed on the Airframe or may be installed on any other airframe or on any other aircraft.

"Airframe" means (i) the Boeing Model 737-3H4 aircraft (excluding Engines or engines from time to time installed thereon) specified in the initial Lease Supplement, manufactured by Manufacturer and sold by Manufacturer to Lessee pursuant to the Purchase Agreement, sold hereunder by Lessee to Lessor, and leased back by Lessor to Lessee, all hereunder and under the initial Lease Supplement, (ii) any Replacement Airframe, (iii) any and all Parts so long as the same shall be incorporated in such aircraft and title thereto shall have vested in Lessor pursuant to the terms of Section 8, and any and all Parts removed from such aircraft so long as title thereto shall remain

vested in Lessor in accordance with the terms of Section 8, and (iv) all Records at any time maintained with respect to the foregoing property; provided, however, that at such time as a Replacement Airframe shall be substituted hereunder and the replaced Airframe shall be released from the Lien of the Trust Indenture, such replaced Airframe shall cease to be the Airframe hereunder.

"Assumed Interest Amount" means, with respect to each Rent Payment Date, the amount set forth on Exhibit E opposite such date.

"Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as amended from time to time, or any successor statute.

"Base Lease Term" means the period commencing on the Base Lease Term Commencement Date and expiring at the end of the day on January 2, 2020.

"Base Lease Term Commencement Date" means July 2, 1996.

"Base Rate" means the interest rate publicly announced in New York City from time to time by The Chase Manhattan Bank (National Association) as its prime or base lending rate.

"Basic Rent" means the rent identified as Basic Rent in and payable pursuant to Section 3.3.

"Bills of Sale" means the FAA Bill of Sale, the Warranty Bill of Sale, the Lessee FAA Bill of Sale and the Lessee Warranty Bill of Sale.

"Break Amount" is defined in Section 15.05(b) of the Trust Indenture.

"Business Day" shall have the meaning attributed thereto in the Trust Indenture, so long as the Trust Indenture shall remain in effect, and otherwise means a day on which banks are not required or authorized to close in any of the City of New York, New York, Dallas, Texas, and Charlotte, North Carolina, or such other city as shall be the situs of the principal office of Lessee or Lessor at the time in question.

"Certificate Holder" is defined in Section 1.01(b) of the Trust Indenture.

"Certificate Rate" means, as of any date of determination thereof, (i) in respect of amounts owing or distributable pursuant to the Trust Indenture to the Holders of Certificates issued prior to the Section 18 Refinancing Date, 7.31%, (ii) in respect of amounts owing to the Holders of Certificates issued on or after the Section 18 Refinancing Date, the interest rate or, if such Certificates shall have been issued with more than one Maturity Date, the weighted average of the interest rates (which weighting is to be based on the Outstanding principal amounts of the Certificates of each Maturity Date), then in effect with respect to the then Outstanding principal amounts of the Certificates, (iii) in respect of any portion of Stipulated Loss Value expected to be distributed to the Owner Participant, an interest rate equal to the yield utilized in calculating the Owner Participant's Net Economic Return, and (iv) in respect of any other amount owing to the Owner Participant (and which is not distributed to the Holders pursuant to the Trust Indenture), 1% in excess of the Base Rate, but in no event to exceed the maximum rate permitted by applicable law.

"Certificates" means the Certificates (as defined in the Trust Indenture) issued under the Trust Indenture.

"Code" means the United States Internal Revenue Code of 1986, as amended from time to time.

"Debt Payments" is defined in Section 18.2(e)(1)(b).

"Delivery Date" means the date of the initial Lease Supplement, which date shall be the date on which the Aircraft is delivered by Lessee to, and accepted by, Lessor hereunder and in turn leased back by Lessor to Lessee hereunder, which date shall be a Business Day.

"Dollars" and "$" mean the lawful currency of the United States of America.

"DOT" means the United States Department of Transportation or any governmental person, agency or authority succeeding to the functions of such Department of Transportation.

"EBO Installment Payment Date" means a date set forth in Part II of Exhibit C hereto.

"Engine" means (i) each of the CFM International Model CFM56-3-B1 engines identified by manufacturer's serial number in the initial Lease Supplement subjecting the Aircraft to this Lease and originally installed on the Airframe covered by such Lease Supplement, whether or not from time to time thereafter installed on such Airframe or installed on any other airframe or on any other aircraft, and (ii) any Replacement Engine, whether or not from time to time thereafter installed on the Airframe or any other airframe or on any other aircraft, together in each case with any and all Parts incorporated in such Engine and any and all Parts removed from such Engine, in each case so long as title thereto shall have been and shall remain vested in Lessor in accordance with the terms of Section 8, and all Records at any time maintained with respect to the foregoing property. Except as otherwise set forth herein, at such time as a Replacement Engine shall be substituted hereunder and the Engine for which

the substitution is made shall be released from the Lien of the Trust Indenture, such replaced Engine shall cease to be an Engine hereunder. The term "Engines" means, as of any date of determination, all Engines then leased hereunder.

"Engine Manufacturer" means CFM International, Inc., a Delaware corporation, in its capacity as manufacturer of the Engines.

"Equity Payments" is defined in Section 18.2(e)(1)(b).

"Estate" means the Trust Estate as that term is defined in the Trust Agreement.

"Event of Loss" means, with respect to the Aircraft, Airframe or any Engine, any of the following events with respect to such property: (i) disappearance or theft of such property or the loss of the use thereof for any reason not covered by any other clause of this definition, including hijacking, for a period of three consecutive months or for a period continuing through the last day of the Term, whichever first occurs, or destruction, damage beyond economic repair or rendition of such property permanently unfit for normal use for any reason whatsoever; (ii) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss or a constructive or compromised total loss; (iii) the confiscation, condemnation or requisition of use of such property by the Government or any other government or any instrumentality or agency thereof for a period in excess of six consecutive months or for a period continuing beyond the Term, whichever first occurs; (iv) as a result of any rule, regulation, order or other action by the FAA, DOT or other governmental body (including any court) having jurisdiction, the use of such property in the normal course of interstate air transportation of persons shall have been prohibited for a period of more than six consecutive months, unless Lessee, prior to the expiration of such six-month period, shall have undertaken and shall be diligently carrying forward all steps which are necessary or desirable to permit normal use by Lessee, but in any event (a) in any case in which such prohibition shall apply generally to all similar Boeing Model 737-300 series aircraft, if such prohibition is continuing on the last day of the Term, or (b) in all other cases, if such prohibition is continuing on the earlier of the first anniversary of such prohibition and the last day of the Term; provided, however, that if such prohibition is continuing on the last day of the Term, no Event of Loss pursuant to this clause (iv) shall exist if Lessor shall have delivered to Lessee a written notice not less than two days prior to the end of the Term that such prohibition on the last day of the Term shall not be deemed an Event of Loss; (v) the confiscation, condemnation or requisition of title to such property by the Government or any other government or any instrumentality or agency thereof; or (vi) respecting any Engine, any divestiture of title treated as an Event of Loss pursuant to Section 7.2.1 or any other provision of this Lease. 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. An Event of Loss shall be deemed to occur as of the date of the disappearance, theft, loss of use, insurance settlement, prohibition, confiscation, condemnation or requisition of title or of use, as applicable, except that no Event of Loss shall be deemed to have

occurred pursuant to clause (i), (iii) or (iv) above until the expiration of the applicable period referred to therein.

"FAA" or "Federal Aviation Administration" means the Federal Aviation

Administration or any governmental person, agency or other authority succeeding to the functions of the Federal Aviation Administration.

"FAA Bill of Sale" means a bill of sale for the Aircraft on AC Form 8050-2 delivered to Lessee on the date of delivery of the Aircraft to Lessee by Manufacturer under the Purchase Agreement.

"FAA Regulations" means the Federal Aviation Regulations issued pursuant to the Act from time to time, or any successor regulations thereto.

"Floating Rate Renewal Term" means any of three successive periods of one, two or three years each, not to exceed three years in the aggregate, with respect to which Lessee shall have exercised its option pursuant to Section 18.1 hereof.

"Government" means the federal government of the United States of America or any instrumentality or agency thereof having the full faith and credit of the United States of America.

"Holder" is defined in Section 1.01(b) of the Trust Indenture.

The term "incorporated in" means incorporated or installed in or attached to or otherwise made a part of.

"Indemnified Parties" means (i) First Union National Bank of North Carolina, in its individual capacity and as Owner Trustee, (ii) Wilmington Trust Company, in its individual capacity and as Indenture Trustee, (iii) the Owner Participant, (iv) each Holder of a Series SWA 1996 Trust N621SW-I Certificate (including without limitation the Original Loan Participant), (v) the Estate and the Trust Indenture Estate, (vi) the respective Affiliates, successors and assigns of the foregoing, and (vii) the respective directors, officers, employees, agents, partners and servants of the foregoing.

"Indenture and Trust Supplement" means a supplement to the Trust Agreement and the Trust Indenture, substantially in the form of Exhibit C to the Trust Indenture.

"Indenture Trustee" means Wilmington Trust Company, not in its individual capacity but solely as Indenture Trustee under the Trust Indenture and any successor, separate or additional Indenture Trustee thereunder.

"Indenture Trustee Agreements" means the Participation Agreement and the Trust Indenture.

"Interim Lease Term" means the period commencing on the Delivery Date and expiring at the end of the day on the day before the Base Lease Term Commencement Date.

"Investment Grade" is defined in Section 11.8.

"Lease", "this Lease", "this Agreement", "hereby", "herein", "hereof", "hereunder" or other words mean this Sale and Lease Agreement, including without limitation supplementation hereof by one or more Lease Supplements.

"Lease Default" means any event or condition which, with notice or lapse of time or both, would constitute a Lease Event of Default.

"Lease Event of Default" is defined in Section 14.

"Lease Period" means each of the Interim Lease Term, and each six-month period commencing on a January 2 or July 2, as the case may be, thereafter during the Term.

"Lease Supplement" means a supplement to this Lease, in the case of the initial such supplement substantially in the form attached as Exhibit A hereto, subjecting the Aircraft or other property to this Lease.

"Lessee FAA Bill of Sale" means a bill of sale for the Aircraft on AC Form 8050-2 or such other form as may be approved by the FAA and delivered to Lessor on the Delivery Date by Lessee.

"Lessee Warranty Bill of Sale" means a full warranty bill of sale covering the Aircraft delivered to Lessor on the Delivery Date by Lessee.

"Lessor's Cost" for the Aircraft means the amount identified as such in the Part IV to Exhibit C to this Lease.

"Lessor Liens" means Liens of any Person claiming by, through or under Lessor, the Person serving as Owner Trustee, in its individual capacity, or

Owner Participant which arise as a result of (i) claims against Lessor, the Person serving as Owner Trustee, in its individual capacity, or Owner Participant, as the case may be, not related to the transactions contemplated by the Operative Agreements, (ii) any act or omission of Lessor, the Person serving as Owner Trustee, in its individual capacity, or Owner Participant, as the case may be, which is not related to the transactions contemplated by the Operative Agreements, or is in violation of any of the express terms of any of the Operative Agreements, (iii) Taxes or Losses imposed against or incurred by Lessor, the Person serving as Owner Trustee, in its individual capacity, or Owner Participant, as the case may be, for which Lessee is not obligated to indemnify pursuant to the Participation Agreement or the Tax Indemnity Agreement, other than Liens for Taxes not yet due or for Taxes or Losses being contested in good faith

(and for the payment of which adequate reserves have been provided in accordance with generally accepted accounting principles) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture, loss or loss of use of the Aircraft, the Airframe or any Engine or any interest therein, or (iv) claims against Lessor, the Person serving as Owner Trustee, in its individual capacity, or Owner Participant, as the case may be, arising out of any transfer by any of such Persons in violation of the express terms of the Operative Agreements.

"Lien" means any mortgage, pledge, lien, charge, encumbrance, lease or security interest, or any claim or exercise of rights, affecting the title to or any interest in property.

"Losses" is defined in Section 7(c)(i) of the Participation Agreement.

"Maintenance Program" is defined in Section 8.1.1.

"Manufacturer" means The Boeing Company, a Delaware corporation, or any Affiliate thereof whose obligations are guaranteed by The Boeing Company, and their respective successors and assigns.

"Manufacturer's Consent" means the Consent and Agreement of Manufacturer to be attached to the Purchase Agreement Assignment and, if applicable, the Agreement of Subsidiary by Boeing Domestic Sales Corporation of even date therewith.

"Net Economic Return" means net after-tax economic yield, total aggregate after-tax cash flow and general pattern of book earnings expected by the initial Owner Participant with respect to the Aircraft for the Base Lease Term, utilizing the same assumptions (including tax assumptions and constraints) as were utilized by Owner Participant in determining Basic Rent, Stipulated Loss Value and Termination Value percentages as of the Delivery Date, as such assumptions may be adjusted from time to time to take into account the impact of any change of the type specified in Section 3.7 which theretofore has resulted in an adjustment of the percentages of Basic Rent, Stipulated Loss Value or Termination Value.

"Net Present Value of Rents" means, as of any date of determination, the net present value, as of the Delivery Date, of each of (i) all unpaid Basic Rent through the end of the Term and (ii) for any date of determination prior to the Special Purchase Option Date, all unpaid Basic Rent through the Special Purchase Option Date plus the Special Purchase Price, in each case utilizing a semi-annual discount rate that, on an annual basis, is equal to 7.5%.

"Officer's Certificate" means a certificate signed by the Chairman, the President, any Vice President, the Treasurer, any Assistant Treasurer, the Controller, the Secretary or any Assistant Secretary of the Person providing such certificate.

"Operative Agreements" means this Agreement, each Lease Supplement, the Participation Agreement, the Trust Agreement, the Purchase Agreement, the Purchase Agreement Assignment, the Ingine Purchase Agreement Assignment (if any), the Trust Indenture, the Certificates, each Indenture and Trust Supplement, the Bills of Sale, the Tax Indemnity Agreement and the Manufacturer's Consent, including any consents included in or attached to any thereof.

"Original Loan Participant" means Royal Bank of Canada, acting through its New York Branch, and its successors and permitted assigns as holder of the

Series SWA 1996 Trust N621SW-I Certificates.

"Overdue Rate" means (i) in respect of that portion of Basic Rent, Stipulated Loss Value, Termination Value or Special Purchase Price (or any installment thereof) expected to be applied to principal of or interest on the Certificates, the Past Due Rate, or if Certificates shall have been issued after the Section 18 Refinancing Date with more than one Maturity Date, the weighted average of the Past Due Rates in respect of the then-outstanding Certificates of each Maturity Date (which weighting is to be based on the Outstanding principal amounts of the Certificates of each Maturity Date) and (ii) in respect of any other portion of Basic Rent, Stipulated Loss Value, Termination Value or Special Purchase Price (or any installment thereof), any Renewal Rent, any Supplemental Rent owing to any Person, or any amount payable to Lessee (except as otherwise provided), 2% in excess of the Base Rate, but in no event to exceed the maximum rate permitted by applicable law. Any interest payable at the Overdue Rate that is determined with reference to clause (i) of this definition shall be computed on the same basis as the Past Due Rate, and any interest payable at the Overdue Rate that is determined with reference to clause (ii) of this definition shall be computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed.

"Owner Participant" means Chrysler Financial Corporation, a Michigan corporation, and its successors and permitted assigns.

"Owner Participant Agreements" means the Participation Agreement, the Trust Agreement and the Tax Indemnity Agreement.

"Owner Trustee" means First Union National Bank of North Carolina, not in its individual capacity but solely as trustee under the Trust Agreement, and any successor, separate or additional Owner Trustee thereunder.

"Owner Trustee Documents" means the Participation Agreement, this Lease, the Trust Agreement, the Trust Indenture, the Certificates and the Purchase Agreement Assignment.

"Participant" means Owner Participant and Original Loan Participant and their respective successors and permitted assigns.

"Participation Agreement" means the Participation Agreement, dated as of June 1, 1996, among Lessee, Participants, Lessor and Indenture Trustee, relating to the Aircraft.

"Parts" means all appliances, parts, components, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (other than (a) complete Engines or engines and (b) any items leased by Lessee from a third party (other than Lessor)) which may from time to time be incorporated in the Airframe or any Engine and title to which shall vest in Lessor (and "Part" means any of the foregoing) or, so long as title thereto shall remain vested in Lessor in accordance with Section 8.2 hereof, after removal therefrom.

"Permitted Foreign Air Carrier" means a "foreign air carrier" (as defined in the Act) named in Exhibit D hereto (as the same may be modified from time to time in accordance with Section 23) and any successor of any such carrier.

"Permitted Lien" means any Lien referred to in clauses (a) through (g) of Section 6.

"Permitted Sublease" means a sublease permitted under Section 7.2.8.

"Permitted Sublessee" means the sublessee under a Permitted Sublease.

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

"Purchase Agreement" means the Purchase Agreement between Manufacturer and Lessee specified in the Purchase Agreement Assignment providing, among other things, for the manufacture and sale by Manufacturer to Lessee of certain Boeing Model 737-300 series aircraft (including the Aircraft), as the same has been or may hereafter (to the extent permitted by the terms of the Purchase Agreement Assignment) be amended, modified or supplemented and including, without limitation, as part thereof, the detail specifications referred to therein and any and all change orders from time to time entered into with respect thereto (to the extent permitted by the terms of the Purchase Agreement Assignment), as such Purchase Agreement relates to the Aircraft and has been assigned pursuant to the Purchase Agreement Assignment.

"Purchase Agreement Assignment" means the Purchase Agreement Assignment to be entered into, between Lessee and Lessor, assigning to Lessor certain of Lessee's rights and interests under the Purchase Agreement with respect to the Aircraft, which Purchase Agreement Assignment will have annexed thereto the Manufacturer's Consent, executed by Manufacturer.

"Records" is defined in Section 5.4.

"Refinancing Date" is defined in Section 17(a) of the Participation Agreement.

"Renewal Rent" means the rent payable in respect of a Renewal Term determined pursuant to Section 18.1.

"Renewal Term" means any Floating Rate Renewal Term.

"Rent" means Basic Rent, Renewal Rent and Supplemental Rent.

"Rent Differential Amount" is defined in Section 3.3.

"Rent Payment Date" means each January 2 and July 2 during the Base Lease Term and any Renewal Term, commencing with January 2, 1997.

"Replacement Aircraft" means any Aircraft of which a Replacement Airframe is a part.

"Replacement Airframe" means a Boeing Model 737-300 (or an improved model) aircraft (except Engines or engines from time to time installed thereon) which shall be leased hereunder pursuant to Section 10.1.2.

"Replacement Engine" means a CFM International Model CFM56-3-B1 engine (or an improved model engine manufactured by Engine Manufacturer or an engine of another manufacturer of at least equivalent utility, remaining useful life and value, in each case suitable for installation and use on the Airframe and fully compatible with the other Engine or engine installed thereon) which shall have been substituted for an Engine leased hereunder pursuant to Section 5.2, 9.4, 10.1 or 10.2; provided, however, that if such replacement engine is not a CFM International Model 56- 3-B1 engine, such replacement engine must then be commonly used in the commercial aviation industry on Boeing 737-300 airframes.

"Section 18 Refinancing Date" is defined in Section 18(a) of the Participation Agreement.

"Securities Act" means the Securities Act of 1933, as amended.

"SLV Determination Date" means any date set forth in Exhibit B-1 hereto.

"Special Purchase Option Date" is defined in Section 18.2(b).

"Special Purchase Price" is defined in Section 18.2(b).

"Special Purchase Price After-Tax Yield" means the net after-tax economic yield, total aggregate after-tax cash flow and general pattern of book earnings expected by the Owner Participant

with respect to the Aircraft through the Special Purchase Option Date if the Special Purchase Option were exercised and the Special Purchase Option Price paid in installments, utilizing the multiple investment sinking fund method of analysis and the same assumptions as used by such Owner Participant (including the Tax Assumptions set forth in Section 2 of the Tax Indemnity Agreement and the assumption that the amount of interest payable on the Certificates on each Rent Payment Date occurring prior to or concurrent with the Special Purchase Option Date will be the Assumed Interest Amount set forth on Exhibit E in respect of such Rent Payment Date) in its economic analysis of the transaction as of the Delivery Date.

"Stipulated Loss Value" means the sum of (i) the amount determined by multiplying the Lessor's Cost of the Aircraft by the percentage set forth in Exhibit B-1 hereto opposite the SLV Determination Date next preceding the date on which Stipulated Loss Value is being paid (or, if such payment date is an SLV Determination Date, by the percentage set forth opposite such SLV

Determination Date), and (ii) interest on such amount described in clause (i) above calculated at the Certificate Rate from and including such SLV Determination Date to but excluding the date of such payment (and, to the extent that the actual amount of interest paid and to be paid on the Certificates during the Lease Period in which such SLV Determination Date occurs up to and including such date is greater or less than the amount included in calculating the percentage set forth in Exhibit B-1 with respect to such SLV Determination Date on account of such interest, such percentage shall be adjusted appropriately to compensate for such differential). Stipulated Loss Value may be subject to adjustment in accordance with Section 3.7 and Section 18.2(d) of this Agreement.

"Supplemental Rent" means, without duplication, all amounts, liabilities and obligations (other than Basic Rent or Renewal Rent) which Lessee assumes or agrees to pay to Lessor or any other Person hereunder, under the Participation Agreement or any of the other Operative Agreements, including, without limitation (i) Stipulated Loss Value and Termination Value payments and Special Purchase Price payments, (ii) all amounts required to be paid by Lessee under the agreements, covenants and indemnities contained in the Participation Agreement and the Tax Indemnity Agreement, and (iii) all amounts required to be paid pursuant to Sections 3.4, 3.5 and 3.8 hereof.

"Tax Indemnity Agreement" means the Tax Indemnity Agreement, dated as of June 1, 1996, between Owner Participant and Lessee, relating to the Aircraft.

"Taxes" is defined in Section 7(b)(i) of the Participation Agreement.

"Term" means the term for which the Aircraft is leased pursuant to Section 3 hereof and, unless earlier terminated, shall include the Interim Lease Term, the Base Lease Term and any Renewal Term then in force or committed to in accordance with Section 18.1.

"Termination Date" is defined in Section 9.1.

"Termination Value" means the amount determined by multiplying the Lessor's Cost of the Aircraft by the percentage set forth in Exhibit B-2 hereto opposite the TV Determination Date as of which Termination Value is being determined (and, to the extent that the actual amount of interest paid and to be paid on the Certificates during the Lease Period in which such TV Determination Date occurs up to and including such date is greater or less than the amount included in calculating the percentage set forth in Exhibit B-2 with respect to such TV Determination Date on account of such interest, such percentage shall be adjusted appropriately to compensate for such differential). Termination Value may be subject to adjustment in accordance with Section 3.7 of this Agreement.

"Transfer" means, with respect to any Person, to transfer, by bill of sale or otherwise, all such Person's right, title and interest in and to the Aircraft, Airframe or any Engine, as the case may be, to another Person on an "as is, where is" basis, free and clear of any Lessor Lien attributable to it but otherwise without recourse, representation or warranty, express or implied, and including an express disclaimer of warranties, representations and guarantees in a manner comparable to that set forth in Section 4.1.

"Trust Agreement" means the Trust Agreement, dated as of June 1, 1996, between Owner Participant and First Union National Bank of North Carolina, in its individual capacity, relating to the Aircraft.

"Trust Indenture" means the Trust Indenture and Security Agreement, dated as of June 1, 1996, between Owner Trustee and Indenture Trustee, relating to the Aircraft.

"Trust Indenture Estate" has the meaning attributed to the term "Indenture Estate" in the Trust Indenture.

"TV Determination Date" means any date set forth in Exhibit B-2 hereto.

"UCC" means the Uniform Commercial Code as in effect in any applicable jurisdiction.

"U.S. Air Carrier" means any United States air carrier as to which there is in force a certificate issued pursuant to 49 U.S.C. Section 41102 and as to which there is in force an air carrier operating certificate issued pursuant to Part 121 of the FAA Regulations, or which may operate as an air carrier by certification or otherwise under any successor or substitute provisions therefor or in the absence thereof.

"Warranty Bill of Sale" means the full warranty bill of sale for the Aircraft delivered to Lessee on the date of delivery of the Aircraft to Lessee by the Manufacturer under the Purchase Agreement.

"Wet Lease" means any arrangement whereby Lessee agrees to furnish the Airframe and Engines or engines installed thereon to a third party pursuant to which the Airframe and Engines or

engines (i) shall be operated solely by regular employees of Lessee possessing all current certificates and licenses that would be required under the Act for the performance by such employees of similar functions within the United States of America (it being understood that cabin attendants need not be regular employees of Lessee), (ii) shall be maintained by Lessee in accordance with its Maintenance Program, and (iii) shall be and remain, in the hands of such third party, subject to all other terms and conditions of this Lease.

SECTION 2. SALE, LEASE AND ACCEPTANCE.

(a) Lessor, subject to satisfaction or waiver of the conditions set forth in Section 4 of the Participation Agreement and the concurrent acceptance hereunder by Lessee of the Aircraft, hereby agrees, to the extent that the funds received by it pursuant to Section 2 of the Participation Agreement are adequate for the purpose, to purchase at a purchase price equal to Lessor's Cost and to accept delivery on the Delivery Date from Lessee hereunder and to lease back (immediately after extension of the Lien of the Trust Indenture to the Aircraft) to Lessee hereunder, and Lessee hereby agrees to sell to Lessor and to lease back (immediately after extension of the Lien of the Trust Indenture to the Aircraft) from Lessor hereunder on the Delivery Date, the Aircraft, which shall have been accepted by Lessor and Lessee hereunder as evidenced by the execution by Lessor and Lessee of the Lease Supplement conveying to Lessor and leasing to Lessee the Aircraft hereunder; provided, however, that Lessor and Lessee shall have no further obligation hereunder with respect to the Aircraft if the Delivery Date shall not have occurred on or before September 30, 1996. The purchase price of the Aircraft shall be paid by Lessor to Lessee on the Delivery Date in the manner specified in Section 2 of the Participation Agreement.

(b) Lessor hereby authorizes each of Gary C. Kelly, John D. Owen and Laura Wright, all of whom are employees of Lessee, as the authorized representative or representatives of Lessor to accept delivery of the Aircraft from Lessee pursuant hereto. Lessee hereby agrees that in the event delivery of the Aircraft shall be accepted by an employee or employees of Lessee pursuant to such authorization by Lessor, such acceptance of delivery by such employee or employees on behalf of Lessor shall, without further act, also irrevocably constitute (i) acceptance by such employee of such appointment and (ii) acceptance by Lessee of the Aircraft for all purposes of this Agreement.

SECTION 3. TERM AND RENT.

3.1 GENERAL. Except as otherwise provided herein, the Term for the Aircraft shall commence on the Delivery Date specified in the initial Lease Supplement and shall terminate as herein provided.

3.2 LEASE TERM. Except as provided herein, the Aircraft shall be leased hereunder for the Interim Lease Term, the Base Lease Term and each Renewal Term, if any.

3.3 BASIC RENT. No Basic Rent shall be paid during the Interim Lease Term. Lessee hereby agrees to pay to Lessor Basic Rent for the Base Lease Term with respect to the Aircraft on each Rent Payment Date set forth in Exhibit C, in each case in an amount equal to the percentage of Lessor's Cost of the Aircraft set forth in Exhibit C opposite such Rent Payment Date, subject to the terms of the next succeeding paragraphs of this Section 3.3 and Section 3.7. Each installment (or portion of an installment) of Basic Rent under the heading "Advance" in Exhibit C payable on a Rent Payment Date shall relate to the respective Lease Period immediately following such Rent Payment Date, and each installment (or portion of an installment) of Basic Rent under the heading "Arrears" in Exhibit C payable on a Rent Payment Date shall relate to the respective Lease Period immediately preceding such Rent Payment Date.

Although the Basic Rent amounts set forth in Exhibit C hereto have been computed on the assumption that the amount of interest payable on the

Certificates on the Rent Payment Dates throughout the Base Lease Term will be the Assumed Interest Amounts, Lessor and Lessee recognize that the actual amount of interest payable on the Certificates may, from time to time during the Base Lease Term, be different from the Assumed Interest Amounts. Accordingly, Basic Rent shall be increased or decreased (but not below zero), as the case may be, by the Rent Differential Amount (as defined herein). Any increase in Basic Rent shall constitute additional arrears Rent on the date in question, and any decrease in Basic Rent shall first decrease arrears Rent before affecting advance Rent on the date in question. For purposes hereof, "Rent Differential Amount" shall mean, as of any Rent Payment Date, the absolute value of the difference between (i) the aggregate amount of interest due and payable on such Rent Payment Date on the Certificates (or due and payable on the next following or next preceding Business Day, as the case may be, if such date shall not constitute a Business Day) and (ii) the Assumed Interest Amount with respect to such Rent Payment Date. If, as of such Rent Payment Date, the amount determined in accordance with clause (i) of the immediately preceding sentence shall be greater than the amount determined in accordance with clause (ii) of such sentence, the amount of Basic Rent payable on such Rent Payment Date shall be increased by the Rent Differential Amount. If, as of such Rent Payment Date, the amount determined in accordance with such clause (ii) shall exceed the amount determined in accordance with such clause (i), the amount of Basic Rent due on such Rent Payment Date shall be decreased (but not below zero) by the Rent Differential Amount.

Anything contained in the Participation Agreement or this Lease or any other Operative Agreement to the contrary notwithstanding, (a) each installment of Basic Rent payable under this Lease, whether or not adjusted in accordance with the immediately preceding paragraph or the provisions of Section 3.7, shall be, under any circumstances and in any event, in an amount at least sufficient to pay in full, on the Rent Payment Date on which such installment is due and payable, any scheduled payments then required to be made on account of the principal of and interest on the Certificates, and (b) Stipulated Loss Value, Termination Value and, unless Lessee shall have assumed the Certificates pursuant to Section 18.2(c) hereof, the Special Purchase Price and the initial installment of the Special Purchase Price if paid in installments, in each case whether or not adjusted in accordance

with the provisions of Section 3.7, as of any date of determination thereof, together with any amount of Basic Rent required to be paid on such date and all other amounts payable on such date, shall equal, under any circumstances and in any event, an amount at least sufficient to pay in full any payments then required to be made on account of the principal of and interest (including, without limitation, any interest on overdue principal and, to the extent permitted by applicable law, interest), Premium, if any, and Break Amount, if any, on the Certificates and all amounts which would be payable prior thereto or on a parity therewith if Section 3.03 of the Trust Indenture were applicable at the time of such payment.

3.4 VARIABLE AMOUNTS ON CERTIFICATES. Lessee shall pay (or cause to be paid) to or on behalf of Lessor an amount of Supplemental Rent equal to the Break Amount (if any) or the Premium (if any) payable on the Certificates, amounts due pursuant to Section 15.05 of the Trust Indenture and each other amount required to be paid (other than principal and interest on the Certificates) by Lessor as Owner Trustee under the Trust Indenture, on the same date that such amounts are due under the Trust Indenture, and as provided in Section 3.6.

3.5 SUPPLEMENTAL RENT. In addition to the amounts payable as Supplemental Rent pursuant to Section 3.4, Lessee also agrees to pay (or cause to be paid) to Lessor, or to whomsoever shall be entitled thereto, all Supplemental Rent with respect to Stipulated Loss Value or Termination Value when and as the same shall become due and owing and all other amounts of Supplemental Rent (other than as covered by Section 3.4) within five days after demand or such other relevant period as may be provided in any Operative Agreement. Lessee will also pay to Lessor, or to whomsoever shall be entitled thereto, as Supplemental Rent, to the extent permitted by applicable law, interest at the Overdue Rate on any part of any installment of Basic Rent or Renewal Rent not paid when due for any period from and including the date on which the same was due to but excluding the date of payment in full and (to the extent permitted by applicable law) on any payment of Supplemental Rent not paid when due to Lessor, or to whomsoever shall be entitled thereto, as the case may be, for the period from the date on which the same was due to but excluding the date of payment in full. The expiration or other termination of Lessee's obligation to pay Basic Rent or Renewal Rent hereunder shall not limit or modify the obligations of Lessee with respect to Supplemental Rent.

3.6 PAYMENTS. Payments of Rent and any and all other payments payable to Lessor hereunder shall be paid in funds of the United States of

America which shall be immediately available not later than 11:00 A.M., New York City time, on the date due at the office of Lessor at 230 South Tryon Street, 9th Floor, Charlotte, North Carolina 28288- 1179, Attention: Bond Administration, Re: Southwest Airlines 1996 Trust N621SW, or as otherwise directed by Lessor in writing at least five Business Days prior to the date such payment is due; provided, that so long as the Trust Indenture shall not have been terminated pursuant to Section 10.01 of the Trust Indenture, Lessor hereby directs and Lessee agrees, that, unless the Indenture Trustee shall otherwise direct, all Rent (other than Excluded Payments) shall be paid prior to 11:00 A.M., New York City time, on the due date thereof directly to Indenture Trustee to its account set forth in Schedule I to the Participation Agreement. All payments

of Supplemental Rent owing to Indenture Trustee or to any Holder pursuant to the Participation Agreement shall be made in immediately available funds prior to 11:00 A.M. New York City time, on the due date thereof at the office of Indenture Trustee or at such other office of such other financial institution located in the continental United States as the party entitled thereto may so direct at least five Business Days prior to the due date thereof. All payments of Supplemental Rent payable to Owner Participant, to the extent that such amounts constitute Excluded Payments (as defined in the Trust Indenture), shall be made by wire transfer prior to 11:00 A.M., New York City time, on the due date thereof, to its account set forth in Schedule I to the Participation Agreement, with sufficient information to identify the source and application of the funds. Except as otherwise expressly provided herein, whenever any payment of Rent or other payment to be made hereunder shall be due on a day which is not a Business Day, such payment shall be made on the next succeeding day which is a Business Day and (provided such payment is made on such next succeeding Business Day) no interest shall accrue on the amount of such payment from and after such scheduled date.

3.7 ADJUSTMENT TO BASIC RENT, STIPULATED LOSS VALUE AND TERMINATION VALUE.

3.7.1 ADJUSTMENTS UPON PAYMENT BY LESSOR OF TRANSACTION COSTS, ETC. If (a) the Transaction Costs referred to in Section 16(a) of the Participation Agreement paid by Owner Participant in connection with the closing of this transaction on the Delivery Date are equal to an amount which is other than .327156% of Lessor's Cost, (b) the Transaction Costs referred to in Section 16(a) of the Participation Agreement paid by Owner Participant in connection with the initial refinancing or refunding of the Certificates pursuant to Section 17 or 18 of the Participation Agreement are equal to an amount which is other than .641933% of Lessor's Cost, (c) the Delivery Date is not June 3, 1996, (d) a refinancing or refunding of the Certificates pursuant to Section 17 or 18 of the Participation Agreement occurs, or (e) any recalculation of Basic Rent, Stipulated Loss Value and Termination Value is required by the terms of the Tax Indemnity Agreement (including at Lessee's election pursuant to Section 16 thereof), then in each case, the Basic Rent percentages set forth in Exhibit C, the Stipulated Loss Value percentages set forth in Exhibit B-1 and the Termination Value percentages set forth in Exhibit B-2 shall be recalculated by Owner Participant (i) in the case of a recalculation pursuant to clause (a) or (c), prior to July 1, 1997, (ii) in the case of a recalculation pursuant to clause (b) on or prior to the second rent payment date following the relevant Refinancing Date or Section 18 Refinancing Date, as the case may be, (iii) in the case of a recalculation pursuant to clause (d), prior to the relevant Refinancing Date or Section 18 Refinancing Date, as the case may be, or (iv) in the case of a recalculation pursuant to clause (e), prior to the Rent Payment Date next following the event described in clause (e), in each case in order to: (A) maintain Net Economic Return and (B) minimize the Net Present Value of Rents to the extent possible consistent with clause (A). In addition, in the event of an adjustment pursuant to this Section 3.7, the Special Purchase Price (including any installments thereof) shall be recalculated in accordance with the terms of Section 18.2(b).

3.7.2 RECALCULATION PROCEDURES. Any recalculation of Basic Rent, Stipulated Loss Value and Termination Value percentages and the Special Purchase Price pursuant to this Section 3.7 shall be determined by Owner Participant, and shall be subject to the verification of Lessee and its advisors. Such recalculated Basic

Rent, Stipulated Loss Value and Termination Value percentages and Special Purchase Price (including installments thereof) shall be set forth in a Lease Supplement and, in the case of Basic Rent, shall become effective as of the next succeeding Rent Payment Date and, in the case of Stipulated Loss Value, Termination Value and the Special Purchase Price, shall be retroactive to the inception of this Lease. Such recalculated Basic Rent and, if applicable, the Special Purchase Price shall be determined so as to conform, in the opinion of Owner Participant's tax counsel, to all applicable tax constraints and requirements, including the requirements of Section 467 of the Code and Sections 4.(1)(B), 4.(6) and 5. of Revenue Procedure 75-21, 75-1 Cum. Bull. 715; provided, however, that notwithstanding the foregoing, all adjustments provided for herein shall be based on the same calculation methods and assumptions (including tax assumptions set forth in Section 2 of the Tax Indemnity Agreement) as were used initially by the Owner Participant in determining Basic Rent, Stipulated Loss Values, Termination Values and the Special Purchase Price for the Aircraft (except and only to the extent such assumptions are required to be changed by virtue of the event giving rise to the adjustment or any event giving rise to any prior adjustments pursuant to the terms of this Lease) and shall take into account the amount and timing of any contribution made by the Owner Participant to the Estate subsequent to the Delivery Date. If, upon verification of the percentages determined by Owner Participant pursuant to this Section 3.7, Lessee does not agree with the determination of Owner Participant, then an independent accounting firm, to be selected by Owner Participant and reasonably acceptable to Lessee, shall verify the computations. Such accounting firm shall be requested to make its determination within 30 days. Owner Participant shall provide to such accounting firm such information as it may reasonably require, including a description of the methodology of the calculations used in computing such adjustments and such other information as is necessary to determine whether the computations are mathematically accurate. The accounting firm shall hold in strict confidence such methodology and other information. The computations of Owner Participant or the accounting firm selected as provided above, whichever is applicable, shall be final, binding and conclusive upon Lessee and Lessor, and Lessee shall have no right to inspect the books, records, tax returns or other documents of or relating to Owner Participant to verify such computations or for any other purpose in connection with such adjustments. All fees and expenses payable to the accounting firm selected above under this Section 3.7.2 shall be borne by Lessee, except that such fees and expenses shall be payable by Owner Participant if the computations provided by Owner Participant are higher than those provided by the accounting firm and the computations of such accounting firm causes the present value of the Basic Rent (utilizing a semi-annual discount rate that, on an annual basis, is equal to 7.5%) as computed by Owner Participant to decrease by ten basis points or more.

SECTION 4. LESSOR'S REPRESENTATIONS AND WARRANTIES; DISCLAIMER; CERTAIN AGREEMENTS OF LESSEE.

4.1 LESSOR'S REPRESENTATIONS AND WARRANTIES; DISCLAIMER. LESSEE EXPRESSLY AGREES TO TAKE THE AIRCRAFT "AS IS", AND LESSEE HAS SELECTED THE AIRCRAFT AND THE MANUFACTURER THEREOF (AND EACH PORTION THEREOF) AND ALL MAINTENANCE FACILITIES REQUIRED FOR THE AIRCRAFT OR HEREUNDER. NEITHER LESSOR (INDIVIDUALLY OR AS OWNER TRUSTEE) NOR THE INDENTURE TRUSTEE (INDIVIDUALLY OR AS INDENTURE TRUSTEE) NOR ANY PARTICIPANT MAKES, HAS MADE OR SHALL BE DEEMED TO HAVE MADE, AND EACH HEREBY EXPRESSLY DISCLAIMS, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, AIRWORTHINESS, VALUE, CONDITION, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE OF THE AIRCRAFT OR ANY PART THEREOF, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, AS TO THE ABSENCE OF OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT OR ANY PART THEREOF, except that First Union National Bank of North Carolina, in its individual capacity (i) represents and warrants that on the Delivery Date Lessor shall have received whatever title thereto as was conveyed to it by the Lessee, (ii) represents and warrants that on the Delivery Date the Aircraft shall be free of Lessor Liens attributable to it, (iii) agrees that it will not directly or indirectly create, incur, assume or suffer to exist any Lessor Lien attributable to it on or with respect to the Airframe or any Engine or any other portion of the Estate, and (iv) represents and warrants that it is a "citizen of the United States" as defined in the Act. Lessor covenants that during the Term (so long as no Lease Event of Default shall have occurred and be continuing) it will not, through its own actions or breaches of any of its obligations under the Operative Agreements, interfere in the quiet enjoyment of the Aircraft by Lessee or any Permitted Sublessee.

Nothing in this Section 4.1 shall be deemed to modify or otherwise affect the respective rights and obligations of Lessee and of Manufacturer under the Purchase Agreement.

4.2 CERTAIN AGREEMENTS OF LESSEE. All obligations of Lessee in this Lease shall be done, performed or complied with at Lessee's cost and expense, whether or not so expressed, unless otherwise expressly stated. Lessee hereby agrees with Lessor for the benefit of the Participants that it shall perform the agreements, covenants and indemnities set forth in the Participation Agreement (including, without limitation, Sections 7(b) and 7(c) of the Participation Agreement) which are incorporated herein, and hereby restates Lessee's representations and warranties set forth in the Participation Agreement and the Tax Indemnity Agreement, as fully and to the same extent and with the same force and effect as if set forth in full in this Section 4.2.

SECTION 5. RETURN OF AIRCRAFT.

5.1 GENERAL CONDITION UPON RETURN. Unless purchased by Lessee pursuant to Section 18.2, and subject to Section 10, upon the expiration or termination of this Lease, Lessee will return the Aircraft to Lessor by delivering the same at any location in the continental United States at which Lessee has maintenance facilities (and Section 5.7 shall apply). Lessee shall give Lessor not less than 15 days prior notice of the return location. All costs associated with the return flight shall be for the account of Lessee. At the time of such return, the Airframe and Engines or engines installed thereon:

5.1.1 AIRWORTHINESS. Subject to the exception described in clause (iii) of Section 8.1.1, shall be duly certificated as an airworthy aircraft by the FAA under Part 121 of the Federal Aviation Regulations or any successor provision; provided, that Lessee's ability to satisfy such return condition shall not preclude the occurrence of an Event of Loss pursuant to clause (iv) of the definition thereof;

5.1.2 FREE OF LIENS. Shall be free and clear of all Liens (except Lessor Liens);

5.1.3 OPERATING CONFIGURATION AND CONDITION. Shall be in a configuration suitable for operation in regularly scheduled commercial airline passenger service in the United States and shall be in as good operating condition as when delivered new to Lessee by Manufacturer, ordinary wear and tear excepted or, in the case of any such engines owned by Lessee, shall have a value, utility, airworthiness and remaining useful life at least equal to, and shall be in as good operating condition as required by the terms hereof with respect to, Engines constituting part of the Aircraft but not then installed on the Airframe. All Lessee or Permitted Sublessee exterior markings, as the case may be, shall have been painted over in matching exterior colors. In addition, any appliance, part, instrument, appurtenance, accessory, furnishing or other equipment leased by Lessee from a third party (other than Lessor) and incorporated in the Aircraft shall be removed prior to the date of such return without any damage to the Aircraft and without diminishing or impairing the value, utility, remaining useful life or condition which the Aircraft would have had at such time had such equipment not been installed, and Lessee shall make all repairs which are required as a result of such removal;

5.1.4 CLEANLINESS AND OPERABILITY. Shall be clean by United States commercial airline operating standards with all systems and components operable; and

5.1.5 PARTS AND EQUIPMENT. Shall have installed thereon all Engines and Parts installed thereon at the commencement of the Term therefor or replacements therefor made in accordance with the terms of this Lease.

5.2 RETURN OF OTHER ENGINES. In the event that any engine not owned by Lessor shall be installed on the Airframe returned in accordance with Section 5.1, such engine shall be a CFM International Model CFM56-3-B1 engine (or an improved model engine manufactured by Engine Manufacturer, or an engine of another manufacturer of at least equivalent utility, value, airworthiness

and remaining useful life in each case suitable for installation and use on the Airframe and fully compatible with the other Engine or engine installed on the Airframe; provided, however, that if such engine is not a CFM International Model CFM 56-3-B1 engine, such engine must then be commonly used in the commercial aviation industry on Boeing 737-300 airframes). At the time of such replacement, such engine shall have performance and durability characteristics and a value, condition, utility, airworthiness and remaining useful life at least equal to the Engine it replaced hereunder, assuming such Engine was maintained in accordance with the requirements of this Lease, and at the time the Airframe is returned shall fully comply with all the requirements of this Lease, including this Section 5, which are applicable to Engines. Upon return of the Aircraft, Lessee shall duly convey to Lessor good title to any such replacement engine, free and clear of (i) all rights of third parties under any arrangement, including pooling, interchange, overhaul, repair or other similar agreements or arrangements and (ii) Liens other than Lessor Liens; and, upon such conveyance and as a condition thereto, Lessee will (a) furnish Lessor with a full warranty (as to title) bill of sale, in form and substance reasonably satisfactory to Lessor, with respect to each such replacement engine, together with an opinion of counsel to the effect that such bill of sale has been duly authorized and delivered and is enforceable in accordance with its terms and that each such replacement engine is free and clear of all Liens other than Lessor Liens, and (b) take such other action as Lessor may reasonably request in order that title to such replacement engine may be duly and properly vested in Lessor to the same extent as the Engine replaced thereby. Upon compliance by Lessee with the foregoing, Lessor will, so long as no Lease Event of Default has occurred and is continuing, comply with the applicable provisions of the Trust Indenture and, upon Indenture Trustee's release of the Engine from the Lien of the Trust Indenture Estate, Transfer to Lessee any Engine not installed on the Airframe at the time of return.

5.3 RETURN AT END OF BASE LEASE TERM OR RENEWAL LEASE TERM. Upon return of the Aircraft at the expiration or termination of this Lease, Lessee shall have caused all FAA Airworthiness Directives applicable to the Aircraft and all mandatory service bulletins from Manufacturer, Engine Manufacturer or other manufacturer of an engine then installed on the Airframe (in compliance with Section 5.2) applicable to the Aircraft to have been complied with (except for any such FAA Airworthiness Directives and bulletins that permit compliance after the return date and would not, in the normal course of the Maintenance Program, be complied with on or prior to the return date). Lessee shall have treated the Aircraft, including without limitation with respect to maintenance, additions and modifications (including compliance with FAA Airworthiness Directives), during the Term similarly to all other Boeing 737-300 aircraft in its fleet, without in any way discriminating against the Aircraft, whether by reason of its leased status or otherwise.

In the event that Lessee (or any Permitted Sublessee then in possession of the Aircraft) shall not then be using a continuous or "progressive" maintenance program with respect to the Airframe, Lessee agrees that at the time of such return, the Airframe shall have remaining until the next scheduled "C" check (which term, as used in this paragraph, shall include a "C" check and any other check equivalent thereto) at least 50% of the allowable hours between "C" checks permitted under the Maintenance Program then used by Lessee (or such Permitted Sublessee, as the case may be), and the condition set forth in Appendix A shall have been satisfied. In the event that Lessee (or any Permitted Sublessee then in possession of the Aircraft) shall then be using a continuous or "progressive" maintenance program with respect to the Airframe, then the Airframe shall be current on such program. If the conditions set forth in the first sentence of this paragraph shall be applicable to the Airframe but shall not have been met at the time of such return, Lessee shall perform (or cause to be performed) all maintenance work necessary to meet such conditions or, if Lessee shall so elect, Lessee shall pay or cause to be paid to Lessor an amount computed by multiplying (i) the current market cost of a "C" check by (ii) a fraction of which (x) the numerator shall be the excess of 50% of hours of operation allowable between such "C" checks over the actual number of hours of operation remaining on the Airframe to the next such "C" check, and (y) the denominator shall be the number of hours of operation allowable between such "C" check in accordance with such Maintenance Program.

Lessee further agrees that, whether or not the then-current engine maintenance program is on-condition, the number of hours or cycles of operation (whichever shall be applicable under the Maintenance Program then in use with respect to such Engines or engines) on such Engines or engines remaining until the next scheduled engine refurbishment shall be at least 3,000 allowable hours or cycles (whichever shall be applicable), in the aggregate for both Engines or engines; provided, that each life-limited Part within each Engine or engine shall have a minimum of 1,200 allowable hours or cycles (whichever shall be applicable) remaining until its next required replacement. If, at the time of such return, the Engines or engines do not meet the aggregate 3,000 hour

condition specified in the previous sentence, Lessee shall perform (or cause to be performed) all maintenance work necessary to meet such conditions or, if Lessee shall so elect, Lessee shall pay or cause to be paid to Lessor an amount computed by multiplying (i) the current market cost of performing for an engine of the same model as such Engines or engines the scheduled engine refurbishment under the Maintenance Program then used by Lessee (or such Permitted Sublessee, as the case may be) for engines of such model by (ii) a fraction of which (x) the numerator shall be the excess of 3,000 hours or cycles (whichever is applicable) over the aggregate number of hours or cycles of operation on such Engines or engines remaining until the next scheduled engine refurbishment, and (y) the denominator shall be the number of hours or cycles allowable between such scheduled engine refurbishments. If, at the time of such return, any life-limited Part within such Engine or engine does not meet the 1,200 hour condition specified in the first sentence of this paragraph, Lessee shall perform (or cause to be performed) all maintenance work necessary to meet such conditions or, if Lessee shall so elect, Lessee shall pay or cause to be paid to Lessor an amount computed by multiplying (i) the current market cost of replacing such life-limited Part by (ii) a fraction of which (x) the numerator shall be the excess of 1,200 hours or cycles (whichever is applicable) over the number of remaining hours or cycles (whichever is

applicable) of operation of such life-limited Part, and (y) the denominator shall be the total number of hours or cycles allowable on such life-limited Part.

5.4 MANUALS; SERVICE BULLETINS, ETC. Upon return of the Aircraft at the expiration or termination of this Lease, Lessee shall deliver or cause to be delivered to Lessor all logs, manuals, drawings and data and inspection, modification and overhaul records in respect of the Aircraft required to be maintained under applicable rules and regulations of the FAA and all other maintenance, service, inspection and overhaul records maintained by Lessee on the Aircraft which are reasonably necessary to transition the Aircraft to a new operator, updated through the date of return (collectively, "Records"). All "no-charge" service bulletin kits received by or on behalf of Lessee from Manufacturer, Engine Manufacturer or vendors for the Aircraft and Engines or engines and not incorporated therein shall be returned at no charge to Lessor as cargo on board the Aircraft at the time of its return. At the time the Aircraft is returned, Lessor shall have the option to purchase from Lessee, at Lessee's cost therefor, any "charge" service bulletin kits purchased by Lessee which have not been incorporated in the Aircraft. All such items shall thereupon become the property of Lessor.

5.5 FAILURE TO RETURN AIRCRAFT OR ENGINES. If Lessee shall, for any reason whatsoever, fail to return the Aircraft or any Engine at the time specified herein, the obligations of Lessee as provided in this Lease (including the obligation to pay Rent on the same basis as that applicable immediately prior to such failure) shall continue in effect with respect to the Aircraft or such Engine until the Aircraft or such Engine is returned to Lessor; but this Section 5.5 shall not be construed as permitting Lessee to fail to meet its obligation to return the Aircraft or such Engine in accordance with the requirements of this Lease or constitute a waiver of a Lease Event of Default.

5.6 AID IN DISPOSITION. Lessee agrees that, unless Lessee shall have elected to purchase the Aircraft pursuant to Section 18.2, during the last six months of the Term it will cooperate in all reasonable respects with any efforts of Lessor to lease or sell the Aircraft, including without limitation (subject to the provisions of Section 12) permitting potential lessees or purchasers to inspect the Aircraft and the records relating thereto.

5.7 STORAGE UPON RETURN. Upon written request of Lessor or Owner Participant received by Lessee at least 10 days prior to its return of the Aircraft at the expiration or termination of this Lease, Lessee will attempt to arrange for parking facilities for the Aircraft for a period not exceeding 60 days following return thereof by Lessee at the location of return pursuant to Section 5.1; and Lessor shall bear or reimburse Lessee for Lessee's out-of-pocket expenses of such storage (including maintenance and insurance expenses).

SECTION 6. LIENS. Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to the Aircraft, the Airframe or any Engine, title thereto or any interest therein or in this Lease except: (a) the respective rights of the parties to the Operative Agreements; (b) the rights of others under agreements or arrangements to the extent expressly permitted by

the terms of Sections 7.2 and 8.3; (c) Lessor Liens; (d) Liens for taxes, assessments or other governmental charges either not yet due or being contested in good faith (and for the payment of which adequate reserves have been provided in accordance with generally accepted accounting principles) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture, loss or loss of use of the Aircraft, the Airframe or any Engine or any interest therein; (e) materialmen's, mechanics', workers', repairers', employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is either not yet due or not overdue for a period of more than 60 days or is being contested in good faith (and for the payment of which adequate reserves have been provided in accordance with generally accepted accounting principles) by appropriate proceedings so long as such Liens do not involve any material danger of the sale, forfeiture, loss or loss of use of the Aircraft, the Airframe or any Engine or any interest therein; (f) Liens arising out of any judgment or award against Lessee, unless the judgment secured shall not, within 45 days after entry thereof, have been discharged or vacated or execution thereof stayed pending appeal or shall not have been discharged, vacated or reversed within 45 days after the expiration of such stay; and (g) any other Lien with respect to which Lessee shall have provided a bond or other security adequate in the reasonable judgment of Lessor. Lessee will promptly take (or cause to be taken) such action at its own expense as may be necessary duly to discharge any such Lien not excepted above if the same shall arise at any time.

SECTION 7. REGISTRATION, OPERATION, POSSESSION, SUBLEASING AND RECORDS.

7.1 REGISTRATION AND OPERATION.

7.1.1 REGISTRATION. Lessee shall forthwith upon the delivery of the Aircraft hereunder cause the Aircraft to be duly registered and at all times thereafter to remain duly registered in the name of Lessor with the FAA pursuant to and as permitted by the Act (it being understood that Lessee shall not be required to comply with this covenant to the extent that First Union National Bank of North Carolina's or Owner Participant's failure to comply with its covenant set forth in Section 8(b) of the Participation Agreement with regard to its citizenship makes such compliance by Lessee impossible).

7.1.2 NAMEPLATE. Lessee agrees to affix within 10 days of the Delivery Date and thereafter to maintain in the cockpit of the Airframe adjacent to the airworthiness certificate and on each Engine a nameplate bearing the inscription "OWNED BY AND LEASED FROM FIRST UNION NATIONAL BANK OF NORTH CAROLINA, AS OWNER TRUSTEE, OWNER AND LESSOR" and, so long as the Trust Indenture shall be in effect, "SUBJECT TO A SECURITY INTEREST IN FAVOR OF WILMINGTON TRUST COMPANY, AS INDENTURE TRUSTEE" (such nameplate to be replaced, if necessary, with a nameplate reflecting the name of any successor Lessor or successor Indenture Trustee). Except as above provided, Lessee will not allow the name of any person, association or corporation to be placed on the Airframe or on any Engine as a designation that might be interpreted as a claim of

ownership; provided, that nothing herein contained shall prohibit Lessee (or any Permitted Sublessee) from placing its customary colors and insignia on the Airframe or any Engine or displaying information concerning the registration or manufacture of the Aircraft, the Airframe, any Engine or Part.

7.1.3 COMPLIANCE WITH LAWS. Lessee agrees that it will not use or operate the Aircraft, the Airframe or any Engine in violation of any law or any rule, regulation or order of any government or governmental authority having jurisdiction (domestic or foreign) or in violation of any airworthiness certificate, license or registration relating to the Aircraft, the Airframe or any Engine issued by any such authority, except to the extent Lessee is contesting in good faith the validity or application of any such law, rule, regulation or order in any reasonable manner which does not materially adversely affect Lessor's interest in the Aircraft.

7.1.4 INSURANCE REQUIREMENTS; GOVERNMENT REQUISITION; INDEMNITY. Lessee agrees not to operate, use or locate the Aircraft, the Airframe or any Engine, or permit any Permitted Sublessee to operate, use or locate the Aircraft, the Airframe or any Engine, (i) in any area excluded from coverage by any insurance required by the terms of Section 11, except in the case of a

requisition by the Government where Lessee obtains indemnity (backed by the full faith and credit of the United States of America) in lieu of such insurance from the Government against the risks and in the amounts required by Section 11 covering such area, or (ii) in any area where maintenance of war-risk insurance is required by Section 11 unless fully covered by war-risk insurance satisfying the terms of Section 11, or unless the Aircraft, the Airframe or such Engine is operated or used under contract with the Government under which contract the Government assumes liability (backed by the full faith and credit of the United States of America) in an amount not less than the amount of insurance otherwise required by Section 11 for any damage, loss, destruction or failure to return possession of the Aircraft, the Airframe or such Engine at the end of the term of such contract or for injury to persons or damage to property of others, or (iii) in any area referred to in subclause 3(iv) immediately following Section 7.2.8.

7.2 POSSESSION. Lessee will not, without the prior written consent of Lessor, sublease or otherwise in any manner deliver, transfer or relinquish possession of the Aircraft, the Airframe or any Engine or install any Engine, or permit any Engine to be installed, on any airframe other than the Airframe; provided, however, that so long as no Lease Default (of the type described in Section 14.1 or 14.5) or Lease Event of Default shall have occurred and be continuing, and so long as Lessee shall comply with the provisions of Section 11, and all FAA approvals required for such purposes have been obtained, Lessee may, without such prior written consent:

7.2.1 INTERCHANGE AND POOLING. Subject or permit any Permitted Sublessee to subject (i) the Aircraft, Airframe or any Engine to normal interchange agreements customary in the airline industry and entered into by Lessee or such Permitted Sublessee in the ordinary

course of its business with, in the case of the Airframe, a U.S. Air Carrier or a Permitted Foreign Air Carrier, in either case that is not then subject to bankruptcy or similar proceedings, and (ii) any Engine to pooling agreements or arrangements customary in the United States domestic commercial airline industry and entered into by Lessee or such Permitted Sublessee in the ordinary course of its business; but in either case (A) no transfer of the registration of the Airframe or any Engine shall be effected in connection therewith and the terms of this Lease and the Participation Agreement shall be observed and (B) no such agreement or arrangement shall contemplate or require the transfer of title to the Aircraft, Airframe or any Engine and if Lessor'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 thereto and Lessee shall comply with Section 10.2 hereof;

7.2.2 TESTING AND SERVICE. Deliver or permit any Permitted Sublessee to deliver possession of the Aircraft, Airframe or any Engine or Part, to the manufacturer thereof for testing or other similar purposes, or to any organization for service, repair, maintenance or overhaul work on the Aircraft, Airframe or any Engine or Part, or for alterations or modifications in or additions to the Aircraft, Airframe or any Engine to the extent required or permitted by the terms of Section 8.4;

7.2.3 CIVIL RESERVE AIR FLEET PROGRAM. Transfer or permit any Permitted Sublessee, if required by law to do so, to transfer possession of the Aircraft, Airframe or any Engine to the Government pursuant to the Civil Reserve Air Fleet Program or any similar or substitute programs, so long as such transfer of possession does not continue beyond the end of the Term and so long as Lessee shall (A) promptly notify Lessor upon subjecting the Airframe or any Engine to such program and provide Lessor with the name and address of the appropriate party to whom notice must be given in connection with any repossession of the Aircraft under Section 15.1.1, and (B) promptly notify Lessor upon transferring possession of the Airframe or any Engine to the Government pursuant to such program;

7.2.4 INSTALLATION OF ENGINES. Install or permit any Permitted Sublessee to install an Engine on an airframe owned by Lessee or such Permitted Sublessee, as the case may be, 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 the airframe as an entirety), (B) the rights of air carriers under normal interchange

agreements which are customary in the airline industry and do not contemplate, permit or require the transfer of title to the airframe or engines installed thereon, and (C) mortgage liens or other security interests, provided, that (as regards this clause (C)) 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, unless and until Lessee shall become the owner of such Engine;

7.2.5 INSTALLATION OF ENGINES ON OTHER AIRFRAMES. Install or permit any Permitted Sublessee to install an Engine on an airframe leased to, or purchased by, Lessee or any Permitted Sublessee subject to a lease, conditional sale, trust indenture or other security agreement, but only if (A) such airframe is free and clear of all Liens, except the rights of the parties to the lease, conditional sale, trust indenture or other security agreement covering such airframe, or their successors or assigns, and except Liens of the type permitted by clauses (A) and (B) of Section 7.2.4, and (B) the lease, conditional sale, trust indenture or other security agreement covering such airframe effectively provides that such Engine will not become subject to the Lien thereof at any time while such Engine is subject to this Lease, notwithstanding the installation thereof on such airframe;

7.2.6 POOLING OF PARTS. To the extent permitted by Section 8.3, subject any Parts owned by Lessor and removed from the Airframe or any Engine to any pooling arrangement referred to in Section 8.3;

7.2.7 WET LEASE. Enter into a Wet Lease for the Airframe and Engines or engines then installed thereon with any third party for a term not to continue beyond the Term;

7.2.8 SUBLEASE TO PERMITTED AIR CARRIERS. So long as the proposed sublessee is not subject to a proceeding or final order under applicable bankruptcy, insolvency or reorganization laws on the date the sublease is entered into, enter into a sublease of the Aircraft, or the Airframe and Engines or engines then installed on the Airframe, or any Engine, for use on the sublessee's regularly scheduled or charter routes, with any U.S. Air Carrier or Permitted Foreign Air Carrier, in any such case for a term not to continue beyond the remaining Term.

Provided, further, with respect to this Section 7.2, that:

(1) the rights of any transferee who receives possession by reason of a transfer permitted by this Section 7.2 (other than the transfer of an Engine which is deemed an Event of Loss) shall be effectively subject and subordinate to, and any sublease permitted by this Section 7.2 shall be made expressly subject and subordinate to, all the terms of this Lease and the Lien of the Trust Indenture, and to Lessor's rights, powers and remedies under this Lease, including the rights to repossession pursuant to Section 15 and to terminate and avoid such sublease upon such repossession and to require such sublessee to forthwith deliver the Aircraft, Airframe and Engines subject to such sublease upon such repossession;

(2) Lessee shall remain primarily liable hereunder for the performance of all the terms of this Lease (including, without limitation, the payment of

Supplemental Rent representing any indemnities payable as a result of acts or circumstances respecting a sublease or a sublessee's operation of the Aircraft) to the same extent as if such sublease, transfer or relinquishment of possession had not occurred (it being understood that, without limitation of the foregoing, any standards established under this Lease with reference to Lessee's practices respecting other aircraft owned or operated by it shall continue to refer to such practices of Lessee rather than of any transferee); provided,

that performance of any such terms by any Permitted Sublessee shall be as effective, for purposes of this Lease, as performance thereof directly by Lessee;

(3) any such sublease shall (i) be consistent with the requirements of this Lease and the applicable requirements of the Participation Agreement, (ii) include appropriate provisions for the continued maintenance in accordance with applicable maintenance standards in the appropriate jurisdiction, operation, insurance (appropriate certificates as to which shall be furnished to Lessor and Indenture Trustee prior to Lessee's entry into any such sublease with any Permitted Foreign Air Carrier or within 10 days thereafter) and return of the subleased property as required hereunder, (iii) provide that the sublessee may not assign or further sublease the Aircraft, (iv) provide that the Aircraft may not be operated into a country with which the United States does not maintain diplomatic relations or in which there is open warfare, whether or not declared, (v) not provide for sublease rentals to be prepaid or assigned to a third party; provided, however, that (x) up to six months' rentals may be prepaid to Lessee and (y) this clause (v) shall not preclude Lessee's establishing and holding appropriate reserves for any obligations arising under such sublease, and (vi) not require the sublessee to purchase the Aircraft or grant the sublessee any purchase options, or any options for the renewal of such sublease for a term beyond the Base Lease Term, in each case on dates other than, or at amounts less than, corresponding options granted to Lessee hereunder;

(4) no interchange agreement, transfer, sublease or other relinquishment of possession permitted hereunder shall affect the registration of the Aircraft or shall permit any action not permitted to Lessee in this Lease; and

(5) no such interchange agreement, sublease, transfer or other relinquishment of possession of the Aircraft, Airframe or any Engine shall in any way discharge or diminish any of Lessee's obligations to Lessor hereunder or under any other Operative Agreement or constitute a waiver of Lessor's rights or remedies hereunder or under any other Operative Agreement.

Lessee shall notify Lessor within 10 days after the commencement of any sublease permitted hereunder and shall deliver to Lessor within such period a duly executed copy of any sublease or

interchange or pooling agreement permitted hereunder. Upon request of Lessor, Lessee shall promptly duly execute and deliver to Lessor an assignment of any such sublease having a term in excess of 12 months in favor of Lessor in form and substance reasonably satisfactory to Lessor. Lessor hereby agrees, for the benefit of Lessee (and any Permitted Sublessee) and for the benefit of each lessor, conditional seller, indenture trustee or secured party of any airframe or engine leased to or purchased by Lessee (or any Permitted Sublessee) subject to a lease, conditional sale, trust indenture or other security agreement, that Lessor will not acquire or claim, as against such lessor, conditional seller, indenture trustee or secured party, or any successor or assign thereof, any right, title or interest in any engine as the result of such engine being installed on the Airframe at any time while such engine is subject to such lease, conditional sale, trust indenture or other security agreement and owned by such lessor or conditional seller or subject to a trust indenture or security interest in favor of such indenture trustee or secured party; provided, however, that such agreement of Lessor shall not be for the benefit of any lessor or secured party of any airframe (other than the Airframe) leased to Lessee (or any Permitted Sublessee) or purchased by Lessee (or any Permitted Sublessee) subject to a conditional sale or other security agreement or for the benefit of any mortgagee of or any other holder of a security interest in an airframe owned by Lessee (or any Permitted Sublessee), unless such lessor, conditional vendor, other secured party or mortgagee has expressly agreed (which agreement may be contained in such lease, conditional sale or other security agreement or mortgage) that neither it nor its successors or assigns will acquire, as against Lessor, any right, title or interest in an Engine as a result of such Engine being installed on such airframe.

A consolidation, merger, conveyance, transfer, or lease permitted by Section 11(f) of the Participation Agreement shall not be deemed to be a transaction to which this Section 7.2 shall apply.

7.3 RECORDS AND REPORTS. Lessee shall:

7.3.1 RECORDS. Maintain or cause to be maintained all records, logs and other materials required by the FAA or any other governmental authority having jurisdiction to be maintained in respect of the Aircraft, the Airframe and each Engine;

7.3.2 INFORMATION AND REPORTS. Upon request, promptly furnish or cause to be furnished to Lessor (in sufficient number) such information as may be required to enable Lessor or any Participant to file any reports, including tax returns, required to be filed by Lessor or such Participant with any governmental authority because of Lessor's ownership of the Aircraft, Airframe or any Engine or because of receipt of Rent or because of the interest of any Participant in the Estate or Trust Indenture Estate; provided, however, that with respect to any such information (other than with respect to income taxes) which Lessee deems commercially sensitive or confidential, if reasonably feasible, Lessor shall afford Lessee a reasonable opportunity to seek from any such governmental authority a waiver of Lessor's or such Participant's obligation to file any such information or consent to the filing of such information directly by Lessee in lieu of filing by Lessor or such Participant and if any such

waiver or consent is evidenced to the reasonable satisfaction of Lessor, then Lessee shall not be required to furnish such information to Lessor; and

7.3.3 FINANCIAL INFORMATION. Promptly provide Lessor, the Owner Participant, the Original Loan Participant and Indenture Trustee with (i) such financial information concerning Lessee as is provided from time to time to the public shareholders of Lessee, (ii) within 60 days after the end of each of the first three quarterly periods of each fiscal year of Lessee, a consolidated balance sheet of Lessee and its consolidated subsidiaries prepared by it as of the close of such period, together with the related consolidated statements of income for such period, (iii) within 120 days after the close of each fiscal year of Lessee, a consolidated balance sheet of Lessee and its consolidated subsidiaries as of the close of such fiscal year, together with the related consolidated statements of income for such fiscal year, as certified by independent public accountants, (iv) promptly upon the sending, making available or filing of the same, all such reports (other than reports on Form 11-K or similar forms) as Lessee shall file with the Securities and Exchange Commission, and (v) from time to time such other information as to its financial condition as Lessor, Indenture Trustee or any Participant may reasonably request. In addition, Lessee shall promptly notify Lessor, Indenture Trustee, the Original Loan Participant and the Owner Participant after a Responsible Company Officer of Lessee shall acquire knowledge of a Lease Default or Lease Event of Default.

SECTION 8. MAINTENANCE; REPLACEMENT AND POOLING OF PARTS; ALTERATIONS; MODIFICATIONS AND ADDITIONS.

8.1 MAINTENANCE.

8.1.1 MAINTENANCE PROGRAM. Lessee shall maintain, service, repair, overhaul, alter, modify, add to and test (or cause to be maintained, serviced, repaired, overhauled, altered, modified, added to and tested) the Aircraft, the Airframe and each Engine, and each other engine installed from time to time on the Airframe, in accordance with Lessee's FAA-approved maintenance program for the Aircraft, Airframe and Engines (the "Maintenance Program"), (i) so as to keep the Aircraft, the Airframe and each Engine in as good operating condition as when delivered new to Lessee by the Manufacturer, ordinary wear and tear excepted, (ii) in the same manner and with the same care as used by Lessee with similar aircraft owned or operated by Lessee, without in any way discriminating against the Aircraft, whether by reason of its leased status or otherwise, and (iii) so as to keep the Aircraft, the Airframe and each Engine in such condition as required to enable the FAA certificate of airworthiness for the Aircraft to be maintained in good standing at all times under the Act, except when all comparable Boeing Model 737-300 series aircraft registered in the United States of America have been grounded by the FAA other than as a result of actions taken or omitted to be taken by Lessee (or, if a sublease is then in effect, any Permitted Sublessee).

8.1.2 COMPLIANCE WITH GOVERNMENT REQUIREMENTS. Lessee will comply with all service, inspection, maintenance, repair and overhaul regulations, directives and instructions which are made mandatory by the FAA or other applicable government authority upon operators of Boeing Model 737-300 series aircraft and CFM International Model CFM56-3-B1 engines and which require compliance during the Term and prior to return of the Aircraft under this Lease.

8.2 REPLACEMENT OF PARTS. Lessee, at its own cost and expense, will promptly replace (or cause to be replaced) all Parts which may from time to time be incorporated in the Aircraft, Airframe or any Engine and 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 8.4. In addition, Lessee may, at its own cost and expense, remove in the ordinary course of maintenance, service, repair, overhaul or testing any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use; provided, however, Lessee, except as otherwise provided in Section 8.4, at its own cost and expense, will replace such Parts as promptly as possible. All replacement parts shall be free and clear of all Liens (except for Permitted Liens and except in the case of replacement property temporarily installed on an emergency basis) and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof. All Parts at any time removed from the Aircraft, Airframe or any Engine shall remain the property of Lessor, no matter where located, until such time as such Parts shall be replaced by parts which have been incorporated in the Aircraft, Airframe or such Engine and which meet the requirements for replacement parts specified above. Immediately upon any replacement part becoming incorporated in the Aircraft, Airframe or such Engine as above provided, without further act, (i) unless the replacement property is temporarily installed on an emergency basis, title to the replaced Part shall thereupon vest in Lessee free and clear of all rights of Lessor, and the replaced Part shall no longer be deemed a Part hereunder, (ii) title to such replacement part shall thereupon vest in Lessor (subject only to Permitted Liens and except in the case of replacement property temporarily installed on an emergency basis), and (iii) such replacement part shall become a Part subject to this Lease and be deemed part of the Aircraft, Airframe or such Engine for all purposes hereof to the same extent as the Parts originally incorporated in such Aircraft, Airframe or Engine.

8.3 POOLING OF PARTS. Any Part removed from the Aircraft, Airframe or any Engine as provided in Section 8.2 may be subjected by Lessee (or a Permitted Sublessee) to a normal pooling arrangement customary in the airline industry entered into in the ordinary course of business of Lessee or such Permitted Sublessee, so long as a part replacing such removed Part shall be incorporated in the Aircraft, Airframe or such Engine in accordance with Section 8.2 as promptly as practicable after the removal of such removed Part. In addition, any replacement part when incorporated in the Aircraft, Airframe or any Engine in accordance with Section 8.2 may be owned by any third party subject to such a normal pooling arrangement, so long as Lessee (or any Permitted Sublessee), at its own cost

and expense, as promptly thereafter as practicable either (i) causes title to such replacement part to vest in Lessor in accordance with Section 8.2 by Lessee (or any Permitted Sublessee) acquiring title thereto for the benefit of, and transferring such title to, Lessor free and clear of all Liens (except Permitted Liens), or (ii) replaces such replacement part by incorporating in the Aircraft, Airframe or such Engine a further replacement part owned by Lessee (or any Permitted Sublessee) free and clear of all Liens (except Permitted Liens) and by causing title to such further replacement part to vest in Lessor in accordance with Section 8.2.

8.4 ALTERATIONS, MODIFICATIONS AND ADDITIONS.

8.4.1 MANDATORY ALTERATIONS, ETC. Lessee shall make (or cause to be made) such alterations and modifications in and additions to the Aircraft, Airframe and each Engine as may be required from time to time to meet the standards of the FAA or other governmental authority having jurisdiction and to maintain the FAA certificate of airworthiness for the Aircraft; provided, however, that Lessee may contest in good faith the validity or application of any such law, rule, regulation or order in any reasonable manner which does not materially adversely affect Lessor's interest in the

Aircraft. All alterations and modifications made pursuant to this Section 8.4.1 shall be made at the cost and expense of Lessee.

8.4.2 VOLUNTARY ALTERATIONS, ETC. Lessee, at its own cost and expense, may, from time to time make (or cause to be made), subject to the standards set forth in Section 8.1.1, such alterations and modifications in and additions to the Aircraft, Airframe or any Engine as Lessee may deem desirable in the proper conduct of its business, including, without limitation, removal of Parts which Lessee deems obsolete or no longer suitable or appropriate for use in the Aircraft, Airframe or such Engine; provided, however, that no such alteration, modification, addition or removal shall diminish the value, remaining useful life, or utility of the Aircraft, Airframe or such Engine, or impair the condition or airworthiness thereof, below the value, remaining useful life, utility, condition and airworthiness thereof immediately prior to such alteration, modification or addition assuming the Aircraft, Airframe or such Engine was then of the value and utility and in the condition and airworthiness required to be maintained by the terms of this Lease. Title to all parts incorporated in the Aircraft, Airframe or such Engine as the result of such alteration, modification or addition shall remain vested in Lessee and Lessee may, at any time during the Term, remove any such part if (i) such part is in addition to, and not in replacement of or substitution for, any Part originally incorporated in the Aircraft, Airframe or such Engine at the time of delivery thereof hereunder or any Part in replacement of or substitution for any such Part, (ii) such part is not required to be incorporated in the Aircraft, Airframe or such Engine pursuant to the terms of this Section 8, (iii) such part can be removed from the Aircraft, Airframe or such Engine without diminishing or impairing the value, remaining useful life, utility, condition or airworthiness required to be maintained by the terms of this Lease which the Aircraft, Airframe or such Engine would have had at such time had such alteration, modification or addition not occurred,

and (iv) no Lease Event of Default or Lease Default shall have occurred and be continuing. Title to all other such parts shall, without further act, vest in Lessor and shall constitute "Parts" for all purposes hereunder. Upon the removal of any part title to which is retained by Lessee, Lessee shall promptly repair any damage to the Airframe or Engine from which it was removed which resulted from such removal and such part shall no longer be deemed part of the Airframe or such Engine from which it was removed. Any part not removed by Lessee as above provided prior to the return of the Aircraft, Airframe or such Engine to Lessor hereunder shall, without further act, vest in Lessor and shall constitute a "Part" for all purposes hereunder.

SECTION 9. VOLUNTARY TERMINATION.

9.1 RIGHT OF TERMINATION UPON OBSOLESCENCE. So long as no Lease Event of Default or Lease Default shall have occurred and be continuing, Lessee shall have the right at its option to terminate this Lease with respect to the Aircraft during the Base Lease Term on the first day of any month (a "Termination Date") occurring on or after the seventh anniversary of the Delivery Date on at least three months' prior written notice to Lessor, each Participant and Indenture Trustee specifying a proposed Termination Date; provided, that such notice shall also include copies of resolutions of Lessee's board of directors stating that such board of directors has determined, in good faith, that the Aircraft either has become economically obsolete or is surplus to Lessee's requirements. Lessee may revoke any notice of termination referred to in this Section 9.1 by notice to Lessor, each Participant and the Indenture Trustee not less than 30 days prior to the proposed Termination Date, if Lessor shall not have received a bid to purchase the Aircraft for at least the Termination Value thereof pursuant to Section 9.2 and if Lessor shall not have furnished to Lessee the notice referred to in Section 9.3, and upon doing so, shall reimburse Lessor and Owner Participant on an after-tax basis for all reasonable out-of-pocket expenses incurred by them in contemplation of such termination; provided, however, that Lessee may so revoke a notice of termination no more than three times during the Term.

9.2 SALE OF AIRCRAFT. Lessee, as agent for Lessor, shall, from the date of such notice of termination until no more than 30 days' prior to the proposed Termination Date specified by Lessee, use its reasonable best efforts to obtain bids (in the worldwide market) for the cash purchase of the Aircraft and Lessor may, if it desires to do so, seek to obtain such bids and may itself bid to retain the Aircraft. In the event Lessee receives any bid, Lessee shall at least 30 days prior to the proposed Termination Date, certify to Lessor in writing the amount and terms of such bid, and the name and address of the Person submitting such bid (who shall not be Lessee, an Affiliate of Lessee or

a Person who shall be a party to any arrangement for the further use of the Aircraft by Lessee or any of its Affiliates). In the event Lessor receives any bid, Lessor shall, at least five Business Days prior to the proposed Termination Date, certify to Lessee in writing the amount and terms of such bid and the name and address of the Person submitting such bid. Subject to Section 9.3, on the Termination Date, (a) Lessee shall deliver the Airframe and Engines or engines constituting part of the Aircraft to the bidder, if any, which shall have submitted the highest cash bid (net of any brokerage commissions) prior to such date, in the same manner as if delivery were made to Lessor pursuant to Section 5 and

in full compliance with the terms thereof, and shall duly transfer to Lessor under a full warranty (as to title) bill of sale title to any such engines not owned by Lessor, all in accordance with the terms of Section 5, and (b) unless Lessor is the successful bidder, Lessor shall simultaneously therewith Transfer the Airframe and Engines or engines to such bidder for cash paid to Lessor in the manner and in funds of the type specified in Section 3.6. The total sales price realized at such sale shall be paid to and retained by Indenture Trustee, so long as the Trust Indenture remains in effect, and otherwise shall be paid to and retained by Lessor and, in addition, on such Termination Date, and as a condition precedent to such sale and the delivery of the Aircraft and Engines or engines to such bidder, Lessee shall pay to Indenture Trustee, so long as the Trust Indenture remains in effect, and otherwise to Lessor the sum of (i) the excess, if any, of (A) the Termination Value for the Aircraft, computed as of such Termination Date, over (B) the sales price of the Airframe and Engines or engines sold (or if the winning bidder is Lessor, the amount of such bid) after deducting the reasonable fees and expenses incurred by Lessor, Indenture Trustee and the Participants, if any, in connection with such termination and sale, (ii) all unpaid Basic Rent due on or prior to the TV Determination Date with reference to which the Termination Value is computed (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent designated in Exhibit C hereto as payable in advance on such TV Determination Date), and (iii) (without duplication) all other amounts (including, without limitation, Break Amount, if any, or Premium, if any) owing by Lessee under this Lease or under any other Operative Agreement. Upon such payment, Section 10.01 of the Trust Indenture shall be satisfied, and, upon Indenture Trustee's release of such Engines from the Lien of the Trust Indenture Estate, Transfer to Lessee any Engines constituting part of the Aircraft but which were not then installed on the Airframe and sold therewith. If no sale shall have occurred on or as of the Termination Date specified in such notice of termination, this Lease shall continue in full force and effect, Lessee shall pay the reasonable expenses incurred by Lessee, Lessor, each Participant and Indenture Trustee in connection with the proposed sale, and Lessee shall have the right at any time to submit another notice of termination pursuant to, and subject to the terms of, Section 9.1. In the event of any such sale and receipt by Lessor or Indenture Trustee, as appropriate, of such sale price and other amounts as provided herein, and upon compliance by Lessee with the provisions of this Section 9.2, the obligation of Lessee to pay Basic Rent due after the TV Determination Date with reference to which the Termination Value is computed shall cease and the Base Lease Term shall end effective as of the date of such sale. Lessor shall be under no duty to solicit bids, to inquire into the efforts of Lessee to obtain bids or otherwise to take any action in connection with any such sale other than to Transfer to the purchaser named in the highest bid as referred to above the Airframe and Engines or engines against receipt of the payments provided for herein.

9.3 RETENTION BY LESSOR. Notwithstanding anything in this Section 9 to the contrary, Lessor may, by irrevocable notice to Lessee at least 45 days prior to the proposed date of sale referred to in Section 9.1, reject all bids and retain title to the Aircraft (and take possession thereof); provided, that Lessor shall pay (and, by delivering such notice, Lessor shall be obligated to pay) to Indenture Trustee on the proposed Termination Date an amount equal to the unpaid principal amount of the Certificates, together with all interest due thereon. Upon receipt of notice of such an election by

Lessor, Lessee shall cease any efforts to obtain bids as provided in Section 9.1 and shall reject all bids theretofore or thereafter received for the Aircraft. In the event Lessor elects to retain the Aircraft as provided in this Section 9.3, and upon its payment to Indenture Trustee of such amount, Lessee shall deliver the Aircraft and Engines to Lessor on the proposed Termination Date pursuant to Section 5 and in full compliance with the terms thereof and upon such delivery and payment in full of the amounts specified in the first sentence hereof and the next following sentence and shall have no

obligation to make any payment of Termination Value. The foregoing shall in no way affect the obligation of Lessee to make payment of any Basic Rent accrued and unpaid on or before the proposed Termination Date and all other amounts of Rent and other amounts payable hereunder or under the other Operative Agreements and due on or prior to such date, including, without limitation, all other sums due and payable to the Holders under the Certificates (including, without limitation, Break Amount or Premium, if any, as of such TV Determination Date). If the amounts required to be paid pursuant to this Section 9.3 shall not be received by the respective payees thereof on the proposed Termination Date, this Lease shall continue in full force and effect.

9.4 TERMINATION AS TO ENGINES. So long as no Lease Event of Default or Lease Default shall have occurred and be continuing, Lessee shall have the right, at its option at any time during the Term, on at least 30 days' prior written notice to Lessor, Indenture Trustee, the Original Loan Participant and the Owner Participant, to terminate this Lease with respect to any Engine not then installed or held for use on the Airframe. In such event, and prior to the date of such termination, Lessee shall replace such Engine hereunder by complying with the terms of Section 10.2 to the same extent as if an Event of Loss had occurred with respect to such Engine, and, upon Indenture Trustee's release of the replaced Engine from the Lien of the Trust Indenture Estate, Lessor shall Transfer to Lessee the replaced Engine as provided in Section 5.2.

SECTION 10. LOSS, DESTRUCTION, REQUISITION, ETC.

10.1 EVENT OF LOSS WITH RESPECT TO AIRFRAME.

10.1.1 LESSEE'S ELECTION. Upon the occurrence of an Event of Loss with respect to the Aircraft, Lessee shall forthwith (and in any event within 15 days after such occurrence) give Lessor, Indenture Trustee and each Participant written notice of such Event of Loss and, within 60 days after such occurrence, give Lessor, Indenture Trustee and each Participant written notice of its election to comply either with Section 10.1.2 or Section 10.1.3, and if Lessee shall not have given notice of such election within 60 days after such occurrence Lessee shall be deemed to have elected to comply with Section 10.1.3.

10.1.2 REPLACEMENT OF AIRFRAME AND ENGINES. As promptly as practicable, and in any event on or before the Business Day next preceding the 180th day following the date of occurrence of such Event of Loss, Lessee shall, in compliance with Section 10.1.6, convey or cause to be conveyed to Lessor, to be leased by Lessee hereunder in replacement thereof, a

Replacement Airframe (which need not be a new Replacement Airframe but shall have been placed in service not earlier than October 22, 1994) together with the same number of Replacement Engines as the Engines, if any, subject to such Event of Loss, such Replacement Airframe and Replacement Engines to be free and clear of all Liens (except Permitted Liens), to have a value, remaining useful life and utility at least equal to, and to be in as good operating condition as, the Airframe and Engines, if any, so replaced (for such purpose, it shall be assumed that the Airframe and such Engines were in the condition and repair required by the terms of this Lease). If Lessee shall not effect such replacement hereunder on or before the Business Day next preceding the 150th day following the date of the occurrence of such Event of Loss, then Lessee shall immediately deposit with Lessor, in the manner and in funds of the type specified in Section 3.6, an amount equal to the excess of the Stipulated Loss Value for the Aircraft over any funds then being held by Lessor or the Indenture Trustee with respect to such Event of Loss. If Lessee shall not perform its obligation to effect such replacement hereunder on or before the Business Day next preceding the 180th day following the date of the occurrence of such Event of Loss, then Lessee shall immediately pay to Lessor, in the manner and in funds of the type specified in Section 3.6, the aggregate amount specified in clauses (A), (B) and (C) of Section 10.1.3, net of any amount deposited with Lessor pursuant to the next preceding sentence of this Section 10.1.2.

10.1.3 PAYMENT OF STIPULATED LOSS VALUE AND RENT. On or before the Business Day next preceding the earlier of (i) the 180th day following the date of the occurrence of such Event of Loss, or (ii) the later of 15 days following the receipt of insurance proceeds with respect to such occurrence or the date Lessee shall have made or shall be deemed to have made its election under Section 10.1.1 to comply with Section 10.1.3, Lessee shall pay to Lessor, in the manner and in funds of the type specified in Section 3.6, (A) the Stipulated

Loss Value for the Aircraft, determined as of the date of payment (as described in the definition of Stipulated Loss Value), (B) all unpaid Basic Rent due on or prior to the SLV Determination Date with reference to which the Stipulated Loss Value is computed (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent designated in Exhibit C hereto as payable in advance on such SLV Determination Date), and (C) (without duplication) any other Rent which is due and payable through and including the date of payment.

10.1.4 STIPULATED LOSS VALUE PAYMENT. In the event of payment in full of the Stipulated Loss Value for the Aircraft pursuant to Section 10.1.2 or 10.1.3 and, in either case, the amounts referred to in clauses (B) and (C) of Section 10.1.3, (A) the obligation of Lessee to pay Basic Rent due after the SLV Determination Date with reference to which such Stipulated Loss Value is computed shall terminate (but Lessee shall remain liable for all payments of Supplemental Rent due through and including the date of such payment of Stipulated Loss Value), (B) the Term for the Aircraft shall end, and (C) the applicable provisions of Section 10.01 of the Trust Indenture shall be satisfied and, upon Indenture

Trustee's release of the Aircraft from the Lien of the Trust Indenture Estate, will Transfer to Lessee the Aircraft.

10.1.5 PAYMENT OF RENT. In the event of an Event of Loss, during the period between the occurrence of the Event of Loss and the date of payment pursuant to Section 10.1.3 or replacement, the obligation of Lessee to pay Basic Rent or Renewal Rent shall continue unchanged, except that upon such replacement, it shall become an obligation to pay such Rent in respect of the Replacement Aircraft.

10.1.6 CONDITIONS TO REPLACEMENT OF AIRCRAFT. Lessee's right to exercise the replacement options contemplated by Section 10.1.1 with respect to the Aircraft shall be subject to the fulfillment prior to or at the time of any such replacement, in addition to the requirements contained in Section 10.1.2, of the conditions precedent set forth below:

10.1.6.1 NO DEFAULT. No Lease Event of Default or Lease Default shall have occurred and be continuing.

10.1.6.2 TAX LOSS. Owner Participant and Lessor shall have received, at Lessee's expense, a tax opinion of Vinson & Elkins, LLP or other tax counsel selected by Lessee and reasonably acceptable to Lessor, to the effect that the Event of Loss or the Replacement of the Airframe or Aircraft in connection therewith will not cause any adverse tax consequences to Lessor or Owner Participant or its Affiliates (or, in lieu thereof, Lessee shall have agreed to indemnify for such tax risk), or if Owner Participant and Lessee shall have agreed upon the amount, if any, payable and upon the manner of payment thereof with respect to such replacement by Lessee pursuant to the Tax Indemnity Agreement or Section 7(b) of the Participation Agreement, then any such amount shall be paid.

10.1.6.3 LESSEE'S OBLIGATIONS WITH RESPECT TO REPLACEMENT AIRCRAFT. Lessee will promptly (all writings referred to below to be reasonably satisfactory in form and substance to Lessor):

(a) furnish Lessor with (i) a full warranty bill of sale and FAA bill of sale duly conveying to Lessor the Replacement Airframe and Replacement Engines, if any, and (ii) an assignment of the purchase agreement with respect to the Replacement Airframe and Replacement Engines, if any (if Lessee shall have any rights thereunder) substantially in the form of the Purchase Agreement Assignment and a consent and agreement of the manufacturer thereof substantially in the form of the Manufacturer's Consent;

(b) cause a Lease Supplement subjecting such Replacement Airframe and Replacement Engines, if any, to this Lease, duly executed by Lessee, to be delivered to Lessor for execution, and an Indenture and Trust Supplement to be delivered to Lessor for execution and, in each case upon such execution, to be filed for recordation with the FAA pursuant to the Act;

(c) furnish Lessor with such evidence of compliance with (i) Section 5.01(b) of the Trust Indenture (if the Trust Indenture shall be in effect at such time) and (ii) the insurance provisions of Section 11 hereof with respect to the Replacement Airframe and Replacement Engines, if any, and the payment of all premiums then due with respect to all such insurance, as Lessor may reasonably request;

(d) furnish Lessor with an opinion or opinions of counsel reasonably satisfactory to Lessor to the effect that, upon such conveyance, Lessor will acquire good title to the Replacement Airframe and Replacement Engines, if any, free and clear of all Liens other than Permitted Liens, the Replacement Airframe and Replacement Engines, if any, will be leased hereunder and subject to the Lien of the Trust Indenture (if then in effect) to the same extent as the Airframe and Engines replaced thereby, Lessor and (assuming the Trust Indenture is still in effect) the Indenture Trustee shall be entitled to the benefit of Section 1110 of the Bankruptcy Code with respect to the Replacement Aircraft to the same extent as the Aircraft, and to such further effect as Lessor may reasonably request;

(e) furnish Lessor with an Officer's Certificate stating:

(i) a description of the Airframe which shall be identified by manufacturer, model, FAA registration number and manufacturer's serial number;

(ii) a description of the Replacement Airframe to be received (including the manufacturer, model, FAA registration number and manufacturer's serial number) as consideration for the Airframe to be released;

(iii) that on the date of the Indenture and Trust Supplement and the Lease Supplement relating to the Replacement Airframe, Lessor will be the legal owner of such Replacement Airframe free and clear of all Liens (other than Permitted Liens), that such Replacement Airframe will on such date be in good working order

and condition, and that such Replacement Airframe has been or, substantially concurrently with such replacement, will be duly registered in the name of Lessor under the Act and that an airworthiness certificate has been duly issued under the Act with respect to such Replacement Airframe, and that such registration and certificate are in full force and effect, and that Lessee will have the full right and authority to use such Replacement Airframe;

(iv) that the insurance required by Section 11 is in full force and effect with respect to such Replacement Airframe and all premiums then due thereon have been paid in full;

(v) that the Replacement Airframe is of the same or an improved model as the Airframe requested to be released from the Lien of the Trust Indenture;

(vi) that no Lease Default or Lease Event of Default has occurred and is continuing or would result from the making and granting of the request for release and the addition of a Replacement Airframe; and

(vii) if the Trust Indenture has not theretofore been discharged, the release of the Airframe so to be released will not impair the security of the Trust Indenture or be in contravention of any of the provisions of the Trust Indenture;

(f) furnish Lessor with a certificate or certification of qualified independent aircraft appraisers reasonably satisfactory to Lessor certifying that the Replacement Airframe and Replacement Engines, if any, have a value, remaining useful life and utility at least equal to, and are in at least as good operating condition as, the Airframe and Engines, if any, so replaced (assuming the Airframe and Engines were in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss); and

(g) furnish such other certificates or documents (including appropriate UCC-3 amendments to the financing statements filed on or before the Delivery Date) as Lessor or any Participant may reasonably request to effect such replacement.

10.1.7 RECORDATION AND OPINIONS. In the case of any Replacement Airframe and/or Replacement Engines conveyed to Lessor under this Section 10.1, promptly upon the registration of the Replacement Aircraft and the recordation of the Lease Supplement and Indenture and Trust Supplement covering the Replacement Airframe and Replacement Engines, if any, pursuant to the Act, Lessee will cause to be delivered to Lessor an opinion of Daugherty, Fowler & Peregrin or other FAA counsel satisfactory to Lessor as to the due registration of the Replacement Aircraft and the due recordation of such Lease Supplement and Indenture and Trust Supplement.

10.1.8 CONVEYANCE. Upon compliance by Lessee with all of the terms of this Section 10.1, (i) the applicable provisions of Section 10.01 of the Trust Indenture shall be satisfied, and, upon Indenture Trustee's release of the Aircraft and Engines (if applicable) from the Lien of the Trust Indenture Estate, Transfer to Lessee the replaced Airframe and Engines (if any), and (ii) Lessee will be subrogated to all claims of Lessor, if any, against third parties for damage to or loss of such Airframe and Engines to the extent of the then insured value thereof.

10.2 EVENT OF LOSS WITH RESPECT TO AN ENGINE.

10.2.1 EVENT OF LOSS. 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, Lessee shall forthwith (and in any event within 15 days after such occurrence) give Lessor, Indenture Trustee and each Participant written notice thereof and shall, as promptly as possible and in any event within 60 days after the occurrence of such Event of Loss, convey or cause to be conveyed to Lessor, as replacement for the Engine with respect to which such Event of Loss occurred, title to a Replacement Engine free and clear of all Liens, other than Permitted Liens, and having a value, remaining useful life and utility at least equal to, and being in as good operating condition as, the Engine with respect to which such Event of Loss occurred, assuming such Engine was of the value, remaining useful life and utility and in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss.

10.2.2 CONDITIONS; LESSEE'S OBLIGATIONS. Prior to or

at the time of any such conveyance, Lessee will promptly:

(a) furnish Lessor with a full warranty (as to title) bill of sale duly conveying to Lessor such Replacement Engine;

(b) cause a Lease Supplement subjecting such Replacement Engine to this Lease, duly executed by Lessee, to be delivered to Lessor for execution, and an

Indenture and Trust Supplement to be delivered to Lessor for execution and, in each case upon execution, to be filed for recordation with the FAA pursuant to the Act;

(c) furnish Lessor with such evidence of compliance with (i) Section 5.01(b) of the Trust Indenture (if the Trust Indenture shall be in effect at such time) and (ii) the insurance provisions of Section 11 hereof with respect to such Replacement Engine and the payment of all premiums then due with respect to such insurance, as Lessor may reasonably request;

(d) furnish Lessor with an opinion or opinions of Lessee's counsel, in form, substance and scope reasonably satisfactory to Lessor, to the effect that, upon such conveyance, Lessor will acquire good title to such Replacement Engine free and clear of all Liens other than Permitted Liens, and that such Replacement Engine will be leased hereunder and subject to the Lien of the Trust Indenture (if then in effect) to the same extent as the Engine replaced thereby and to such further effect as Lessor or Indenture Trustee may reasonably request;

(e) furnish Lessor with an Officer's Certificate stating:

(i) a description of the Engine which shall be identified by manufacturer's serial number;

(ii) a description of the Replacement Engine (including the manufacturer's name, model and serial number) as consideration for the Engine to be released;

(iii) that on the date of the Lease Supplement and the Indenture and Trust Supplement relating to the Replacement Engine, Lessor 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 Replacement Engine is the same or an improved or equivalent model as the Engine to be released; and

(iv) if the Trust Indenture has not theretofore been discharged, that the release of the Engine so to be released will not impair the security of the Trust Indenture or be in contravention of any of the provisions of the Trust Indenture;

(f) furnish Lessor with a certificate of a qualified aircraft engineer (who may be an employee of Lessee) certifying that such Replacement Engine has a value, remaining useful life and utility at least equal to, and is in at least as good operating

condition as, the Engine so replaced assuming such Engine was in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss; and

(g) furnish such other certificates or documents (including appropriate UCC-3 amendments to the

financing statements filed on or before the Delivery Date) as Lessor or any Participant may reasonably request to effect such replacement.

10.2.3 RECORDATION AND OPINIONS. In the case of any Replacement Engine conveyed to Lessor under this Section 10.2, promptly upon the recordation of the Lease Supplement and the Indenture and Trust Supplement covering such Replacement Engine pursuant to the Act, Lessee will cause to be delivered to Lessor an opinion of Daugherty, Fowler & Peregrin or other FAA counsel satisfactory to Lessor as to the due recordation of such Lease Supplement and Indenture and Trust Supplement.

10.2.4 CONVEYANCE; REPLACEMENT ENGINE. Upon compliance by Lessee with the terms of this Section 10.2, Lessor will comply with the provisions of the Trust Indenture applicable thereto and, upon Indenture Trustee's release of the Engine with respect to which such Event of Loss occurred from the Lien of the Trust Indenture Estate, Transfer such Engine to Lessee, and Lessee will be subrogated to all claims of Lessor, if any, against third parties for damage to or loss of such Engine to the extent of the insured value thereof.

10.2.5 NO REDUCTION OF RENT. No Event of Loss with respect to an Engine under the circumstances contemplated by the terms of this Section 10.2 shall result in any reduction of Basic Rent or Renewal Rent.

10.3 APPLICATION OF CERTAIN PAYMENTS. Any payments (other than insurance proceeds, the application of which is provided for in Section 11) received at any time by Lessor, Lessee or any Permitted Sublessee from any governmental authority or other Person with respect to any Event of Loss, will be applied as follows:

10.3.1 REPLACEMENT OF AIRFRAME AND ENGINES. If such payments are received with respect to the Airframe and the Engines (or engines) installed on the Airframe that have been or are being replaced by Lessee pursuant to Section 10.1 (other than Section 10.1.3), such payments shall be paid over to, or retained by, Indenture Trustee or, if the Trust Indenture is no longer in effect, Lessor, and upon completion of such replacement be paid over to Lessee, provided Lessee shall have fully performed or, concurrently therewith will fully perform, the terms of Section 10.1 with respect to the Event of Loss for which such payments are made.

10.3.2 REPLACEMENT OF ENGINE. If such payments are received with respect to an Engine that has been or is being replaced by Lessee pursuant to Section 10.2, such payments

shall be paid over to, or retained by, Indenture Trustee or, if the Trust Indenture is no longer in effect, Lessor, and upon completion of such replacement be paid over to Lessee, provided Lessee shall have fully performed or, concurrently therewith will fully perform, the terms of Section 10.2 with respect to the Event of Loss for which such payments are made.

10.3.3 NONREPLACEMENT. If such payments are received with respect to the Airframe or the Airframe and the Engines or engines installed on the Airframe that has not or have not been and will not be replaced pursuant to Section 10.1 or 10.2, so much of such payments remaining after reimbursement of Lessor, Indenture Trustee and each Participant for costs and expenses as shall not exceed the Stipulated Loss Value and other amounts required to be paid by Lessee hereunder shall be applied in reduction of Lessee's obligation to pay such Stipulated Loss Value and other amounts required to be paid by Lessee hereunder, if not already paid by Lessee, or, if already paid by Lessee, shall be applied to reimburse Lessee for its payment of such Stipulated Loss Value and other amounts. The balance, if any, of such payment remaining thereafter shall be divided between Lessor and Lessee in proportion to their relative interests in the Aircraft.

10.4 REQUISITION OF AIRCRAFT FOR USE BY GOVERNMENTAL AUTHORITIES. In the event of the requisition for use of the Airframe and the Engines or engines installed on such Airframe during the Term by any governmental authority, Lessee shall notify Lessor promptly of such requisition, and all of Lessee's obligations under this Lease with respect to the Aircraft shall continue to the same extent as if such requisition had not occurred. All payments received by Lessor or Lessee from such governmental authority for the use of such Airframe and Engines or engines prior to the time such requisition becomes an Event of Loss shall be paid over to, or retained by, Lessee (or, if

directed by Lessee, any Permitted Sublessee); and all payments received by Lessor or Lessee from such governmental authority for the use of such Airframe and Engines or engines after such time shall be paid over to, or retained by, Indenture Trustee or, if the Trust Indenture is no longer in effect, Lessor, and upon the performance by Lessee of the terms of Section 10.1 with respect to such Event of Loss, shall be paid over to Lessee.

10.5 REQUISITION OF AN ENGINE FOR USE BY GOVERNMENTAL AUTHORITIES. In the event of the requisition for use by any governmental authority (other than in circumstances contemplated by Section 10.4) of any Engine but not the Airframe, Lessee will replace such Engine hereunder by complying with the terms of Section 10.2 to the same extent as if an Event of Loss had occurred with respect to such Engine, and any payments received from such governmental authority with respect to such requisition shall be paid over to, or retained by, Indenture Trustee, or if the Trust Indenture is no longer in effect, Lessor, and upon the performance by Lessee of the terms of Section 10.2 to the same extent as if an Event of Loss had occurred with respect to such requisitioned Engine, shall be paid over to Lessee.

10.6 APPLICATION OF PAYMENTS DURING EXISTENCE OF DEFAULT. Any amount referred to in this Section 10 which is payable or creditable to or retainable by Lessee shall not be paid or credited to or retained by Lessee if, at the time of such payment, credit or retention, a Lease Event of Default or Lease Default shall have occurred and be continuing hereunder but shall be paid to and held by Indenture Trustee and applied by it as provided in the Trust Indenture, or, if the Trust Indenture is no longer in effect, held by Lessor as security for the obligations of Lessee under this Lease and applied against Lessee's obligations hereunder as and when due; at such time as there shall not be continuing any such Lease Event of Default or Lease Default, or at such earlier time as Lessee shall have paid in full all Rent and other amounts due and payable hereunder and under the other Operative Agreements by Lessee, any remaining balance of such amount shall be paid to Lessee to the extent not previously applied in accordance with the preceding clause of this sentence.

SECTION 11. INSURANCE.

11.1 PUBLIC LIABILITY AND PROPERTY DAMAGE INSURANCE. Lessee shall at all times maintain, or cause to be maintained, at its or any Permitted Sublessee's expense, public liability (including without limitation contractual liability, passenger legal liability and property damage, but excluding manufacturer's product liability coverage) insurance which shall:

11.1.1 TYPE, FORM AND AMOUNT. Be of a type and form carried by similarly situated United States commercial air carriers generally, and carried in amounts not less than that carried by Lessee on similar equipment owned or leased by Lessee and not less than the minimum amount of $350,000,000 (per occurrence) combined single limit (or such greater amount as Lessee may carry from time to time on other 737-300 series aircraft in its fleet);

11.1.2 COVERAGE. Include, but not be limited to, public liability insurance, contractual liability insurance, passenger liability insurance and property damage liability insurance (including cargo and baggage liability insurance); and

11.1.3 ADDITIONAL INSUREDS. Name as additional insureds Lessor (in its individual and trust capacities), Indenture Trustee, each Participant and each other Indemnified Party, as their interests may appear.

11.2 INSURANCE AGAINST LOSS OF OR DAMAGE TO AIRCRAFT AND ENGINES. Lessee shall at all times maintain, or cause to be maintained, at its or any Permitted Sublessee's expense, insurance against loss of or damage to the Aircraft, Airframe and Engines as follows:

11.2.1 TYPE, FORM AND AMOUNT. "All-risk" ground and flight aircraft hull insurance on the Aircraft and "all-risk" coverage on each Engine and on Parts while removed from the Aircraft or Engines, which is of the type and form, and in an amount not less than that, carried by Lessee on similar equipment owned or leased by Lessee and in an amount not less

than that usually carried by similarly situated United States

commercial air carriers generally; and, to the extent so usually carried, at all times that the Aircraft or any Engine is not covered by the insurance described in Section 11.2.2, coverage against the perils of (i) strikes, riots, civil commotions or labor disturbances, (ii) any malicious act or act of sabotage, and (iii) hijacking, or any unlawful seizure or wrongful exercise of control of the Aircraft or crew in flight (including any attempt at such seizure or control) made by any person or persons on board the Aircraft acting without the consent of the insured other than hijacking committed by persons engaged in a program of irregular warfare for terrorist purposes. Such insurance shall at all times be for an amount not less than the Stipulated Loss Value of the Aircraft.

11.2.2 WAR-RISK INSURANCE. If at any time (a) war-risk insurance is maintained by Lessee or any Permitted Sublessee subleasing the Aircraft or any Engine with respect to other aircraft operated by Lessee or such Permitted Sublessee on the same or similar routes, (b) the Aircraft is operated on routes where the custom in the United States commercial airline industry is to carry war-risk insurance, (c) the Aircraft is operated by a Permitted Foreign Air Carrier as a Permitted Sublessee in any recognized or threatened area of hostilities, or (d) the Aircraft is operated on any route where no other aircraft is regularly operated by a United States commercial airline and such route is within any such area of hostilities, then war-risk and allied perils insurance of the type carried by similarly situated United States commercial air carriers operating the same or comparable models of aircraft on the same or similar routes shall be maintained on the Aircraft in an amount not less than that specified in Section 11.2.1.

11.2.3 CERTAIN REQUIREMENTS. The insurance policies required by this Section 11.2 shall:

11.2.3.1 ADDITIONAL INSUREDS. Be endorsed to name Lessor (in its individual and trust capacities), each Participant, the Indenture Trustee and each other Indemnified Party as additional insureds, as their interests may appear.

11.2.3.2 PAYMENT OF PROCEEDS. Provide that proceeds thereunder shall be paid directly to Indenture Trustee, so long as the Trust Indenture shall be in effect, and thereafter to Lessor, in either case, as exclusive loss payee; provided, however, that any proceeds payable as a result of any property damage to the Airframe or any Engine, which property damage does not exceed $4,000,000 and does not constitute an Event of Loss with respect to the Aircraft or such Engine, shall be paid to Lessee unless Lessor or Indenture Trustee, prior to such payment, shall have notified the insurer making such payment that a Lease Default (of the type described in Section 14.1 or 14.5) or Lease Event of Default has occurred and is continuing.

11.2.3.3 WAIVER OF SUBROGATION. Provide that the insurers shall waive any rights of subrogation against Lessor, Indenture Trustee, each Participant and each other Indemnified Party except for claims arising out of gross negligence or willful misconduct of such Person; provided, that the exercise by insurers of rights of subrogation, if any, permitted by this Section 11.2 shall not, in any way, delay payment of any claim that would otherwise be payable by such insurers but for the existence of such rights of subrogation or entitle such insurers to exercise or to assert any setoff, recoupment, counterclaim or any other deduction in respect of any amounts payable under such policies.

11.2.4 DEDUCTIBLES. The insurance required by this Section 11.2 may, subject to Section 11.8, provide for standard deductibles which are from time to time in effect in the aviation insurance industry generally and which are customarily maintained by similarly situated United States commercial air carriers generally; provided, however, such deductibles shall not be more than the deductibles generally maintained by Lessee (and which Lessee is under no compulsion to maintain pursuant to any indenture, mortgage, lease or other agreement) with respect to its fleet of Boeing Model 737-300 series aircraft and CFM International Model CFM56-3 engines generally.

11.2.5 GOVERNMENT INDEMNITY. In the case of a contract with the Government in respect of the Aircraft or Engines, a valid agreement by the Government to indemnify Lessee, Lessor, each

Participant, Indenture Trustee and each other Indemnified Party against the same risks which are required hereunder to be insured against in amounts at least equal to the amounts required hereunder from time to time (such indemnity to be backed by the full faith and credit of the United States of America), shall be considered adequate insurance with respect to the Aircraft, Airframe and any Engine subject to such contract to the extent of the risks and in the amounts that are the subject of any such agreement to indemnify.

11.3 GENERAL POLICY PROVISIONS. Each insurance policy to be procured and maintained hereunder shall:

11.3.1 PRIMARY INSURANCE. Be primary and without right of contribution from other insurance which may provide coverage to Lessor, Indenture Trustee, or any Participant or any other Indemnified Party with respect to its interest in the Aircraft, Airframe or any Engine or its liabilities with respect to or arising out of the transactions contemplated by the Operative Agreements;

11.3.2 COVERAGE FOR EACH INSURED. Expressly provide that all the provisions thereof, except the agreed values and the limits of the liability of the insurer under such policy, shall operate in the same manner as if there were a separate policy covering each insured;

11.3.3 WAIVER OF CERTAIN RIGHTS. Waive any right of the insurers to any setoff, recoupment, counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of Lessee, Lessor, Indenture Trustee, any Participant or any other Indemnified Party;

11.3.4 BREACH OF WARRANTY. Provide that, in respect of Lessor, Indenture Trustee, each Participant and each other Indemnified Party, such insurance shall not be invalidated by any action or inaction by Lessee, any Indemnified Party or other Person and shall insure the interests of Lessor, Indenture Trustee, each Participant and each other Indemnified Party regardless of any breach or violation by Lessee, any Indemnified Party or other Person of any representation, warranty, declaration or condition contained in such policy;

11.3.5 NOTICE OF TERMINATION OR CHANGES. Provide for not less than 30 days' prior written notice to be received by Lessor, Indenture Trustee and each Participant before any lapse, alteration, termination or cancellation of the insurance evidenced thereby shall be effective as to Lessor, Indenture Trustee, each Participant and each other Indemnified Party, except that war-risk and allied perils policies may provide for not less than seven days' prior written notice or such lesser or greater notice as shall at the time be customary in the aviation insurance industry generally, and which are customarily in effect with respect to major United States commercial air carriers generally from time to time;

11.3.6 NONLIABILITY FOR PREMIUMS. Provide that neither Lessor, Indenture Trustee, any Participant nor any other Indemnified Party shall be liable for any insurance premium;

11.3.7 IDENTITY OF INSURERS. Be with insurance companies, underwriters or funds of recognized responsibility; and

11.3.8 FIFTY-FIFTY CLAUSE. Contain a fifty-fifty clause per AVS 103 or its equivalent, but only in the event that such clause is customarily included in such policies maintained by similarly situated United States commercial air carriers generally.

11.4 APPLICATION OF INSURANCE PROCEEDS. As between Lessor and Lessee, all insurance proceeds received under policies required to be maintained (or to be caused to be maintained) by Lessee pursuant to Section 11.2 as a result of the occurrence of an Event of Loss with respect to the Aircraft, Airframe or any Engine will be applied in accordance with Section 10.3.1, 10.3.2 or 10.3.3, as the case may be (except that the balance referred to in Section 10.3.3 shall be paid over to, or retained by, Lessee). All insurance proceeds received under such policies in respect of any property damage loss not constituting an Event of Loss with respect to the Airframe or an Engine will be applied in payment for repairs or for replacement property in accordance with the terms of Section 8, if not already paid for by Lessee, and any balance remaining after compliance with such Section with respect to such loss shall be paid to Lessee. In the case of a loss with respect to an engine (other than an

Engine) installed on the Airframe, Lessor shall hold any payment to it of any insurance proceeds in respect of such loss for the account of Lessee or any other third party that is entitled to receive such proceeds. The provisions of Section 10.6 shall apply to amounts referred to in this Section 11.4.

11.5 CERTIFICATES; REPORTS, ETC. With respect to any policy required hereunder, Lessee shall cause to be furnished to Lessor, Indenture Trustee and each Participant on or prior to the Delivery Date of the Aircraft and on or prior to expiration of such policy, certificates of the insurer or insurers (or their authorized representatives) providing insurance pursuant to the requirements of this Section 11. On or before the Delivery Date of the Aircraft, and annually thereafter on or before the renewal date of such policy, Lessee shall cause to be furnished to Lessor, Indenture Trustee, the Original Loan Participant and Owner Participant a report signed by Willis Corroon Aerospace (or any other firm of independent aircraft insurance brokers, appointed by Lessee, reasonably satisfactory to the Original Loan Participant and Owner Participant) describing in reasonable detail the insurance then carried and maintained with respect to the Aircraft and stating the opinion of such firm that the insurance then carried and maintained on the Aircraft complies with the terms hereof. Lessee agrees that it will cause such firm to advise Lessor, Indenture Trustee, the Original Loan Participant and Owner Participant in writing promptly of any default in the payment of any premium or any other act or omission on the part of Lessee or any Permitted Sublessee of which they have knowledge and which might invalidate or render unenforceable, in whole or in part, the insurance on the Aircraft. To the extent such agreement is reasonably obtainable, Lessee further agrees to cause such firm to advise Lessor, Indenture Trustee and each Participant in writing at least 30 days (seven days in the case of war-risk and allied perils coverage or such lesser or greater notice as is customary in the aviation industry generally) prior to any expiration, lapse, alteration, cancellation or termination date of any insurance carried and maintained on the Aircraft pursuant to this Section 11.

11.6 LESSOR'S RIGHT TO MAINTAIN INSURANCE. In the event that Lessee shall fail to maintain or cause to be maintained insurance as herein provided, Lessor, Indenture Trustee or any Participant may at its option (but shall not be obligated to) provide such insurance and in such event, Lessee shall, upon demand, reimburse such Person, as Supplemental Rent, for the cost thereof. No such payment, performance or compliance shall be deemed to cure any Lease Default hereunder or otherwise relieve Lessee of its obligations with respect thereto.

11.7 INSURANCE FOR OWN ACCOUNT. Nothing in Section 11 shall limit or prohibit Owner Participant (directly or through Lessor) from obtaining insurance for its own account, and any proceeds payable thereunder shall be payable as provided in the insurance policy relating thereto; provided, however, that no such insurance may be obtained which would limit or otherwise adversely affect the availability or coverage or cost of any insurance required to be obtained or maintained pursuant to this Section 11. Nothing in this Section 11 shall limit or prohibit Lessor, Indenture Trustee or any Holder from obtaining insurance for its own account, and any proceeds payable thereunder shall be payable as provided in the insurance policy relating thereto; provided, however, that no such insurance may be obtained which would limit or otherwise adversely affect the

availability or coverage or cost of any insurance required to be obtained or maintained pursuant to this Section 11 or obtained by Owner Participant pursuant to the preceding sentence.

11.8 SELF-INSURANCE. Notwithstanding the foregoing provisions of this Section 11, Lessee may, from time to time so long as no Lease Event of Default has occurred and is continuing, self-insure with respect to the Aircraft to the same extent as it does with respect to, or maintain policies with deductibles or premium adjustment provisions consistent with similar provisions applicable to, other comparable aircraft operated by Lessee; provided, however, that in the case of public liability insurance, such self-insurance shall in no event exceed $50,000,000; and provided, further, that if at any time Lessee's unsecured senior long-term debt securities are not rated Investment Grade, such self-insurance (inclusive of any such public liability insurance and without derogation from the preceding proviso) shall in no case be in amounts greater than 4% of Lessee's tangible net worth. As used in this Agreement, the term "Investment Grade" means a rating of "Baa3" or

higher from Moody's Investors Service or a rating from any other nationally recognized bond rating service equivalent to or better than such a rating.

SECTION 12. INSPECTION. At all reasonable times, and upon reasonable notice, Lessor, Indenture Trustee or any Participant or its authorized representatives may inspect the Aircraft and inspect and copy (subject to any confidentiality agreements, copyright restrictions and the like) the books and records of Lessee relative thereto. Any such inspection of the Aircraft shall be without out-of-pocket expense or risk to Lessee and shall be a visual, walk-around inspection and may not include opening any panels, bays or the like; provided, that no exercise of such inspection right shall interfere with the normal operation or maintenance of the Aircraft by, or the business of, Lessee (or any Permitted Sublessee). Subject to the proviso in the preceding sentence, upon receipt by Lessee of a written request from the Owner Participant or the Indenture Trustee specifying that the Owner Participant or the Indenture Trustee desires to have an authorized representative observe the major overhaul to be performed on the Aircraft next following receipt of any such request, Lessee shall permit such authorized representative to observe such overhaul. Neither Lessor, Indenture Trustee nor any Participant shall have any duty to make any such inspection or shall incur any liability or obligation by reason of not making any such inspection.

SECTION 13. ASSIGNMENT.

13.1 IN GENERAL. Except as otherwise expressly permitted in Section 7.2 or Section 11(f) of the Participation Agreement, or as required in the case of any requisition by the Government referred to in Section 7.1, Lessee will not, without the prior or written consent of Lessor, assign or transfer any of its rights or obligations under this Lease or any other Operative Agreement. Lessor may assign or convey any of its right, title and interest in and to this Lease, any of the other Operative Agreements or the Aircraft in accordance with the Participation Agreement, the Trust Agreement or the express provisions of this Lease. The terms and provisions of the Lease shall be

binding upon and inure to the benefit of Lessor and Lessee and their respective permitted successors and assigns.

13.2 SECURITY FOR LESSOR'S OBLIGATIONS. In order to secure the indebtedness evidenced by the Certificates, the Trust Indenture provides, among other things, for the assignment by Lessor to Indenture Trustee of its right, title and interest in, to and under this Lease and any Permitted Sublease, to the extent set forth in the Trust Indenture, and for the creation of a first mortgage lien on and perfected security interest in the Aircraft in favor of Indenture Trustee. Lessee hereby consents to such assignment and to the creation of such mortgage and security interest and acknowledges receipt of copies of the Trust Agreement and the Trust Indenture, it being understood that such consent shall not affect any requirement or the absence of any requirement for any consent under any other circumstances. So long as the Trust Indenture shall be in effect, Lessee will furnish to Indenture Trustee counterparts of all writings of any kind required to be delivered hereunder by Lessee to Lessor. Until the Lien of the Trust Indenture has been released, (a) Lessee shall make all payments of Basic Rent, Stipulated Loss Value and Termination Value and all other amounts payable hereunder (other than Excluded Payments as defined in the Trust Indenture) to Indenture Trustee at 1100 North Market Street, Rodney Square North, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration, and the right of Indenture Trustee to receive such payments shall not be subject to any defense, counterclaim, setoff or other right or claim of any kind which Lessee may be able to assert against Lessor (in its individual or trust capacity), Indenture Trustee (in its individual or trust capacity), any Participant or any other Person in an action brought by any thereof on this Lease and (b) as provided in the Trust Indenture, certain rights of Lessor with respect to this Lease, the Aircraft, the Airframe or any Engine (or any Part thereof) or any other part of the Trust Indenture Estate are exercisable by Indenture Trustee.

SECTION 14. EVENTS OF DEFAULT. The following events shall constitute Lease Events of Default (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), and each such Lease Event of Default shall continue so long as, but only so long as, it shall not have been remedied or waived:

14.1 FAILURE TO PAY RENT. Lessee shall fail to make any payment of Basic Rent or Supplemental Rent payable in connection with principal, interest, Premium or Break Amount due on the Certificates, within seven Business Days from the due date thereof; or Lessee shall fail to make any other payments required to be made by it under the Operative Agreements within

ten Business Days after the receipt of written demand therefor delivered to Lessee by Lessor after such payments were required to have been made (provided, that any failure to pay any amount owed by Lessee under the Tax Indemnity Agreement or any failure of Lessee to pay to Lessor or the Owner Participant when due any Excluded Payments shall not constitute a Lease Event of Default unless written notice is given by the Owner Participant to Lessee and the Indenture Trustee that such failure shall constitute a Lease Event of Default); or

14.2 SPECIFIC DEFAULTS. Lessee shall fail to carry and maintain (or cause to be carried and maintained) insurance on or with respect to the Aircraft in accordance with the provisions of Section 11; provided, that any such failure shall not constitute a Lease Event of Default so long as such failure is for a period of not more than 30 days, Lessee shall not operate the Aircraft at a time when such insurance is not in effect and the Aircraft continues to be covered by such insurance as is required when the Aircraft is on the ground, or Lessee shall fail to comply with Section 7.1.1; or

14.3 GENERAL DEFAULT. Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder or under any other Operative Agreement (except the Tax Indemnity Agreement), and such failure shall continue unremedied for a period of 30 days after written notice thereof to Lessee, unless Lessee shall be diligently proceeding to correct such failure and such failure is cured within 180 days after such notice or by the end of the Term, whichever first occurs; or

14.4 MISREPRESENTATION AND BREACH OF WARRANTY. Any representation or warranty made by Lessee herein or in the Participation Agreement or in any other Operative Agreement (other than the Tax Indemnity Agreement) or in any document or certificate furnished by Lessee in connection with any thereof, shall prove to have been incorrect in any material respect at the time made, shall remain material at the time of discovery and shall, if curable, remain incorrect in any material respect after 30 days after written notice thereof to Lessee;

14.5 BANKRUPTCY, ETC. Lessee 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 or agency in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or an involuntary case or other proceeding shall be commenced against Lessee 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 or agency 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.

SECTION 15. REMEDIES.

15.1 DEFAULT; REMEDIES. Upon the occurrence of a Lease Event of Default and at any time thereafter so long as the same shall be continuing, Lessor may, at its option, so long as any such Lease Event of Default shall be continuing, exercise one or more of the following remedies as Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any

mandatory requirements of, applicable law then in effect which have not been effectively waived by Lessee:

15.1.1 RETURN; REPOSSESSION. Lessor may cause Lessee, upon written demand by Lessor and at Lessee's expense, to return promptly, and Lessee shall return promptly, all or any part of the Aircraft, Airframe or Engines as Lessor may so demand to Lessor or its order in the manner and condition required by, and otherwise in accordance with all the provisions of, Section 5 as if the Aircraft, Airframe or Engines were being returned at the end of the Term; or Lessor, at its option, may enter upon the premises where the Aircraft,

Airframe or any Engine, or part thereof is located and take immediate possession of and remove the same by summary proceedings or otherwise, all subject to receipt of notice delivered pursuant to Section 7.2.3 (if applicable) and without liability accruing to Lessor for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise, and Lessee expressly waives any right it may have under applicable law to a hearing prior to repossession of the Aircraft, Airframe or any Engine or part thereof; or

15.1.2 SALE; USE ETC. Lessor may sell all or any part of the Aircraft, Airframe or any Engine, at public or private sale, at such times and places, to such Persons (including Lessor, Indenture Trustee or any Participant) as Lessor may determine, or otherwise dispose of, hold, use, operate, lease to others or keep idle the Aircraft, Airframe or any Engine or part thereof, as Lessor, in its sole discretion, may determine, all free and clear of any rights of Lessee except as hereinafter set forth in this Section 15 and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto; or

15.1.3 CERTAIN LIQUIDATED DAMAGES.

15.1.3.1 LIQUIDATED DAMAGES--FAIR MARKET RENTAL VALUE. Whether or not Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under Section 15.1.1 or 15.1.2 with respect to the Aircraft, Airframe or any Engine or part thereof, Lessor, by written notice to Lessee specifying a payment date (which shall be an SLV Determination Date) not earlier than ten days from the date of such notice, may cause Lessee to pay to Lessor, and Lessee shall pay to Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent or Renewal Rent, as the case may be, due after the date specified for payment in such notice), any unpaid Basic Rent or Renewal Rent, as the case may be, due on or prior to such SLV Determination Date (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent designated in Exhibit C hereto as payable in advance on such SLV Determination Date) plus an amount equal to the excess, if any, of the Stipulated Loss Value for the Aircraft, computed as of such SLV Determination Date, over the fair

market rental value (determined as hereafter provided in this Section 15) of the Aircraft for the remainder of the Term, after discounting such fair market rental value semiannually (effective on each Rent Payment Date) by a rate equal to the higher of the Certificate Rate or the rate specified in clause (ii) of the definition of Overdue Rate to present worth as of the date specified for payment in such notice, together with interest, if any, on such amount and unpaid Basic Rent or Renewal Rent, as the case may be, at the Overdue Rate from the date specified for payment in such notice to the date of payment in full; or

15.1.3.2 LIQUIDATED DAMAGES--FAIR MARKET SALES VALUE. If Lessor shall not have sold the Aircraft, Lessor, by written notice to Lessee specifying a payment date (which shall be an SLV Determination Date) not earlier than ten days from the date of such notice, may cause Lessee to pay to Lessor, and Lessee shall pay to Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent or Renewal Rent, as the case may be, due after the date specified for payment in such notice), any unpaid Basic Rent or Renewal Rent, as the case may be, due on or prior to such SLV Determination Date (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent designated in Exhibit C hereto as payable in advance on such SLV Determination Date) plus an amount equal to the excess, if any, of the Stipulated Loss Value for the Aircraft, computed as of such SLV Determination Date, over the fair market sales value of the Aircraft (determined as hereafter provided in this Section 15 as of the date specified for payment in such notice), together with interest, if any, on such amount and unpaid Basic Rent or Renewal Rent, as the case may be, at the Overdue Rate from the date specified for payment in such notice to the date of payment in full; or

15.1.4 LIQUIDATED DAMAGES UPON SALE. If Lessor, pursuant to Section 15.1.2 or applicable law, shall have sold the Aircraft, Lessor, in lieu of exercising its rights under Section 15.1.3 with respect to the Aircraft, may, if Lessor shall so elect, upon giving written notice to Lessee, cause Lessee to pay Lessor, and Lessee shall pay to Lessor, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent or Renewal Rent, as the case may be, due after the date of such sale), any unpaid Basic Rent or Renewal Rent, as the case may be, due on or prior to the SLV Determination Date (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent designated in Exhibit C hereto as payable in advance on such SLV Determination Date) on or immediately preceding such date of sale plus the amount of any deficiency between the net proceeds of such sale or (if such sale is a private sale and is made to Lessor, Indenture Trustee, a Participant or any Affiliate thereof) between the fair market sales value of the Aircraft, determined as of the date of such sale as hereinafter

provided in this Section 15, and the Stipulated Loss Value of the Aircraft, computed as of the date of such sale, together with interest, if any, on such amount and such unpaid Basic Rent or Renewal Rent at the Overdue Rate from the date of such sale, to the date of payment in full; or

15.1.5 RESCISSION AND OTHER REMEDIES. Lessor may rescind and terminate this Lease, or may exercise any other right or remedy which may be available to it under applicable law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof, including without limitation Lessee's agreement to lease the Aircraft for the Term and to pay Rent.

In addition to the foregoing remedies, Lessee shall be liable (except as otherwise provided above and without duplication of amounts otherwise payable hereunder) for any and all unpaid Rent due hereunder before, during or after the exercise of any of the foregoing remedies and for all legal fees and other costs and expenses (including the fees and expenses of all appraisers required by this Section 15) of Lessor, Indenture Trustee and Participants, incurred by reason of the occurrence of any Lease Event of Default or the exercise of Lessor's remedies with respect thereto, including all insurance and storage costs and all costs and expenses incurred in connection with the return of the Aircraft, Airframe or any Engine or part thereof, in accordance with the terms of Section 5 or in placing the Aircraft, Airframe or any Engine or part thereof, in the condition and airworthiness required by Section 5.

Lessor agrees to give Lessee at least 15 days' prior written notice of the date fixed for any public sale of the Aircraft, the Airframe or any Engine or part thereof, and of the date on or after which will occur the execution of any contract providing for any private sale.

15.2 DETERMINATION OF FAIR MARKET RENTAL VALUE AND FAIR MARKET SALES VALUE. For the purpose of this Section 15, the "fair market rental value" or the "fair market sales value" of the Aircraft shall be the rental value or sales value, as the case may be, which would be obtained in an arm's-length transaction between an informed and willing lessee or purchaser, as the case may be, under no compulsion to lease or purchase, as the case may be, and an informed and willing lessor or seller in possession, as the case may be, and in each case shall be determined on an "as is, where is" basis pursuant to an appraisal by a recognized independent aircraft appraiser chosen by Lessor and approved by Lessee, which approval shall not be unreasonably withheld or delayed and shall be deemed granted if such choice is not rejected within 10 days after Lessee's receipt of notice of Lessor's choice.

15.3 NO WAIVER, ETC. No remedy referred to in this Section 15 is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity; and the exercise or beginning of exercise by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all of such other remedies. No express or implied waiver by Lessor of any Lease Event of Default shall

in any way be, or be construed to be, a waiver of any earlier or subsequent Lease Event of Default. To the extent permitted by applicable law, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use the Aircraft, Airframe or any Engine, or part thereof, in mitigation of Lessor's damages as set forth in this Section 15 or which may otherwise limit or modify any of Lessor's rights or remedies under this Section 15.

SECTION 16. NOTICES. All notices required under the terms and provisions hereof shall be in writing and shall be given by certified mail, telecopy or any other customary means of written communication, addressed:

If to Lessee, at 2702 Love Field Drive, P.O. Box 36611, Dallas, Texas 75235-1611 (telecopy no. 214/792-4022), Attention: Treasurer, or at such other address as Lessee shall from time to time designate in writing;

If to Lessor, at 230 South Tryon Street, 9th Floor, Charlotte, North Carolina 28288-1179 (telecopy no. 704/383- 7316), Attention: Bond Administration, or at such other address as Lessor shall from time to time designate in writing;

If to any Participant or Indenture Trustee, at the applicable address set forth in the signature pages of the Participation Agreement or Schedule I thereto, or at such other address as any such Participant or Indenture Trustee, as the case may be, shall from time to time designate in writing.

The effective date of any such notice shall be, if sent by mail, five days (ten days, if international) after mailing or, if sent by telex or telecopy, the date when such notice is sent or dispatched, and otherwise the date on which it is received by the addressee. Lessee shall furnish to Lessor for transmission to Indenture Trustee and Participants a sufficient number of copies of all reports, notices, requests, demands, certificates, financial statements and other instruments furnished hereunder, except in any case where Lessee shall have transmitted the same directly to any such person.

SECTION 17. NET LEASE; LESSEE'S OBLIGATIONS; NO SETOFF, COUNTERCLAIM, ETC. This is a net lease and it is hereby recognized that Lessor is the owner of the Aircraft (except that Owner Participant will be the owner for income tax purposes) and Lessee is the lessee thereof. It is the intent of the parties hereto that this Lease be a "true lease". Lessee's obligation to pay all Rent payable hereunder as and when due and to the Person entitled thereto shall, be absolute and unconditional and shall not be affected by any circumstance, including without limitation: (a) any setoff, counterclaim, recoupment, defense or other right which Lessee may have against Lessor (in its individual or trust capacity), Indenture Trustee (in its individual or trust capacity), any Participant, Manufacturer, any Indemnified Party or any other Person for any reason whatsoever; (b) any defect in the title, airworthiness, condition, design, operation or fitness for use of, or any damage to or loss, theft, taking, requisition, condemnation, confiscation or destruction of, the Aircraft, Airframe or any Engine, or any

interruption or cessation in the use or possession thereof by Lessee, any sublessee or any other Person for any reason whatsoever; (c) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee or any other Person; (d) any restriction, prevention or curtailment of or interference with any use of the Aircraft or part thereof; (e) any invalidity or unenforceability or disaffirmance of this Lease or any provision hereof or any of the other Operative Agreements or any provision thereof, in each case whether against or by Lessee or otherwise; or (f) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise except as specifically provided herein, Lessee nonetheless agrees, to pay an amount equal to each Basic Rent, Renewal Rent and Supplemental Rent payment at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been terminated in whole or in part. All Rent payable by Lessee shall be paid without notice or demand (except as otherwise expressly provided) and, without abatement, suspension, deferment, deduction, diminution or proration by reason of any circumstance or occurrence whatsoever. Lessee hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease or any part hereof, or to any abatement, suppression, deferment, diminution, reduction or proration of Rent except in accordance with the express terms hereof. Each payment of Rent made by Lessee shall, be final as to Lessor and Lessee. Lessee will not, seek to recover all or any part of any such payment of Rent for any reason

whatsoever. Lessee covenants that it will remain obligated under this Lease in accordance with its terms and will take no action to terminate, rescind or avoid this Lease solely as a result of the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding-up or other similar proceeding affecting Lessor or Owner Participant or any other action with respect to this Lease which may be taken in any such proceeding by any trustee or receiver of Lessor or Owner Participant or by any court (it being understood that nothing in this sentence shall prevent Lessee from taking any action to which it would have been entitled had such bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding-up or other similar proceeding not occurred).

SECTION 18. RENEWAL AND PURCHASE OPTIONS.

18.1 RENEWAL OPTIONS. At the end of the Base Lease Term and any Renewal Term (other than the third Floating Rate Renewal Term or any prior Floating Rate Renewal Term ending three years after the end of the Base Lease Term), so long as no Lease Event of Default or Lease Default (of the type described in Section 14.1 or 14.5) has occurred and is continuing, Lessee shall have the option to renew this Lease for a Renewal Term. In order to exercise the option to renew, Lessee shall notify Lessor thereof in writing not more than nine months nor less than six months prior to the commencement of the applicable Renewal Term (which notice shall be irrevocable). Renewal Rent shall be payable in arrears for each Lease Period occurring during any Renewal Term. The Renewal Rent payable for any Floating Rate Renewal Term hereunder shall be the fair market rental

value of the Aircraft (as defined below) calculated as of the commencement of such Renewal Term. Such fair market rental value shall be determined not later than three months prior to the commencement of such Renewal Term by mutual consent of Owner Participant and Lessee or, if they shall be unable so to agree, by three recognized independent aircraft appraisers, one chosen and paid for by Owner Participant, one chosen and paid for by Lessee and the third appraiser chosen by the mutual consent of the first two appraisers and paid for equally by Owner Participant and Lessee, the appraisals of which three appraisers shall be averaged and such average shall be deemed to be the fair market rental value of the Aircraft for all purposes hereof; provided, however, that if the appraisal of one appraiser is more disparate from the average of all three appraisals than each of the other two appraisals, then the appraisal of such appraiser shall be excluded, the remaining appraisals shall be averaged and such average shall be deemed to be the fair market rental value of the Aircraft for all purposes hereof. If either Owner Participant or Lessee shall fail to appoint an appraiser by the date which is two months prior to the commencement of such Renewal Term or if such two appraisers cannot agree on the amount of such appraisal and fail to appoint a third appraiser by the date which is one month before the commencement of such Renewal Term, then either Owner Participant or Lessee may apply to any court having jurisdiction (including, without limitation, the courts referred to in Section 13(b) of the Participation Agreement) to make such appointment. For purposes of this Section 18.1, fair market rental value shall be the cash rental obtainable in an arm's-length lease between an informed and willing lessee (under no compulsion to lease) and an informed and willing lessor (under no compulsion to lease) and shall be determined on the assumptions that the Aircraft is in the United States of America, available for use by Lessee, unencumbered by any renewal or purchase option contained in this Lease, in the return condition required by Section 5 of this Lease and otherwise in compliance with and subject to the terms and requirements of this Lease. Stipulated Loss Value amounts that are payable during any such Renewal Term shall be calculated as of the date of commencement of such Renewal Term and shall be determined in the same manner referred to above based on the fair market sales value of the Aircraft on such date determined in accordance with Section 18.2(a).

18.2 PURCHASE OPTIONS. (a) Lessee shall have the option to purchase the Aircraft at the end of the Base Lease Term and each Renewal Term, so long as no Lease Default (of the type described in Section 14.1 or 14.5) or Lease Event of Default shall have occurred and be continuing on the date of notice of exercise of such option. In order to exercise such option, Lessee shall notify Lessor thereof in writing not more than nine months nor less than six months prior to the end of the Base Lease Term or such Renewal Term, as applicable (which notice shall be irrevocable). In such case, Lessee shall purchase the Aircraft on the last Business Day of the Base Lease Term or such Renewal Term, as applicable, at a purchase price equal to the fair market sales value thereof as of such last Business Day. Such fair market sales value shall be determined not later than three months prior to such last Business Day by mutual consent of Owner Participant and Lessee or, if they shall be unable so to agree, by three recognized independent aircraft appraisers, one chosen and paid for by Owner Participant, one chosen and paid for by Lessee and the third appraiser chosen by the mutual consent of the first two appraisers and paid for equally by Owner Participant and Lessee, the appraisals of

which three appraisers shall be averaged and such average shall be deemed to be the fair market sales value of the Aircraft for all purposes hereof; provided, however, that if the appraisal of one appraiser is more disparate from the average of all three appraisals than each of the other two appraisals, then the appraisal of such appraiser shall be excluded, the remaining appraisals shall be averaged and such average shall be deemed to be the fair market sales value of the Aircraft for all purposes hereof. If either Owner Participant or Lessee shall fail to appoint an appraiser by the date which is two months prior to such last Business Day or if such two appraisers cannot agree on the amount of such appraisal and fail to appoint a third appraiser by the date which is one month before such last Business Day, then either Owner Participant or Lessee may apply to any court having jurisdiction to make such appointment. For purposes of this Section 18.2, fair market sales value shall be the cash price obtainable in an arm's-length sale between an informed and willing buyer (under no compulsion to buy) and an informed and willing seller (under no compulsion to sell) and shall be determined on the assumptions that the Aircraft is in the United States of America, available for use by the buyer, unencumbered by any renewal or purchase option contained in this Lease, in the return condition required by Section 5 of this Lease and otherwise in compliance with the requirements of this Lease. At the time of payment to Lessor, in funds of the type specified in Section 3.6, of the full amount of the purchase price pursuant to this Section 18.2(a), Lessee shall also pay to Lessor all unpaid Basic Rent due on or prior to the last day of the Term and (without duplication) any other Rent which is due and payable through and including the date of payment.

(b) So long as no Lease Default (of the type described in Section 14.1 or 14.5) or Lease Event of Default shall have occurred and be continuing on the date of notice of exercise of such option, Lessee shall have the option to purchase the Aircraft on January 2, 2015 or, if such date is not a Business Day, on the next succeeding Business Day (the "Special Purchase Option Date") at a purchase price equal to the percentage of Lessor's Cost indicated in Part III of Exhibit C (the "Special Purchase Price"); provided, that if there has been an adjustment prior to the Special Purchase Option Date pursuant to Section 3.7, the Special Purchase Price (including any installments thereof) shall be at all times calculated to preserve the Owner Participant's Special Purchase Price After-Tax Yield, but in any event subject to Section 3.7.2. Such option to purchase the Aircraft shall be exercised upon written notice from Lessee to Lessor given not more than nine months nor less than six months prior to the Special Purchase Option Date. Such notice shall be irrevocable and shall contain the statement that this Lease will terminate upon the consummation of such purchase. On the Special Purchase Option Date, Lessee shall pay to Lessor, in funds of the type specified in Section 3.6, the full amount of the Special Purchase Price pursuant to this Section 18.2(b), together with all unpaid Basic Rent due on or prior to the Special Purchase Option Date (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent designated in Exhibit C hereto as payable in advance on such Special Purchase Option Date) and (without duplication) any other Rent (including Premium, if any, and Break Amount, if any, payable in respect of the Certificates) which is due and payable through and including the date of payment; provided, that Lessee may elect on ten days' prior notice to Lessor to pay the Special Purchase Price in installments as Supplemental Rent, secured as provided herein, in which case Lessee shall pay to Lessor, on each EBO Installment Payment Date, the amount

determined by multiplying Lessor's Cost by the percentage set forth opposite such EBO Installment Payment Date in Part II of Exhibit C.

(c) In connection with any purchase pursuant to Section 18.2(b), Lessee may, at its option, as part or all, as the case may be, of the applicable purchase price, assume all of the rights and obligations of Lessor under the Trust Indenture in respect of the Certificates (including, without limitation, any scheduled payment of principal of or accrued interest on the Certificates due and payable on such date of purchase but only to the extent that any Basic Rent installment payable by Lessee on any such date of purchase does not cover such scheduled payment of principal or accrued interest on the Certificates and excluding any obligations or liabilities of Lessor in its individual capacity incurred on or prior to such date of purchase, which obligations and liabilities shall remain the sole responsibility of Lessor in its individual capacity) in accordance with Section 7.03 of the Trust Indenture and simultaneously shall pay to Lessor, in funds of the type specified in Section 3.6, an amount equal to (i) the excess, if any, of the applicable

purchase price over an amount equal to the sum of the principal of, and accrued and unpaid interest on, the Outstanding Certificates on such date of purchase, after taking into account any payments of principal and interest made in respect of the Outstanding Certificates on or before such date of purchase, plus (ii) all unpaid Basic Rent due and owing by Lessee hereunder on or prior to such date of purchase and (without duplication) any other Rent which is due and payable through and including the date of payment (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent designated in Exhibit C hereto as payable in advance on such date of purchase); provided, that Lessee may elect, by notice to Lessor concurrently with notice of its election to assume such obligations of Lessor, to pay the amount of the excess calculated pursuant to clause (i) above in installments as Supplemental Rent, in which case (I) Lessee shall pay to Lessor on the first EBO Installment Payment Date, the excess, if any, of (x) the amount determined by multiplying Lessor's Cost by the percentage set forth opposite such EBO Installment Payment Date in Part II of Exhibit C hereto, over (y) the principal amount of the Certificates outstanding on such date, and shall pay to Lessor on each subsequent EBO Installment Payment Date the amount determined by multiplying Lessor's Cost by the percentage set forth opposite such EBO Installment Payment Date in Part II of Exhibit C hereto, and (II) Section 8(aa) of the Participation Agreement shall apply.

(d) Upon payment of the applicable purchase price for the Aircraft as set forth in this Section 18.2, together with the other amounts specified above to be paid by Lessee concurrently with such purchase, Lessor will Transfer to Lessee all of the Lessor's right, title and interest in and to the Aircraft, this Lease will terminate and, if Lessee shall not have assumed the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Certificates as provided for above, Lessor will request the Indenture Trustee to execute and deliver to Lessee an appropriate instrument releasing the Airframe and Engines with respect to which title is transferred from the lien of the Trust Indenture and releasing the Purchase Agreement, the Purchase Agreement Assignment, the Engine Purchase Agreement and the Engine Purchase Agreement Assignment from the assignment and pledge, if any, thereunder; provided, that if Lessee elects to pay the Special Purchase Price in installments as

provided for above (and shall have paid in full the installment thereof due on the Special Purchase Option Date), the following provisions shall also be applicable: (a) this Lease shall continue in full force and effect (except as hereinafter provided) but shall constitute then and thereafter a lease intended for security securing the payment of such installments (and any appropriate UCC financing statements or amendments to UCC financing statements shall be filed in order to indicate that this Lease is intended for security purposes), (b) Lessor shall permit re-registration of the Aircraft in the name of Lessee or a Sublessee on the Special Purchase Option Date (it being understood that in all other respects the registration provisions of the Operative Agreements shall remain fully applicable), (c) no Basic Rent shall be payable after the Special Purchase Option Date, (d) the Stipulated Loss Value of the Aircraft determined at any time after the Special Purchase Option Date shall be equal to the aggregate amount of the installments of the Special Purchase Price which have not been paid at the time of such determination, (e) the reference to Basic Rent in Section 14.1 shall be deemed to refer to installments of the Special Purchase Price, (f) in the event of the occurrence and continuance of a Lease Event of Default after the Special Purchase Option Date, Lessor shall be entitled to accelerate the unpaid installments and exercise all the remedies available under applicable law to a secured creditor with respect thereto, and (g) the Owner Trustee shall be entitled to the benefits of Sections 7.03(c), (d), (e), (f) and (g) of the Trust Indenture to the extent applicable to its interest at the time.

(e) If Lessee shall have elected both (i) to assume all of the rights and obligations of Lessor under the Trust Indenture in accordance with Section 7.03 of the Trust Indenture and (ii) to pay to Lessor the installments specified in the proviso to Section 18.2(c) of this Lease, then, as further conditions precedent to those specified in paragraphs (c) and (d) of this Section 18.2 to such assumption:

(1) the Indenture Trustee shall have received evidence reasonably satisfactory to it that the Trust Indenture, after giving effect to the transactions contemplated by Section 18.2(d) of this Lease, constitutes a first priority and perfected security interest in the Aircraft, which evidence shall include an opinion of the tenor contemplated by Section 7.03(h) of the Trust Indenture; and (2) the Indenture Trustee and the Owner Trustee shall execute and deliver an intercreditor agreement that covers the following matters:

(a) the Owner Trustee shall not, notwithstanding any Lease Event of Default, exercise any remedy accorded to it pursuant to Section 15 of this Lease until the Trust Indenture shall have been

discharged pursuant to Section 10.01 of the Trust Indenture;

(b) payment of Supplemental Rent in respect of the installments specified in Section 18.2(c), and all other amounts owing to the Owner Trustee (other than Excluded Payments) (collectively, "Equity Payments"), shall be fully and unconditionally subordinated to the payment in full in cash of principal, interest, Break Amount or Premium, if any, and all other amounts owing to the Holders or the Indenture Trustee under or in respect of the Certificates or the Trust Indenture (collectively, "Debt Payments"), all pursuant to such terms

of subordination as shall be effectively and substantively equivalent to the manner in which Debt Payments are paid or payable in priority to the Equity Payments, and such other customary terms of subordination as shall be reasonably required by the Indenture Trustee; and

(c) the Owner Trustee shall have the substantive equivalent of the cure and buy-out rights specified in clauses (e)(i) and (e)(ii) of Section 8.03 of the Trust Indenture.

SECTION 19. SUCCESSOR OWNER TRUSTEE. Lessee agrees that in the case of the appointment of any successor Owner Trustee pursuant to the terms of the Trust Agreement, such successor Owner Trustee shall, upon written notice by such successor Owner Trustee to Lessee, succeed to all the rights, powers and title of Lessor hereunder and shall be deemed to be Lessor and the owner of the Aircraft for all purposes hereof without the necessity of any consent or approval by Lessee (but such successor Owner Trustee shall qualify under the terms of Section 8(b) of the Participation Agreement) and without in any way altering the terms of this Lease or Lessee's obligations hereunder. One such appointment and designation of a successor Owner Trustee shall not exhaust the right to appoint and designate further successor or additional Owner Trustees pursuant to the Trust Agreement, and such right may be exercised repeatedly as long as this Lease shall be in effect.

SECTION 20. RIGHT TO PERFORM FOR LESSEE. If Lessee fails to make any payment of Rent required to be made by it hereunder or fails to perform or comply with any of its agreements contained herein, Lessor (subject to the terms of the Trust Indenture) or Indenture Trustee may (but shall not be obligated to) make such payment or perform or comply with such agreement, and the amount of such payment and the amount of the expenses of Lessor or Indenture Trustee incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest thereon at the Overdue Rate, shall be deemed Supplemental Rent, payable by Lessee upon demand.

SECTION 21. QUIET ENJOYMENT. So long as no Lease Event of Default shall have occurred, and be continuing, during the Term, Lessor will not interfere in the quiet enjoyment of the Aircraft by Lessee or any Permitted Sublessee.

SECTION 22. INVESTMENT OF SECURITY FUNDS; MISCELLANEOUS; AMENDMENT.

22.1 INVESTMENT OF SECURITY FUNDS. Subject always to the terms of the Trust Indenture for so long as the Trust Indenture shall remain in effect, any moneys required to be paid to or retained by Lessor which are not required to be paid to Lessee pursuant to Section 10.6 or 11.4 solely because a Lease Event of Default or Lease Default shall have occurred and be continuing, or which are held by Lessor pending payment to Lessee pursuant to Section 11.4 or which are required to be paid to Lessee pursuant to Section 10.3 or 11.4 after completion of a replacement to be made pursuant to Section 10.1 or 10.2, shall, until paid to Lessee as provided in Section 10 or 11 or applied as provided herein or in the Trust Indenture or Trust Agreement, be invested by Lessor from time to time as

directed in writing by Lessee and at the expense and risk of Lessee in the following securities (which shall mature within 91 days of the date of purchase thereof): (a) direct obligations of the Government; (b) obligations fully guaranteed by the Government; (c) open market commercial paper of any corporation incorporated under the laws of the United States of America or any State thereof rated P-1 or its equivalent by Moody's Investors Service and A-1 or its equivalent by Standard & Poor's Rating Group, a division of McGraw-Hill,

Inc.; or (d) certificates of deposit issued by, or bankers' acceptances of, or time deposits or a deposit account with (i) the Owner Trustee or Indenture Trustee (in their individual capacities) or (ii) any bank, trust company or national banking association incorporated or doing business under the laws of the United States of America or any state thereof having a combined capital and surplus of at least $100,000,000. There shall be promptly remitted to Lessee or its order any gain (including interest received) realized as the result of any such investment (net of any fees, commissions and other expenses, if any, incurred in connection with such investment) unless a Lease Event of Default or a Lease Default (of the type described in Section 14.1 or 14.5) shall have occurred and be continuing. Lessee will promptly pay to Lessor, on demand, the amount of any loss realized as the result of any such investment (together with any fees, commissions and other expenses, including Taxes, if any, incurred in connection with such investment), such amount to be disposed of in accordance with the terms of the Trust Indenture or the Trust Agreement.

22.2 MISCELLANEOUS; AMENDMENT. Lessee shall do, execute, acknowledge and deliver, or shall cause to be done, executed, acknowledged and delivered, all such further acts, conveyances and assurances as Owner Trustee, Indenture Trustee or any Participant shall reasonably require for accomplishing the purposes of this Agreement and the other Operative Agreements. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect. No term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. This Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to Lessee any right, title or interest in or to the Aircraft, Airframe or Engines except as a lessee only. The section and paragraph headings in this Lease and the table of contents are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof and all references herein to numbered sections, unless otherwise indicated, are to sections of this Lease. THIS LEASE HAS BEEN, AND EACH LEASE SUPPLEMENT AND AMENDMENT HERETO IS INTENDED TO BE, DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE IN SUCH STATE BY RESIDENTS THEREOF AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE. This Lease and each Lease Supplement and amendment hereto may be executed in several counterparts,

each of which shall be deemed an original, and all such counterparts shall constitute one and the same instrument; provided, that no security interest in Lessor's right, title and interest in and to this Agreement may be created through the transfer or possession of any counterpart other than the counterpart identified, for purposes of perfection of a security interest in chattel paper (as such term is defined in the UCC), as the original counterpart on the cover hereof.

SECTION 23. PERMITTED FOREIGN AIR CARRIERS. Lessor may, in the exercise of its reasonable business judgment, by written notice to Lessee, remove any foreign air carrier from Exhibit D and Lessee may, by written notice to Lessor, request that any foreign air carrier be added to Exhibit D, subject to Lessor's prior written consent, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, no deletion of an airline from the list of Permitted Foreign Air Carriers pursuant hereto shall (i) affect any existing sublease or other agreement providing for transfer of possession of the Aircraft, Airframe, any Engine or Part which was permitted hereunder at the time entered into, or (ii) preclude any subsequent renewal or extension of such sublease or other agreement to which the Permitted Foreign Air Carrier under a sublease is entitled by the terms thereof as originally in effect.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease to be duly executed and delivered as of the day and year first above written.

Lessor:

FIRST UNION NATIONAL BANK
OF NORTH CAROLINA, not in its
individual capacity except as expressly stated
herein, and otherwise solely as Owner Trustee
under the Trust Agreement

By: /s/ Pablo de la Canal

Corporate Trust Officer

Lessee:

SOUTHWEST AIRLINES CO.

By: /s/ John D. Owen

Treasurer

EXHIBIT A TO
LEASE AGREEMENT

SALE AND LEASE AGREEMENT SUPPLEMENT NO. _____

THIS SALE AND LEASE AGREEMENT SUPPLEMENT NO. _____, dated _____, _____ between FIRST UNION NATIONAL BANK OF NORTH CAROLINA, not in its individual capacity but solely as Owner Trustee under that certain Trust Agreement, dated as of June 1, 1996 (the "Trust Agreement"), between the Owner Participant named therein and such Bank ("Lessor"), and SOUTHWEST AIRLINES CO., a Texas corporation ("Lessee"),

RECITALS.

A. On March 6, 1996 an AC Form 8050-2 Bill of Sale from Manufacturer (as defined in the Sale and Lease Agreement hereinbelow referred to) in favor of Lessee covering the Aircraft hereinbelow described was recorded by the Federal Aviation Administration as Conveyance Number TO51154;

B. Lessor and Lessee have heretofore entered into that certain Sale and Lease Agreement dated as of June 1, 1996, as supplemented and amended from time to time (herein called the "Lease Agreement" and the defined terms therein being herein used with the same meaning), which Lease Agreement provides in Section 2 for the execution of a Lease Supplement substantially in the form hereof for the purpose of Lessee's selling to Lessor, and Lessor's leasing back to Lessee, the Aircraft under the Lease Agreement as and when delivered by Lessor to Lessee in accordance with the terms thereof; and

C. The Lease Agreement relates to the airframe and engines described below, and a counterpart of the Lease Agreement is attached hereto and made a part hereof and this Lease Supplement, together with such attachment, is being filed for recordation with the FAA on the date hereof as one document.

- ---

All of the right, title and interest of Lessor in and to this Sale and Lease Agreement Supplement has been assigned to and is subject to a security interest in favor of Wilmington Trust Company, as Indenture Trustee. This Sale and Lease Agreement Supplement has been executed in several counterparts. No security interest in Lessor's right, title and interest in and to this Sale and Lease Agreement Supplement may be created through the transfer or possession of any counterpart other than the counterpart identified, for purposes of perfection of a security interest in chattel paper (as such term is defined in the UCC), as the original counterpart. [This is not the original counterpart.]

In consideration of the premises and other good and sufficient consideration, and pursuant to Section 2 of the Lease Agreement, Lessor and Lessee hereby agree as follows:

1. Lessee hereby delivers and sells to Lessor and Lessor hereby accepts and purchases from Lessee and in turn delivers and leases back to Lessee, and Lessee hereby accepts and leases back from Lessor, under the Lease Agreement, as herein supplemented, the following-described Boeing Model 737-3H4 Aircraft (the "Delivered Aircraft"), which Delivered Aircraft as of the date hereof consists of the following:

Airframe: U.S Registration Number N621SW and Manufacturer's Serial No. 28037; and

Engines: Two CFM International Model CFM56-3-B1 Engines installed thereon bearing Engine Manufacturer's Serial Numbers as follows: 858296 and 858297.

Each of the Engines described above has 750 or more rated takeoff horsepower or the equivalent of such horsepower.

2. The Delivery Date of the Delivered Aircraft is the date of this Lease Supplement set forth in the opening paragraph hereof.

3. Lessee hereby confirms to Lessor that the Delivered Aircraft has been or will be duly marked in accordance with the terms of Section 7.1.2 of the Lease and that Lessee has accepted the Delivered Aircraft for all purposes hereof and of the Lease Agreement, including its being airworthy, in accordance with specifications, in good working order and repair and without defect or inherent vice in title, condition, design, operation or fitness for use, whether or not discoverable by Lessee as of the date hereof, and free and clear of all Liens except Permitted Liens; provided, however, that this Section 3 is without prejudice to the rights of Lessee or Lessor against Manufacturer or any supplier of the Aircraft, Engines or any Part.

4. All the provisions of the Lease Agreement are hereby incorporated by reference in this Lease Supplement, on and as of the date of this Lease Supplement, to the same extent as if fully set forth herein.

5. THIS LEASE SUPPLEMENT IS BEING DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Lease Supplement to be duly executed and delivered as of the date and year first above written.

Lessor:

FIRST UNION NATIONAL BANK
OF NORTH CAROLINA, not in its
individual capacity but solely as Owner
Trustee under the Trust Agreement

By

Corporate Trust Officer

Lessee:

SOUTHWEST AIRLINES CO.

By

Treasurer

EXHIBIT B-1 TO
LEASE AGREEMENT

STIPULATED LOSS VALUE SCHEDULE

SLV Determination Date	Stipulated Loss Value (% of Lessor's Cost)

[The portion of this Exhibit appearing below this text is intentionally deleted from the FAA filing counterpart as the parties hereto deem it to contain confidential information.]

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* NOTE: If the event giving rise to an obligation to pay any Stipulated Loss Value occurs and the actual date of the loss of tax benefits resulting from such event shall be earlier or later than the date assumed in calculating the Federal income tax consequences reflected in the applicable Stipulated Loss Value, such Stipulated Loss Value shall be appropriately adjusted upwards or downwards to reflect the actual timing of the loss of such tax benefits, but otherwise based on the same original assumptions.

EXHIBIT B-2 TO
LEASE AGREEMENT

TERMINATION VALUE SCHEDULE

TV Determination Date	Termination Value (% of Lessor's Cost)

[The portion of this Exhibit appearing below this text is intentionally deleted from the FAA filing counterpart as the parties hereto deem it to contain confidential information.]

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* NOTE: If the event giving rise to an obligation to pay any Termination Value occurs and the actual date of the loss of tax benefits resulting from such event shall be earlier or later than the date assumed in calculating the Federal income tax consequences reflected in the applicable Termination Value, such Termination Value shall be appropriately adjusted upwards or downwards to reflect the actual timing of the loss of such tax benefits, but otherwise based on the same original assumptions.

EXHIBIT C TO
LEASE AGREEMENT

PART I
RENT PAYMENT SCHEDULE

Rent Payment Date	Percentage of Lessor's Cost		
	Total	Advance	Arrears
	-----	-------	-------

[The portion of this Exhibit appearing below this text is intentionally deleted from the FAA filing counterpart as the parties hereto deem it to contain confidential information.]

PART II
EBO INSTALLMENT PAYMENT SCHEDULE

EBO Installment Payment Date	Percentage of Lessor's Cost
January 2, 2015	34.43524205%
April 15, 2015	4.86113936
June 15, 2015	4.86113936
September 15, 2015	4.86113936
December 15, 2015	4.86113936
	53.87979949 %

PART III
SPECIAL PURCHASE PRICE

53.87979949% of Lessor's Cost

PART IV
LESSOR'S COST

Lessor's Cost for the Delivered Aircraft is $33,000,000.00.

PERMITTED FOREIGN AIR CARRIERS

Aer Lingus	Icelandair
Aerolineas Argentinas	Interflug
Air Afrique	Japan Air Lines
Aeromexico	Japan Air Lines System
Air Canada	Japan TransOcean Air
Air Europa	JAT
Air France	KLM
Air Inter	Korean Air
Air Jamaica	LAN Chile
Air New Zealand	Lauda Air

Air UK	Lufthansa
Alitalia	Luxair
All Nippon Airways	Maersk
ALM	Malaysian Airline System
Ansett Airlines of Australia	Martinair
Australian Airlines	Mexicana
Austrian Airlines	Monarch Airlines
AVENSA	Nordair
Bahamasair	Olympic Airlines
Braathens S.A.F.E.	Philippine Airlines
Britannia	QANTAS Airways
British Airways	Quebecair
British Midland	Ryanair
BWIA	Sabena
CAAC	SAS
Canadian Airlines International	Saudi Arabian Airlines
Cathay Pacific Airways	Singapore Airlines
Cayman Airways	Swissair
China Airlines	TAP
Condor Flugdienst	Thai Airways
DanAir	Trans Australia Airlines
Egyptair	Transavia Holland
El Al	Transbrasil
Finnair	VARIG
Garuda	VIASA
Hopag Lloyd	VIVA Air
Iberia	

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EXHIBIT E TO
LEASE AGREEMENT

ASSUMED INTEREST AMOUNTS

Rent Payment Date	Assumed Interest Amount

[The portion of this Exhibit appearing below this text is intentionally deleted from the FAA filing counterpart as the parties hereto deem it to contain confidential information.]

APPENDIX A TO
LEASE AGREEMENT

CERTAIN RETURN CONDITIONS

In the event that Lessee (or any Permitted Sublessee then in possession of the Aircraft) shall not then be using a continuous or "progressive" maintenance program with respect to the Airframe, Lessee agrees that at the time of its return of the Aircraft pursuant to Section 5.3, the Airframe shall have at least one year remaining until the next scheduled "D" check (which term, as used in this paragraph, shall refer to a "full D" check accomplished at ten year intervals, rather than to any "quarter D" or "half D" check which may be scheduled under the Maintenance Program then used by Lessee or any Permitted Sublessee, as the case may be).

* * *

EXHIBIT 4.11

FIRST AMENDMENT TO
SALE AND LEASE AGREEMENT

dated as of May 1, 1998

between

FIRST UNION NATIONAL BANK,
as Owner Trustee,

Lessor

and

SOUTHWEST AIRLINES CO.,

Lessee

One Boeing Model 737-3H4 Aircraft
(Southwest Airlines 1996 Trust N620SW)

All right, title and interest of Lessor in and to the Sale and Lease Agreement, as amended, and the Aircraft (including the Engines), has been assigned to and is subject to a security interest in favor of WILMINGTON TRUST COMPANY, as Indenture Trustee. This First Amendment to Sale and Lease Agreement has been executed in several counterparts. No security interest in Lessor's right, title and interest in and to this First Amendment to Sale and Lease Agreement may be created through the transfer or possession of any counterpart other than the counterpart identified, for purposes of perfection of a security interest in chattel paper (as such term is defined in the UCC), as the original counterpart. This is not the original counterpart.

THIS FIRST AMENDMENT TO SALE AND LEASE AGREEMENT, dated as of May 1, 1998 (this "Amendment"), between FIRST UNION NATIONAL BANK, a national banking association, not in its individual capacity but solely as Owner Trustee under that certain Trust Agreement establishing Southwest Airlines 1996 Trust N620SW and dated as of June 1, 1996 ("Lessor"), and SOUTHWEST AIRLINES CO., a Texas corporation ("Lessee"), amends that certain related Sale and Lease Agreement dated as of June 1, 1996 (the "Original Lease") between Lessee and Lessor (the Original Lease, as supplemented by Sale and Lease Agreement Supplement No. One thereto relating to the Aircraft referred to below dated June 3, 1996 ("Lease Supplement No. 1") between Lessor and Lessee, being referred to herein as the "Lease"),

WITNESSETH:

WHEREAS, except as otherwise defined in this Amendment, the capitalized terms used herein shall have the meanings attributed thereto in the Lease; and

WHEREAS, pursuant to the Lease, Lessee has leased from Lessor, the Aircraft, which consists of the following components: (i) Airframe: One (1) Boeing 737-3H4, FAA Registration No. N620SW, Manufacturer's serial no. 28036; and (ii) Engines: Two (2) CFM International Model CFM56-3-B1 Engines bearing, respectively, Manufacturer's serial numbers 858287 and 858292; and

WHEREAS, a counterpart of the Original Lease, to which was attached and made a part thereof a counterpart of Lease Supplement No. 1, was recorded by the Federal Aviation Administration on July 17, 1996 and assigned Conveyance No. S098304; and

WHEREAS, in connection with the refinancing of the Certificates pursuant to Section 18 of the Participation Agreement, the parties wish to recalculate Basic Rent, Stipulated Loss Value percentages, Termination Value percentages and Special Purchase Price; and

WHEREAS, Lessor and Lessee desire to amend the Lease in certain respects;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the parties hereto agree as follows:

Section 1. Amendments to Exhibits B-1, B-2, C and E. Exhibits B-1, B-2 and C to the Lease are hereby deleted in their entirety and replaced with Exhibits B-1, B-2 and C, respectively, to this Amendment. Exhibit E to the Lease is hereby deleted in its entirety.

Section 2. Amendments to Section 1. Section 1 of the Lease is hereby amended in the following manner:

(a) The following defined terms are hereby added to Section 1 in alphabetical order:

"'First Amendment to Sale and Lease Agreement' means that certain First Amendment to Sale and Lease Agreement dated as of May 1, 1998 by and between Lessee and Lessor relating to the Aircraft."

"'First Amendment to Participation Agreement' means that certain First Amendment to Participation Agreement dated as of May 1, 1998 by and among Lessee, Owner Participant, Owner Trustee, Indenture Trustee and Pass Through Trustee relating to the Aircraft."

"'First Amendment to Trust Indenture' means that certain First Amendment to Trust Indenture and Security Agreement, dated as of May 1, 1998 between Owner Trustee and Indenture Trustee relating to the Aircraft."

"'Pass Through Certificates' is defined in Section 1.01(b) of the Trust Indenture."

"'Pass Through Trust Agreement' is defined in Section 1.01(b) of the Trust Indenture."

"'Pass Through Trustee' is defined in Section 1.01(b) of the Trust Indenture."

"'Pass Through Trust Supplement' means Trust Supplement No. 1998-A dated as of May 1, 1998 between Lessee and Pass Through Trustee."

"'Refinancing Agreement' means that certain Refinancing Agreement relating to the Aircraft dated as of May 1, 1998 by and among Lessee, Owner Participant, Original Loan Participant, Owner Trustee, Indenture Trustee and Pass Through Trustee."

(b) The definition of "Indemnified Parties" is hereby amended to be and read in its entirety as follows:

"'Indemnified Parties' means (i) First Union National Bank, in its individual capacity and as Owner Trustee, (ii) Wilmington Trust Company, in its individual capacity and as Indenture Trustee, (iii) the Owner Participant, (iv) each Holder of a Series SWA 1996 Trust N620SW Certificate (including without limitation the Pass Through Trustee), (v) the Estate and the Trust Indenture Estate, (vi) the Original Loan Participant, (vii) the respective Affiliates, successors and assigns of the foregoing and (viii) the respective directors, officers, employees, agents, partners and servants of the foregoing."

(c) The definition of "Lease", "this Lease", "this Agreement", "hereby", "herein", "hereof", and "hereunder" is hereby amended to be and read in its entirety as follows:

"'Lease', 'this Lease', 'this Agreement', 'hereby' 'herein' 'hereof' 'hereunder' or other words mean this Sale and Lease Agreement as amended by the First Amendment to Sale and Lease Agreement, and as supplemented by one or more Lease Supplements and as may be further amended from time to time."

(d) The definition of "Operative Agreements" is hereby amended to be and read in its entirety as follows:

"'Operative Agreements' means this Lease, each Lease Supplement, the Participation Agreement, the Trust Agreement, the Purchase Agreement, the Purchase Agreement Assignment, the Engine Purchase Agreement Assignment (if any), the Trust Indenture, the Certificates, each Indenture and Trust Supplement, the Bills of Sale, the Tax Indemnity Agreement, the Manufacturer's Consent and the Refinancing Agreement, including any consents included in or attached to any thereof."

(e) The definition of "Participant" is hereby amended to be and read in its entirety as follows:

"'Participant' means Owner Participant and its successors and permitted assigns."

(f) The definition of "Participation Agreement" is hereby amended to be and read in its entirety as follows:

"'Participation Agreement' means the Participation Agreement relating to the Aircraft, dated as of June 1, 1996, among Lessee, Owner Participant, Original Loan Participant, Lessor and Indenture Trustee as amended by the First Amendment to Participation Agreement and as may be further amended from time to time."

(g) The definition of "Special Purchase Price After-Tax Yield" is hereby amended to be and read in its entirety as follows:

"'Special Purchase Price After-Tax Yield' means the net after-tax economic yield, total aggregate after-tax cash flow and general pattern of book earnings expected by the Owner Participant with respect to the Aircraft through the Special Purchase Option Date if the Special Purchase Option were exercised and the Special Purchase Option Price paid in installments, utilizing the multiple investment sinking fund method of analysis and the same assumptions as used by Owner Participant (including the Tax Assumptions set forth in Section 2 of the Tax Indemnity Agreement) in its economic analysis of the transaction as of the Delivery Date."

(h) The definition of "Stipulated Loss Value" is hereby amended to be and read in its entirety as follows:

"'Stipulated Loss Value' means the sum of (i) the amount determined by multiplying the Lessor's Cost of the Aircraft by the percentage set forth in Exhibit B-1 hereto opposite the SLV Determination Date next preceding the date on which Stipulated Loss Value is being paid (or, if such payment date is an SLV Determination Date, by the percentage set forth opposite such SLV Determination Date), and (ii) interest on such amount described in clause (i) above calculated at the Certificate Rate from and including such SLV Determination Date to but excluding the date of such payment. Stipulated Loss Value may be subject to adjustment in accordance with Section 3.7 and Section 18.2(d) of this Agreement."

(i) The definition of "Termination Value" is hereby amended to be and read in its entirety as follows:

"'Termination Value' means the amount determined by multiplying the Lessor's Cost of the Aircraft by the percentage set forth in Exhibit B-2 hereto opposite the TV Determination Date as of which Termination Value is being determined. Termination Value may be subject to adjustment in accordance with Section 3.7 of this Agreement."

(j) The definition of "Trust Indenture" is hereby amended to be and read in its entirety as follows:

"'Trust Indenture' means the Trust Indenture and Security Agreement, dated as of June 1, 1996, between Owner Trustee and Indenture Trustee, relating to the Aircraft, as supplemented by the Trust Agreement and Trust Indenture and Security Agreement Supplement, dated June 3, 1996, and as amended by the First Amendment to Trust Indenture and as may be further amended or supplemented from time to time."

(k) The definitions of "Assumed Interest Amount" and "Rent Differential Amount" are hereby deleted in their entirety.

Section 3. Amendments to Section 3. Section 3 of the Lease is hereby amended in the following manner:

(a) Section 3.3 is hereby amended to be and read in its entirety as follows:

"3.3 Basic Rent. No Basic Rent shall be paid during the Interim Lease Term. Lessee hereby agrees to pay to Lessor Basic Rent for the Base Lease Term with respect to the Aircraft on each Rent Payment Date set forth in Part I of Exhibit C, in each case in an amount equal to the percentage of Lessor's Cost of the Aircraft set forth in Part I of Exhibit C opposite such Rent Payment Date, subject to the terms of the next succeeding paragraph of this Section 3.3 and Section 3.7. Each installment (or portion of an installment) of Basic Rent under the heading `Advance' in Part I of Exhibit C payable on a Rent Payment Date shall relate to the respective Lease Period immediately following such Rent Payment Date, and each installment (or portion of an installment) of Basic Rent under the heading `Arrears' in Part I of Exhibit C payable on a Rent Payment Date shall relate to the respective Lease Period immediately preceding such Rent Payment Date.

"Anything contained in the Participation Agreement or this Lease or any other Operative Agreement to the contrary notwithstanding, (a) each installment of Basic Rent payable under this Lease, whether or not adjusted in accordance with the provisions of Section 3.7 hereof, shall be, under any circumstances and in any event, in an amount at least sufficient to pay in full,

on such Rent Payment Date, any scheduled payments then required to be made on account of the principal of and interest on the Certificates, and (b) Stipulated Loss Value, Termination Value and, unless Lessee shall have assumed the Certificates pursuant to Section 18.2(c) hereof, the Special Purchase Price and the initial installment of the Special Purchase Price if paid in installments, in each case whether or not adjusted in accordance with the provisions of Section 3.7, as of any date

of determination thereof, together with any amount of Basic Rent required to be paid on such date and all other amounts payable on such date, shall equal under any circumstances and in any event, an amount at least sufficient to pay in full any payments then required to be made on account of the principal of and interest (including, without limitation any interest on overdue principal and, to the extent permitted by applicable law, interest), and Premium, if any, on the Certificates and all amounts which would be payable prior thereto or on a parity therewith if Section 3.03 of the Trust Indenture were applicable at the time of such payment."

(b) Section 3.4 of the Lease is hereby amended to be and read in its entirety as follows:

"3.4 Variable Amounts on Certificates. Lessee shall pay (or cause to be paid) to or on behalf of Lessor an amount of Supplemental Rent equal to the Premium (if any) payable on the Certificates, amounts due pursuant to Section 15.05 of the Trust Indenture and each other amount required to be paid (other than principal and interest on the Certificates) by Lessor as Owner Trustee under the Trust Indenture, on the same date that such amounts are due under the Trust Indenture and as provided in Section 3.6."

(c) Section 3.7.1 of the Lease is hereby amended to be and read in its entirety as follows:

"3.7.1 Adjustments upon Payment by Lessor of Transaction Costs, Etc. If (a) the Transaction Costs referred to in Section 16(a) of the Participation Agreement paid by Owner Participant in connection with the closing of this transaction on the Delivery Date are equal to an amount which is other than 0.332897% of Lessor's Cost, (b) the Transaction Costs referred to in Section 16(a) of the Participation Agreement paid by Owner Participant in connection with the initial refinancing or refunding of the Certificates pursuant to Section 18 of the Participation Agreement are equal to an amount which is other than 0.643305% of Lessor's Cost, (c) a refinancing or refunding of the Certificates pursuant to Section 17 of the Participation Agreement occurs, or (d) any recalculation of Basic Rent, Stipulated Loss Value, Termination Value and the Special Purchase Price is required by the terms of the Tax Indemnity Agreement, then in each case, the Basic Rent percentages set forth in Exhibit C, the Stipulated Loss Value percentages set forth in Exhibit B-1 and the Termination Value percentages set forth in Exhibit B-2 shall be recalculated by Owner Participant (i) in the case of a recalculation pursuant to clause (b), on or prior to January 2, 1999 (ii) in the case of a recalculation pursuant to clause (c), prior to the relevant Refinancing Date or (iii) in the case of a recalculation pursuant to clause (d), prior to the Rent Payment Date next following the event described in clause (d), in each case in order to: (A) maintain Net Economic Return and (B) minimize the Net Present Value of Rents to the extent possible consistent with clause (A). In addition, in the event of an adjustment pursuant to this Section 3.7, the Special Purchase Price (including any installments thereof) shall be recalculated in accordance with the terms of Section 18.2(b)."

Section 4. Amendment to Section 7. Section 7.3.3 of the Lease is hereby amended to delete all references therein to the Original Loan Participant.

Section 5. Amendment to Section 10. Section 10.1.3 of the Lease is hereby amended to be and read in its entirety as follows:

"10.1.3 Payment of Stipulated Loss Value and Rent. On any Business Day designated by Lessee upon 30 days' irrevocable notice to Lessor and the Indenture Trustee, but in no event later than the earlier of (i) the 180th day following the date of the occurrence of such Event of Loss or (ii) the later of 15 days following receipt of insurance proceeds with respect to such occurrence or the date Lessee shall have made or shall have deemed to have made its election under Section 10.1.1 to comply with Section 10.1.3, Lessee shall pay to Lessor in the manner and in funds of the type specified in Section 3.6, (A) the Stipulated Loss Value for the Aircraft, determined as of the date of payment (as described in the definition of Stipulated Loss Value), (B) all unpaid Basic Rent due on or prior to the SLV Determination Date with reference to which the Stipulated Loss Value is computed (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent designated

in Exhibit C hereto as payable in advance on such SLV Determination Date), and (C) (without duplication) any other Rent which is due and payable through and including the date of payment."

Section 6. Amendments to Section 11.

(a) Section 11.5 of the Lease is hereby amended to delete all references therein to the Original Loan Participant.

(b) Section 11.6 of the Lease is hereby amended to be and read in its entirety as follows:

"11.6 Lessor's Right to Maintain Insurance. In the event that Lessee shall fail to maintain or cause to be maintained insurance as herein provided, Lessor, Indenture Trustee, Owner Participant or, so long as Pass Through Trustee is a Holder, Pass Through Trustee, may at its option (but shall not be obligated to) provide such insurance and in such event, Lessee shall, upon demand, reimburse such Person, as Supplemental Rent, for the cost thereof. No such payment, performance or compliance shall be deemed to cure any Lease Default hereunder or otherwise relieve Lessee of its obligations with respect thereto."

Section 7. Ratification. Except as amended hereby, the Lease continues and shall remain in full force and effect in all respects.

Section 8. Counterparts. This Amendment may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered is an original, but all such counterparts shall together constitute but one and the same instrument.

Section 9. GOVERNING LAW. THIS AMENDMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this First Amendment to Sale and Lease Agreement to be duly delivered in the State of New York and executed as of the day and year first above written.

FIRST UNION NATIONAL BANK
not in its individual capacity, but
solely as Owner Trustee, Lessor

By: ----------
Corporate Trust Officer

SOUTHWEST AIRLINES CO., Lessee

By: ----------
Treasurer

Approved and Consented to:

WILMINGTON TRUST COMPANY,
not in its individual capacity, but
solely as Indenture Trustee

By: ----------
Senior Financial Services Officer

EXHIBIT B-1 TO
SALE AND LEASE AGREEMENT

Stipulated Loss Value Schedule

[The portion of this Exhibit appearing below this text is intentionally deleted from the FAA filing counterpart as the parties hereto deem it to contain confidential information.]

EXHIBIT B-2 TO
SALE AND LEASE AGREEMENT

Termination Value Schedule

[The portion of this Exhibit appearing below this text is intentionally deleted from the FAA filing counterpart as the parties hereto deem it to contain confidential information.]

EXHIBIT C TO
SALE AND LEASE AGREEMENT

Part I
Rent Payment Schedule

Part II
EBO Installment Payment Schedule

Part III
Special Purchase Price

Part IV
Lessor's Cost

[The portion of this Exhibit appearing below this text is intentionally deleted from the FAA filing counterpart as the parties hereto deem it to contain confidential information.]

EXHIBIT 4.12

REFINANCING AGREEMENT
(Southwest Airlines 1996 Trust N620SW)

Dated as of May 1, 1998

among

SOUTHWEST AIRLINES CO., as Lessee

CHRYSLER FINANCIAL CORPORATION,
as Owner Participant

ROYAL BANK OF CANADA, NEW YORK BRANCH,
as Original Loan Participant

WILMINGTON TRUST COMPANY, in its individual capacity only
as expressly provided herein and as Indenture Trustee
and Pass Through Trustee

FIRST UNION NATIONAL BANK,
in its individual capacity only as expressly provided herein
and otherwise solely as Owner Trustee

One Boeing 737-3H4 Aircraft
(Southwest Airlines 1996 Trust N620SW)

INDEX TO REFINANCING AGREEMENT
(Southwest Airlines 1996 Trust N620SW)

Section 1.	Refinancing of Original Certificate
Section 2.	Adjustments to Exhibits to the Lease
Section 3.	Conditions Precedent
Section 4.	Representations and Warranties
Section 5.	Notices
Section 6.	Expenses
Section 7.	Miscellaneous
EXHIBIT A	Maturity Dates, Principal Amounts and Interest Rates, Etc. of Series SWA 1996 Trust N620SW Certificates
EXHIBIT A-1	Payment Dates and Payment Percentages and Amounts
EXHIBIT A-2	Issuance of Series SWA 1996 Trust N620SW Certificates
EXHIBIT B	Form of First Amendment to Trust Indenture
EXHIBIT C	Form of First Amendment to Sale and Lease Agreement
EXHIBIT D	Form of First Amendment to Participation Agreement
EXHIBIT E	Form of First Amendment to Tax Indemnity Agreement

REFINANCING AGREEMENT

This REFINANCING AGREEMENT dated as of May 1, 1998, among (i) SOUTHWEST AIRLINES CO., a Texas corporation ("Lessee"), (ii) CHRYSLER FINANCIAL CORPORATION, a Michigan corporation ("Owner Participant"), (iii) FIRST UNION NATIONAL BANK, a national banking association, not in its individual capacity except as otherwise expressly provided herein, but solely as Owner Trustee ("Owner Trustee"), under that certain Trust Agreement establishing the Southwest Airlines 1996 Trust N620SW and dated as of June 1, 1996, between Owner Participant and Owner Trustee, (iv) WILMINGTON TRUST COMPANY, a Delaware banking

corporation, not in its individual capacity except as otherwise provided herein, but solely as trustee under the Pass Through Trust Agreement, dated as of February 1, 1993 (the "Basic Agreement"), between Lessee and Wilmington Trust Company, as supplemented by Trust Supplement No. 1998-A thereto, dated as of May 1, 1998 creating 1998-A Pass Through Trust (such Basic Agreement as so supplemented, being the "Pass Through Trust Agreement", and Wilmington Trust Company, in its capacity as trustee under the Pass Through Trust Agreement, being the "Pass Through Trustee"), (v) WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity except as otherwise provided herein, but solely as indenture trustee ("Indenture Trustee") under the related Trust Indenture and Security Agreement dated as of June 1, 1996, as supplemented, between Indenture Trustee and Owner Trustee and (vi) ROYAL BANK OF CANADA, a Canadian chartered bank, acting through its New York Branch ("Original Loan Participant").

W I T N E S S E T H:

WHEREAS, Lessee, Owner Participant, Owner Trustee, Original Loan Participant and Indenture Trustee entered into a Participation Agreement, dated as of June 1, 1996 (the "Original Participation Agreement"; all capitalized terms used herein without definition shall have the meanings set forth in or by reference in the Original Participation Agreement; the Original Participation Agreement as amended by the First Amendment to Participation Agreement (as defined below) being herein called the "Participation Agreement"), providing for the sale and lease of one Boeing Model 737-3H4 aircraft, bearing U.S. registration number N620SW;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, Owner Participant entered into a Trust Agreement establishing the Southwest Airlines 1996 Trust N620SW and dated as of June 1, 1996 (the "Trust Agreement") with Owner Trustee in its individual capacity, pursuant to which Trust Agreement the Owner Trustee agreed, among other things, to hold the Trust Estate defined in Section 1.01 of such Trust Agreement for the benefit of Owner Participant thereunder;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, Owner Trustee and Indenture Trustee entered into a Trust Indenture and Security Agreement relating to the Aircraft, dated as of June 1, 1996 (such Trust Indenture and Security Agreement as supplemented by Trust Agreement and Trust Indenture and Security Agreement Supplement, dated June 3, 1996 relating to the Aircraft being herein called the "Original Indenture"; the Original Indenture as amended by the First Amendment to Trust Indenture (as defined below) being herein called the "Indenture"), for the benefit of Original Loan Participant (and, upon the

issuance of the Equipment Notes (as defined below), the Holders of the Equipment Notes issued thereunder), pursuant to which Original Indenture, among other things, a certificate substantially in the form set forth in Exhibit A thereto (the "Original Certificate") was issued to Original Loan Participant as evidence of the loan then being made by Original Loan Participant to Owner Trustee, the proceeds of which were applied by Owner Trustee to the payment of Lessor's Cost for the Aircraft;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, Owner Trustee and Lessee entered into a Sale and Lease Agreement, dated as of June 1, 1996 relating to the Aircraft (such Sale and Lease Agreement as supplemented by Sale and Lease Agreement Supplement No. One dated June 3, 1996 relating to the Aircraft being herein called the "Original Lease"; and the Original Lease as amended by the First Amendment to Lease Agreement (as defined below) being herein called the "Lease"), relating to the Aircraft whereby, subject to the terms and conditions set forth in the Original Lease, Owner Trustee agreed to buy from and lease to Lessee, and Lessee agreed to sell to and lease from Owner Trustee, the Aircraft on the Delivery Date;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, Owner Participant and Lessee entered into a Tax Indemnity Agreement, dated as of June 1, 1996 relating to the Aircraft (the "Original Tax Indemnity Agreement"; and the Original Tax Indemnity Agreement as amended by the First Amendment to Tax Indemnity Agreement (as defined below) being herein called the "Tax Indemnity Agreement");

WHEREAS, the parties hereto wish to effect a refinancing of the Original Certificate as permitted by Section 18 of the Original Participation Agreement as part of a refinancing transaction;

WHEREAS, Owner Trustee has agreed, in connection with the refinancing of the Original Certificate, to issue one or more Equipment Notes substantially in the form set forth in Exhibit A-1 to the Indenture (for the purposes hereof, "Equipment Notes" shall have the meaning set forth for the term "Series SWA 1996 Trust N620SW Certificates" in the Indenture) to the grantor trust created on the Closing Date (as defined below) by the Pass Through Trust Agreement, and Pass Through Trustee will thereafter issue one or more Pass Through Certificates

substantially in the form of Exhibit A to the Pass Through Trust Agreement (the "Pass Through Certificates");

WHEREAS, to facilitate Owner Trustee's sale of the Equipment Notes to the Pass Through Trustee and the purchase of such Equipment Notes by Pass Through Trustee, Lessee has duly authorized the execution and delivery of the Pass Through Trust Agreement as the "issuer" thereunder, as such term is defined in and solely for purposes of the Securities Act of 1933, as amended, and of the Pass Through Certificates as the "obligor" thereunder, as such term is defined in and solely for purposes of the Trust Indenture Act of 1939, as amended, and is undertaking to perform certain administrative and ministerial duties thereunder and is also undertaking to pay the fees and expenses of the Pass Through Trustee;

WHEREAS, the proceeds from the sale of the Equipment Notes will be applied to effect the optional refinancing of the Original Certificate; and

WHEREAS, in connection with the refinancing transaction as contemplated hereby, Owner Trustee and Lessee have agreed to adjust payments of Basic Rent, Stipulated Loss Values and Termination Values and to adjust the Special Purchase Price on the Refinancing Date in accordance with Section 3.7 of the Lease and Section 18 of the Original Participation Agreement, and to amend Exhibits B-1, B-2 and C of the Lease so as to reflect such adjustments;

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Refinancing of Original Certificate.

(a) Subject to the satisfaction or waiver of the conditions set forth herein at or prior to 2:00 p.m. Central time on May 29, 1998 or at such other date and time agreed to by the parties hereto (the "Closing Date"):

(i) Pass Through Trustee shall, in accordance with Section 2.01 of the Pass Through Trust Agreement, execute, authenticate and deliver Pass Through Certificates, dated the Closing Date and of the maturities, in the principal amounts, bearing the interest rates and of the other economic terms specified in the request of Lessee delivered pursuant to such Section 2.01, and deliver such Pass Through Certificates to the Underwriters (as defined below) as specified in such request against payment by the Underwriters of an amount equal to the aggregate principal amount thereof;

(ii) Owner Trustee shall, in accordance with Section 2.01 of the Indenture, issue and deliver to Indenture Trustee one or more Equipment Notes dated the Closing Date and of the maturities, in the principal amounts, bearing the interest rates and reflecting the other economic terms specified in Exhibits A, A-1 and A-2 hereto in an aggregate principal amount of $23,882,858.75 (the "Refinancing Amount");

(iii) Indenture Trustee shall authenticate such Equipment Notes pursuant to Section 2.02 of the Indenture, and deliver such Equipment Notes to Pass Through Trustee as specified in Exhibit A-2 hereto against payment by Pass Through Trustee of an aggregate amount equal to the Refinancing Amount;

(iv) Owner Trustee shall on the Closing Date pay to Indenture Trustee, for the account of Owner Participant, an amount equal to accrued interest and, subject to Lessee's obligations under Section 3.4 of the Original Lease, Break Amount (as defined in the Original Indenture), if any, owing to the Original Loan Participant on the Closing Date; and

(v) Indenture Trustee shall disburse to Original Loan Participant the amount of principal, interest and Break Amount, if any, owing to Original Loan Participant on the Closing Date with respect to the Original Certificate in connection with the refinancing of the Original Certificate in accordance with Sections 2.08 and 15.03 of the Original Indenture and Section 18 of the Original Participation Agreement.

Owner Participant, by its execution and delivery hereof, requests and directs Owner Trustee, in accordance with Section 5.02 of the Trust Agreement, to execute and deliver this Agreement, the First Amendment to Participation Agreement, the First Amendment to Lease Agreement and the First Amendment to Trust Indenture.

(b) On the Closing Date, subject to the receipt by Original Loan Participant of the aggregate amount payable to it as provided for in Section 18(a) of the Original Participation Agreement, Original Loan Participant shall deliver the Original Certificate to Owner Trustee for cancellation by Indenture Trustee. Original Loan Participant hereby authorizes and directs Indenture Trustee to execute and deliver this Agreement, the First Amendment to Participation Agreement, the First Amendment to Lease Agreement and the First Amendment to Trust Indenture and to take all actions contemplated by said agreements and amendments to effect the issuance of the Equipment Notes and the refinancing of the Original Certificate.

(c) In case Pass Through Trustee shall fail to make the payment described in Section 1(a)(iii) hereof, or in case Owner Trustee shall for any reason fail to issue and deliver to Indenture Trustee the Equipment Notes pursuant to Section 1(a)(ii) hereof, (i) the written notice given by Lessee pursuant to Section 18(a) of the Original Participation Agreement and Section 6.03(b) of the Original Indenture with respect to the refinancing contemplated hereby shall be deemed to have never been given (except, however, as provided in Section 6(b) hereof), (ii) Indenture Trustee, Owner Trustee, Owner Participant and Lessee shall have no obligation to pay to Original Loan Participant any amount in respect of the refinancing of the Original Certificate pursuant hereto, (iii) none of the First Amendment to Participation Agreement, the First Amendment to Lease Agreement and the First Amendment to Trust Indenture shall be deemed to have been delivered and (iv) the Original Certificate shall remain outstanding and in full force and effect and shall continue to be subject to the terms of the Original Indenture.

(d) The closing (the "Closing") of the transactions described in this Agreement shall take place at the offices of Vinson & Elkins L.L.P., Houston, Texas, or such other place as the parties hereto may agree; the parties hereby agree that the transactions contemplated hereby shall be deemed to have occurred simultaneously and that no transaction contemplated hereby shall be deemed to have occurred except in conjunction with the occurrence of all such other transactions.

(e) All payments pursuant to this Section 1 shall be made on the Closing Date in immediately available funds to such accounts and at such banks as specified in the Operative Agreements, or, if otherwise, as the parties hereto shall designate in writing not less than one Business Day prior to the Closing Date.

(f) This Agreement shall apply only to the refinancing of the Original Certificate as described herein and not to the refinancing, redemption or refunding of any Equipment Notes or any other Certificate (as defined in the Indenture) issued under the Indenture.

SECTION 2. Adjustments to Exhibits to the Lease. The parties hereto agree, by their execution and delivery hereof, that the transactions contemplated hereby constitute a refinancing transaction as contemplated by Section 3.7 of the Lease and Section 18 of the Participation Agreement and that they will take all actions contemplated thereby, including the

revision of Exhibits B-1, B-2 and C of the Lease to reflect the adjustments contemplated thereby. Subject to the consummation of such refinancing transaction as described herein, such revised Exhibits B-1, B-2 and C to the Lease and the deletion of Exhibit E to the Lease shall be effective as of the Closing Date.

SECTION 3. Conditions Precedent. The obligations of each of the parties hereto to participate in the transactions contemplated by this Agreement on the Closing Date are subject to the fulfillment, prior to or on the Closing Date, of the following conditions precedent; provided, however, that it shall not be a condition precedent to the obligations of any party hereto that any document be produced or action taken that is to be produced or taken by such party or any Person within such party's control; and provided, further, that only the conditions set forth in clauses (a) and (v) of this Section 3 shall be conditions precedent to the actions of Original Loan Participant:

(a) Pass Through Trustee shall have received, concurrently with the payment to Indenture Trustee by Pass Through Trustee of an amount equal to the aggregate Original Issue Price thereof, the Equipment Notes as required by Section 1(a)(iii), and Indenture Trustee shall have received any other amounts, including Break Amount, if any, required to be paid in connection with the refinancing of the Original Certificate on the Closing Date and the Indenture Trustee shall have effected a wire transfer of all amounts payable to the Original Loan Participant as provided herein.

(b) The Equipment Notes referred to in Section 1(a)(ii) shall have been issued and authenticated in accordance with the Indenture, and there shall have been transferred to Indenture Trustee in immediately available funds the amounts referred to above in Section 1(a)(iii)-(iv).

(c) Owner Trustee and Indenture Trustee shall have executed and delivered the First Amendment to Trust Indenture and Security Agreement in substantially the form of Exhibit B hereto (the "First Amendment to Trust Indenture") which shall have been duly filed for recording with the FAA.

(d) Lessee and Owner Trustee shall have executed and delivered an amendment to the Original Lease in substantially the form of Exhibit C hereto (the "First Amendment to Lease Agreement") which shall have been duly filed for recording with the FAA.

(e) Each of Lessee, Owner Participant, Owner Trustee, Pass Through Trustee and Indenture Trustee shall have executed and delivered an amendment to the Original Participation Agreement in substantially the form of Exhibit D hereto (the "First Amendment to Participation Agreement").

(f) (i) Indenture Trustee shall have received on or prior to the Delivery Date (A) a copy (or other documentation satisfactory to it) of the acknowledgment copy of a properly completed Uniform Commercial Code financing statement, reflecting Owner Trustee as debtor and Indenture Trustee as secured party, as to the Indenture Estate, evidencing its filing with the office of the Secretary of State of the State of North Carolina and (B) a copy (or other documentation satisfactory to it) of the acknowledgment copy of a properly completed Uniform Commercial Code financing statement, reflecting Lessee as debtor and Owner Trustee as secured party (and reflecting Indenture Trustee as assignee), as to the Lease and the Aircraft evidencing its filing with the office of the

Secretary of State of the State of Texas, (ii) no financing statement or similar filing described above in clause (i) shall have been terminated or amended subsequent to the date of its filing and (iii) Indenture Trustee shall have received, on or prior to the Delivery Date, the only chattel-paper original of the Original Lease and, on or prior to the Closing Date, the only chattel-paper original of the First Amendment to Lease Agreement and shall have (and shall have retained without interruption subsequent to its receipt thereof) possession of each thereof on the Closing Date.

(g) Each of Indenture Trustee, Owner Trustee, Pass Through Trustee and Owner Participant shall have received the following documents (each of which shall be reasonably satisfactory in form and substance to each of them):

(i) revised Exhibits B-1, B-2 and C to the Lease, as provided for in the First Amendment to Lease Agreement; and

(ii) revised Schedule I to the Participation Agreement, as provided for in the First Amendment to Participation Agreement.

(h) Each of Indenture Trustee, Owner Trustee, Pass Through Trustee and Owner Participant shall have received a certificate signed by a Responsible Company Officer (as defined in the Indenture) of Lessee, dated the Closing Date, certifying that:

(i) the representations and warranties contained herein of Lessee are correct as though made on and as of the Closing 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 certified to have been correct on and as of such earlier date);

(ii) no event has occurred and is continuing which constitutes a Lease Event of Default or a Lease Default; and

(iii) no Event of Loss (or event which with the passage of time or the giving of notice, or both, would constitute an Event of Loss) has occurred with respect to the Airframe or any Engine.

(i) Each of Indenture Trustee, Owner Participant, Pass Through Trustee and Lessee shall have received a certificate signed by a Responsible Officer (as defined in the Indenture) of Owner Trustee, dated the Closing Date, certifying that the representations and warranties contained herein of Owner Trustee in its individual and trust capacities are correct as though made on and as of the Closing 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 certified to have been correct on and as of such earlier date).

(j) Each of Indenture Trustee, Owner Trustee, Pass Through Trustee and Lessee shall have received a certificate signed by a Responsible Company Officer (as defined in the Indenture) of Owner Participant, dated the Closing Date, certifying that the representations and warranties contained herein of Owner Participant are correct as though made on and as of the Closing 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 certified to have been correct on and as of such earlier date).

(k) Each of Pass Through Trustee, Owner Trustee, Owner Participant and Lessee shall have received a certificate signed by a Responsible Officer (as defined in the Indenture) of Indenture Trustee, dated the Closing Date, certifying that the representations and warranties contained herein of Indenture Trustee are correct as though made on and as of the Closing Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties are correct on and as of such earlier date).

(l) Each of Indenture Trustee, Owner Trustee, Owner Participant and Lessee shall have received a certificate signed by an authorized officer of Pass Through Trustee, dated the Closing Date, certifying that the representations and warranties contained herein of Pass Through Trustee are correct as though made on and as of the Closing Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties are correct on and as of such earlier date).

(m) Each of Pass Through Trustee, Indenture Trustee, Owner Trustee and Owner Participant shall have received the following:

(i) an incumbency certificate of Lessee as to the person or persons authorized to execute and deliver this Agreement, the First Amendment to Participation Agreement, the First Amendment to Lease Agreement, and any other documents to be executed on behalf of Lessee in connection with the transactions contemplated hereby and specimen signatures of such person or persons;

(ii) a copy of the resolutions of the board of directors of Lessee or the executive committee thereof, certified by the Secretary or an Assistant Secretary of Lessee, duly authorizing the transactions contemplated hereby and the execution and delivery of each of the documents required to be executed and delivered on behalf of Lessee in connection with the transactions contemplated hereby; and

(iii) such other documents and evidence with respect to the other parties hereto as it may reasonably request in order to establish the due consummation of the transactions contemplated by this Agreement, any other Operative Agreements (as defined in the Lease), the Underwriting Agreement dated May 21, 1998 (the "Underwriting Agreement") among Salomon Brothers Inc, Chase Securities Inc., Lehman Brothers Inc., and NationsBanc Montgomery Securities LLC (collectively, the "Underwriters") and the Lessee, and the Pass Through Trust Agreement and the taking of all necessary corporate action in connection therewith and compliance with the conditions herein set forth.

(n) Each of Pass Through Trustee, Indenture Trustee, Owner Trustee and Owner Participant shall have received a certificate signed by a Responsible Company Officer (as defined in the Indenture) of Lessee, dated the Closing Date, certifying that:

(i) the Aircraft has been duly certificated by the FAA as to type and airworthiness in accordance with the terms of the Original Lease;

(ii) Owner Trustee's FAA Bill of Sale, the Original Lease, the Original Trust Agreement and the Original Indenture have been duly recorded with the FAA pursuant to the Act (as defined in the Lease);

(iii) the Aircraft has been registered with the FAA in the name of Owner Trustee and Lessee has authority to operate the Aircraft; and

(iv) the First Amendment to Lease and the First Amendment to Trust Indenture have been duly filed for recording with the FAA.

(o) Each of Indenture Trustee, Owner Trustee, Pass Through Trustee and Owner Participant shall have received opinions addressed to them from Vinson & Elkins L.L.P., special counsel to Lessee, substantially to the same effect as the opinions delivered by Deborah Ackerman, Associate General Counsel of Lessee, on the Delivery Date pursuant to Section 4(a)(xi) of the Original Participation

Agreement (but reflecting the documents delivered on the Closing Date).

(p) Each of Indenture Trustee, Owner Trustee, Pass Through Trustee, Owner Participant and Lessee shall have received an opinion addressed to them from Moore & Van Allen, PLLC, special counsel for Owner Trustee, substantially to the same effect as the opinion delivered by it on the Delivery Date pursuant to Section 4(a)(xii) of the Original Participation Agreement (but reflecting the documents delivered on the Closing Date).

(q) Each of Indenture Trustee, Owner Trustee, Pass Through Trustee, Owner Participant and Lessee shall have received an opinion addressed to them from Morris, James, Hitchens & Williams, special counsel for Pass Through Trustee and Indenture Trustee, substantially to the same effect (but with respect also to Pass Through Trustee, the Pass Through Trust Agreement and the other documents delivered on the Closing Date) as the opinion delivered by it on the Delivery Date pursuant to Section 4(a)(xv) of the Original Participation Agreement.

(r) Each of Indenture Trustee, Owner Trustee, Pass Through Trustee, Owner Participant and Lessee shall have received opinions addressed to them from Morgan, Lewis & Bockius LLP, special counsel for Owner Participant, and in-house or other counsel to Owner Participant, substantially to the same effect as the opinions delivered by them on the Delivery Date pursuant to Section 4(a)(xiii) of the Original Participation Agreement (but reflecting the documents delivered on the Closing Date).

(s) Each of Indenture Trustee, Owner Trustee, Pass Through Trustee, Owner Participant and Lessee shall have received an opinion addressed to them from Daugherty, Fowler & Peregrin, special counsel in Oklahoma City, Oklahoma, substantially to the same effect taking into account the First Amendment to Trust Indenture and the First Amendment to Lease Agreement, (i) as the opinion delivered by it pursuant to Section 4(a)(xiv) of the Original Participation Agreement on the Delivery Date and (ii) as the opinion delivered to them subsequent to the Delivery Date pursuant to the final paragraph of Section 4(a) of the Original Participation Agreement.

(t) Each of Indenture Trustee, Owner Trustee, Pass Through Trustee and Owner Participant shall have received an independent insurance broker's report, and certificates of insurance, dated the Closing Date, substantially in the form of the report and certificates delivered pursuant to Section 4(a)(xviii) of the Original Participation Agreement on the Delivery Date, as to the due compliance with the terms of Section 11 of the Lease relating to the insurance with respect to the Aircraft and with any other agreements of Lessee with respect to such insurance, and references in such report and certificates to (x) the "Indenture", the "Participation Agreement", and the "Lease" shall be to such documents as amended by the First Amendment to Trust Indenture, the First Amendment to Participation Agreement and the First Amendment to Lease Agreement and (y) "Additional Insureds" shall be to such term as utilized in the Lease.

(u) Original Loan Participant shall have executed and delivered a receipt and release of indebtedness as to the Original Certificate issued to it.

(v) Original Loan Participant shall have received the notice required pursuant to Section 6.03(b) of the Original Indenture in respect of the Closing Date.

(w) Owner Participant shall have received the opinion of tax counsel referenced in Section 3.7.2 of the Original Lease.

(x) Lessee and Owner Participant shall have executed and delivered an amendment to the Original Tax Indemnity Agreement in substantially the form of Exhibit E hereto (the "First Amendment to Tax Indemnity Agreement").

The opinions described above in clauses (o)-(s) and (w) shall be dated the Closing Date and references therein corresponding to references in prior opinions to the "Indenture", the "Participation Agreement", or the "Lease" shall be to such documents as amended by the First Amendment to Trust Indenture, the First Amendment to Participation Agreement, and the First Amendment to Lease Agreement, respectively.

Promptly upon the recording with the FAA of the First Amendment to Trust Indenture and the First Amendment to Lease Agreement, Lessee will cause Daugherty, Fowler & Peregrin, special counsel in Oklahoma City, Oklahoma, to deliver to the parties hereto an opinion as to the due recording thereof and the lack of filing of any intervening documents with respect to the Aircraft (other than the Original Indenture and the Original Lease).

Each of the parties hereto agrees to instruct its counsel to prepare and deliver the respective opinions described above in clauses (o)-(s) and to address each such opinion to the Underwriters in addition to the respective addressees set forth above (and, to the extent such opinions do not restate or confirm the opinions rendered on the Delivery Date, such counsel shall authorize

the Underwriters to rely on opinions rendered on the Delivery Date).

SECTION 4. Representations and Warranties.

(a) Lessee's Representations and Warranties. Lessee represents and warrants to Indenture Trustee, Owner Trustee, Pass Through Trustee and Owner Participant that:

(i) it is a corporation duly organized and validly existing in good standing pursuant to the laws of the State of Texas, is a "citizen of the United States" (as defined in Section 40102 of Title 49, U.S.C.) holding an air carrier operating certificate issued by the Secretary of Transportation pursuant to Chapter 447 of Title 49, U.S.C. for aircraft capable of carrying 10 or more individuals or 6,000 pounds or more of cargo, has the corporate power and authority to carry on its business as now conducted, to own or hold under lease its properties, to hold under lease the Aircraft and to enter into and perform its obligations under this Agreement, the other Operative Agreements to which it is or is to be a party (the "Relevant Operative Documents") and the Pass Through Trust Agreement (together with this Agreement and the Relevant Operative Documents, collectively, the "Lessee Documents"), is duly qualified to do business as a foreign corporation in good standing in each state in which the nature of its business makes such qualification necessary or the failure to be so qualified or so to be in good standing would have a material adverse effect on its businesses or operations or would impair its ability to perform its obligations under the Lessee Documents, and has its chief executive office (as such term is defined in Article 9 of the Uniform Commercial Code) at 2702 Love Field Drive, Dallas, Texas 75235;

(ii) the execution, delivery and performance of the Lessee Documents (A) have been duly authorized by all necessary corporate action on the part of Lessee, (B) do not require any shareholder approval, or approval or consent of any trustee or holder of any indebtedness or obligations of Lessee, or of any lessor under any lease to Lessee, except such as have been duly obtained and are in full force and effect, and (C) do not and will not (1) contravene any law, judgment, governmental rule, regulation or order binding on Lessee or any of its subsidiaries or the articles of incorporation or by-laws of Lessee (each as amended to date) or (2) contravene or result in any breach of the provisions of, or constitute a default under, or result in the creation of any Lien (other than as permitted under the Lease) upon any property of Lessee under, its articles of incorporation or by-laws, or any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, lease, note or bond purchase agreement, license, bank loan or credit agreement or other agreement to which Lessee is a party or by which it or any of its properties may be bound or affected;

(iii) neither the execution and delivery by Lessee of the Lessee Documents, nor the performance by Lessee of its obligations thereunder, requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action in respect of, the FAA, the DOT, the SEC, any court or any other federal, state or foreign governmental authority or agency except for (t) the orders, permits, waivers, exemptions, authorizations and approvals of the regulatory authorities having jurisdiction over the operation of the Aircraft by Lessee, which orders, permits, waivers, exemptions, authorizations and approvals have been duly obtained and are in full force and effect, (u) the registration of the issuance and sale of the Pass Through Certificates to be issued pursuant to the provisions of the Pass Through Trust Agreement under the Securities Act and under the securities laws of any state

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-20275, 33-48178, 33-57327, 33-40652, and 33-40653 and Form S-3 Nos. 333-29257 and 33-59113) and in the related Prospectuses of our report dated January 23, 1998 with respect to the consolidated financial statements of Southwest Airlines Co. for the year ended December 31, 1997 included in its Annual Report on Form 10-K.

ERNST & YOUNG LLP

/s/ Ernst & Young LLP

Dallas, Texas
March 16, 1998