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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

FOR THE QUARTER ENDED AUGUST 31, 2002,

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

FOR THE TRANSITION PERIOD FROM _to _

Commission file number: 1-15829

FEDEX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

942 South Shady Grove Road

Memphis, Tennessee

(Address of principal
executive offices)

62-1721435

(I.R.S. Employer
Identification No.)

38120

(Zip Code)

(901) 818-7500

(Registrant's telephone number, including area code)

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

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

Common Stock

Common Stock, par value \$.10 per share

Outstanding Shares at September 30, 2002

298,195,388

FEDEX CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FEDEX CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS (IN MILLIONS)

ASSETS

	August 31, 2002 (Unaudited)	May 31, 2002
Current Assets:		
Cash and cash equivalents	\$ 233	\$ 331
Receivables, less allowances of \$145 and \$147	2,550	2,491
Spare parts, supplies and fuel, less allowances of \$96 and \$91	234	251
Deferred income taxes	437	469
Prepaid expenses and other	245	123
Total current assets	3,699	3,665
Property and Equipment, at Cost	18,080	17,576
Less accumulated depreciation and amortization	9,558	9,274
Net property and equipment	8,522	8,302
Other Assets:		
Goodwill	1,063	1,063
Other	719	782
Total other assets	1,782	1,845
	\$ 14,003	\$ 13,812

See accompanying Notes to Condensed Consolidated Financial Statements.

FEDEX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN MILLIONS, EXCEPT SHARE DATA)

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	August 31, 2002 (Unaudited)	May 31, 2002
Current Liabilities:		
Current portion of long-term debt	\$ 127	\$ 6
Accrued salaries and employee benefits	648	739
Accounts payable	1,089	1,133
Accrued expenses	1,188	1,064
Total current liabilities	3,052	2,942
Long-Term Debt, Less Current Portion	1,775	1,800
Deferred Income Taxes	559	599
Other Liabilities	1,960	1,926
Commitments and Contingencies		
Common Stockholders' Investment:		
Common stock, \$.10 par value; 800,000,000 shares authorized, 298,573,387 shares issued	30	30
Additional paid-in capital	1,133	1,144
Retained earnings	5,608	5,465
Accumulated other comprehensive income	(51)	(53)
Treasury stock, at cost; deferred compensation and other	(63)	(41)
Total common stockholders' investment	6,657	6,545
	\$ 14,003	\$ 13,812

See accompanying Notes to Condensed Consolidated Financial Statements.

FEDEX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

		Three Months Ended August 31,	
		2002	2001
Revenues		\$ 5,445	\$ 5,037
Operating Expenses:			
Salaries and employee benefits		2,426	2,236
Purchased transportation		518	445
Rentals and landing fees		444	432
Depreciation and amortization		339	336
Fuel		294	290
Maintenance and repairs		371	312
Other		770	751
		5,162	4,802
Operating Income		283	235
Other Income (Expense):			
	Interest, net	(31)	(37)
	Other, net	3	2
		(28)	(35)
Income Before Income Taxes		255	200
Provision for Income Taxes		97	76
Income Before Cumulative Effect of Change in Accounting Principle		158	124
Cumulative Effect of Change in Accounting for Goodwill, Net of Tax Benefit of \$10		—	(15)
Net Income		\$ 158	\$ 109
Basic earnings per common share:			
Income before cumulative effect of change in accounting principle		\$.53	\$.42
Cumulative effect of change in accounting for goodwill		—	(.05)
Basic earnings per common share		\$.53	\$.37
Diluted earnings per common share:			
Income before cumulative effect of change in accounting principle		\$.52	\$.41
Cumulative effect of change in accounting for goodwill		—	(.05)
Diluted earnings per common share		\$.52	\$.36
Dividends declared per common share		\$.05	\$ —

See accompanying Notes to Condensed Consolidated Financial Statements.

FEDEX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN MILLIONS)

	Three Months Ended August 31,	
	2002	2001
Net Cash Provided by Operating Activities	\$ 481	\$ 328
Investing Activities:		
Capital expenditures	(536)	(500)
Proceeds from dispositions	5	17
Net cash used in investing activities	(531)	(483)
Financing Activities:		
Principal payments on debt	—	(20)
Proceeds from debt issuances	—	154
Proceeds from stock issuances	8	10
Dividends paid	(15)	—
Purchase of treasury stock	(41)	—
Net cash (used in) provided by financing activities	(48)	144
Net decrease in cash and cash equivalents	(98)	(11)
Cash and cash equivalents at beginning of period	331	121
Cash and cash equivalents at end of period	\$ 233	\$ 110

See accompanying Notes to Condensed Consolidated Financial Statements.

FEDEX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) Summary of Significant Accounting Policies

These interim financial statements of FedEx Corporation ("FedEx") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information, the instructions to Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X, and should be read in conjunction with our Annual Report on Form 10-K for the year ended May 31, 2002. Accordingly, significant accounting policies and other disclosures normally provided have been omitted since such items are disclosed therein.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (including normal recurring adjustments) necessary to present fairly our consolidated financial position as of August 31, 2002 and the consolidated results of our operations and cash flows for the three-month periods ended August 31, 2002 and 2001. Operating results for the three-month period ended August 31, 2002 are not necessarily indicative of the results that may be expected for the year ending May 31, 2003.

Except as otherwise indicated, references to years mean our fiscal year ending May 31, 2003 or ended May 31 of the year referenced, and comparisons are to the corresponding period of the prior year.

Certain of our long-term debt is guaranteed by our subsidiaries. The guarantees are full and unconditional, joint and several, and any subsidiaries that are not guarantors are minor as defined by Securities and Exchange Commission ("SEC") regulations. FedEx, as the parent company issuer of this debt, has no independent assets or operations. There are no significant restrictions on our ability or the ability of any guarantor to obtain funds from its subsidiaries by such means as a dividend or loan.

The Emerging Issues Task Force ("EITF") issued EITF 01-10, "Accounting for the Impact of the Terrorist Attacks of September 11, 2001" in September 2001 to establish accounting for the impact of the terrorist attacks of September 11, 2001. Under EITF 01-10, federal assistance provided to air carriers in the form of direct compensation from the U.S. government under the Air Transportation Safety and System Stabilization Act (the "Act") should be recognized when the related losses are incurred and compensation under the Act is probable. During the second and third quarters of 2002, we recognized \$119 million of compensation under the Act. To date \$101 million of this compensation has been received. While we believe we have complied with all aspects of the Act and that it is probable we will ultimately receive the remaining \$18 million, compensation recognized is subject to audit and interpretation by the Department of Transportation ("DOT"). We cannot be assured of the ultimate outcome of such interpretations, but it is reasonably possible that a material reduction to the amount of compensation recognized by us under the Act could occur.

Effective June 1, 2002, we early adopted Statement of Financial Accounting Standards No. ("SFAS") 143, "Accounting for Asset Retirement Obligations." This statement addresses the diverse accounting practices for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The adoption of this statement did not have a material effect on our financial position or results of operations.

Effective June 1, 2002, we adopted SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 supersedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and provides a single accounting model for the disposal of long-lived assets from continuing and discontinued operations. The adoption of this statement did not have a material effect on our financial position or results of operations.

In June 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The statement changes the measurement and timing of recognition for exit costs, including restructuring charges, and is effective for any such activities initiated after December 31, 2002. It has no effect on charges recorded for exit activities begun prior to this date. The adoption of this statement is not anticipated to have a material effect on our financial position or results of operations.

Certain prior period amounts have been reclassified to conform to the current period's presentation.

(2) Goodwill and Other Intangible Assets

Effective June 1, 2001, we early adopted SFAS 142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS 142, material amounts of recorded goodwill attributable to each of our reporting units were tested for impairment by comparing the fair value of each reporting unit with its carrying value (including attributable goodwill). Based on our initial impairment tests, we recognized an adjustment of \$25 million (\$15 million or \$.05 per share, net of tax) in the first quarter of 2002 to reduce the carrying value of goodwill at a subsidiary of one of our nonreportable operating segments to its implied fair value. Under SFAS 142, the impairment adjustment recognized at adoption of the new rules was reflected as a cumulative effect of accounting change in our 2002 income statement.

The carrying amount of goodwill at August 31, 2002 and May 31, 2002 was attributable as follows: \$393 million at Federal Express Corporation ("FedEx Express"); \$595 million at FedEx Freight Corporation ("FedEx Freight"); and \$75 million at our nonreportable operating segments.

The components of our amortizing intangible assets follow (in millions):

	August 31, 2002		May 31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Contract based	\$ 73	\$ (33)	\$ 73	\$ (32)
Technology based and Other	64	(30)	64	(28)
Total	\$ 137	\$ (63)	\$ 137	\$ (60)

Amortization expense for intangible assets during the first quarter of 2003 was \$3 million. Estimated amortization expense is \$10 million for the remainder of 2003, \$9 million for 2004 and \$8 million for each of the four succeeding fiscal years.

(3) Comprehensive Income

The following table provides a reconciliation of net income reported in our consolidated financial statements to comprehensive income (in millions):

	Three Months Ended August 31,	
	2002	2001
Net income	\$ 158	\$ 109
Other comprehensive income:		
Foreign currency translation adjustments, net of deferred taxes of \$1 and \$2	2	5
Reclassification of deferred jet fuel hedging charge upon adoption of SFAS 133, net of deferred tax benefit of \$6	—	(9)
Adjustment for jet fuel hedging contract charges recognized in income during period, net of deferred taxes of \$2	—	3
Comprehensive income	\$ 160	\$ 108

(4)Financing Arrangements

From time to time, we finance certain operating and investing activities through the issuance of commercial paper. Our commercial paper program is backed by unused commitments under two revolving credit agreements totaling \$1billion and reduces the amount available under these agreements. The revolving credit agreements comprise two parts. The first part provides for \$750million through September28, 2006. The second part is a 364-day facility providing for \$250million through September26, 2003, which was amended and restated on September27, 2002 to, among other things, extend the term to September26, 2003. At August31, 2002, no commercial paper was outstanding and the entire \$1billion under the revolving credit agreements was available for futureborrowings.

On June19, 2002, the Memphis-Shelby County Airport Authority (the "Authority") issued \$96million of its Special Facilities Revenue Refunding Bonds, Series2002 ("Series2002 Bonds") at par, bearing interest annually at 5.05% and maturing on September1, 2012. The Series2002 Bonds were issued to provide funds to refinance bonds issued to finance the acquisition and construction of various facilities and equipment at the Memphis International Airport. Lease agreements with the Authority covering the facilities and equipment financed with bond proceeds, reflected as a capital lease in long-term debt on our August31, 2002 balance sheet, obligate FedEx Express to make lease payments equal to principal and interest due on the bonds. FedEx Express has separately guaranteed repayment of the Series2002 Bonds. The proceeds from the Series2002 Bonds, along with \$6million, including accrued interest and a 2% prepayment premium, were placed in escrow and used on September1, 2002 to refund the previously issued bonds. Accordingly, the proceeds are reflected in prepaid expenses and other and the previous capital lease obligation is included in the current portion of long-term debt on the accompanying August31, 2002 balance sheet.

(5)Stock Options

We account for stock options using the intrinsic value method wherein compensation expense is recognized on stock options granted to employees only for the excess of the market price of our common stock over the option exercise price on the date of grant. All of our options are granted at amounts equal to the fair value of our stock so no compensation expense is recorded.

Some companies also recognize compensation expense for the fair value of the option right itself. We have elected not to adopt this accounting method because it requires the use of subjective valuation models which we believe are not representative of the real value of the option to either FedEx or its employees. However, we are required to disclose the pro forma effect of accounting for stock options using such a valuation method for all options granted in 1996 and thereafter. We use the Black-Scholes option pricing model to calculate the fair value of options for our pro forma disclosures. The key assumptions for this valuation method include the expected term, stock price volatility, risk-free interest rate, dividend yield, forfeiture rate and exercise price. For FedEx, many of these assumptions are judgmental and highly sensitive in the determination of pro forma compensation expense. Following is a table of the key weighted average assumptions used in the option valuation calculations for the options granted in the first quarter of 2003 and 2002 and a discussion of our methodology for developing each of the assumptions used in the valuation model.

	Three Months Ended August 31,	
	2002	2001
Expected lives	4 years	4 years
Expected volatility	34.95%	35.59%
Risk-free interest rate	4.19%	4.85%
Dividend yield	0.378%	0.000%

Expected Lives. This is the period of time over which the options granted are expected to remain outstanding. We examine actual stock option exercises to determine the expected term of the options. Based on this experience, our average expected option term is currently four years. The longer the expected term of the option, the higher the calculated fair value of the option.

Expected Volatility. Stock price volatility has a significant, direct effect on the valuation of stock options. Actual changes in the market value of our stock are used to calculate the volatility assumption. We calculate daily market value changes from the date of grant over a past period equal to the expected term of the option to determine volatility.

Risk-Free Interest Rate. This is the U.S. Treasury Strip rate posted at the date of grant having a term equal to the expected term of the option. The risk-free interest rate has a direct effect on the calculated fair value.

Dividend Yield. This is the annual rate of dividends per share over the exercise price of the option. In July 2002, we paid the first dividend in the history of the company. Therefore, the fair value of options prior to 2003 is not affected by the dividend yield. The dividend yield has an inverse effect on the fair value of the option.

Forfeiture Rate. This is the estimated percentage of shares granted that are expected to be forfeited or canceled before becoming fully vested. This percentage is derived from historical experience, and will lower compensation expense. Our forfeiture rate is approximately 8%.

During the first quarter of 2003 we made option grants of 2.9million shares at a weighted average exercise price of \$53.378 per share, primarily in connection with our principal annual stock option grant. The weighted average Black-Scholes value of these grants under the assumptions indicated above was \$17.34 per option. Pro forma net income, stock option compensation expense, and diluted earnings per common share for the first quarter of 2003 and 2002 assuming all options granted in 1996 and thereafter were valued using the Black-Scholes method were as follows (in millions, except per share amounts):

	Three Months Ended August 31,	
	2002	2001
Net income:		
As reported	\$ 158	\$ 109
Pro forma stock option compensation expense, net of tax expense of \$3 and \$2	9	8
Pro forma	\$ 149	\$ 101
Diluted earnings per common share:		
As reported	\$.52	\$.36
Pro forma stock option compensation expense	.03	.03
Pro forma	\$.49	\$.33

Total stock options outstanding at August 31, 2002 represented 6.2% of total outstanding common shares and options.

(6)Computation of Earnings Per Share

The calculation of basic and diluted earnings per common share for the three-month periods ended August 31, 2002 and 2001 was as follows (in millions, except per share amounts):

	Three Months Ended August 31,	
	2002	2001
Net income applicable to common stockholders	\$ 158	\$ 109
Weighted-average common shares outstanding	298	298
Basic earnings per common share	\$.53	\$.37
Weighted-average common shares outstanding	298	298
Common equivalent shares:		
Assumed exercise of outstanding dilutive options	15	14
Less shares repurchased from proceeds of assumed exercise of options	(11)	(10)
Weighted-average common and common equivalent shares outstanding	302	302
Diluted earnings per common share	\$.52	\$.36

(7)Business Segment Information

We are a premier global provider of transportation, e-commerce and supply chain management services, whose operations are primarily represented by FedEx Express, the world's largest express transportation company; FedEx Ground Package System, Inc. ("FedEx Ground"), North America's second largest provider of small-package ground delivery service; and FedEx Freight, the largest U.S. provider of regional less-than-truckload ("LTL") freight services. These businesses comprise our reportable operating segments. Other operating companies included in the FedEx portfolio are FedEx Custom Critical, Inc. ("FedEx Custom Critical"), a critical-shipment carrier; FedEx Trade Networks, Inc. ("FedEx Trade Networks"), a global trade services company; and FedEx Corporate Services, Inc. ("FedEx Services"), a provider of sales, marketing, supply chain management services and information technology support for our global brands.

The following table provides a reconciliation of reportable segment revenues and operating income to our consolidated financial statement totals (in millions):

	Three Months Ended August 31,	
	2002	2001
Revenue		
FedEx Express	\$ 3,934	\$ 3,738
FedEx Ground	826	623
FedEx Freight	533	511
Other	152	165
	\$ 5,445	\$ 5,037
Operating Income		
FedEx Express	\$ 128	\$ 121
FedEx Ground	101	60
FedEx Freight	48	50
Other	6	4
	\$ 283	\$ 235

(8) Commitments and Contingencies

As of August 31, 2002, our purchase commitments for the remainder of 2003 and annually thereafter for each of the next five years under various contracts were as follows (in millions):

	Aircraft	Aircraft- Related (1)	Other (2)	Total
2003 (remainder)	\$ 62	\$ 324	\$ 179	\$ 565
2004	23	280	30	333
2005	—	288	66	354
2006	19	258	11	288
2007	103	175	11	289
2008	105	77	11	193

(1) Primarily aircraft modifications, rotables, spare parts and spare engines.

(2) Primarily vehicles, facilities, computers and other equipment.

FedEx Express is committed to purchase eight DC10s, three A300s, two A310s and ten A380s to be delivered through 2012. Deposits and progress payments of \$12million have been made toward these purchases and other planned aircraft transactions.

On July 12, 2002, FedEx Express entered into an agreement with AVSA, S.A.R.L. for the purchase of ten Airbus A380-800F aircraft, a new high-capacity, long-range airplane. We expect to take delivery of three of the ten aircraft in each of the years 2009, 2010 and 2011 and the remaining one in 2012. The total commitment under the agreement approximates \$2billion. Most of the purchase price of each aircraft is due upon delivery of the aircraft. The agreement also provides for an option to purchase an additional ten aircraft.

We have guarantees, amounting to \$136million at August 31, 2002, under certain operating leases for the residual values of aircraft, vehicles and facilities at the end of the respective operating lease periods. Under these operating leases, if the fair market value of the leased asset at the end of the lease term is less than an agreed upon value as set forth in the related operating lease agreement, we will be responsible to the lessor for the amount of such deficiency. Based on our expectation that none of these leased assets will have a residual value at the end of the lease term that is less than the value

specified in the related operating lease agreement, we do not believe it to be probable that we will be required to fund any amounts under the terms of these guarantee arrangements. Accordingly, no accruals have been recognized for these guarantees.

A class action lawsuit is pending in Federal District Court in San Diego, California against FedEx Express generally alleging that customers who had late deliveries during the 1997 Teamsters strike at United Parcel Service were entitled to a full refund of shipping charges pursuant to our money-back guarantee, regardless of whether they gave timely notice of their claim. At the hearing on the plaintiffs' motion for summary judgment, the court ruled against FedEx Express. The judgment totaled approximately \$68million, including interest and fees for the plaintiffs' attorney. We have denied any liability with respect to this claim and intend to vigorously defend ourselves in this case. We have appealed the judgment to the U.S. Court of Appeals for the 9th Circuit and expect a ruling in the next 12 to 18months. No accrual has been recorded as we believe the case is without merit and it is probable we will prevail upon appeal.

The Illinois state court has granted preliminary approval to a settlement of the Illinois fuel surcharge class action matter. The lawsuit alleges that FedEx Express imposed a fuel surcharge in a manner that is not consistent with the terms and conditions of its contracts with customers. Under the terms of the proposed settlement, we will issue coupons to qualifying class members toward the purchase of future FedEx Express shipping services. The coupons will be subject to certain terms and conditions and will be redeemable for a period of one year from issuance. Although the court has granted preliminary approval of the proposed settlement, class members will have an opportunity to object. A hearing to consider any objections and to approve the proposed settlement is expected by the end of December2002. The ultimate cost to us under the proposed settlement agreement will not bematerial.

In connection with an Internal Revenue Service ("IRS") audit for the tax years 1993 and 1994, the IRS proposed adjustments characterizing routine jet engine maintenance costs as capital expenditures that must be recovered over seven years, rather than as expenses that are deducted immediately, as has been our practice. We filed an administrative protest of these adjustments and engaged in discussions with the Appeals office of the IRS. After these discussions failed to result in a settlement, in 2001 we paid \$70million in tax and interest and filed suit in Federal District Court for a complete refund of the amounts paid, plus interest. The trial in the U.S. District Court in Memphis has been set for February2003. The court has ordered the parties to hold pre-trial settlement discussions, which are currently scheduled for November4, 2002. The IRS has continued to assert its position in audits for the years 1995 through 1998 with respect to maintenance costs for jet engines and rotatable aircraft parts. Based on these audits, the total proposed deficiency for the 1995-1998 period, including tax and interest through August31, 2002, was approximately \$191million. In addition, we have continued to expense these types of maintenance costs subsequent to 1998. We believe that our practice of expensing these types of maintenance costs is correct, consistent with industry practice and with certain IRS rulings. We intend to vigorously contest the adjustments.

FedEx and its subsidiaries are subject to other legal proceedings that arise in the ordinary course of their business. In the opinion of management, the aggregate liability, if any, with respect to these other actions will not materially adversely affect our financial position, results of operations or cashflows.

(9)Supplemental Cash Flow Information

	Three Months Ended	
	August 31,	
	2002	2001
	(In millions)	
Cash payments for:		
Interest (net of capitalized interest)	\$ 54	\$ 38
Income taxes	7	36
Noncash investing and financing activities:		
Fair value of assets acquired under exchange agreements	1	8

Noncash investing activities reflect the contractual acquisition of aircraft, spare parts and other equipment in exchange for engine noise reduction kits.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
FedEx Corporation

We have reviewed the accompanying condensed consolidated balance sheet of FedEx Corporation as of August 31, 2002, and the related condensed consolidated statements of income and cash flows for the three-month periods ended August 31, 2002 and 2001. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of FedEx Corporation as of May 31, 2002, and the related consolidated statements of income, changes in stockholders' investment and comprehensive income, and cash flows for the year then ended not presented herein and in our report dated June 24, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of May 31, 2002, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Memphis, Tennessee
September 27, 2002

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

GENERAL

The following management's discussion and analysis describes the principal factors affecting the results of operations, liquidity and capital resources, as well as the critical accounting policies, of FedEx Corporation (also referred to as "FedEx"). This discussion should be read in conjunction with the accompanying financial statements and our Annual Report on Form 10-K for the year ended May 31, 2002 ("Annual Report"), which include additional information about our significant accounting policies, practices and the transactions that underlie our financial results.

FedEx is one of the largest transportation companies in the world. Our business strategy is to offer a portfolio of transportation services through our independently operated business units. These business units are primarily represented by our reportable operating segments: FedEx Express, the world's largest express transportation company; FedEx Ground, North America's second largest provider of small-package ground delivery service; and FedEx Freight, the largest U.S. provider of regional less-than-truckload freight services.

The key factors that affect our operating results are the volumes of shipments transported through our networks, as measured by our average daily volume; the mix of services purchased by our customers; the prices we obtain for our services, as measured by average price per shipment (yield); our ability to manage our cost structure for capital expenditures and operating expenses such as salaries, wages and benefits, fuel and maintenance; and our ability to match operating costs to shifting volume levels.

Except as otherwise indicated, references to years mean our fiscal year ended May 31, 2003 or ended May 31 of the year referenced and comparisons are to the corresponding period of the prior year.

RESULTS OF OPERATIONS

CONSOLIDATED RESULTS

	Three months ended August 31,		
	2002	2001	Percent
	Change		
	Dollars in millions, except per share amounts		
Revenues	\$ 5,445	\$ 5,037	+ 8
Operating income	283	235	+ 20
Income before cumulative effect of change in accounting for goodwill	158	124	+ 27
Net income	158	109	+ 45
Diluted earnings per share before cumulative effect of change in accounting for goodwill	\$ 0.52	\$ 0.41	+ 27
Diluted earnings per share	\$ 0.52	\$ 0.36	+ 44

First quarter 2003 consolidated results reflect 8% revenue growth, primarily attributable to increased volumes at FedEx Ground and increased freight volumes at FedEx Express from our transportation agreement with the U.S. Postal Service ("USPS"). FedEx Ground recorded 33% growth over the prior year in both revenues and average daily packages and FedEx Express reported a 70% increase in total average daily freight pounds. Growth in FedEx International Priority ("IP") volumes and yield also contributed to revenue growth in the quarter.

Operating income grew by 20% over the prior year despite one fewer operating day in the quarter. This growth was primarily due to increased profitability at FedEx Ground. Operating expenses were impacted by significant growth in pension and healthcare costs, higher maintenance costs due to the

timing of maintenance events on our wide-body aircraft and increases to our variable compensation programs. While insurance and security costs have increased in the wake of the terrorist attacks of September 11, 2001, thus far these increases have been manageable.

Net interest expense decreased 16% in the first quarter of 2003 due to lower debt balances during the period. Our effective tax rate for the first quarter of both 2003 and 2002 was 38%, as compared to 37.5% for all of 2002.

Net income for the first quarter of 2002 reflects the cumulative effect of an accounting change. This change resulted from adoption of new rules from the Financial Accounting Standards Board ("FASB") for the treatment of goodwill and other intangible assets. Adoption of these new rules resulted in recognition of a \$25million (\$15million net of tax or \$.05 per share) impairment charge to our recorded goodwill during the first quarter of 2002.

Airline Stabilization

During the second and third quarters of 2002, we recognized \$119million of compensation under the Air Transportation Safety and System Stabilization Act (the "Act"), of which \$101million was received as of August 31, 2002. While we believe we have complied with all aspects of the Act, and that it is probable we will ultimately receive the remaining \$18million receivable, the \$119million of compensation previously recognized is subject to audit and interpretation by the Department of Transportation. We cannot be assured of the ultimate outcome of such interpretations, but it is reasonably possible that a material reduction to the amount of compensation recognized by us under the Act could occur.

Outlook

Our outlook assumes a modest economic recovery in the second half of our fiscal year and continued growth in international volumes, particularly in Asia and Europe. We anticipate our diverse portfolio of services will continue to generate long-term growth. FedEx Ground's recently completed home delivery network and continued development and cross selling of the diverse FedEx portfolio of services, particularly to small- and medium-sized businesses, are central to our strategy.

We expect to realize sustained double-digit growth in FedEx Ground volumes through the remainder of 2003. We believe that the growth of FedEx Ground is not coming at the expense of our express services. Rather, we believe that U.S. domestic package volume declines at FedEx Express were largely the result of the economic downturn, which particularly impacted those sectors of the economy that utilize express delivery services, such as manufacturing and wholesale. Our current forecast for 2003 suggests that the market for U.S. domestic express services will grow at a rate that approximates that of the U.S. gross domestic product. Accordingly, if our expectation of economic recovery in the second half of 2003 is realized, we anticipate FedEx Express will see a return to growth in U.S. domestic package volumes.

Higher maintenance costs are anticipated during the second quarter of 2003 due to previously scheduled maintenance activities, with maintenance costs becoming comparable to the prior year during the second half of 2003. We will continue to focus on managing discretionary costs, while further improving productivity. We anticipate continued increases in our pension and health care costs over the near term. Our pension cost for all of 2003 is expected to increase over the prior year by approximately \$80million due to the effects of decreased returns on pension plan assets and a lower discount rate used to measure our pension obligations. While employee retirement costs continue to rise, our retirement programs are adequately funded.

Actual results for 2003 will depend upon a number of factors, including the timing, speed and magnitude of the economic recovery, our ability to match capacity with shifting volume levels and our

ability to effectively leverage our new service and growth initiatives. Although increased security requirements for air cargo carriers have been put in place and further measures may be forthcoming, as of yet we have no estimate of what impact any such measures may ultimately have on our results of operations or financial position. In addition, adjustments to our fuel surcharge levels lag changes in actual jet and diesel fuel prices paid. Therefore, our operating income could be materially affected should the spot price of fuel suddenly change by a significant amount.

See "Forward-Looking Statements" for a more complete discussion of potential risks and uncertainties that could materially affect our future performance.

NEW ACCOUNTING PRONOUNCEMENTS

As of June 1, 2002, we adopted Statement of Financial Accounting Standards No. ("SFAS") 143, "Accounting for Asset Retirement Obligations" and SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The application of these new accounting standards has not materially affected our financial position or results of operations.

The FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities" in June 2002. This statement will be effective for FedEx beginning in the third quarter of 2003. We do not expect the application of this new accounting standard to have a material effect on our financial position or results of operations.

See Note 1 to the accompanying financial statements for further discussion of recent accounting pronouncements.

REPORTABLE SEGMENTS

Our reportable operating segments are FedEx Express, FedEx Ground and FedEx Freight, each of which operates in a single line of business. Included within "Other" are the operations of FedEx Custom Critical, FedEx Trade Networks and FedEx Services. Management evaluates segment financial performance based on operating income. The costs for these activities are allocated based on metrics such as relative revenues and estimated services provided. These allocations materially approximate the cost of providing these functions. The line item "Intercompany charges" on the accompanying financial summaries of our reportable segments includes the allocations from FedEx Services to FedEx Express, FedEx Ground and FedEx Freight, and certain other costs such as corporate management fees.

FEDEX EXPRESS

The following table compares revenues, operating expenses and operating income (dollars in millions) and selected statistics (in thousands, except yield amounts) for the three-month periods ended August31:

	2002	2001	Percent Change
Revenues:			
Package:			
U.S. overnight box (1)	\$ 1,335	\$ 1,373	-3
U.S. overnight envelope (2)	427	465	-8
U.S. deferred	591	583	+1
Total U.S. domestic package revenue	2,353	2,421	-3
International Priority (IP)	1,030	955	+8
Total package revenue	3,383	3,376	—
Freight:			
U.S.	380	173	+120
International	92	97	-5
Total freight revenue	472	270	+75
Other	79	92	-14
Total revenues	3,934	3,738	+5
Operating expenses:			
Salaries and employee benefits	1,685	1,588	+6
Purchased transportation	143	143	—
Rentals and landing fees	380	368	+3
Depreciation and amortization	200	199	+1
Fuel	271	264	+3
Maintenance and repairs	293	246	+19
Intercompany charges, net	339	335	+1
Other	495	474	+4
Total operating expenses	3,806	3,617	+5
Operating income	\$ 128	\$ 121	+6
Package statistics:			
Average daily packages:			
U.S. overnight box	1,153	1,165	-1
U.S. overnight envelope	680	721	-6
U.S. deferred	846	814	+4
Total U.S. domestic packages	2,679	2,700	-1
IP	358	335	+7
Total packages	3,037	3,035	—
Revenue per package (yield):			
U.S. overnight box	\$ 18.08	\$ 18.12	—
U.S. overnight envelope	9.81	9.93	-1
U.S. deferred	10.93	11.03	-1
U.S. domestic composite	13.72	13.80	-1
IP	44.98	43.89	+2
Composite	17.40	17.12	+2
Freight statistics:			
Average daily pounds:			
U.S.	8,965	4,352	+106
International	2,019	2,107	-4
Total freight	10,984	6,459	+70
Revenue per pound (yield):			
U.S.	\$.66	\$.61	+8
International	.71	.71	—
Composite	.67	.64	+5

- (1)
The U.S. overnight box category includes packages exceeding 8 ounces in weight.
- (2)
The U.S. overnight envelope category includes envelopes weighing 8 ounces or less.

FedEx Express Revenues

During the first quarter of 2003, total package revenue remained stable, principally due to an increase in IP revenues, offset by decreases in U.S. domestic overnight revenues. IP revenues grew 8% on 7% volume growth, largely due to strengthening exports from Asia. Average daily volume growth was 26% in the Asian market. Europe experienced double-digit growth in average daily volumes, while Latin American and U.S. outbound shipments declined. U.S. domestic volumes at FedEx Express continue to be below levels experienced prior to the economic slowdown, which began in calendar 2001.

Package yield decreased slightly in virtually all categories, with the exception of IP, due to declines in average weight per package and fuel surcharge revenue. In 2002, we implemented a new index for determining our fuel surcharge. Using this new index, the fuel surcharge ranged between 2% and 2.5% in the first quarter of 2003, while the fuel surcharge during all of the first quarter of 2002 was 4%.

Revenue from our transportation agreement with the USPS during the first quarter of 2003 (which commenced late in the first quarter of 2002) helped soften the impact of reduced U.S. domestic package volumes at FedEx Express. Total freight revenue for the first quarter of 2003 increased significantly as we benefited from a full quarter of operations under our transportation contract with the USPS. Consequently, average daily U.S. freight pounds more than doubled and U.S. freight yields increased 8%. This service did not materially contribute to revenues and earnings during the first quarter of 2002.

On August 29, 2002, FedEx Express entered into a new addendum to the transportation agreement with the USPS, effective from the expiration of the first addendum in October 2002 through May 31, 2003. This will allow FedEx Express to continue to carry incremental pounds of mail at higher committed volumes than required under the original agreement.

FedEx Express Operating Income

While operating margins were relatively flat, operating income at FedEx Express increased 6% in the first quarter of 2003. The increase in operating income is due to increased revenues, offset by higher maintenance and repair costs and increased salaries, wages and benefits, due to base salary increases and higher pension and medical costs.

Primarily due to an increase in aircraft usage as a result of incremental domestic freight pounds transported under the USPS agreement, rentals and landing fees were higher. For this same reason, fuel costs increased, although the average price per gallon of aircraft fuel decreased 11%. However, the decline in fuel surcharge revenue exceeded the reduction in fuel prices. Partially offsetting these higher operating costs was a gain recognized from the insurance settlement on a 727-200 aircraft destroyed in an accident in July 2002 that resulted in a net \$8million favorable impact during the quarter.

FEDEX GROUND

The following table compares revenues, operating expenses and operating income (dollars in millions) and selected package statistics (in thousands, except yield amounts) for the three-month periods ended August 31:

	2002	2001	Percent Change
Revenues	\$ 826	\$ 623	+33
Operating expenses:			
Salaries and employee benefits	157	124	+27
Purchased transportation	311	240	+30
Rentals	20	16	+25
Depreciation and amortization	37	31	+19
Fuel	1	1	—
Maintenance and repairs	21	18	+17
Intercompany charges	90	59	+53
Other	88	74	+19
Total operating expenses	725	563	+29
Operating income	\$ 101	\$ 60	+68
Average daily packages	2,099	1,573	+33
Revenue per package (yield)	\$ 6.15	\$ 6.10	+1

FedEx Ground Revenues

Core business growth and increasing popularity of our home delivery service helped FedEx Ground realize strong revenue growth in the first quarter of 2003, as volumes significantly increased. The increase in average daily packages represents positive volume growth experienced in all principal markets served by FedEx Ground, including FedEx Home Delivery. This volume growth is primarily attributable to growth in those sectors of the economy that utilize ground delivery services and to the efforts of our sales force. Approximately one-fourth of the total growth in the quarter came from FedEx Home Delivery. First quarter volume growth included an estimated 140,000 to 150,000 daily packages as a result of the Teamsters' negotiations with UPS. We expect to retain a significant portion of this business.

Yield at FedEx Ground slightly increased primarily due to a general rate increase, which became effective in January 2002. This was partially offset by a decrease in fuel surcharge revenue and a decline in average weight per package. In 2002, we implemented a new dynamic fuel surcharge that is indexed to the current price of diesel fuel. Using this new index, the fuel surcharge was .75% during the first quarter of 2003 compared to 1.25% for the prior year.

FedEx Ground Operating Income

Operating income increased significantly at FedEx Ground as a result of revenue growth, outstanding productivity and stringent cost controls. Substantial improvements were realized in pick-up and delivery and linehaul productivity. Salaries, wages and benefits increased due to higher headcount to accommodate growth and higher pension costs. Operating margins improved in spite of increased intercompany charges, as FedEx Ground is absorbing a larger portion of allocated sales, marketing and customer support, and information technology costs in relation to its revenues. Pressure on yield and higher intercompany allocations are expected to constrain margins during the remainder of 2003.

FedEx Home Delivery had a loss of less than \$2million in the first quarter of 2003, which is an \$8million improvement from the loss in the prior year period. In September2002, FedEx Home Delivery completed the build-out of its national network, enabling it to reach nearly 100% of U.S. residences, with evening, weekend and day- and time-specific delivery options, all backed by a money-back guarantee. FedEx Home Delivery is expected to become profitable sometime in the fourth quarter of 2003.

FEDEX FREIGHT

The following table shows revenues, operating expenses and operating income (in millions) and selected statistics for the three-month periods ended August31:

	2002	2001	Percent Change
Revenues	\$ 533	\$ 511	+4
Operating expenses:			
Salaries and employee benefits	316	298	+6
Purchased transportation	17	15	+13
Rentals	16	16	—
Depreciation and amortization	21	20	+5
Fuel	19	21	-10
Maintenance and repairs	27	23	+17
Intercompany charges	4	2	+100
Other	65	66	-2
Total operating expenses	485	461	+5
Operating income	\$ 48	\$ 50	-4
Shipments per day (in thousands)	58	57	+2
Weight per shipment (lbs)	1,120	1,120	—
Revenue per hundredweight	\$ 12.80	\$ 12.23	+5

Revenues at FedEx Freight increased \$22million in the first quarter of 2003 due to a combination of higher yield, including the impact of the 5.9% general rate increase effective July22, 2002, and slightly higher volumes. The increase in yield was partially offset by fuel surcharge declines of approximately 20%. The FedEx Freight fuel surcharge is tied to the "Retail on Highway Diesel Fuel Price," as published by the U.S. Department of Energy, and fluctuates weekly based on changes in the index. In the first quarter of 2003, average daily shipments were slightly higher while weight per shipment was unchanged.

Operating income decreased in the first quarter of 2003, mostly due to rebranding expenses. Operating margins were slightly lower (9% in the first quarter of 2003 compared to 10% in 2002), reflecting the impact of \$6million of rebranding expenses, primarily for tractors and trailers. Salaries, wages and benefits also increased due to higher pension, healthcare and variable compensation costs.

FedEx Freight East and FedEx Freight West are being rebranded under the name "FedEx Freight." This project began in the fourth quarter of 2002 and is expected to be complete in 2005, with total rebranding costs of approximately \$40million to \$45million. The rebranding expenses will consist primarily of incremental external costs for rebranding tractors and trailers, which are being expensed as incurred. The cost of the rebranding is expected to increase FedEx Freight's operating expenses by \$5million during the second quarter of 2003 and by \$16million for all of 2003.

The bankruptcy of Consolidated Freightways Corporation in September2002 is resulting in additional regional and interregional business for FedEx Freight.

OTHER OPERATIONS

Other operations include FedEx Custom Critical, a critical-shipment carrier; FedEx Trade Networks, whose subsidiaries form a global trade services company; FedEx Services, a provider of sales, marketing, supply chain management services and IT support for FedEx Express and FedEx Ground; and certain unallocated corporate items.

Revenues from other operations were \$152million (down 8%) in the first quarter of 2003 compared to \$165million in the same period of the prior year, reflecting the termination of certain nonprofitable supply chain services contracts. This was partially offset by increased revenues at FedEx Custom Critical.

Operating income from other operations was \$6million in the first quarter of 2003 compared to \$4million in the prior year. This improvement is primarily attributable to increased earnings at FedEx Custom Critical.

FINANCIAL CONDITION

LIQUIDITY

Cash and cash equivalents totaled \$233million at August31, 2002, compared to \$331million at May31, 2002. The following table provides a summary of our cash flows for the three-month periods ended August31 (in millions):

	2002	2001
Net cash provided by operating activities	\$ 481	\$ 328
Net cash used in investing activities	(531)	(483)
Free cash flow	(50)	(155)
Cash (used in) provided by financing activities:		
Net borrowings	—	134
Repurchase of treasury stock	(41)	—
Dividends paid	(15)	—
Other financing activities	8	10
Net decrease in cash	\$ (98)	\$ (11)

The \$153million increase in cash flows from operating activities in the first quarter of 2003 reflects increased earnings, which is largely attributable to revenue growth and working capital management.

Cash Used for Capital Investments. Capital expenditures during the first quarter of 2003 were higher compared to the prior year period, primarily at FedEx Express where capital expenditures were 17% higher due to previously contracted aircraft expenditures. See "Capital Resources" below for further discussion.

Free Cash Flow. Cash provided by operations was \$50million less than cash used for investing activities during the first quarter of 2003 (creating negative free cash flow), which is attributable to the timing of our capital expenditures (see "Capital Resources" discussion below). We expect overall 2003 free cash flow to be positive based on management of capital expenditures and working capital. Positive free cash flow indicates excess funds are available to further invest in operations, reduce outstanding debt and provide return on capital to our shareholders.

Debt Financing Activities. We currently have \$1billion in revolving bank credit facilities that are generally used to finance temporary operating cash requirements and to provide support for the

issuance of commercial paper. At August 31, 2002, no commercial paper was outstanding and the entire \$1 billion under the revolving credit agreements was available for future borrowings. We had borrowings outstanding of \$154 million from our commercial paper program at August 31, 2001. See Note 4 of the accompanying financial statements, as well as "Contractual Cash Obligations" below for further discussion of these credit facilities.

Cash Used for Share Repurchases. During the first quarter of 2003, we repurchased 800,000 shares and this affected cash flows by \$41 million. A total of 5.85 million shares remain under existing share repurchase authorizations. There were no treasury share repurchases during the first quarter of 2002.

Dividends. We paid our first-ever dividend in the first quarter of 2003, in the amount of \$15 million. In addition, shareholders of record as of the close of business on September 9, 2002 were paid a \$.05 cash dividend per share of common stock on October 1, 2002. We expect to continue quarterly dividend payments, although each subsequent dividend payment is subject to review and approval by our Board of Directors.

Other Liquidity Information. We will remain focused on cost containment and capital expenditure discipline so we can achieve our goal of positive free cash flow for 2003 and the future. We believe that cash flow from operations, our commercial paper program and revolving bank credit facilities will adequately meet our working capital needs for the foreseeable future.

CAPITAL RESOURCES

Our operations are capital intensive, characterized by significant investments in aircraft, vehicles, computer hardware and software and telecommunications equipment, package-handling facilities and sort equipment. The amount and timing of capital additions depend on various factors, including preexisting contractual commitments, anticipated volume growth, domestic and international economic conditions, new or enhanced services, geographical expansion of services, competition, availability of satisfactory financing and actions of regulatory authorities.

The following table compares capital expenditures for the three-month periods ended August 31 (in millions):

	2002	2001
Aircraft and related equipment	\$ 367	\$ 221
Facilities and sort equipment	46	94
Information and technology investments	53	68
Vehicles and other equipment	70	117
Total capital expenditures	\$ 536	\$ 500

Capital expenditures during the first quarter of 2003 were 7% higher than the prior year period, primarily at FedEx Express where capital expenditures were 17% higher, due to previously contracted aircraft expenditures. In the first three months of 2003, FedEx Express took delivery of eight aircraft and spent \$367 million on aircraft and related equipment. For all of 2003, we expect capital expenditures to be approximately \$1.85 billion, or 19% higher than 2002, as we are required to take 17 total aircraft committed to in prior years. Expenditures for aircraft and related equipment were 68% of total capital expenditures during the first quarter of 2003.

Because of substantial lead times associated with the manufacture or modification of aircraft, we must generally plan our aircraft orders or modifications three to eight years in advance. Therefore, we must make projections regarding our needed airlift capacity many years before aircraft are actually needed. We will continue to manage our capital spending based on current and anticipated volume

levels, and defer or limit capital additions where economically feasible in order to maintain positive cash flow.

We finance a significant portion of our aircraft needs (and certain other equipment needs) using operating leases (a type of "off-balance sheet financing"). Certain of these operating leases were arranged using special purpose entities under terms that are considered customary in the airline industry. At the time that the decision to lease was made, we determined that these operating leases would provide economic benefits favorable to ownership with respect to market values, liquidity and after-tax cash flows.

In accordance with accounting principles generally accepted in the United States, our operating leases are not recorded in our balance sheet; however, the minimum lease payments related to these leases are disclosed in the notes to our Annual Report and in "Contractual Cash Obligations" below. Credit rating agencies routinely use the information concerning our operating leases to calculate our debt capacity. Furthermore, our debt covenants would not be adversely affected by the capitalization of some or all of our operating leases.

In the future, other forms of secured financing may be pursued to finance aircraft acquisitions if we determine that it best suits our needs. We have been successful in obtaining investment capital, both domestic and international, for long-term leases on acceptable terms, although the marketplace for such capital can become restricted depending on a variety of economic factors. We believe the capital resources available to us provide flexibility to access the most efficient markets for financing capital acquisitions, including aircraft, and are adequate for our future capital needs. For information on our purchase commitments, see Note8 of the accompanying financial statements, as well as the table below.

CONTRACTUAL CASH OBLIGATIONS

The following table sets forth a summary of our contractual cash obligations as of August31, 2002. Certain of these contractual obligations are reflected in our balance sheet, while others are disclosed as future obligations under accounting principles generally accepted in the United States.

	Payments Due by Fiscal Year (in millions)						
	2003 (1)	2004	2005	2006	2007	There- after	Total
<i>Amounts reflected in Balance Sheet:</i>							
Long-term debt (2)	\$ 6	\$ 275	\$ 6	\$ 257	\$ 226	\$ 830	\$ 1,600
Capital lease obligations	107	11	11	11	11	240	391
<i>Other cash obligations not reflected in Balance Sheet:</i>							
Operating leases	1,193	1,290	1,216	1,108	1,083	8,865	14,755
Unconditional purchase obligations (3)	565	333	354	288	289	2,354	4,183
Total	\$ 1,871	\$ 1,909	\$ 1,587	\$ 1,664	\$ 1,609	\$ 12,289	\$ 20,929

(1) Cash obligations for the remainder of 2003.

(2) See Note4 to the accompanying financial statements.

(3) See Note8 to the accompanying financial statements.

In addition, we have other commercial commitments incurred in the normal course of business to support our operations, including surety bonds and standby letters of credit. These instruments are generally required under certain self-insurance programs. While the notional amounts of these instruments are material, there are no additional contingent liabilities associated with them because the liabilities for these self-insurance programs are already reflected in our balance sheet as accrued

expenses and other long-term liabilities. We also have guarantees, amounting to \$136million at August31, 2002, under certain operating leases for the residual values of aircraft, vehicles and facilities at the end of the respective operating lease periods. See Note8 to the accompanying financial statements for additional information regarding these guarantees.

From time to time, we finance certain operating and investing activities through the issuance of commercial paper. Our commercial paper program is backed by unused commitments under two revolving credit agreements totaling \$1billion and reduces the amount available under these agreements. The revolving credit agreements comprise two parts. The first part provides for \$750million through September28, 2006. The second part is a 364-day facility providing for \$250million through September26, 2003, which was amended and restated on September27, 2002 to, among other things, extend the term to September26, 2003.

On June19, 2002, the Memphis-Shelby County Airport Authority (the "Authority") issued \$96million of its Special Facilities Revenue Refunding Bonds, Series2002 ("Series2002 Bonds") at par, bearing interest annually at 5.05% and maturing on September1, 2012. The Series2002 Bonds were issued to provide funds to refinance bonds issued to finance the acquisition and construction of various facilities and equipment at the Memphis International Airport. Lease agreements with the Authority covering the facilities and equipment financed with bond proceeds, reflected as a capital lease in long-term debt on our August31, 2002 balance sheet, obligate FedEx Express to make lease payments equal to principal and interest due on the bonds. FedEx Express has separately guaranteed repayment of the Series2002 Bonds. The proceeds from the Series2002 Bonds, along with \$6million, including accrued interest and a 2% prepayment premium, were placed in escrow and used on September1, 2002 to refund the previously issued bonds. Accordingly, the proceeds are reflected in prepaid expenses and other and the previous capital lease obligation is included in the current portion of long-term debt on the accompanying August31, 2002 balance sheet.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Information regarding our "Critical Accounting Policies and Estimates" can be found in our Annual Report. The four critical accounting policies that we believe are either the most judgmental, or involve the selection or application of alternative accounting policies, and are material to our financial statements are those relating to revenue recognition, pension cost, self-insurance accruals and long-lived assets. In addition, Note1 to our Annual Report contains a summary of our significant accounting policies.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large, global corporation. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information.

FORWARD-LOOKING STATEMENTS

Certain statements in this Report, including those contained in "Outlook," "Liquidity" and "Capital Resources," are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, plans, objectives, future performance and business of FedEx. Forward-looking statements include those preceded by, followed by or that include the words "believes," "expects," "anticipates," "estimates" or similar expressions. These forward-looking statements involve risks and uncertainties. Actual results

may differ materially from those contemplated by such forward-looking statements, because of, among other things, potential risks and uncertainties, such as:

- significant changes in the volumes of shipments transported through our networks, the mix of services purchased by our customers or the prices we obtain for our services;
- our ability to manage our cost structure for capital expenditures and operating expenses and match them, especially those relating to aircraft, vehicle and sort capacity, to shifting customer volume levels;
- the impact of the events of September 11, 2001, or any subsequent terrorist activities, on the United States and global economies in general, or the transportation industry in particular, and what effects these events will have on our costs or the demand for our services;
- economic conditions in the markets in which we operate, including the timing, speed and magnitude of the economy's recovery from the downturn that began in calendar 2001 in the sectors that drive demand for our services;
- market acceptance of our new service and growth initiatives, including our residential home delivery service;
- sudden changes in fuel prices;
- the timing and amount of any money we are entitled to receive under the Air Transportation Safety and System Stabilization Act;
- competition from other providers of transportation and logistics services;
- our ability to compete with new or improved services offered by our competitors;
- changes in customer demand patterns;
- our ability to obtain and maintain aviation rights in important international markets;
- changes in government regulation, weather and technology;
- availability of financing on terms acceptable to us; and
- other risks and uncertainties you can find in our press releases and SEC filings.

As a result of these and other factors, no assurance can be given as to our future results and achievements. Accordingly, a forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this Report. We are under no obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of August 31, 2002, there had been no material changes in our market risk sensitive instruments and positions since the disclosure in our Annual Report. While we are a global provider of transportation services, the substantial majority of our transactions are denominated in U.S. dollars. The distribution of our foreign currency denominated transactions is such that currency declines in some areas of the world are often offset by foreign currency gains of equal magnitude in other areas of the world. The principal foreign currency exchange rate risks to which we are exposed are in the euro, British pound sterling, Canadian dollar and Japanese yen. Foreign currency fluctuations during the first quarter of 2003 did not have a material effect on our results of operations for the period.

Item 4.Controls and Procedures

We maintain a rigorous set of disclosure controls and procedures and internal controls designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our principal executive and financial officers have evaluated our disclosure controls and procedures within 90days prior to the filing of this Quarterly Report on Form10-Q and have determined that such disclosure controls and procedures are effective.

Subsequent to our evaluation, there were no significant changes in internal controls or other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

At the 2002 annual meeting of stockholders held on September 30, 2002, FedEx's stockholders elected three class I directors to serve for a three-year term expiring at the 2005 annual meeting. The tabulation of votes with respect to each nominee for office was as follows:

Nominee	For	Withheld
James L. Barksdale	262,590,116	4,529,078
Paul S. Walsh	263,525,218	3,594,684
Peter S. Willmott	259,421,101	7,698,801

The stockholders approved the adoption of FedEx's 2002 Stock Incentive Plan by a vote of 255,842,915 for and 9,602,286 against. There were 1,674,701 abstentions. Under the 2002 Stock Incentive Plan, options for up to 4,400,000 shares of common stock may be issued to key employees of FedEx and its subsidiaries.

The Board of Directors' designation of Ernst & Young LLP as independent auditors for the fiscal year ending May 31, 2003 was ratified by the stockholders by a vote of 259,981,798 for and 5,797,016 against. There were 1,341,088 abstentions.

A stockholder proposal requesting that the FedEx Board of Directors adopt a policy that FedEx should not retain its independent auditors to provide non-audit services was not properly presented at the annual meeting. Therefore, no vote was taken on this proposal.

Item 5. Other Information

During the fiscal quarter ended August 31, 2002, the Audit Committee of the Board of Directors of FedEx approved certain non-audit services to be performed by Ernst & Young LLP, FedEx's independent auditors. These engagements are for tax-related compliance and advisory services and annual audits of benefit plans. These services have an aggregate estimated cost of \$762,000.

Item 6. Exhibits and Reports on Form8-K

(a) Exhibits.

Exhibit Number	Description of Exhibit
10.1	Airbus A380-800F Purchase Agreement dated as of July12, 2002 between AVSA, S.A.R.L. and FedEx Express and related agreements, including letter agreements 1through 21. Confidential treatment has been requested for confidential commercial and financial information, pursuant to Rule24b-2 under the Securities Exchange Act of 1934, as amended.
10.2	First Amendment to Addendum dated April3, 2002, Second Amendment to Addendum dated April26, 2002 and Second Addendum dated August29, 2002, each amending the Transportation Agreement dated January10, 2001 between The United States Postal Service and FedEx Express. Confidential treatment has been requested for confidential commercial and financial information, pursuant to Rule24b-2 under the Securities Exchange Act of 1934, as amended.
10.3	Seventh Special Facility Supplemental Lease Agreement dated as of June1, 2002 between the Memphis-Shelby County Airport Authority and FedEx Express.
10.4	First Amendment dated as of September27, 2002 to Five-Year Credit Agreement dated as of September28, 2001 among FedEx, JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), individually and as administrative agent, and certain lenders.
10.5	Amended and Restated 364-Day Credit Agreement dated as of September27, 2002 among FedEx, JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), individually and as administrative agent, and certain lenders.
12.1	Computation of Ratio of Earnings to Fixed Charges.
15.1	Letter re: Unaudited Interim Financial Statements.
99.1	Certification of Principal Executive Officer Pursuant to 18U.S.C. Section1350, as Adopted Pursuant to Section906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of Principal Financial Officer Pursuant to 18U.S.C. Section1350, as Adopted Pursuant to Section906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form8-K.

During the quarter ended August31, 2002, FedEx Corporation filed two Current Reports on Form8-K. The June25, 2002 report disclosed FedEx's earnings per share estimate for fiscal year 2003. The July31, 2002 report contained sworn statements (along with accompanying cover letter to the Securities and Exchange Commission (the "Commission")) of FrederickW. Smith and AlanB. Graf,Jr., the principal executive officer and principal financial officer, respectively, of FedEx, as filed on July22, 2002 with the Commission pursuant to Section21(a)(1) of the Securities Exchange Act of 1934.

SIGNATURE

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.

Date: October 11, 2002

FEDEX CORPORATION
/s/ JAMES S. HUDSON JAMES S. HUDSON
CORPORATE VICE PRESIDENT
STRATEGIC FINANCIAL PLANNING & CONTROL
(PRINCIPAL ACCOUNTING OFFICER)

CERTIFICATION

I, Frederick W. Smith, Chairman, President and Chief Executive Officer of FedEx Corporation ("registrant"), certify that:

1.
I have reviewed this quarterly report on Form10-Q of the registrant;
2.
Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3.
Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4.
The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-14 and 15d-14) for the registrant and we have:
 - a)
designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b)
evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c)
presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5.
The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a)
all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b)
any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6.
The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date:October11, 2002
/s/ FREDERICK W. SMITH Frederick
W. Smith
Chairman, President and
Chief Executive Officer

CERTIFICATION

I, Alan B. Graf, Jr., Executive Vice President and Chief Financial Officer of FedEx Corporation ("registrant") certify that:

1.
I have reviewed this quarterly report on Form10-Q of the registrant;
2.
Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3.
Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4.
The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-14 and 15d-14) for the registrant and we have:
 - a)
designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b)
evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c)
presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5.
The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a)
all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b)
any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6.
The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date:October11, 2002

/s/ ALAN B. GRAF, JR. Alan B. Graf, Jr.

Executive Vice President and

Chief Financial Officer

EXHIBIT INDEX

Exhibit	Description of Exhibit
Number	
10.1	Airbus A380-800F Purchase Agreement dated as of July 12, 2002 between AVSA, S.A.R.L. and FedEx Express and related agreements, including letter agreements 1 through 21. Confidential treatment has been requested for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.
10.2	First Amendment to Addendum dated April 3, 2002, Second Amendment to Addendum dated April 26, 2002 and Second Addendum dated August 29, 2002, each amending the Transportation Agreement dated January 10, 2001 between The United States Postal Service and FedEx Express. Confidential treatment has been requested for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.
10.3	Seventh Special Facility Supplemental Lease Agreement dated as of June 1, 2002 between the Memphis-Shelby County Airport Authority and FedEx Express.
10.4	First Amendment dated as of September 27, 2002 to Five-Year Credit Agreement dated as of September 28, 2001 among FedEx, JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), individually and as administrative agent, and certain lenders.
10.5	Amended and Restated 364-Day Credit Agreement dated as of September 27, 2002 among FedEx, JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), individually and as administrative agent, and certain lenders.
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EXHIBIT 10.1

AIRBUS A380-800F PURCHASE AGREEMENT

Dated as of July 12, 2002

between

AVSA, S.A.R.L.,
THE SELLER

and

**FEDERAL EXPRESS CORPORATION,
THE BUYER**

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* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LETTER
AGREEMENTS
NO.

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* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

PURCHASE AGREEMENT

This agreement is made this 12th day of July 2002

between

AVSA, a SOCIETE A RESPONSABILITE LIMITEE organized and existing under the laws of the Republic of France, having its registered office located at

2, rond-point Maurice Bellonte
31700 BLAGNAC
FRANCE

(hereinafter referred to as the "Seller")

and

FEDERAL EXPRESS CORPORATION a corporation organized and existing under the laws of the State of Delaware, United States of America, having its principal corporate offices located at

3610 Hacks Cross Road
Memphis, TN 38125

(hereinafter referred to as the "Buyer")

WHEREAS, the Buyer wishes to purchase and the Seller is willing to sell Airbus A380-800F model aircraft, on the terms and conditions herein provided; and

WHEREAS, the Seller is a sales subsidiary of Airbus, G.I.E., and will purchase the aircraft from Airbus, G.I.E., for resale to the Buyer,

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

DEFINITIONS

expressly For all purposes of this agreement, except as otherwise provided or unless the context otherwise requires, the following terms will have the following meanings:

AFFILIATE - with respect to any person or entity, any other person or entity directly or indirectly controlling, controlled by or under common control with such person or entity, not including any of the Associated Contractors.

AGREEMENT - this Airbus A380-800F purchase agreement, including all exhibits and appendixes attached hereto, as the same may be amended or modified and in effect from time to time.

AIRCRAFT - any or all of the Firm Aircraft and any or all of the Option Aircraft that have been converted to a firm order.

AIRFRAME - any Aircraft, including its Systems and Components, but excluding the Propulsion Systems therefor.

ANACS - Airbus North America Customer Services, Inc., a corporation organized and existing under the laws of Delaware, having its registered office located at 198 Van Buren Street, Suite 300, Herndon, VA 20170, or any successor thereto.

to ASSOCIATED CONTRACTORS - collectively, the members and, for certain purposes, subcontractors of the Manufacturer from time time, which members presently are:

- (1) Airbus France S.A.S., whose principal office is at
316, route de Bayonne
31060 Toulouse
France

or any successor thereto

- (2) Airbus UK Ltd , whose principal office is at
Warwick House
PO Box 87
Farnborough Aerospace Centre
Farnborough
Hants GU14 6YU
England

or any successor thereto

- (3) Airbus Espana S.L., whose principal office is at
404 Avenida de Aragon
28022 Madrid
Spain

or any successor thereto

(4) Airbus Deutschland GmbH, whose principal office is at Kreetzlag 10 Postfach 95 01 09 21111 Hamburg Germany

or any successor thereto

ATA SPECIFICATION 100 - the specification issued by the Air Transport Association of America relating to manufacturers' technical data.

ATA SPECIFICATION 101 - the specification issued by the Air Transport Association of America relating to ground equipment technical data.

ATA SPECIFICATION 102 - the specification issued by the Air Transport Association of America relating to software programs.

ATA SPECIFICATION 200 - the specification issued by the Air Transport Association of America relating to integrated data processing.

ATA SPECIFICATION 300 - the specification issued by the Air Transport Association of America relating to the packaging of spare parts shipments.

ATA SPECIFICATION 2000 - the specification issued by the Air Transport Association of America relating to an industry-wide communication system linking suppliers and users for the purposes of spares provisioning, purchasing, order administration, invoicing and information or data exchange.

ATA SPECIFICATION 2100 - the specification issued by the Air Transport Association of America relating to the standards for the presentation of technical information prepared as digital media (magnetic tape or CD ROM).

AVIATION AUTHORITY - when used with respect to any jurisdiction, the government entity that, under the laws of such jurisdiction, has control over civil aviation or the registration, airworthiness or operation of civil aircraft in such jurisdiction.

BALANCE OF THE FINAL CONTRACT PRICE - means the amount payable by the Buyer to the Seller on the Delivery Date for an Aircraft after deducting from the Final Contract Price for such Aircraft the amount of all Predelivery Payments received by the Seller from the Buyer in respect of such Aircraft on or before the Delivery Date.

BASE PRICE - for any Aircraft, Airframe or Propulsion Systems, as more completely defined in Sub-clause 3.1 of this Agreement.

BUYER FURNISHED EQUIPMENT (BFE) - for any Aircraft, all the items of equipment that will be furnished by the Buyer and installed in the Aircraft by the Seller, as defined in the Specification.

CERTIFICATE OF AIRWORTHINESS FOR EXPORT - an export certificate of airworthiness issued by the Aviation Authority of the Delivery Location.

CUSTOMER ORIGINATED CHANGES (COC) - Buyer-originated data that are introduced into Technical Data, as more completely set forth in Condition 4.1 of Letter Agreement No. 4 to this Agreement.

[*]

DELIVERY - the transfer of title to the Aircraft from the Seller to the Buyer, in accordance with Clause 9.

DELIVERY CONDITIONS - the economic conditions prevailing at a given month and year used to determine a price, cost or amount. The economic factors used to determine such conditions are described in the price revision formulae used in this Agreement.

DELIVERY DATE - the date on which Delivery will occur.

DELIVERY LOCATION - the facilities of the Seller at the location of final assembly of the Aircraft, which is at Airbus France S.A.S.'s works in Toulouse, France, for the A380-800F model aircraft.

DEVELOPMENT CHANGES - as defined in Sub-clause 2.1.3 of this Agreement.

DGAC - the Direction Generale de l'Aviation Civile of France, or any successor thereto.

EXCUSABLE DELAY - delay in Delivery or failure to deliver an Aircraft due to causes specified in Sub-clause 10.1 of this Agreement.

FAA - the U.S. Federal Aviation Administration, or any successor thereto.

FINAL CONTRACT PRICE - as defined in Sub-clause 3.2 of this Agreement.

FIRM AIRCRAFT - any or all of the ten (10) firm A380-800F Aircraft for which the Delivery Schedule is set forth in Sub-clause 9.1.1 hereof to be sold by the Seller and purchased by the Buyer pursuant to this Agreement, together with all components, equipment, parts and accessories installed in or on such aircraft and the Propulsion Systems installed thereon upon Delivery.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

FREE CARRIER (FCA) - defined in the January 2000 edition of Publication No. 560, published by the International Chamber of Commerce.

IN-HOUSE WARRANTY - as referred to in Sub-clause 12.1.7 of this Agreement.

IN-HOUSE WARRANTY LABOR RATE - as defined in Sub-clause 12.1.7(v) of this Agreement.

INITIAL PAYMENT - each of the amounts described in Sub-clause 5.3 of this Agreement.

INTERFACE PROBLEM - as defined in Sub-clause 12.4.1 of this Agreement.

JAA - Joint Aviation Authorities or any successor thereto.

LIBOR - the London Interbank Offered Rate for each stated interest period, the rate determined on the basis of the offered rates for deposits in US dollars, which appear on the Reuters Screen LIBO Page as of 11:00 a.m., London time, on the day that is two (2) days (other than a Saturday, Sunday or a day that is a legal holiday or a day on which banking institutions are authorized to close in the City of New York, New York, London, England, or Paris, France) before the first day of an interest period. If at least two (2) such offered rates appear on the Reuters Screen LIBO Page, the rate for that interest period will be the arithmetic mean of such offered rates rounded to the nearest basis point (0.5 rounds to 1). If only one (1) offered rate appears, the rate for that interest period will be "LIBOR" as quoted by National Westminster Bank, plc. "Reuters Screen LIBO Page" means the display designated as page "LIBO" on the Reuters Monitor Money Rates Service (or any successor to such page or service).

MANUFACTURER - Airbus, a "GROUPEMENT D'INTERET ECONOMIQUE" established under "ORDONNANCE" No. 67-821 dated September 23, 1967, of the Republic of France.

OPTION AIRCRAFT - any or all of the ten (10) Aircraft on option order for which the Delivery Schedule is set forth herein, which may be sold by the Seller and purchased by the Buyer pursuant to this Agreement, together with all components, equipment, parts and accessories installed in or on such Aircraft and the Propulsion Systems installed thereon upon delivery.

PREDELIVERY PAYMENT - any of the payments made in accordance with Sub-clause 5.2.3 or 5.2.4 of this Agreement.

PREDELIVERY PAYMENT REFERENCE PRICE - as defined in Sub-clause 5.2.2 of this Agreement.

PROPULSION SYSTEMS - either (i) the four (4) GE-P&W Engine Alliance GP 7277 powerplants installed on an Aircraft at Delivery, each composed of the powerplant (as such term is defined in Chapters 70-80 of ATA Specification 100 (Revision 21), but limited to the equipment, components, parts and accessories included in the powerplant, as so defined) that have been sold to the Manufacturer by the GE-P&W Engine Alliance, or (ii) the four

(4) Rolls-Royce Trent 977 powerplants installed on an Aircraft at Delivery, each composed of the powerplant (as such term is defined in Chapters 70-80 of

ATA Specification 100 (Revision 21), but limited to the equipment, components, parts and accessories included in the powerplant, as so defined) that have been sold to the Manufacturer by Rolls-Royce, as appropriate.

PROPULSION SYSTEMS PRICE REVISION FORMULA - either (i) the GE-P&W Engine Alliance Propulsion Systems price revision formula set forth in Exhibit H hereto, or (ii) the Rolls-Royce Propulsions Systems price revision formula set forth in Exhibit H hereto, as appropriate.

READY FOR DELIVERY - [*]

REFERENCE PRICE - as set forth in Sub-clause 3.1.3 of the Agreement.

SCHEDULED DELIVERY MONTH - as defined in Sub-clause 9.1.1 of the Agreement.

SELLER PRICE REVISION FORMULA - the Aircraft and Airframe price revision formula set forth in Exhibit G hereto.

SERVICE LIFE POLICY - as referred to in Sub-clause 12.2 of this Agreement.

SPECIFICATION - the Buyer's Customized Aircraft Specification.

SPECIFICATION CHANGE NOTICE (SCN) - an agreement in writing between the Seller and the Buyer amending the Standard Specification pursuant to Clause 2.

STANDARD SPECIFICATION - the A380-800F Standard Specification Document Number L.000.0F000, Issue 3, published on January 30, 2002 annexed as Exhibit A hereto, which includes an MTOW of [*], an MLW of [*], an MZFW of [*], and [*].

SUPPLIER - any supplier of Supplier Parts.

SUPPLIER PART - any component, equipment, accessory or part installed in an Aircraft at the time of Delivery thereof, not including the Propulsion Systems or Buyer Furnished Equipment, for which there exists a Supplier Product Support Agreement.

SUPPLIER PRODUCT SUPPORT AGREEMENT - an agreement between the Seller and a Supplier containing enforceable and transferable warranties (and in the case of landing gear suppliers, service life policies for selected structural landing gear elements).

TERMINATION EVENT - as defined in Sub-clause 21.1 of this Agreement.

TRAINING CONFERENCE - as defined in Sub-clause 16.4.1 of this Agreement.

WARRANTED PART - as defined in Sub-clause 12.1.1 of this Agreement.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

WARRANTY CLAIM - as defined in Sub-clause 12.1.6(v) of this Agreement.

WORKING DAY - with respect to any action to be taken hereunder, a day other than a Saturday, Sunday or other day designated as a holiday in the jurisdiction in which such action is required to be taken.

The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement, and not a particular Clause thereof. The definition of a singular in this Clause will apply to plurals of the same words.

Technical and trade terms not otherwise defined herein will have the meanings assigned to them as generally accepted in the aircraft manufacturing industry.

SALE AND PURCHASE

The Seller will cause to be manufactured and will sell and deliver, and the Buyer will buy and take Delivery of, the Aircraft at the Delivery Location, subject to the terms and conditions in this Agreement.

2 SPECIFICATION

2.1 SPECIFICATION DOCUMENTS

2.1.1 The Aircraft will be manufactured in accordance with the
Standard Specification as may be amended by any Letter Agreement.

2.1.2 SPECIFICATION CHANGE NOTICE

The Standard Specification may be further amended by written agreement between the parties in an SCN. Each SCN will be substantially in the form set out in Exhibit B hereto and will set out in detail the particular change to be made to the Specification and the effect, if any, of such change on design, performance, weight, time of Delivery of the Aircraft and text of the Specification. An SCN may result in an adjustment of the Base Price of the Aircraft, which adjustment if any, will be specified in the SCN.

2.1.3 DEVELOPMENT CHANGES

The Specification may also be amended by the Seller without the Buyer's consent when changes to be incorporated in the Specification are deemed necessary or useful to correct defects, improve the Aircraft or its process of manufacture, prevent delay or ensure compliance with this Agreement and which do not increase the price, adversely affect the Delivery, overall dimensions, customized configuration, guaranteed weight, loadability, maintainability or performance of the Aircraft, or adversely change the interchangeability or replaceability requirements under the Specification or the Specification itself (hereinafter called "Development Changes"). The Seller will notify the Buyer of material Development Changes prior to incorporation (if reasonably practicable). It is understood, however, that the Buyer will have no right to prevent incorporation of any Development Change by the Manufacturer.

Such Development Changes will be introduced into the Standard Specification by means of revisions to the Standard Specification. In any other case, the Seller shall submit to the Buyer a Manufacturer Specification Change Notice ("MSCN") for the

Buyer's approval. Such individual MSCNs [*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

2.1.4 REQUEST FOR CHANGE

In the event that the Buyer files an "RFC" (Request for Change) with the Seller and the RFC [*] In the event that the Buyer requests the Seller in writing to incorporate a proposed change (excluding Development Changes) in an Aircraft and the Seller agrees to such request [*]

2.2 CUSTOMIZATION MILESTONES CHART

The Seller has provided the Buyer with a Customization Milestone Chart which is attached hereto as Appendix 2 to Exhibit A for, information only, and may be revised from time to time. The Customization Milestones Chart states the lead times before Delivery needed for agreeing on items requested by the Buyer from the Specification Changes Catalogs made available by the Seller.

2.3 PROPULSION SYSTEMS

The Airframe shall be equipped with one (1) set of Propulsion Systems.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

3 PRICE

3.1 BASE PRICE OF THE AIRCRAFT

- 3.1.1 The Base Price of each Aircraft is the sum of:
- (i) the Base Price of the Airframe of the Aircraft, and
 - (ii) the Base Price of the Propulsion Systems for the Aircraft as set forth in Sub-clause 3.1.3.1 or Sub-clause 3.1.3.2, as appropriate.

3.1.2 BASE PRICE OF THE AIRFRAME

The Base Price of the Airframe of the Aircraft is the sum of the Base Prices set forth below in (i) and (ii):

- (i) the Base Price of the Standard Airframe as defined in the Standard Specification (excluding Buyer Furnished Equipment, Propulsion Systems and SCNs), which, at Delivery Conditions prevailing in January 2000, is:
[*]
- by (ii) the Base Price of the SCNs covering options selected
the Buyer and included in Appendix 1 to Exhibit A at the date of execution of this Agreement, which, at Delivery Conditions prevailing in January 2000, is:
[*]

3.1.3 BASE PRICE OF THE PROPULSION SYSTEMS

- 3.1.3.1 The Base Price of the GE-P&W Engine Alliance GP 7277 Propulsion Systems, at Delivery Conditions prevailing in January 2000, is:
[*]

Reference Said Base Price has been calculated from the reference price indicated by GE-P&W Engine Alliance of [*] in accordance with Delivery Conditions prevailing in January 2001 (the "EA Price").

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

3.1.3.2 The Base Price of the Rolls-Royce Trent 977 Propulsion Systems, at Delivery Conditions prevailing in January 2000, is [*]

[*]

Said Base Price has been calculated from the reference price indicated by Rolls Royce Trent 977 of [*] in

accordance with Delivery Conditions prevailing in
January 2000 (the "R-R Reference Price").

3.2 FINAL CONTRACT PRICE

The Final Contract Price of the Aircraft will be the sum of:

such (i) the Base Price of the Airframe constituting a part of
such Aircraft, as adjusted to the Delivery Date of
Aircraft in accordance with the Seller Price Revision
Formula;

(ii) the price of any SCNs for the Aircraft entered into
after the date of execution of this Agreement, as
adjusted to the Delivery Date in accordance with the
Seller Price Revision Formula;

(iii) the EA Reference Price of the installed Propulsion
Systems constituting a part of such Aircraft, as
adjusted to the Delivery Date in accordance with the
Propulsion Systems Price Revision Formula;

or

the R-R Reference Price of the of the installed
Propulsion Systems constituting a part of such
Aircraft, as adjusted to the Delivery Date in
accordance with the Propulsion Systems Price Revision
Formula, as applicable; and

of (iv) any other amount resulting from any other provisions
this Agreement and/or any other written agreement
between the Buyer and the Seller relating to the
Aircraft.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

4 PRICE REVISION

4.1 SELLER PRICE REVISION FORMULA

The Base Price of the Airframe and SCNs are subject to revision up to and including the Delivery Date of the applicable Aircraft, in accordance with the Seller Price Revision Formula.

4.2 PROPULSION SYSTEMS PRICE REVISION

The Reference Price of the Propulsion Systems in Sub-clause 3.1.3.1 or 3.1.3.2 will be revised to the Delivery Date of the Aircraft on which the Propulsion Systems are installed, in accordance with the appropriate Propulsion Systems Price Revision Formula.

4.3 MODIFICATION OF PROPULSION SYSTEMS REFERENCE PRICE AND
PROPULSION SYSTEMS PRICE REVISION FORMULA

The Propulsion Systems Reference Price, the prices of the related equipment and the Propulsion Systems Price Revision Formula are based on information received from the Propulsions Systems manufacturer and are subject to amendment by the Propulsion Systems manufacturer at any time prior to the Delivery Date. If the Propulsion Systems manufacturer makes any such amendment, the amendment shall be automatically incorporated into this Agreement, and the Propulsion Systems Reference Price, the prices of the related equipment and the Propulsion Systems Price Revision Formula will be adjusted accordingly. In particular, changes may reflect evolution in the Propulsion Systems characteristics and/or finalization of an agreement thereupon between the Seller and/or the Manufacturer and the Propulsion Systems manufacturer. The Seller agrees to notify the Buyer as soon as it receives notice of any such amendment from the Propulsion Systems manufacturer.

5 PAYMENT TERMS

5.1 The Buyer will pay the Predelivery Payments, the Balance of the Final Contract Price and any other amount due hereunder in immediately available funds in United States dollars to Credit Lyonnais, [*] for transfer by Credit Lyonnais to the Seller's account with Credit Lyonnais at 1, Esplanade Compans

Caffarelli,
31000 Toulouse, France, or to such other account as may be designated by the Seller.

5.2 PREDELIVERY PAYMENTS

5.2.1 Predelivery Payments are [*] and will be paid by the Buyer to the Seller for each Aircraft. [*] Predelivery Payment Reference Price of the Aircraft defined below in Sub-clause 5.2.2.

5.2.2 The Buyer will pay Predelivery Payments to the Seller calculated on the Predelivery Payment Reference Price of each Aircraft. The Predelivery Payment Reference Price is defined as:

$$A = Pb (1 + 0.04N)$$

where

A = the Predelivery Payment Reference Price for Aircraft
to be delivered in calendar year T.

Pb = the Base Price of the Aircraft as defined in Clause 3 above.

$N = (T - 2000)$.

T = the year of Delivery of the relevant Aircraft.

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5.2.3 Predelivery Payments will be paid according to the following schedule.

[*]

5.2.4 SCN PREDELIVERY PAYMENTS

The Seller will be entitled to request Predelivery Payments for each SCN executed after signature of this Agreement.

(i) For each SCN executed before the first day of the [*] month before the Scheduled Delivery Month, this

Predelivery Payment [*].

(ii) For each SCN executed after the first day of the [*] month before the Scheduled Delivery Month, this Predelivery Payment will amount to [*] of the SCN

price. These payments will be paid on the first day of the month following signature of the SCN.

5.3 INITIAL PAYMENT

The Seller acknowledges that it has already received from the

Buyer the sum of [*], which represents an initial payment of [*] for each Firm Aircraft and of [*] for each Option Aircraft. The Initial Payment paid with respect to each particular Aircraft will be credited [*] against the first Predelivery Payment for such Aircraft.

5.4 PAYMENT OF THE BALANCE OF THE FINAL CONTRACT PRICE

Concurrently with the Delivery of each Aircraft, the Buyer will pay to the Seller the Balance of the Final Contract Price for such Aircraft. The Seller's receipt of the full amount of all Predelivery Payments and of the Balance of the Final

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Contract Price, including any amounts due under Sub-clause 5.6, will be a condition precedent to the Seller's obligation to deliver such Aircraft.

5.5 PAYMENT OF OTHER AMOUNTS

5.5.1 Unless otherwise expressly provided for herein, any payments due hereunder or in respect of an Aircraft in addition to those referred to in Sub-clauses 5.2 and 5.4 above will be paid by the Buyer concurrently with the Delivery of the corresponding Aircraft or, if the Seller elects to invoice such amounts after Delivery of such Aircraft, within one (1) month after the invoice date.

5.5.2 Notwithstanding any other rights the Seller may have at contract or at law, the Buyer and the Seller hereby agree that should any amount (whether under this Agreement or under any other agreement between the Buyer and the Seller and whether at the stated maturity of such amount, by acceleration or otherwise) become due and payable by the Buyer or its Affiliates, and not be paid in full in immediately available funds on the date due, then the Seller will have the right to debit and apply, in whole or in part, the unused amount of any credit made available by the Seller to the Buyer against such unpaid amount. The Seller will promptly notify the Buyer in writing after such debiting and application.

5.6 OVERDUE PAYMENTS

5.6.1 If any payment due the Seller is not received by the Seller on the date or dates agreed on between the Buyer and the Seller, the Seller will have the right to claim from the Buyer and the Buyer will promptly pay to the Seller, on receipt of such claim, interest at the rate of one and one-half percent (1.5%) per month on the amount of such overdue payment, to be calculated from and including the due date of such payment to (but excluding) the date such payment is received by the Seller. The Seller's right to receive such interest will be in addition to any other rights of the Seller hereunder or at law.

5.7 PROPRIETARY INTEREST

Notwithstanding any provision of law to the contrary, the Buyer will not, by virtue of anything contained in this Agreement (including, without limitation, any Predelivery Payments hereunder or any designation or identification by the Seller of a particular Aircraft as an Aircraft to which any of the provisions of this Agreement refers) acquire any proprietary, insurable or other interest whatsoever in any Aircraft before Delivery of and payment for such Aircraft, as provided in this Agreement.

5.8 PAYMENT IN FULL

Except as otherwise provided in this Agreement, the Buyer's obligation to make payments to the Seller hereunder will not be affected by and will be determined

without regard to any setoff, counterclaim, recoupment, defense or other right that the Buyer may have against the Seller or any other person, and all such payments will be made without deduction or withholding of any kind. The Buyer will ensure that the sums received by the Seller under this Agreement will be equal to the full amounts expressed to be due the Seller hereunder, without deduction or withholding on account of and free from any and all taxes, levies, imposts, duties or charges of whatever nature, except that, if the Buyer is compelled by

law

to make any such deduction or withholding, the Buyer will pay such additional amounts as may be necessary so that the net amount received by the Seller after such deduction or

withholding

will equal the amounts that would have been received in the absence of such deduction or withholding (unless such mandatory withholding is a Tax which is the Seller's obligation under the provisions of Letter Agreement No. 16 and the Buyer has given reasonable prior notice to the Seller of its intention of making such a withholding).

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6 INSPECTION AND THE BUYER'S LOCAL OFFICE

6.1 INSPECTION PROCEDURES

6.1.1 All work to be carried out on the Aircraft and all materials and parts thereof will, at all reasonable times during business hours, be open to inspection by duly authorized representatives of the Buyer or its designee at the respective works of the Associated Contractors and, if possible, at the works of their respective subcontractors. These representatives will have

access

to such relevant technical data as are reasonably necessary for this purpose (except that, if access to any part of the respective works where construction is in progress or materials or parts are stored is restricted for security reasons, the Associated Contractors will be allowed a reasonable time to make the items available for inspection elsewhere). The actual detailed inspection of the Aircraft, materials and parts thereof will take place only in the presence of the respective

inspection

department personnel of the Associated Contractors or their subcontractors. The procedures for such inspections will be agreed to with the Buyer before any inspection. The Seller and the Associated Contractors will create a website and will

update,

on a weekly basis, the production schedule of each major component of the Aircraft, lists of all production concessions against the Aircraft and any other relevant technical data and the timeframes for inspections, allowing the Buyer's representatives adequate planning and travel time from Toulouse to perform inspections which may be required by the Buyer.

6.1.2 All inspections, examinations and discussions with the Seller's, the Associated Contractors' or their respective subcontractors' engineering or other personnel by the Buyer and its said representatives will be performed in such a manner as not to delay or hinder the work to be carried out on the Aircraft or

the

proper performance of this Agreement. In no event will the Buyer or its representatives be permitted to inspect any aircraft

other

than the Aircraft.

6.2 REPRESENTATIVES AND BUYER'S LOCAL OFFICE

6.2.1 For the purposes of Sub-clause 6.1 above, starting at a mutually agreed date until Delivery of the last Aircraft, the Seller will furnish free-of-charge adequate secretarial assistance and suitable space, office equipment and facilities in or conveniently located with respect to the Delivery Location for the use of not more than four (4) representatives of the Buyer during the aforementioned period (the "Buyer's Local Office"). [*] suitable office space to accommodate up to four (4) [*] representatives of the Buyer, and conveniently located to the Buyer's Local Office, will be provided during the Delivery phase

of each Aircraft [*]. The Seller will provide telecommunications facilities for business calls [*]. All other telephone charges may be invoiced [*].

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6.2.2 The Seller will [*
]
6.2.3 The Seller will [*
]
6.2.4 [*]

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7 CERTIFICATION

Except as set forth in this Clause 7, the Seller will not be required to obtain any other certificate or approval with respect to the Aircraft.

7.1 TYPE CERTIFICATION

Prior to the Delivery of the first Aircraft, the Seller will obtain or cause to be obtained a U.S. FAA Type Certificate (transport category) for the Aircraft pursuant to Part 21 and in compliance with the applicable provisions of Part 25 of the U.S. Federal Aviation Regulations

7.2 CERTIFICATE OF AIRWORTHINESS FOR EXPORT

7.2.1 Subject to the provisions of Sub-clause 7.3, each Aircraft will be delivered to the Buyer with the Certificate of Airworthiness for Export issued by the DGAC [*]

7.2.2 Aircraft, At Delivery of the first Aircraft (or of the subsequent if so required), the Seller will [*]

7.3 SPECIFICATION CHANGES BEFORE DELIVERY

7.3.1 If, pursuant to the promulgation of any applicable law or regulation, any change in the Specification has to be made prior to Delivery of any Aircraft in order to enable the Seller to obtain the Certificate of Airworthiness for Export for such Aircraft referred to in Sub-clause 7.2 [*] (a "Change in

Law"), the Seller will make the required change or modification to the Aircraft. For each such change, the parties will sign an SCN specifying the effect,

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if any, of such change on design, performance, weight, balance, time of Delivery, shear and running loads, if applicable, Buyer Furnished Equipment, price of each Aircraft affected thereby and interchangeability or replaceability of parts. If the Delivery of any Aircraft is delayed by reason of such change, the Delivery Date of such Aircraft as provided in Sub-clause 9.1 will be extended to the extent of such delay.

7.3.2.1 The cost of implementing the modifications referred to in Sub-clause 7.3.1 above will be [*]

7.3.3 The Seller shall, as far as practicable, take into account the
Law information available to it concerning any proposed Change in

 in order to minimize the costs of changes which may appear
 necessary to obtain the Certificate of Airworthiness for Export.

7.4 SPECIFICATION CHANGES AFTER DELIVERY

or Sub-clause 7.3 will not require the Seller to make any changes

 modifications to any Aircraft or to make any payments or to take
 any other action with respect to any Aircraft delivered to the
 Buyer prior to the time any law or regulation referred to in
 Sub-clause 7.3 becomes effective and is to be complied with. Any
 such changes or modifications made to an Aircraft after its
 Delivery to the Buyer will be at the expense of the Buyer. The
 above provision [*] to Clause 12 of this Agreement.

7.5 [*]

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8 THE BUYER'S ACCEPTANCE

8.1 The Buyer and the Seller will mutually agree on an acceptance procedure (the "Technical Acceptance Process"). The Seller, or any affiliate thereof, acting as the Seller's designee will [*]. The Buyer will send its representatives to the Delivery Location and will cooperate in complying with the reasonable requirements of the Seller with the intention of completing the Technical Acceptance Process within [*] Working Days after commencement. The Technical Acceptance Process will take place

at the Delivery Location (or at such other facilities of the Associated Contractors or any affiliates thereof as the Seller may specify) and will be carried out by the personnel of the Manufacturer [*]. The successful completion of such Acceptance Procedure will be deemed to demonstrate compliance with the Specification.

If the Buyer is not present at the Delivery Location to attend the Technical Acceptance Process on the date notified to the Buyer, and if, pursuant to a five (5) Working Days' notice to attend the Technical Acceptance Process sent by the Seller to

the Buyer, the Buyer is still not present at the Delivery Location, then such failure to attend (except for reasons beyond Buyer's control) or to cooperate will be deemed a Termination Event

under Sub-clause 21.1 of this Agreement. In addition to the remedies given to the Seller under Sub-clause 21.1.2, the Buyer will reimburse the Seller's cost of parking, storage and insurance of the Aircraft until the earlier of (i) actual commencement of the Technical Acceptance Process or (ii) termination of the Agreement. Should it be established, from the Technical Acceptance Process, that the Technical Acceptance Process for an Aircraft was not successfully completed, or that there is a defect, the Seller will, without hindrance from the Buyer, carry out any necessary changes and, as soon as practicable

thereafter, resubmit the Aircraft for a new Technical Acceptance Process to demonstrate the elimination of the hindrance to successful completion of the Technical Acceptance Process or defect, such Acceptance Procedure to be held and carried out in accordance with Sub-clause 8.1, [*], including taxes, duties or imposts

as described in Letter Agreement No. 16 of even date herewith.

8.2 Upon successful completion of the Technical Acceptance Process, the Buyer will, on or before the Delivery Date, sign and deliver to the Seller a

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certificate of acceptance in respect of the Aircraft in the form of Exhibit D (the "Certificate of Acceptance") hereto.

- 8.3 The Seller will be entitled to use, without payment or other liability, each Aircraft prior to its Delivery as may be necessary to obtain the certificates required under Clause 7 hereof for the Buyer, and such use will not affect the Buyer's obligation to accept Delivery of any Aircraft hereunder or be deemed to constitute such Aircraft as other than "new" for any purposes of this Agreement. [*]
- Such use will not affect the Buyer's obligation to accept Delivery of any Aircraft hereunder nor the Seller's obligation to deliver such Aircraft in compliance with Sub-clause 8.1 of this Agreement. [*]
- 8.4 Upon acceptance of Delivery of each Aircraft, the Buyer waives any right, under the Uniform Commercial Code or otherwise, to revoke such acceptance for any reason, whether known or unknown to the Buyer at the time of acceptance.

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9 DELIVERY

9.1 DELIVERY SCHEDULE

9.1.1 Subject to Clauses 2, 7, 8, 10 and 18, the Seller will have
the Aircraft Ready for Delivery at the Delivery Location within
the following months (each a "Scheduled Delivery Month").

FIRM AIRCRAFT NO. DELIVERY ----- -----	MONTH/YEAR OF
1	[*]
2	[*]
3	[*]
4	[*]
5	[*]
6	[*]
7	[*]
8	[*]
9	[*]
10	[*]
OPTION AIRCRAFT NO. DELIVERY ----- -----	MONTH/YEAR OF
11	[*]
12	[*]
13	[*]
14	[*]
15	[*]
16	[*]
17	[*]
18	[*]
19	[*]
20	[*]

9.1.2 The Seller will give the Buyer at least [*] days' written notice of the anticipated date on which the Aircraft will be Ready for Delivery. Not later than [*] days prior to such date notified to the Buyer, the Seller will confirm to the Buyer that such anticipated Delivery Date is firm. Thereafter the Seller will notify the Buyer of any change in such date necessitated by the conditions

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of manufacture or flight and confirm a new date which will be no more than [*] Working Days in France later nor [*] Working Days in France earlier, than the originally scheduled date.

9.1.3 [*]

9.2 DELIVERY

9.2.1 The Buyer will send its representatives to the Delivery Location to take Delivery within five (5) days after the date on which the Aircraft is Ready for Delivery.

9.2.2 The Seller will transfer title to the Aircraft to the Buyer free and clear of all encumbrances, provided that the Balance of the Final Contract Price has been paid by the Buyer pursuant to Sub-clause 5.4 and that the Certificate of Acceptance has been signed and delivered to the Seller pursuant to Sub-clause 8.3. The Seller will provide the Buyer with a bill of sale in the form

of Exhibit E hereto and/or such other documentation confirming transfer of title and receipt of the Final Contract Price as may reasonably be requested by the Buyer. Title to, property interest

transferred in and risk of loss or damage to the Aircraft will be to the Buyer on Delivery.

9.2.3 Should the Buyer fail to

(i) deliver the signed Certificate of Acceptance upon the successful completion of the Technical Acceptance process described in Clause 8 hereof to the Seller on or before the Delivery Date, or

(ii) pay the Balance of the Final Contract Price for the Aircraft to the Seller more than five (5) days after the Delivery Date,

then the Buyer will be deemed to have rejected Delivery without warrant when the Aircraft was duly tendered to the Buyer hereunder. In the event the Buyer rejects the Aircraft as set forth herein, then the Buyer will, on demand, reimburse the Seller for all reasonable costs and expenses (including, without limitation, costs and expenses attributable to storage, preservation and protection, insurance, taxes) sustained by the Seller and resulting from any such delay or failure. The rights of the Seller under this Sub-clause 9.2.3 will not limit the Seller's other rights and remedies under this Agreement.

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9.3 FLYAWAY

9.3.1 The Buyer and the Seller will cooperate to obtain any licenses that may be required by the Aviation Authority of the Delivery Location for the purpose of exporting the Aircraft.

9.3.2 All expenses of, or connected with, flying the Aircraft from the Delivery Location after Delivery will be borne by the Buyer. The Buyer will make direct arrangements with the supplying companies for the fuel and oil required for all post-Delivery flights.

10 EXCUSABLE DELAY AND TOTAL LOSS

10.1 SCOPE OF EXCUSABLE DELAY

Neither the Seller nor the Manufacturer will be responsible for or be deemed to be in default on account of delays in Delivery or failure to deliver or otherwise in the performance of this Agreement or any part hereof due to causes reasonably beyond the Seller's, the Manufacturer's or any Associated Contractor's control or not occasioned by the Seller's, the Manufacturer's or any Associated Contractor's fault or negligence ("Excusable Delay"), including, but not limited to: (i) acts of God or the public enemy, natural disasters, fires, floods, storms beyond ordinary strength, explosions or earthquakes; epidemics or quarantine restrictions; serious accidents; total or constructive total loss; any law, decision, regulation, directive or other act (whether or not having the force of law) of any government or of the Council of the European Community or the Commission of the European Community or of any national, Federal, State, municipal or other governmental department, commission, board, bureau, agency, court or instrumentality, domestic or foreign; governmental priorities, regulations or orders affecting allocation of materials, facilities or a completed Aircraft; war, civil war or warlike operations, terrorism, insurrection or riots; failure of transportation; strikes or labor troubles causing cessation, slow down or interruption of work; delay in obtaining any airworthiness or type certification; inability after due and timely diligence to procure materials, accessories, equipment or parts; general hindrance in transportation; or failure of a subcontractor or Supplier to furnish materials, components, accessories, equipment or parts except where such failure is caused by the fault or negligence of the Seller, the Manufacturer or an Associated Contractor; (ii) any delay caused directly or indirectly by the action or inaction of the Buyer; and (iii) delay in Delivery or otherwise in the performance of this Agreement by the Seller due in whole or in part to any delay in or failure of the delivery of, or any other event or circumstance relating to, the Propulsion Systems or Buyer Furnished Equipment.

10.2.1.1 CONSEQUENCES OF EXCUSABLE DELAY

10.2.1 If an Excusable Delay occurs, the Seller will

- Excusable
- (i) notify the Buyer of such Excusable Delay as soon as practicable after becoming aware of the same;
 - (ii) not be deemed to be in default in the performance of its obligations hereunder as a result of such Delay;
 - (iii) not be responsible for any damages arising from or in connection with such Excusable Delay suffered or incurred by the Buyer;
 - (iv) as soon as practicable after the removal of the cause of the delay, resume performance of its obligations under this Agreement and in particular will notify the Buyer of the revised Scheduled Delivery Month.

10.3 TERMINATION ON EXCUSABLE DELAY

10.3.1 If the Delivery of any Aircraft is delayed as a result of an Excusable Delay for a period of more than [*] after the last day of the Scheduled Delivery Month, then the Buyer may

terminate

this Agreement with respect to the affected Aircraft, by giving written notice to the Seller within thirty (30) days after the

expiration of such [*] period. In the event such delay continues for an additional [*] after the expiration of such [*] period, either party will have the option to terminate this Agreement with respect to the Aircraft so affected upon notice to the other within thirty (30) days after the end of such additional [*] period. However, the Buyer will not be entitled to terminate this Agreement pursuant to this Clause if the Excusable Delay is caused primarily by the gross negligence or willful misconduct of the Buyer. Termination in accordance with this Sub-clause 10.3.1 will discharge all obligations and liabilities of the parties hereunder with respect to such affected Aircraft, [*]

10.3.2 In the event that the Seller notifies the Buyer of a revised Scheduled Delivery Month pursuant to Sub-clause 10.2(iv), in respect of a delay in Delivery of an Aircraft of more than [*] after the last day of the Scheduled Delivery Month, then either party may terminate this Agreement with respect to the affected Aircraft. Termination will be made by giving written notice to the other party within thirty (30) days after the Buyer's

receipt

of the notice of a revised Scheduled Delivery Month.

10.3.3 If this Agreement is not terminated under the terms of

Sub-clause

10.3.1 or 10.3.2 above, then the Seller will be entitled to reschedule Delivery. The Seller will notify the Buyer of the new Scheduled Delivery Month after the thirty (30)-day period referred to in Sub-clause 10.3.1 or 10.3.2, and this new Scheduled Delivery Month will be deemed to be an amendment to

the

applicable Scheduled Delivery Month in Sub-clause 9.1.1 of the Agreement.

10.4 TOTAL LOSS: LOST, DESTROYED OR DAMAGED AIRCRAFT

If, before Delivery thereof, in the reasonable opinion of the Seller, an Aircraft is lost, destroyed or damaged beyond

economic

repair ("Total Loss"), then the Seller will notify the Buyer to this effect as soon as reasonably possible but in no event later than thirty (30) days after such occurrence. The Seller will include in its notice, or as soon after the notice as possible, the earliest date that an aircraft to

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replace the Aircraft may be delivered to the Buyer consistent with the Seller's other commitments and production capabilities. The notice will also state a revised Scheduled Delivery Month for the replacement aircraft. Notwithstanding the foregoing, the Buyer will have the right to terminate this Agreement with respect to such Aircraft unless

(i) the Buyer notifies the Seller within one (1) month of the date of receipt of the Seller's notice that it desires the Seller to provide a replacement aircraft during the month quoted in the Seller's notice, and

(ii) the parties execute an amendment to this Agreement recording the variation in the Scheduled Delivery Month.

Notwithstanding the above, nothing herein will require the Seller to manufacture and deliver a replacement aircraft if such manufacture would require the reactivation of the Manufacturer's production line for the model or series of aircraft that includes the Aircraft. [*]

10.5 TERMINATION RIGHTS EXCLUSIVE

In the event that this Agreement is terminated as provided for under the terms of Sub-clause 10.3 or 10.4, such termination will discharge all obligations and liabilities of the parties hereunder with respect to such affected Aircraft (except for the payment obligations as set forth therein) and undelivered material, services, data or other items applicable thereto and to be furnished hereunder and neither party will have any claim against the other for any loss resulting from such nondelivery. The Seller will in no circumstances have any liability whatsoever for Excusable Delay other than as set forth in this Clause 10.

10.6 REMEDIES

THIS CLAUSE 10 SETS FORTH THE SOLE AND EXCLUSIVE REMEDY OF THE BUYER FOR DELAYS IN DELIVERY OR FAILURE TO DELIVER, OTHER THAN SUCH DELAYS AS ARE COVERED BY CLAUSE 11, AND THE BUYER HEREBY WAIVES ALL RIGHTS TO WHICH IT WOULD OTHERWISE BE ENTITLED IN RESPECT THEREOF, INCLUDING, WITHOUT LIMITATION, ANY RIGHTS TO INCIDENTAL AND

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CONSEQUENTIAL DAMAGES OR SPECIFIC PERFORMANCE. THE BUYER WILL NOT BE ENTITLED TO CLAIM THE REMEDIES AND RECEIVE THE BENEFITS PROVIDED IN THIS CLAUSE 10 TO THE EXTENT THE DELAY REFERRED TO IN THIS CLAUSE 10 IS CAUSED PRIMARILY BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE BUYER OR ITS REPRESENTATIVES.

10.7 [*]

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11 INEXCUSABLE DELAY

11.1 LIQUIDATED DAMAGES

Should an Aircraft not be Ready for Delivery to the Buyer within thirty (30) days after the last day of the Scheduled Delivery Month (as such month may be changed pursuant to Clauses 2, 7 or 10 or Sub-clause 21.1.2) and such delay is not as a result of an Excusable Delay or Total Loss, then such delay will be termed an "Inexcusable Delay." In the event of an Inexcusable Delay, the Buyer will have the right to claim, and the Seller will pay the Buyer liquidated damages of [*] for each day of delay in the Delivery, starting thirty-one (31) days after the last day of

the

Scheduled Delivery Month.

The amount of liquidated damages will in no event exceed the total of [*] in respect of any one (1) Aircraft.

11.2 RENEGOTIATION

If as a result of an Inexcusable Delay, Delivery does not occur within six (6) months after the Delivery Period, the Buyer will have the right, exercisable by written notice to the Seller and given between fifteen (15) days and one (1) month after the six (6) months, to require from the Seller a renegotiation of the Scheduled Delivery Month for the affected Aircraft. Unless otherwise agreed between the Seller and the Buyer during such renegotiation, the said renegotiation will not prejudice the Buyer's right to receive liquidated damages in accordance with Sub-clause 11.1 during the period of Inexcusable Delay.

11.3 TERMINATION

If as a result of an Inexcusable Delay, Delivery does not occur within six (6) months after the Delivery Period and the parties have not renegotiated the Delivery Date pursuant to Sub-clause 11.2, then the Buyer will have the further right exercisable by written notice to the Seller and given between one (1) and two (2) months after the six (6) months, to terminate this Agreement in respect of the affected Aircraft. In the event of

termination,

neither party will have any claim against the other, [*]

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11.4 [*]

11.5 REMEDIES

THIS CLAUSE 11 SETS FORTH THE SOLE AND EXCLUSIVE REMEDY OF
THE BUYER FOR DELAYS IN DELIVERY OR FAILURE TO DELIVER, OTHER
THAN

SUCH DELAYS AS ARE COVERED BY CLAUSE 10, AND THE BUYER HEREBY
WAIVES ALL RIGHTS TO WHICH IT WOULD OTHERWISE BE ENTITLED IN
RESPECT THEREOF, INCLUDING WITHOUT LIMITATION ANY RIGHTS TO
INCIDENTAL AND CONSEQUENTIAL DAMAGES OR SPECIFIC PERFORMANCE.

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The Seller represents and warrants that the Manufacturer has provided to the Seller the following Warranty, Service Life Policy, Supplier Warranties and Interface Commitment with respect to the Aircraft, subject to the terms, conditions, limitations and restrictions (including, but not limited to, the Exclusivity of Warranties and General Limitations of Liability and Duplicate Remedies provisions) as hereinafter set out, and that the same are in full force and effect and have not been amended. The Seller hereby assigns to the Buyer, and the Buyer hereby accepts, all of the Seller's rights and obligations as the "Buyer" under the said Warranty, Service Life Policy, Supplier Warranties and Interface Commitment, and the Seller subrogates the Buyer to all such rights and obligations in respect of the Aircraft. The requisite assignment authority to make the foregoing assignment to and to effect the foregoing subrogation in favor of the Buyer, (ii) such and subrogation are effective to confer on the Buyer all of the foregoing rights and obligations of the Seller, and (iii) the Seller will not enter into any amendment of the provisions so assigned without the prior written consent of the Buyer.

It is understood that, in the provisions below between the words QUOTE and UNQUOTE, capitalized terms have the meanings assigned thereto in this Agreement, except that (i) the term "Seller," which means the Manufacturer as between the Manufacturer and the Seller, also means the Manufacturer in this Agreement, and (ii) the term "Buyer," which means the Seller as between the Manufacturer and the Seller, means the Buyer in this Agreement.

QUOTE

12.1 WARRANTY

12.1.1 NATURE OF WARRANTY

Seller Subject to the limitations and conditions as hereinafter provided, and except as provided in Sub-clause 12.1.2, the warrants to the Buyer that each Aircraft and each Warranted Part

will be, at the time of Aircraft Delivery, free from defects:

- (i) in material;
- (ii) in workmanship, including, without limitation, processes of manufacture;
- (iii) in design (including, without limitation, selection of materials) having regard to the state of the art at the date of such design; and

- (iv) arising from failure to conform to the Specification, except as to those portions of the Specification that are expressly stated in the Specification to be estimates or approximations or design aims.

For the purposes of this Agreement, the term "Warranted Part" will mean any Seller proprietary component, equipment, accessory or part, which is installed on an Aircraft at Delivery and (a) which is manufactured to the detail design of the Seller or a subcontractor of the Seller and (b) which bears a part number of the Seller at the time of Delivery.

12.1.2 EXCEPTIONS

The warranties set forth in Sub-clause 12.1.1 will not apply to Buyer Furnished Equipment, nor to the Propulsion Systems, nor to any component, accessory, equipment or part purchased by the Buyer that is not a Warranted Part, provided, however, that:

- (i) any defect in the Seller's workmanship in respect of the installation of such items in the Aircraft, including any failure by the Seller to conform to the installation instructions of the manufacturers of such items that invalidates any applicable warranty from such manufacturers, will constitute a defect in workmanship for the purpose of this Sub-clause 12.1 and be covered by the warranty set forth in Sub-clause 12.1.1(ii), and
- (ii) any defect inherent in the Seller's design of the installation, in view of the state of the art at the date of such design, that impairs the use of such items will constitute a defect in design for the purposes of this Sub-clause 12.1 and be covered by the warranty set forth in Sub-clause 12.1.1(iii).

12.1.3 WARRANTY PERIODS

The warranties described in Sub-clauses 12.1.1 and 12.1.2 hereinabove will be limited to those defects that become apparent within [*] months after Delivery of the affected Aircraft (the "Warranty Period").

12.1.4 LIMITATIONS OF WARRANTY

- 12.1.4.1 The Buyer's remedy and the Seller's obligation and liability under Sub-clauses 12.1.1 and 12.1.2 hereinabove are limited to, at the Seller's expense and option, the repair, replacement or correction of, or the supply of modification kits rectifying the defect to any defective Warranted Part. Alternatively, the Seller may, at its option, furnish a credit to the Buyer for the future purchase of goods and services (not including Aircraft) equal to the price at which the Buyer is then entitled to acquire a replacement for the defective Warranted Part.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

12.1.4.2 In the event that the Seller corrects a defect covered by Sub-clause 12.1.1(iii) that becomes apparent within the applicable period set forth in Sub-clause 12.1.3 and the Seller is obligated to correct such defect, the Seller will also, if so requested by the Buyer in writing, make such correction in any Aircraft that has not already been delivered to the Buyer. However, the Seller will not be responsible nor deemed to be in default on account of any delay in Delivery of any Aircraft or otherwise, in respect of performance of this Agreement, due to the Seller's undertaking to make such correction and, rather than accept a delay in Delivery of any such Aircraft, the Buyer and the Seller may agree to deliver such Aircraft with subsequent correction of the defect by the Buyer at the Seller's expense, or the Buyer may elect to accept Delivery and thereafter file a Warranty Claim as though the defect had become apparent immediately after Delivery of such Aircraft.

12.1.4.3 In addition to the remedies set forth in Sub-clauses 12.1.4.1 and 12.1.4.2, the Seller will reimburse the direct labor costs spent by the Buyer in performing the first of the following:

Warranty (i) inspections of the Aircraft to determine whether a defect exists in any Warranted Part within the Period; or

the (ii) inspections of the Aircraft continued until the corrective technical solution removing the need for inspection is provided by the Seller.

The above commitment is subject to the following conditions:

(i) such inspections are recommended by a Seller Service Bulletin to be performed within the Warranty Period;

(ii) the inspection is performed outside of a scheduled maintenance check as recommended by the Seller's Maintenance Planning Document;

corrective (iii) the Buyer will not be reimbursed for any inspections performed as an alternative to accomplishing action when such corrective action is available to the Buyer and such corrective action could have reasonably been accomplished by the Buyer at the time such inspections are performed,

labor (iv) the labor rate for the reimbursements will be the rate defined in Sub-clause 12.1.7, and

(v) the hours used to determine such reimbursement shall not exceed the Seller's estimate of the hours required by the Buyer for such inspections.

12.1.5

WARRANTY CLAIM REQUIREMENTS

The Buyer's remedy and the Seller's obligation and liability under this Sub-clause 12.1, with respect to each claimed defect, are subject to the following conditions precedent:

- Period;
- (i) the defect becomes apparent within the Warranty
- (ii) the Buyer's submits to the Seller proof reasonably satisfactory to the Seller that the claimed defect is due to a matter covered under the provisions of this Sub-clause 12.1, and that such defect has not resulted from any act or omission of the Buyer, including, but not limited to, any failure to operate and maintain the affected Aircraft or part thereof in accordance with the standards set forth in Sub-clause 12.1.10 or from any act or omission of any third party;
- (iii) the Buyer returns, as soon as practicable, the Warranted Part claimed to be defective to the repair facilities designated by the Seller, unless the Buyer elects to repair a defective Warranted Part in accordance with the provisions of Sub-clause 12.1.7; and
- with (iv) the Seller's receives a "Warranty Claim" complying the provisions of Sub-clause 12.1.6 below.

12.1.6

WARRANTY ADMINISTRATION

The warranties set forth in Sub-clause 12.1 will be administered as hereinafter provided:

- (i) CLAIM DETERMINATION
- the Warranty Claim determination by the Seller will be reasonably based on the claim details, reports from Seller's regional representative, historical data logs, inspections, tests, findings during repair, defect analysis and other suitable documents and information.
- (ii) TRANSPORTATION COSTS
- the Transportation costs associated with the sending of a defective Warranted Part claimed to be defective to facilities designated by the Seller will be borne by the Buyer.
- (iii) RETURN OF AN AIRCRAFT

In the event that the Buyer desires to return an Aircraft to the Seller for consideration of a Warranty Claim, the Buyer will notify the Seller of its intention to do so and the Seller will, prior to such return, have the right to inspect such Aircraft and, without prejudice to Seller's rights hereunder, to repair such Aircraft either at the Buyer's facilities or at another place acceptable to the Seller. Return

of

any Aircraft by the Buyer to the Seller and return of such Aircraft to the Buyer's facilities will be at the Buyer's expense.

(iv) ON-AIRCRAFT WORK BY THE SELLER

that

In the event that either (a) the Seller determines a defect subject to this Sub-clause 12.1 warrants the dispatch by the Seller of a working team to the

Buyer's

facilities to repair or correct such defect through implementation of one (1) or more Seller's Service Bulletins, or (b) the Seller accepts the return of an Aircraft to perform or have performed a repair or correction, then the labor costs for such on-Aircraft work will be borne by the Seller at the labor rate defined in Sub-clause 12.1.7.

All expenses related to such repair or correction, including, but not limited to, travel and living expenses, in excess of the labor costs as defined above, incurred in performing such repair or correction, will be borne by the Buyer.

On-Aircraft work by the Seller will be undertaken only if, in the opinion of the Seller, the work requires

the

technical expertise of the Seller as the Manufacturer of the Aircraft. In such case, the Seller and the

Buyer

will agree on a schedule and place for the work to be performed.

(v) WARRANTY CLAIM SUBSTANTIATION

For each claim under this Sub-clause 12.1, the Buyer will give written notice to the Seller that contains

at

least the data listed below with respect to a part or an Aircraft, as applicable ("Warranty Claim"). The Buyer will make such Warranty Claim within sixty (60) days of discovering the defect giving rise to such Warranty Claim. Each Warranty Claim will include the following:

- (a) Description of the defect and action taken, if any.
- (b) Date of the incident and/or of removal.
- (c) Description of the defective part.
- (d) Part number.
- (e) Serial number (if applicable).

to

(f) Position on the Aircraft, according to Catalog Sequence Number (CSN) of the Illustrated Parts Catalog, Component Maintenance Manual or Structural Repair Manual (as such documents are be defined pursuant to Condition 4 and Exhibit F of Letter Agreement No. 4 to this Agreement), as applicable.

(g) Total flying hours or calendar times, as applicable, at the date of appearance of the defect.

(h) Time since last shop visit at the date of defect appearance.

Aircraft

(i) Manufacturer's serial number (MSN) of the and/or its registration number.

(j) Aircraft total flying hours and/or number of landings at the date of defect appearance.

(k) Claim number.

(l) Date of claim.

(m) Date of Delivery of the Aircraft or part to the Buyer.

Warranty Claims are to be addressed as follows:

AIRBUS
CUSTOMER SERVICES DIRECTORATE
WARRANTY ADMINISTRATION
ROND-POINT MAURICE BELLONTE
B.P. 33
F-31707 BLAGNAC CEDEX
FRANCE

(vi) REPLACEMENTS

will

Replacements made pursuant to this Sub-clause 12.1

be made within the lead time defined in the Seller's Spare Parts Price Catalog. Replaced components, equipment, accessories or parts will become the Seller's property.

Title to and risk of loss of any Aircraft, component, accessory, equipment or part returned by the Buyer to the Seller will at all times remain with the Buyer, except that (i) when the Seller has possession of a returned Aircraft, component, accessory, equipment or part to which the Buyer has

title, the Seller will have such responsibility therefor as is chargeable by law to a bailee for hire, but the Seller will not be liable for loss of use, and (ii) title to and risk of loss of a returned component, accessory, equipment or part will pass to the Seller on shipment by the Seller to the Buyer of any item furnished by the Seller to the Buyer as a replacement therefor. Upon the Seller's shipment to the Buyer of any replacement component, accessory, equipment or part provided by the Seller pursuant to this Sub-clause 12.1, title to and risk of loss of such component, accessory, equipment or part will pass to the Buyer.

(vii) REJECTION

The Seller will provide reasonable written substantiation in case of rejection of a claim. The Buyer will (a) pay to the Seller reasonable inspection and test charges incurred by the Seller in connection with the investigation and processing of a rejected claim, and (b) pay the costs of transportation to the ANACS Center in Ashburn, VA, insurance and any other costs associated with the sending or return of any Warranted Part or any other item, equipment, component or part for which the Seller rejects the Buyer's warranty claim.

(viii) INSPECTION

The Seller will have the right to inspect the affected Aircraft and documents and other records relating thereto in the event of any claim under this Sub-clause 12.1.

12.1.7 IN-HOUSE WARRANTY

(i) AUTHORIZATION

The Buyer is hereby authorized to perform the repair of Warranted Parts, subject to the terms of this Sub-clause 12.1.7 ("In-house Warranty"). When the estimated cost of an In-house Warranty repair exceeds [*], the Buyer will notify the Seller's representative of its decision to perform any in-house repairs before such repairs are commenced. The Buyer's notice will include sufficient detail regarding the defect, estimated labor hours and material to allow the Seller to ascertain the reasonableness of the estimate. The Seller will use reasonable efforts to ensure a prompt response and will not unreasonably withhold authorization.

(ii) CONDITIONS OF AUTHORIZATION

The Buyer will be entitled to the benefits under this

Sub-clause 12.1.7 for repair of Warranted Parts:

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

(a) only if adequate facilities and qualified personnel are available to the Buyer;

(b) provided that repairs are to be performed in accordance with the Seller's written instructions set forth in applicable technical data; and

(c) only to the extent specified by the Seller, or, in the absence of the Seller's specifying, to the extent reasonably necessary to correct the defect, in accordance with the standards set forth in Sub-clause 12.1.10.

(iii) THE SELLER'S RIGHTS

The Seller will have the right to have any Warranted Part, or any part removed therefrom, which is claimed to be defective, returned to the Seller, as set forth in Sub-clause 12.1.6(ii), if, in the judgment of the Seller, the nature of the defect requires technical investigation.

The Seller will further have the right to have a representative present during the disassembly, inspection and testing of any Warranted Part claimed to be defective, subject to its presence being practical and not unduly delaying the repair.

(iv) IN-HOUSE WARRANTY CLAIM SUBSTANTIATION

Claims for In-house Warranty credit will be filed within the time period set forth in, and will contain the same information required in Warranty Claims under, Sub-clause 12.1.6(v) and, in addition, will include:

(a) a report of technical findings with respect to the defect;

(b) for parts required to remedy the defect:

- part numbers, - serial numbers (if applicable), - description of the parts, - quantity of parts, - unit price of parts, - related Seller's or third party's invoices (if applicable), - total price of parts;

(c) detailed number of labor hours;

(d) In-house Warranty Labor Rate (defined below in Sub-clause 12.1.7(v)(b)); and

(e) total claim value.

(v) CREDIT

The Buyer's sole remedy, and the Seller's sole obligation and liability, in respect of In-house Warranty claims, will be a credit to the Buyer's account. The credit to the Buyer's account will be equal to the direct labor cost expended in performing a repair and to the direct cost of materials incorporated in the repair. Such costs will be determined as set forth below:

(a) To determine direct labor costs, only the hours spent on disassembly, inspection, repair, reassembly and final inspection and test (including flight tests, if flight tests prove necessary to complete a repair under the In-house Warranty) of the Warranted Part alone will be counted. The hours required for maintenance work concurrently being carried out on the Aircraft or Warranted Part as well as for removal and installation of the Warranted Part, will not be included.

(b) The hours counted as set forth above will be multiplied by an agreed-to labor rate, the labor rate representing the Buyer's composite average hourly labor rate (excluding all fringe benefits, premium time allowances, social security charges, business taxes and similar items) paid to the Buyer's employees whose jobs are directly related to the performance of the repair, of [*] at economic conditions prevailing in January 2000 (the "In-house Warranty Labor Rate"). The In-house Warranty Labor Rate is subject to adjustment annually by multiplying it by the ratio HEn/HEb. For the purposes of this Sub-clause 12.1.7(v) only, HEn is equal to the Labor Index defined in Exhibit G hereto for January of the year in which the hours are spent and HEb is equal to such Labor Index for January 2000.

(c) Direct material costs are determined by the prices at which the Buyer acquired such material, excluding any parts and materials used for overhaul furnished free of charge by the Seller.

(vi) LIMITATION ON CREDIT

The Buyer will in no event be credited for repair costs (labor and material) for any Warranted Part to the extent that such costs exceed (a) [*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

of the Seller's current catalog price for a replacement of such defective Warranted Part, or (b) repair costs (labor and material) that would have resulted if repairs had been carried out at the Seller's facilities. The Seller will substantiate these costs in writing on reasonable request by the Buyer and when the repair costs (labor and material) exceed [*], unless the repair has been previously approved by the Seller in accordance with Sub-clause 12.1.7(ii).

(vii) **SCRAPPED MATERIAL**

The Buyer may, with the agreement of the Seller's Resident Customer Support Representative, scrap any such defective parts that are beyond economic repair and not required for technical evaluation.

If the Buyer does not obtain the agreement of the Seller's Resident Customer Support Representative to scrap a Warranted Part defective beyond economic repair, then the Buyer will retain such Warranted Part and any defective part removed from a Warranted Part during repair for a period of either one hundred twenty (120) days after the date of completion of repair or sixty (60) days after submission of a claim for In-house Warranty credit relating thereto, whichever is longer. Such parts will be returned to the Seller within thirty (30) days of receipt of the Seller's request to that effect.

Scrapped Warranted Parts will be evidenced by a record of scrapped material certified by an authorized representative of the Buyer, which will be kept in the Buyer's file for at least the duration of the warranty periods set forth in this Sub-clause 12.1.

(viii) **DISCLAIMER OF THE SELLER'S LIABILITY FOR THE BUYER'S REPAIR**

THE SELLER WILL NOT BE LIABLE FOR ANY RIGHT, CLAIM OR REMEDY, AND THE BUYER WILL INDEMNIFY THE SELLER AGAINST THE CLAIMS OF ANY THIRD PARTIES FOR LOSSES DUE TO ANY DEFECT, NONCONFORMANCE OR PROBLEM OF ANY KIND, ARISING OUT OF OR IN CONNECTION WITH ANY REPAIR OF WARRANTED PARTS UNDERTAKEN BY THE BUYER UNDER THIS SUB-CLAUSE 12.1.7 OR ANY OTHER ACTIONS UNDERTAKEN BY THE BUYER UNDER THIS SUB-CLAUSE 12.1.7, WHETHER SUCH CLAIM IS ASSERTED IN CONTRACT OR IN TORT, OR IS PREMISED ON ALLEGED, ACTUAL, IMPUTED, ORDINARY OR INTENTIONAL ACTS OR OMISSIONS OF THE BUYER OR THE SELLER.

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12.1.8 WARRANTY TRANSFERABILITY

The warranties provided for in this Sub-clause 12.1 for any Warranted Part will accrue to the benefit of any airline in revenue service other than the Buyer, if the Warranted Part enters into the possession of any such airline as a result of a pooling agreement between such airline and the Buyer, in accordance with the terms and subject to the limitations and exclusions of the foregoing warranties and to applicable laws or regulations.

12.1.9 WARRANTY FOR CORRECTED, REPLACEMENT OR REPAIRED WARRANTED PARTS

Whenever any Warranted Part that contains a defect for which the Seller is liable under Sub-clause 12.1 has been corrected, repaired or replaced pursuant to the terms of this Clause 12,

the period of the Seller's warranty with respect to such corrected, repaired or replacement Warranted Part, whichever may be the case, will be the remaining portion of the original warranty in respect of such corrected or repaired Warranted Part and, for a replacement Warranted Part, 48 months (forty-eight) from

Delivery to the Buyer. In addition, the repair of a Warranted Part will be

warranted for twelve (12) months from Delivery to the Buyer of the applicable repaired Warranted Part. In the event that a defect is attributable to a defective repair or replacement by the Buyer, a Warranty Claim with respect to such defect will not be allowable, notwithstanding any subsequent correction or repair, and will immediately terminate the remaining warranties under this Sub-clause 12.1 in respect of the affected Warranted Part.

12.1.10 GOOD AIRLINE OPERATION - NORMAL WEAR AND TEAR

The Buyer's rights under this Sub-clause 12.1 are subject to the Aircraft and each component, equipment, accessory and part thereof being maintained, overhauled, repaired and operated in accordance with good commercial airline practice, all technical documentation and any other instructions issued by the Seller, the Suppliers or the manufacturer of the Propulsion Systems and all applicable rules, regulations and directives of the relevant Aviation Authorities.

extend The Seller's liability under this Sub-clause 12.1 will not to normal wear and tear or to:

part (i) any Aircraft or component, equipment, accessory or thereof that has been repaired, altered or modified after Delivery by any party in a manner other than that approved by the Seller;

part (ii) any Aircraft or component, equipment, accessory or thereof that has been operated in a damaged state; or

(iii) any component, equipment, accessory or part from which the trademark, trade name, part or serial number or other identification marks have been removed.

12.2 SELLER SERVICE LIFE POLICY

12.2.1 SCOPE AND DEFINITIONS

above, In addition to the warranties set forth in Sub-clause 12.1
Item the Seller further agrees that should a Failure occur in any
(as these terms are defined below), then, subject to the general
conditions and limitations set forth in Sub-clause 12.2.4, the
provisions of this Sub-clause 12.2 will apply.

For the purposes of this Sub-clause 12.2, the following
definitions will apply:

- (i) "Item" means any of the Seller components, equipment,
accessories or parts listed in Exhibit C hereto which
are installed on an Aircraft at any time during the
period of effectiveness of the Service Life Policy as
defined below in Sub-clause 12.2.2.
- (ii) "Failure" means any breakage of, or defect in, an Item
that materially impairs the utility or safety of the
Item, provided that (a) any such breakage of, or
defect in, any Item did not result from any breakage or
defect in any other Aircraft part or component or from any
other extrinsic force, and (b) has occurred or can
reasonably be expected to occur on a repetitive or
fleetwide basis.

12.2.2 PERIODS AND THE SELLER'S UNDERTAKING

Subject to the general conditions and limitations set forth in
Sub-clause 12.2.4 below, the Seller agrees that if a Failure
occurs in an Item before the Aircraft in which such Item is
installed has completed [*] flying hours or [*] flight

cycles or within [*] years after the Delivery of the applicable
Aircraft to the Buyer, whichever occurs first, the Seller will,
price at its own discretion, as promptly as practicable and for a
hereinafter that reflects the Seller's financial participation as
provided, either:

12.2.2.1 design and furnish to the Buyer a correction for such Item
subject to a Failure and provide any parts required for such
correction (including Seller-designed standard parts, but
excluding industry standard parts); or

12.2.2.2 replace such Item.

12.2.3 THE SELLER'S PARTICIPATION IN THE COST

Any part or Item that the Seller is required to furnish to the
Buyer under this Service Life Policy in connection with the
correction or replacement of an Item will be furnished to the
Buyer at the Seller's current sales price therefor, less the

Seller's financial participation, which will be determined in accordance with the following formula:

$$P = \frac{C (N - T)}{N}$$

where

P = financial participation of the Seller,

C = the Seller's then-current sales price for the required Item or required Seller designed parts,

and;

(i) T = total flying time in hours since Delivery of the particular Aircraft in which the Item subject to

a

Failure was originally installed,

and;

N = [*] flying hours,

Or;

(ii) T = total number of flight cycles since Delivery that have been accumulated by the particular Aircraft in which the Item subject to a Failure was originally installed,

and;

N = [*] flight cycles,

Or;

(iii) T = total time in months since Delivery of the particular Aircraft in which the Item subject to a Failure was originally installed,

and;

N = [*] months.

whichever of the foregoing Sub-clauses (i), (ii) and (iii) yields the lowest ratio of:

N - T

N

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

12.2.4 GENERAL CONDITIONS AND LIMITATIONS

12.2.4.1 Notwithstanding Sub-clause 12.2.3, the undertakings given in this

Sub-clause 12.2 will not be valid during the Warranty Period applicable to an Item under Sub-clause 12.1.3.

12.2.4.2 The Buyer's remedy and the Seller's obligation and liability under this Service Life Policy are subject to compliance by the Buyer with the following conditions precedent:

(i) The Buyer will maintain log books and other historical records with respect to each Item adequate to enable the Seller to determine whether the alleged Failure is covered by this Service Life Policy and, if so, to define the portion of the cost to be borne by the Seller in accordance with Sub-clause 12.2.3 above.

(ii) The Buyer will keep the Seller informed of any significant incidents relating to an Aircraft, howsoever occurring or recorded.

(iii) The conditions of Sub-clause 12.1.10 will have been complied with.

(iv) The Buyer will carry out specific structural inspection established, Buyer's the programs for monitoring purposes as may be from time to time, by the Seller. Such programs will be, to the extent possible, compatible with the operational requirements and will be carried out at Buyer's expense. Reports relating thereto will be regularly furnished to the Seller.

(v) In the case of any breakage or defect, the Buyer will report the same in writing to the Seller within ninety (90) days after any breakage or defect in an Item becomes apparent, whether or not said breakage or defect can reasonably be expected to occur in any other Aircraft, and the Buyer will inform the Seller in sufficient detail about the breakage or defect to enable the Seller to determine whether said breakage or defect is subject to this Service Life Policy.

12.2.4.3 Except as otherwise provided in this Sub-clause 12.2, any claim under this Service Life Policy will be administered as provided in, and will be subject to the terms and conditions of, Sub-clause 12.1.6.

12.2.4.4 In the event that the Seller has issued a modification applicable to an Aircraft, the purpose of which is to avoid a Failure, the Seller may elect to supply the necessary modification kit free of charge or under a pro-rata formula established by the Seller. If such a kit is so offered to the Buyer, then, in respect of such validity Failure and any Failures that could ensue therefrom, the of the Seller's commitment under this Sub-clause 12.2 will be subject to the Buyer's

incorporating such modification in the relevant Aircraft, within
a reasonable time, as promulgated by the Seller and in
accordance with the Seller's instructions.

12.2.4.5 THIS SERVICE LIFE POLICY IS NEITHER A WARRANTY, PERFORMANCE
GUARANTEE NOR AN AGREEMENT TO MODIFY ANY AIRCRAFT OR AIRFRAME
COMPONENTS TO CONFORM TO NEW DEVELOPMENTS OCCURRING IN THE STATE
OBLIGATION OF AIRFRAME DESIGN AND MANUFACTURING ART. THE SELLER'S

UNDER THIS SUB-CLAUSE 12.2 IS TO MAKE ONLY THOSE CORRECTIONS TO
THE ITEMS OR FURNISH REPLACEMENTS THEREFOR AS PROVIDED IN THIS
SUB-CLAUSE 12.2. THE BUYER'S SOLE REMEDY AND RELIEF FOR THE
NON-PERFORMANCE OF ANY OBLIGATION OR LIABILITY OF THE SELLER
ARISING UNDER, OR BY VIRTUE OF, THIS SERVICE LIFE POLICY WILL BE
IN MONETARY DAMAGES, LIMITED TO THE AMOUNT THE BUYER REASONABLY
EXPENDS IN PROCURING A CORRECTION OR REPLACEMENT FOR ANY ITEM
THAT IS THE SUBJECT OF A FAILURE COVERED BY THIS SERVICE LIFE
POLICY AND TO WHICH SUCH NON-PERFORMANCE IS RELATED, LESS THE
AMOUNT THAT THE BUYER OTHERWISE WOULD HAVE BEEN REQUIRED TO PAY
UNDER THIS SUB-CLAUSE 12.2 IN RESPECT OF SUCH CORRECTED OR
REPLACEMENT ITEM. WITHOUT LIMITING THE EXCLUSIVITY OF WARRANTIES
AND GENERAL LIMITATIONS OF LIABILITY PROVISIONS SET FORTH IN
SUB-CLAUSE 12.5, THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES
ALL CLAIMS TO ANY FURTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL
DAMAGES, INCLUDING LOSS OF PROFITS AND ALL OTHER RIGHTS, CLAIMS
AND REMEDIES, ARISING UNDER, OR BY VIRTUE OF, THIS SERVICE LIFE
POLICY.

12.2.5 TRANSFERABILITY

The Buyer's rights under this Sub-clause 12.2 will not be
assigned, sold, leased, transferred or otherwise alienated, by
operation of law or otherwise, without the Seller's prior
written consent.

Any unauthorized assignment, sale, lease, transfer or other
alienation of the Buyer's rights under this Service Life Policy
will, as to the particular Aircraft involved, immediately void
this Service Life Policy in its entirety.

12.3 SUPPLIER WARRANTIES

12.3.1 THE SELLER'S SUPPORT

Prior to Delivery of the first Aircraft, the Seller will provide the Buyer with the warranties and service life policies that the Seller has obtained pursuant to the Supplier Product Support Agreements.

12.3.2 SUPPLIER'S DEFAULT

12.3.2.1 In the event that any Supplier under any standard warranty obtained by the Seller pursuant to Sub-clause 12.3.1 hereof defaults in the performance of any material obligation under

such

warranty with respect to a Supplier Part, and the Buyer submits within a reasonable time to the Seller reasonable proof that

such

default has occurred, then Sub-clause 12.1 of this Agreement

will

apply to the extent it would have applied had such Supplier Part been a Warranted Part except that, for obligations covered under Sub-clause 12.1, the shorter of (i) the Supplier's warranty period indicated in the Supplier Product Support Agreements manual, and (ii) the Seller's warranty period indicated in Sub-clause 12.1.3 of this Agreement will apply.

12.3.2.2 In the event that any Supplier under any Supplier service life policy obtained by the Seller pursuant to Sub-clause 12.3.1 hereof defaults in the performance of any material obligation with respect thereto, and the Buyer submits within reasonable time to the Seller reasonable proof that such default has occurred, then Sub-clause 12.2 of this Agreement will apply to the extent the same would have applied had such component, equipment, accessory or part been listed in Exhibit C hereto.

12.3.2.3 At the Seller's request, the Buyer will assign to the Seller, and the Seller will be subrogated to, all of the Buyer's rights against the relevant Supplier, with respect to, and arising by reason of, such default and the Buyer will provide reasonable assistance to enable the Seller to enforce the rights so assigned.

12.4 INTERFACE COMMITMENT

12.4.1 INTERFACE PROBLEM

If the Buyer experiences any technical problem in the operation of an Aircraft or its systems due to a malfunction,

the

cause of which, after due and reasonable investigation, is not readily identifiable by the Buyer, but which the Buyer

reasonably

believes to be attributable to the design characteristics of one (1) or more components of the Aircraft (an "Interface Problem"), the Seller will, if requested by the Buyer, and without additional charge to the Buyer, except for transportation of the Seller's personnel to the Buyer's facilities, promptly conduct

or

have conducted an investigation and analysis of such problem to determine, if possible, the cause or causes of the problem and

to

recommend such corrective

the action as may be feasible, provided, however, that if the Seller determines, after such due and reasonable investigation, that the Interface Problem was due to, or caused by, any act or omission of the Buyer in its performance of its obligations hereunder, the Buyer will pay to the Seller all reasonable costs and expenses incurred by the Seller during such investigation. The Buyer will furnish to the Seller all data and information in the Buyer's possession relevant to the Interface Problem and will cooperate with the Seller in the conduct of the Seller's investigations and such tests as may be required. At the conclusion of such investigation, the Seller will promptly advise the Buyer in writing of the Seller's opinion as to the cause or causes of the Interface Problem and the Seller's recommendations as to corrective action.

12.4.2 THE SELLER'S RESPONSIBILITY

If the Seller determines that the Interface Problem is primarily attributable to the design of a Warranted Part, the Seller will, if requested by the Buyer, correct the design of such Warranted Part, pursuant to the terms and conditions of Sub-clause 12.1.

12.4.3 THE SUPPLIER'S RESPONSIBILITY

will, If the Seller determines that the Interface Problem is primarily attributable to the design of any Supplier Part, the Seller if requested by the Buyer, reasonably assist the Buyer in processing any warranty claim the Buyer may have against the manufacturer of such Supplier Part.

12.4.4 JOINT RESPONSIBILITY

if If the Seller determines that the Interface Problem is attributable partially to the design of a Warranted Part and partially to the design of any Supplier Part, the Seller will, requested by the Buyer, seek a solution to the Interface Problem through cooperative efforts of the Seller and any Supplier involved. The Seller will promptly advise the Buyer of any corrective action proposed by the Seller and any such Supplier. Such proposal will be consistent with any then-existing obligations of the Seller hereunder and of any such Supplier to the Buyer. Such corrective action, unless reasonably rejected by the Buyer, will constitute full satisfaction of any claim the Buyer may have against either the Seller or any such Supplier with respect to such Interface Problem.

12.4.5 GENERAL

12.4.5.1 All requests under this Sub-clause 12.4 will be directed both to the Seller and the affected Suppliers.

12.4.5.2 Except as specifically set forth in this Sub-clause 12.4, this Sub-clause 12.4 will not be deemed to impose on the Seller any obligations not expressly set forth elsewhere in this Agreement.

All reports, recommendations, data and other documents furnished by the Seller to the Buyer pursuant to this Sub-clause 12.4 will be deemed to be delivered under this Agreement and will be subject to the terms, covenants and conditions set forth in this Clause 12 and in Sub-clause 22.5.

12.5 EXCLUSIVITY OF WARRANTIES

THIS CLAUSE 12 (INCLUDING ITS SUB-PROVISIONS) SETS FORTH THE EXCLUSIVE WARRANTIES, EXCLUSIVE LIABILITIES AND EXCLUSIVE OBLIGATIONS OF THE SELLER, AND THE EXCLUSIVE REMEDIES AVAILABLE TO THE BUYER, WHETHER UNDER THIS AGREEMENT OR OTHERWISE, ARISING FROM ANY DEFECT OR NON-CONFORMITY OR PROBLEM OF ANY KIND IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART OR SERVICE DELIVERED UNDER THIS AGREEMENT.

THE BUYER RECOGNIZES THAT THE RIGHTS, WARRANTIES AND REMEDIES IN THIS CLAUSE 12 ARE ADEQUATE AND SUFFICIENT TO PROTECT THE BUYER FROM ANY DEFECT OR NON-CONFORMITY OR PROBLEM OF ANY KIND IN THE GOODS AND SERVICES SUPPLIED UNDER THIS AGREEMENT. THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS, GUARANTEES AND LIABILITIES OF THE SELLER AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, WHETHER EXPRESS OR IMPLIED BY CONTRACT, TORT OR

STATUTORY

LAW OR OTHERWISE, WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT

OR

PROBLEM OF ANY KIND IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART OR SERVICE DELIVERED UNDER THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO:

- (1) ANY IMPLIED WARRANTY OF MERCHANTABILITY AND/OR FITNESS FOR ANY GENERAL OR PARTICULAR PURPOSE;
- (2) ANY IMPLIED OR EXPRESS WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (3) ANY RIGHT, CLAIM OR REMEDY FOR BREACH OF CONTRACT;

- (4) ANY RIGHT, CLAIM OR REMEDY FOR TORT, UNDER ANY THEORY OF LIABILITY, HOWEVER ALLEGED, INCLUDING, BUT NOT LIMITED TO, ACTIONS AND/OR CLAIMS FOR NEGLIGENCE, GROSS NEGLIGENCE, INTENTIONAL ACTS, WILLFUL DISREGARD, IMPLIED WARRANTY, PRODUCT LIABILITY, STRICT LIABILITY OR FAILURE TO WARN;
- (5) ANY RIGHT, CLAIM OR REMEDY ARISING UNDER THE UNIFORM COMMERCIAL CODE OR ANY OTHER STATE OR FEDERAL STATUTE;
- (6) ANY RIGHT, CLAIM OR REMEDY ARISING UNDER ANY REGULATIONS OR STANDARDS IMPOSED BY ANY INTERNATIONAL, NATIONAL, STATE OR LOCAL STATUTE OR AGENCY; AND/OR
- (7) ANY RIGHT, CLAIM OR REMEDY TO RECOVER OR BE COMPENSATED

FOR:

- (a) LOSS OF USE OR REPLACEMENT OF ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART PROVIDED UNDER THIS AGREEMENT;
- (b) LOSS OF, OR DAMAGE OF ANY KIND TO, ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART PROVIDED UNDER THIS AGREEMENT;
- (c) LOSS OF PROFITS AND/OR REVENUES; AND/OR
- (d) ANY OTHER INCIDENTAL OR CONSEQUENTIAL DAMAGE.

THE WARRANTIES AND SERVICE LIFE POLICY PROVIDED BY THIS AGREEMENT WILL NOT BE EXTENDED, ALTERED OR VARIED, EXCEPT

BY

A WRITTEN INSTRUMENT SIGNED BY THE SELLER AND THE BUYER. IN THE EVENT THAT ANY PROVISION OF THIS CLAUSE 12 SHOULD FOR ANY REASON BE HELD UNLAWFUL, OR OTHERWISE UNENFORCEABLE,

THE

REMAINDER OF THIS CLAUSE 12 WILL REMAIN IN FULL FORCE AND EFFECT.

12.6

DUPLICATE REMEDIES

any

The remedies provided to the Buyer under this Clause 12 as to

entitled

defect in respect of the Aircraft or any part thereof are mutually exclusive and not cumulative. The Buyer will be

to the remedy that provides the maximum benefit to it, as the Buyer may elect, pursuant to the terms and conditions of this Clause 12 for any such particular defect for which remedies are provided under

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this Clause 12; provided, however, that the Buyer will not be entitled to elect a remedy under one part of this Clause 12 that constitutes a duplication of any remedy elected by it under any other part hereof for the same defect. The Buyer's rights and remedies herein for the non-performance of any obligations or liabilities of the Seller arising under these warranties will be in monetary damages limited to the amount the Buyer expends in procuring a correction or replacement for any covered part subject to a defect or non-performance covered by this Clause

12,

and the Buyer will not have any right to require specific performance by the Seller.

UNQUOTE

In consideration of the assignment and subrogation by the Seller under this Clause 12 in favor of the Buyer in respect of the Seller's rights against and obligations to the Manufacturer

under

the provisions quoted above, the Buyer hereby accepts such assignment and subrogation and agrees to be bound by all of the terms, conditions and limitations therein contained,

specifically

including, without limitation, the Exclusivity of Warranties and General Limitations of Liability provisions and Duplicate Remedies provisions.

THIS CLAUSE 12 (INCLUDING ITS SUB-PROVISIONS) SETS FORTH THE EXCLUSIVE WARRANTIES, EXCLUSIVE LIABILITIES AND EXCLUSIVE OBLIGATIONS OF THE SELLER, AND THE EXCLUSIVE REMEDIES AVAILABLE TO THE BUYER, WHETHER UNDER THIS AGREEMENT OR OTHERWISE, ARISING FROM ANY DEFECT OR NON-CONFORMITY OR PROBLEM OF ANY KIND IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART OR SERVICE DELIVERED UNDER THIS AGREEMENT.

THE BUYER RECOGNIZES THAT THE RIGHTS, WARRANTIES AND REMEDIES IN THIS CLAUSE 12 ARE ADEQUATE AND SUFFICIENT TO PROTECT THE BUYER FROM ANY DEFECT OR NON-CONFORMITY OR PROBLEM OF ANY KIND IN THE GOODS AND SERVICES SUPPLIED UNDER THIS AGREEMENT. THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS, GUARANTEES AND LIABILITIES OF THE SELLER AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, WHETHER EXPRESS OR IMPLIED BY CONTRACT, TORT OR

STATUTORY

LAW OR OTHERWISE, WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT

OR

PROBLEM OF ANY KIND IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART OR SERVICE DELIVERED UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO:

- (1) ANY IMPLIED WARRANTY OF MERCHANTABILITY AND/OR FITNESS FOR ANY GENERAL OR PARTICULAR PURPOSE;

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- (2) ANY IMPLIED OR EXPRESS WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (3) ANY RIGHT, CLAIM OR REMEDY FOR BREACH OF CONTRACT;
- (4) ANY RIGHT, CLAIM OR REMEDY FOR TORT, UNDER ANY THEORY OF LIABILITY, HOWEVER ALLEGED, INCLUDING, BUT NOT LIMITED TO, ACTIONS AND/OR CLAIMS FOR NEGLIGENCE, GROSS NEGLIGENCE, INTENTIONAL ACTS, WILLFUL DISREGARD, IMPLIED WARRANTY, PRODUCT LIABILITY, STRICT LIABILITY OR FAILURE TO WARN;
- (5) ANY RIGHT, CLAIM OR REMEDY ARISING UNDER THE UNIFORM COMMERCIAL CODE OR ANY OTHER STATE OR FEDERAL STATUTE;
- (6) ANY RIGHT, CLAIM OR REMEDY ARISING UNDER ANY REGULATIONS OR STANDARDS IMPOSED BY ANY INTERNATIONAL, NATIONAL, STATE OR LOCAL STATUTE OR AGENCY; AND/OR
- (7) ANY RIGHT, CLAIM OR REMEDY TO RECOVER OR BE COMPENSATED

FOR :

- (a) LOSS OF USE OR REPLACEMENT OF ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART PROVIDED UNDER THIS AGREEMENT;
- (b) LOSS OF, OR DAMAGE OF ANY KIND TO, ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART PROVIDED UNDER THIS AGREEMENT;
- (c) LOSS OF PROFITS AND/OR REVENUES; AND/OR
- (d) ANY OTHER INCIDENTAL OR CONSEQUENTIAL DAMAGE.

AGREEMENT

THE WARRANTIES AND SERVICE LIFE POLICY PROVIDED BY THIS WILL NOT BE EXTENDED, ALTERED OR VARIED EXCEPT BY A WRITTEN INSTRUMENT SIGNED BY THE SELLER AND THE BUYER. IN THE EVENT THAT ANY PROVISION OF THIS CLAUSE 12 SHOULD FOR ANY REASON BE HELD UNLAWFUL, OR OTHERWISE UNENFORCEABLE, THE REMAINDER OF THIS CLAUSE 12 WILL REMAIN IN FULL FORCE AND EFFECT.

any The remedies provided to the Buyer under this Clause 12 as to
entitled defect in respect of the Aircraft or any part thereof are
mutually exclusive and not cumulative. The Buyer will be
to the remedy that provides the maximum benefit to it, as the
Buyer may elect, pursuant to the terms and conditions of this
Clause 12 for any such particular defect for which remedies are
provided under this Clause 12; provided, however, that the Buyer
will not be entitled to elect a remedy under one part of this
Clause 12 that constitutes a duplication of any remedy elected
by it under any other part hereof for the same defect. The Buyer's
rights and remedies herein for the non-performance of any
obligations or liabilities of the Seller arising under these
warranties will be in monetary damages limited to the amount the
Buyer expends in procuring a correction or replacement for any
covered part subject to a defect or non-performance covered by
this Clause 12, and the Buyer will not have any right to require
specific performance by the Seller.

12.7 NEGOTIATED AGREEMENT

The Buyer specifically recognizes that:

- negotiation
- (i) the Specification has been agreed upon after careful consideration by the Buyer using its judgment as a professional operator of, and maintenance provider with respect to, aircraft used in public transportation and, as such, is a professional within the same industry as the Seller;
 - (ii) this Agreement, and in particular this Clause 12, has been the subject of discussion and
and is fully understood by the Buyer; and
 - (iii) the price of the Aircraft and the other mutual agreements of the Buyer set forth in this Agreement were arrived at in consideration of, inter alia, the provisions of this Clause 12, specifically including the Exclusivity of Warranties set forth in Sub-clause 12.5.

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* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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16 TRAINING AND COMPUTER-BASED TRAINING AIDS

16.1. GENERAL

Buyer's This Clause covers the terms and conditions for the supply of training and Computer-Based Training ("CBT") aids for the personnel to support the Aircraft operation.

16.2. SCOPE

16.2.1 The range and quantities of training and CBT aids to be provided free of charge under this Agreement are covered in Appendix A to this Clause 16. The Seller shall arrange availability of such training and CBT aids to be delivered in accordance with the plan developed and agreed to at the initial Training Conference to be held no later than one hundred twenty (120) days after the execution of this Agreement.

16.2.2 The contractual training courses, defined in Appendix A to this

Clause 16, will be provided up to [*] after Delivery of the last Aircraft. [*]

16.2.3 In the event that the Buyer should use none or only part of the training to be provided pursuant to this Clause, the Seller shall compensate the Buyer with training credits applicable to catalog training courses available on other Airbus products for a period of [*] after Delivery of the last Aircraft. In the event that the Buyer does not take any courses during that period, the Seller shall have no obligation to provide any additional compensation.

16.2.4 In the event that the Buyer should use none or only part of the CBT aids to be provided pursuant to this Clause, no compensation or credit of any sort will be provided.

16.3. TRAINING ORGANIZATION / LOCATION

16.3.1 The Seller shall provide training at the Buyer's training facilities for Flight-Crew Training. In the event that the Buyer's training facilities are not equipped with devices to train for the Aircraft, or such devices are not available, the Seller will provide the training at the Airbus Training Center

in Miami, Florida, and/or at its affiliated training centers in Blagnac, France, or Beijing, China. For maintenance training,

the Seller shall provide training at the Buyer's hub facilities, unless otherwise mutually agreed upon. In the event that the Buyer's hub facilities are not available, training shall be provided at the Airbus Training Center in Miami, Florida, and/or at its affiliated training centers in Blagnac, France, or Beijing, China. Should training at the Seller's facilities be required, selection of the facility

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location shall be mutually agreed. All additional charges listed in Sub-clause 16.6.2 shall be borne by the Buyer.

16.3.2 In the event of the non-availability of facilities or scheduling imperatives making training by the Seller impractical, the Seller will make arrangements for the provision to the Buyer of such training support elsewhere.

16.4 TRAINING COURSES

16.4.1 Training courses, as well as the minimum and maximum numbers of trainees per course provided for the Buyer's personnel, will be defined during the training development and will be scheduled as mutually agreed upon during the final training conference (the "Training Conference") to be held at least [*] prior to Delivery of the first Aircraft.

16.4.2 The following terms will apply when training is performed by the Seller:

(i) Training course modules will be the Seller's standard course modules as described in the Seller's applicable Training Course Catalog. All training curricula and course syllabi shall be in accordance with the agreements made during the Planning Training Conferences.

(ii) The training curricula and CBT may not be fully customized. However, academic curricula shall be modified to include the significant aspects of the Specification (to the exclusion of Buyer Furnished Equipment) as known at the latest six (6) months prior to the date of the first training course planned for the Buyer. Differences training shall be limited to no more than eight (8) hours. The Seller shall provide a differences training curricula and CBT package to the

Buyer, if necessary. [*]

(iii) Student training materials and documentation necessary for training detailed in Appendix A to this Clause 16 will be free of charge and will not be revised once provided to the student. Student training materials and documentation will be marked "FOR TRAINING ONLY" and as such will be supplied for the sole and express purpose of training.

(iv) Upon the request of the Buyer and at no charge to the Buyer, the Seller will collect and pack for consolidated shipment to the Buyer's facility, all training data and documentation of the Buyer's trainees attending training at the Airbus Training Center in Miami, Florida, Blagnac, France, or Beijing, China, as applicable. This training data and documentation will be delivered Free Carrier (FCA) Miami International

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Airport. The Buyer will provide the Seller with COMAT procedures or the Buyer's FEDEX AWB number. It is understood that title to and risk of loss of the training data and documentation will pass to the Buyer upon delivery thereof.

16.4.3 In the event the Buyer decides to cancel or reschedule a training course, a minimum advance notice of sixty (60) calendar days will be required. Any later cancellation or change, if courses cannot be allocated to other customers, will be deducted from the training allowances defined herein or will be charged to the Buyer, as applicable, [*].

16.4.4 In fulfillment of its obligation to provide training courses, when the Seller performs the training courses, the Seller will deliver to the trainees a certificate of completion at the end of any such training course. The Seller's certificate does not represent authority or qualification by any official Aviation Authorities but may be presented to such officials in order to obtain relevant formal qualification. Notwithstanding the foregoing, the training courses shall be approved by the FAA and shall meet certification requirements as required by the FAA [*].

any In the event that training is provided by a training provider selected by the Seller, the Seller will cause such training provider to deliver a certificate of completion at the end of such training course. Such certificate will not represent authority or qualification by any official Aviation Authorities but may be presented to such officials in order to obtain relevant formal qualification. Notwithstanding the foregoing, the training courses shall be approved by the FAA and shall meet certification requirements as required by the FAA for aircraft type ratings or maintenance certificates as necessary to allow the Buyer to meet regulatory obligations to operate and maintain the Aircraft.

16.5 PREREQUISITES

16.5.1 Training will be conducted in English, and all CBT aids are written in English using common aeronautical terminology. Trainees must have the prerequisite experience as defined in Appendix B to this Clause 16.

It is clearly understood that the Seller's training courses are "Transition Training Courses" and not "Ab Initio Training Courses."

Furthermore, the Buyer will be responsible for the selection of the trainees and for any liability with respect to the entry knowledge level of the trainees.

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- 16.5.2 The Buyer will provide the Seller with an attendance list of the trainees for each course with the validated qualification of each trainee. The Seller reserves the right to check the trainees' proficiency and previous professional experience. The Seller will in no case warrant or otherwise be held liable for any trainee's performance as a result of any training services provided.
- 16.5.3 Upon the Buyer's request, the Seller may be consulted to direct the above mentioned trainee(s) through a relevant entry level training qualification program, which will be at the Buyer's charge, and, if necessary, to coordinate with competent outside organizations for this purpose. Such consultation will be held as soon as it is apparent that the trainee(s) do not meet minimum standards. In the event the Seller should determine that a trainee lacks the required entry level qualification, such trainee will, following consultation with the Buyer, be withdrawn from the program and will then be considered to be at the Buyer's disposal.
- 16.6. LOGISTICS
- 16.6.1 TRAINEES
- 16.6.1.1 When training is done at the Airbus Training Center in Miami, Florida, the Seller will provide a free-of-charge rental car for all of the Buyer's trainees at the beginning of the training course on the basis of one (1) rental car per four (4) maintenance, operations and other trainees and one (1) rental car per each flight crew. The Seller will provide rental cars with unlimited mileage [*], and the Buyer will pay for fuel and fines, if any. However, the Buyer will indemnify and hold the Seller harmless from and against all liabilities, claims, damages, costs and expenses for any injury to or death of any of the Buyer's trainees occasioned during the course of such transportation.
- 16.6.1.2 When training is done at the Airbus Training Center in Blagnac, France, or Beijing, China, the Seller will provide free local transportation by bus for the Buyer's trainees to and from designated pick-up points and the training center
- 16.6.1.3 Living expenses for the Buyer's trainees are to be borne by the Buyer.
- 16.6.2 TRAINING AT EXTERNAL LOCATION
- 16.6.2.1 SELLER'S INSTRUCTORS
- In the event that training is provided by the Seller's instructors at any location other than the Seller's training centers, the Buyer will reimburse the Seller for all the expenses, defined below in Sub-clauses 16.6.2.2, 16.6.2.3, 16.6.2.4 and 16.6.2.5

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related to the assignment of such instructors and their performance of the duties as aforesaid.

16.6.2.2 LIVING EXPENSES FOR THE SELLER'S INSTRUCTORS

The Buyer will reimburse the Seller for the expenses related to the assignment of the Seller's instructors and their performance of the duties as aforesaid. Such expenses, covering the entire period from day of secondment to day of return to the Seller's base, will be reimbursed by the Buyer to the Seller at the daily rate of (i) [*], not including air travel, in the event the instruction is conducted in Memphis, Tennessee, in which case

the

Buyer will provide reasonable assistance to the Seller in making accommodation arrangements, or (ii) [*], not including air travel, in the event the instruction is conducted outside of Memphis, Tennessee. The above amounts are subject to reasonable yearly escalation.

16.6.2.3 AIR TRAVEL

The Buyer will provide air transportation for the Seller's instructors. Airline tickets will be confirmed and guaranteed in business class for international travel and coach class for domestic travel or, at the Buyer's choice, the Buyer will reimburse the Seller for airline tickets purchased by the

Seller.

16.6.2.4 INSTRUCTOR'S MATERIAL

The Buyer will reimburse the Seller for the cost of shipping the instructor's material needed to conduct such courses.

16.6.2.5 BUYER'S INDEMNITY

The Buyer will be solely liable for any and all cancellation or delay in the performance of the training outside of the Seller's training centers associated with the transportation services described above and will indemnify and hold the Seller harmless from such delay and any consequences arising therefrom.

16.6.2.6 TRAINING EQUIPMENT AVAILABILITY

Training equipment necessary for course performance at any course

location other than the Seller's training centers or the facilities of the training provider selected by the Seller will be provided by the Buyer in accordance with terms specified herein and any agreements reached during the Training Conferences.

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- 16.7 FLIGHT OPERATIONS TRAINING
- 16.7.1 FLIGHT-CREW TRAINING COURSE
- 16.7.1.1 The Seller will perform a flight-crew training course program (regular transition program or a cross-crew qualification program as applicable) for the Buyer's flight crews, each of which will consist of one (1) captain and one (1) first officer, as defined in Appendix A to this Clause 16. The training manual used will be the electronic Seller's Flight Crew Operating Manual. No later than one (1) month before the start of the training course, the Buyer will provide the Seller with an attendance list of trainees, indicating the aircraft type last flown by each trainee.
- 16.7.1.2 The Buyer will use its delivered Aircraft for any required aircraft in-flight training. This training will not exceed [*] per pilot. When aircraft in-flight crew training is performed at a designated site of the Seller, the Seller will provide free-of-charge line maintenance, including servicing, preflight checks and changing of minor components, subject to conditions agreed to in this Agreement.
- 16.7.1.3 The Buyer will provide mutually agreed spare parts as required to support said Aircraft in-flight training and will provide insurance in line with Sub-clause 16.12.
- 16.7.1.4 In all cases, the Buyer will bear all expenses such as fuel, oil and landing fees.
- 16.7.2 The Seller will perform a flight instructor familiarization course for the Buyer's flight instructors having already performed a transition course as defined in Appendix A to this Clause 16.
- 16.7.3 FLIGHT-CREW LINE INITIAL OPERATING EXPERIENCE
- 16.7.3.1 In order to assist the Buyer with initial operating experience after Delivery of the first Aircraft, the Seller will provide to the Buyer pilot instructor(s) as defined in Appendix A to this Clause 16. The maximum guaranteed number of pilot instructors present at one time will be limited to two (2) pilot instructors.
- 16.7.3.2 The Buyer will reimburse the expenses for each such instructor in accordance with Sub-clause 16.6.2. Additional pilot instructors can be provided at the Buyer's expense and upon conditions to be mutually agreed upon.
- 16.7.3.3 Prior to any flight training to be performed by the Seller on the Buyer's Aircraft, the Buyer will provide to the Seller a copy of the certificate of insurance as requested in Clause 19.

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16.7.4 PERFORMANCE / OPERATIONS COURSE

The Seller will provide performance/operations training for the Buyer's personnel as defined in Appendix A to this Clause 16.

The available courses are listed in the Seller's applicable Training Course Catalog.

16.8 MAINTENANCE TRAINING

16.8.1 The Seller will provide maintenance training for the Buyer's ground personnel as defined in Appendix A to this Clause 16. The available courses are listed in the Seller's applicable Training Course Catalog. [*]

list No later than one (1) month before the start of the training course, the Buyer will provide the Seller with an attendance of trainees, indicating the aircraft type(s) on which each trainee has been qualified.

16.8.2 LINE MAINTENANCE INITIAL OPERATING EXPERIENCE TRAINING

the In order to assist the Buyer during the entry into service of Aircraft, the Seller will provide to the Buyer maintenance instructor(s) at the Buyer's base as defined in Appendix A to this Clause 16.

16.8.2.1 This line maintenance initial operating experience training will cover training in handling and servicing of Aircraft, flight crew and maintenance coordination, use of paper and/or electronic documentation, CAATS, ADRES and/or any other activities which may be deemed necessary after Delivery of the first Aircraft.

16.8.2.2 The Buyer will reimburse the expenses for said instructor(s) in accordance with Sub-clause 16.6.2. Additional maintenance instructors can be provided at the Buyer's expense.

16.9 SUPPLIER AND ENGINE MANUFACTURER TRAINING

The Seller will ensure that the major Suppliers and the Propulsion Systems manufacturer will provide maintenance and overhaul training on their products at appropriate times. [*]

16.10 CBT AIDS FOR THE BUYER'S TRAINING ORGANIZATION

16.10.1 The Seller will provide to the Buyer the Airbus Computer Based Training ("Airbus CBT") and CBT aids, free of charge as defined in Appendix A to this Clause 16.

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The training courses and CBT aids shall be developed in accordance with the standards of the AICC and shall meet FAA regulatory requirements. [*]

- 16.10.2 DELIVERY
- 16.10.2.1 The Seller will deliver to the Buyer the Airbus CBT and CBT aids as defined in Appendix A to this Clause 16, at a date to be mutually agreed during the Training Conference. [*]
- 16.10.2.2 Those items supplied to the Buyer pursuant to Sub-clause 16.10.1 above will be delivered FCA Toulouse, Blagnac Airport. Title to and risk of loss of said items will pass to the Buyer upon delivery.
- 16.10.2.3 All costs related to transportation and insurance of said items from the FCA point to the Buyer's facilities will be at the Buyer's expense.
- 16.10.3 INSTALLATION
- 16.10.3.1 Upon the Buyer's request, the Seller shall assist the Buyer with the initial installation of the agreed upon Airbus CBT courseware at the Buyer's facility following notification in writing that the various components, which are in accordance with specifications defined during the Preliminary Training Conference or subsequent joint training conferences, are ready for installation and available at the Buyer's facility.
- 16.10.3.2 The Buyer will provide any and all the necessary hardware on which the agreed upon Airbus CBT will be installed, and Seller will not be responsible for any incompatibility of such hardware with the agreed upon Airbus CBT, provided that the hardware meets the requirements agreed to in the Preliminary Training Conference or subsequent joint training conferences.
- 16.10.3.3 The agreed upon Airbus CBT courseware will be installed by the Buyer's personnel, and the Seller will be held harmless from any damage to person and/or to property caused by or in any way connected with, the handling and/or installation of the Airbus CBT by the Buyer's personnel.
- 16.10.3.4 The Buyer will reimburse the expenses in accordance with Sub-clause 16.6.2, for the Seller's personnel required at the Buyer's facility to provide installation assistance.

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16.10.4 LICENSE

16.10.4.1 The Seller will grant the Buyer an Airbus CBT license as defined in Appendix C to this Clause 16.

16.11 PROPRIETARY RIGHTS

Student training materials and documentation, Airbus CBT and CBT aids are proprietary to the Manufacturer and its suppliers, and the Buyer agrees not to disclose the content of the courseware

or

any information or documentation provided by the Seller in relation to training, in whole or in part, to any third party without the prior written consent of the Seller. The Seller will not unreasonably withhold such consent if the Buyer or the Buyer's subcontractor needs to use the above mentioned data for development and further improvement of the Buyer's own training needs.

16.12 INDEMNIFICATION AND INSURANCE

Indemnification provisions additional to those in Sub-clause 16.6.2.5 and insurance requirements are as set forth in Clause 19.

16

TRAINING ALLOWANCE

1. FLIGHT-CREW TRANSITION TRAINING

1.1 FLIGHT-CREW TRAINING

The Seller will provide flight-crew transition training, free of charge, for [*] of the Buyer's flight crews (for a total of [*]) to enable the Buyer to dispense flight-crew transition training up to CAT III.

1.2 FLIGHT INSTRUCTOR FAMILIARIZATION COURSE

The Seller will perform a flight instructor familiarization course for up to [*] of the Buyer's flight instructors who have already performed the transition course. The flight instructor familiarization course will include instruction in simulator operation.

1.3 FLIGHT-CREW LINE INITIAL OPERATING EXPERIENCE

The Seller will provide to the Buyer pilot instructor(s) free of charge for a period of [*] to assist with flight-crew initial operating experience.

The maximum guaranteed number of pilot instructors present at any one time will be limited to [*] pilot instructors.

1.4 PERFORMANCE/OPERATIONS COURSE(S)

The Seller will provide to the Buyer [*] of performance/operations training free of charge for the Buyer's personnel.

The above trainee days will be used solely for the performance/operations training courses as defined in the Seller's applicable Training Course Catalog.

In addition, the Buyer will be allowed to send an engineer(s) to any scheduled performance engineer class at the Seller's training centers free of charge, classroom space permitting. The Buyer's attendees will be responsible for their own travel expenses.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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2. MAINTENANCE TRAINING

2.1 MAINTENANCE TRAINING COURSES

The Seller will provide to the Buyer [*] of maintenance

training free of charge for the Buyer's personnel.

These trainee days will be used solely for the Maintenance training courses as agreed to in the Preliminary Training Conference or as defined in the Seller's applicable Training Course Catalog. The number of Engine Run-up courses will be limited to [*] courses for [*] trainees per Firm Aircraft.

The Buyer and the Seller shall agree on the best balance of formal classroom training and on-the-job training to ensure a smooth entry into service and continued operation of the Aircraft.

2.2 LINE MAINTENANCE INITIAL OPERATING EXPERIENCE TRAINING

The Seller will provide to the Buyer maintenance instructor(s)

at

any of the Buyer's hubs free of charge for up to a total period of [*] weeks.

2.3 [*]

3. TRAINEE DAYS ACCOUNTING

Trainee days are counted as follows:

- For instruction at the Seller's training centers, one (1) day of instruction for one (1) trainee equals one (1) trainee day, and the number of trainees at the beginning of the course will be counted as the number of trainees considered to have taken the course.
- For instruction outside of the Seller's training centers, one (1) day of secondment of one (1) Seller instructor equals the actual number of trainees attending the course or a minimum of [*] trainee days.

4. CBT AIDS AND CBT SYSTEM FOR THE BUYER'S TRAINING ORGANIZATION

4.1 The Seller will provide the Buyer with the following training aids:

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

APPENDIX A TO CLAUSE 16

- [*] sets of cockpit color paper panel drawings (scale 1/1) and one (1) reproducible CD ROM;
- As available, computer readable copies of all instructor and student training materials in their existing format. The Buyer shall have the right to amend/modify any of this documentation as necessary to support its specific training requirements; and
- [*] sets of cockpit color paper panel drawings (scale 1/2) and one (1) reproducible CD ROM.

4.2 The Seller will provide to the Buyer one (1) Airbus CBT,
defined in Sub-clause 2.1.3 of Appendix C hereto, for workstations
 related to the Aircraft.

The Airbus CBT supplied to the Buyer will consist of

- one (1) Airbus CBT installation/utilization guide
- one (1) set of CD-ROM with run-time software related to the delivered courseware.

FOR FLIGHT OPERATIONS TRAINING

The A380 Family flight-crew Airbus CBT courseware will be delivered with one (1) set of Airbus CBT courseware as developed in accordance with Sub-clause 16.2.1 of this Agreement.

FOR MAINTENANCE TRAINING

The A380 Family maintenance Airbus CBT courseware will be delivered with

- one (1) set of CD ROM with Airbus CBT courseware files;
- one (1) set of electronic training documentation master, whenever applicable;
- one (1) set of menu listings; and
- [*] sets of DVD-ROM, whenever applicable.

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APPENDIX B TO CLAUSE 16

MINIMUM RECOMMENDED QUALIFICATION IN RELATION TO TRAINING REQUIREMENTS (Regular Transition Courses)

The prerequisites listed below are the minimum recommended requirements specified for Airbus training. If the appropriate regulatory agency, or the specific airline policy of the trainee, demands greater or additional requirements, they will apply as prerequisites:

CAPTAIN PREREQUISITES

- Fluency in English,
- 1,500 hours minimum flying experience as pilot, - 1,000 hours experience on FAR/JAR 25 aircraft, - 200 hours experience as airline, corporate or military pilot, and
- Must have flown transport-type aircraft, as flying pilot, within the last twelve (12) months.

FIRST OFFICER PREREQUISITES

- Fluency in English,
- 500 hours minimum flying experience as pilot of fixed-wing aircraft,
- 300 hours experience on FAR/JAR 25 aircraft, - 200 hours flying experience as airline, corporate or military pilot, and
- Must have flown transport-type aircraft, as flying pilot, within the last twelve (12) months.

For both CAPTAIN and FIRST OFFICER, if one (1) or several of the above criteria are not met, the trainee must follow:

- (i) an adapted course (example: if not fluent in English, an adapted course with a translator), or
- (ii) an Entry Level Training (ELT) program before entering the regular or the adapted course.

Such course(s), if required, will be at the Buyer's expense.

MAINTENANCE PERSONNEL PREREQUISITES

- Fluency in English,
- Experience on first- or second-generation jet transport-category aircraft, - Qualification as line or line and base mechanic on one (1) Airbus aircraft type (for Aircraft Rigging course), and

- Qualification as line or line and base mechanic on the relevant Airbus aircraft type (for Maintenance Initial Operating Experience course).

APPENDIX C TO CLAUSE 16

LICENSE FOR USE OF AIRBUS A380 AIRCRAFT COMPUTER BASED TRAINING

1. GRANT

Pursuant to the terms and conditions herein, the Seller hereby grants the Buyer a non-exclusive, non-transferable, fully-paid and royalty-free license to use the Airbus CBT System for the duration of the term (defined in Clause 4 below) of this license (the "License").

2. DEFINITIONS

- 2.1 For the purpose of this Appendix C to Clause 16, the following definitions will apply:
- 2.1.1 "Airbus CBT Courseware" means the lessons designed to provide flight-crew and maintenance training for the Aircraft.
- 2.1.2 "Airbus CBT Software" means the system software and all related documentation that permits the use of the Airbus CBT Courseware.
- 2.1.3 "Airbus CBT System" means the combination of the Airbus CBT Software and the Airbus CBT Courseware.
- 2.1.4 "Student/Instructor Mode" means the mode that allows the user to run the Airbus CBT Courseware.
- 2.1.5 "Airbus CBT Training " means the training enabling the Buyer to load and use the Airbus CBT System.
- 2.2 For the purpose of clarification, it is hereby stated that all related hardware required for the operation of the Airbus CBT System is not part of the Airbus CBT System and will be procured under the sole responsibility of the Buyer.

3. COPIES

- 3.1 The Buyer will be permitted to copy the Airbus CBT Software for back-up and archiving purposes and for loading of the Airbus CBT Software exclusively on the Buyer's workstations. In such cases, the Buyer will advise the Seller in writing stating the number and purpose of any copies made. Any other copying is strictly prohibited.
- 3.2 The Buyer agrees to reproduce the copyright and other notices as they appear on or within the original media on any copies that the Buyer makes of the Airbus CBT Software.

4. TERM

The rights under this License will be granted to the Buyer for as long as the Buyer operates the aircraft model to which the Airbus CBT Software and the Airbus CBT courseware apply. When the Buyer stops operating the A380F Aircraft model, the Buyer will use its best reasonable efforts to return the Airbus CBT source code and any copies thereof to the Seller, accompanied by a note certifying that the Buyer has used its best reasonable efforts to return all existing copies.

5. PERSONAL ON-SITE LICENSE

5.1 The above described License is personal to the Buyer for use of the Airbus CBT System within the Buyer's premises only.

5.2 The Buyer may not (i) distribute or sub-license any portion of the Airbus CBT System, (ii) modify or prepare derivative works from the Airbus CBT System, (iii) publicly display visual output of the Airbus CBT Software, or (iv) transmit the Airbus CBT Software electronically unless otherwise permitted by the Seller under conditions to be agreed upon. [*]

5.3 [*]

6. CONDITIONS OF USE

6.1 USE OF THE AIRBUS CBT SOFTWARE

For the student delivery mode, the Buyer will use the Airbus CBT Software for the exclusive purpose of:

several (i) including students on the roster for one (1) or courses' syllabi in order to follow students' progression,

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APPENDIX C TO CLAUSE 16

- (ii) rearranging course syllabi or creating new ones using available courseware modules, it being understood that the Seller disclaims any responsibility regarding any course(s) that may be modified or rearranged by the Buyer.

6.2 USE OF THE AIRBUS CBT COURSEWARE

The Buyer will use the Airbus CBT Courseware for the exclusive purpose of performing training instructions for its personnel, or for third-party personnel contracted to perform work on the Aircraft on behalf of the Buyer. Such training will be performed at the Buyer's facility or at a subcontractor's facility provided it is conducted by the Buyer's personnel.

7. PROPRIETARY RIGHTS AND NONDISCLOSURE

The Airbus CBT Software and Airbus CBT Courseware, the copyrights and any and all other author rights, intellectual, commercial or industrial proprietary rights of whatever nature in the Airbus CBT Software and Airbus CBT Courseware are, and will remain with, the Seller or its suppliers, as the case may be. The Airbus CBT Software and Airbus CBT Courseware and their contents are designated as confidential. The Buyer will not take any commercial advantage by copy or presentation to third parties of the Airbus CBT Software, the documentation, the Airbus CBT Courseware and/or any rearrangement, modification or copy thereof.

The Buyer acknowledges the Manufacturer's proprietary rights in the Airbus CBT System and undertakes not to disclose the Airbus CBT Software or Airbus CBT Courseware or parts thereof or their contents to any third party without the prior written consent of the Seller. Insofar as it is necessary to disclose aspects of the Airbus CBT Software and Airbus CBT Courseware to the Buyer's personnel, such disclosure is permitted only for the purpose for which the Airbus CBT Software and Airbus CBT Courseware are supplied to the Buyer under the License.

8. LIMITED WARRANTY

8.1 The Seller warrants that the Airbus CBT System is prepared in accordance with the state of the art at the date of its conception. Should the Airbus CBT System be found to contain any non-conformity or defect, the Buyer will notify the Seller promptly thereof and the sole and exclusive liability of the Seller under this Sub-clause 8.1 of the Airbus CBT License will be to correct the same at its own expense.

8.2 WAIVER, RELEASE AND RENUNCIATION

THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND REMEDIES OF THE BUYER SET FORTH IN THIS LICENSE ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES

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AND RENOUNCES, ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY NONCONFORMITY OR DEFECT (OTHER

COPYRIGHT OR PATENT INFRINGEMENTS) IN THE AIRBUS CBT SYSTEM DELIVERED UNDER THIS LICENSE INCLUDING BUT NOT LIMITED TO:

- (A) ANY WARRANTY AGAINST HIDDEN DEFECTS;
- (B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
- (C) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR IN TORT AND WHETHER OR NOT ARISING FROM THE SELLER'S NEGLIGENCE, ACTUAL OR IMPUTED; AND
- (E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART THEREOF.

THE SELLER WILL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OF THE BUYER'S DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN THE AIRBUS CBT SYSTEM DELIVERED UNDER THIS LICENSE.

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17 EQUIPMENT SUPPLIER PRODUCT SUPPORT

17.1 EQUIPMENT SUPPLIER PRODUCT SUPPORT AGREEMENTS

17.1.1 The Seller has obtained Supplier Product Support Agreements transferable to the Buyer from Suppliers of Seller Furnished Equipment listed in the Specification.

17.1.2 These agreements are based on, or exceed, the requirements of the

"World Airlines and Suppliers Guide" and include Supplier commitments contained in the Supplier Product Support

Agreements, which include the following:

- (i) Technical data and manuals required to operate, maintain, service and overhaul the Supplier items will (a) be prepared in accordance with the applicable provisions of ATA Specification 100 and 101 in accordance with Condition 4 of Letter Agreement No. 4 to this Agreement, (b) include revision service, and (c) be published in the English language. The Seller recommends that software data, supplied in the form of an appendix to the Component Maintenance Manual, be provided in compliance with ATA Specification 102 up

to Level 3 to protect Supplier's proprietary interests.

- (ii) Warranties and guarantees, including Suppliers' standard warranties, and, in the case of Suppliers of landing gear, service life policies for selected landing gear structures.

and (iii) Training to ensure efficient operation, maintenance overhaul of Suppliers' items for the Buyer's instructors and shop and line-service personnel.

or (iv) Spares data in compliance with ATA Specification 200 2000, initial provisioning recommendations and spares and logistics services, including routine and emergency deliveries.

maintenance, (v) Technical service to assist the Buyer with overhaul, repair, operation and inspection of Supplier items as well as required tooling and spares provisioning.

17.2 SUPPLIER COMPLIANCE

The Seller will monitor Supplier compliance with support commitments defined in the Supplier Product Support Agreements, and the Seller will take action together with the Buyer, if necessary.

17.3 SUPPLIER PART REPAIR STATIONS

17.3.1 The Manufacturer has developed with its Suppliers a comprehensive network of repair stations in North America for those Supplier Parts originating from outside this territory.

America, As a result, most Supplier Parts are repairable in North and corresponding repair stations are listed in the AOG and Repair Guide, which is issued and regularly updated by the Manufacturer.

The Seller undertakes that the Supplier Parts that have to be forwarded for repair outside North America will be sent back to the Buyer with proper tagging as required by the FAA.

17.3.2 The Seller will support the Buyer in cases where the agreed repair turn time of an approved repair station is not met by causing free-of-charge loans or exchanges as specified in the relevant Supplier Product Support Agreements to be offered to the Buyer.

18 BUYER FURNISHED EQUIPMENT

18.1 ADMINISTRATION

18.1.1 Without additional charge and in accordance with the Specification, the Seller will cause the Manufacturer to install the BFE, provided that the BFE is referred to in the Airbus BFE Catalog of Approved Suppliers by Products valid at the time the BFE is ordered.

the The Seller will cause the Manufacturer to advise the Buyer of dates by, and the location to, which, in the planned release of engineering for the Aircraft, the Seller requires a written detailed engineering definition. This description will include the description of the dimensions and weight of BFE, the information related to its certification and information necessary for the installation and operation thereof. The Buyer will furnish such detailed description and information by the dates specified. Thereafter, no information, dimensions or weights will be revised unless authorized by an SCN.

the The Seller will also provide the Buyer, sixty (60) days in advance of supplier lead time, with a schedule of dates and shipping addresses for delivery of BFE and (when requested by

in Seller) additional spare BFE to permit installation of the BFE

the Aircraft and Delivery of the Aircraft in accordance with the Delivery Schedule. The Buyer will provide the BFE by such dates in a serviceable condition, to allow performance of any

assembly, test or acceptance process in accordance with the industrial schedule.

The Buyer will also provide, when requested by the Manufacturer, at Airbus France S.A.S. works and/or at Airbus Deutschland GmbH works, adequate field service, including support from BFE suppliers to act in a technical advisory capacity to the Seller in the installation, calibration and possible repair of any BFE.

18.1.2 The BFE will be imported into France or into Germany by the

Buyer under a suspensive customs system ("REGIME DE L'ENTREPOT INDUSTRIEL POUR FABRICATION COORDONNEE" or "ZOLLVERSCHLUSS"), without application of any French or German tax or customs duty, and will be Delivered Duty Unpaid (DDU) (as defined in the April 1990 edition of Publication No. 460, published by the International Chamber of Commerce) according to the Incoterms definition, to

Airbus France S.A.S.,
316, route de Bayonne
31300 Toulouse
France

or

Airbus Deutschland GmbH,
Division Hamburger Flugzeugbau
Kreetslag 10
21129 Hamburg
Federal Republic of Germany

as provided in Sub-clause 18.1.1.

18.1.3 If the Buyer requests the Seller to supply directly certain items that are considered BFE according to the Specification, and if such request is notified to the Seller in due time in order not to affect the Delivery Date of the Aircraft, the Seller may agree to order such items subject to the execution of an SCN reflecting the effect on price, escalation adjustment and any other conditions of the Agreement. In such a case, the Seller will be entitled to the payment of a reasonable handling charge and will bear no liability in respect of delay and product support commitments for such items.

18.2 REQUIREMENTS

The Buyer is responsible for assuring and warranting, at its expense, that BFE will (i) meet the requirements of the applicable Specification, (ii) comply with applicable requirements incorporated by reference to the Type Certificate and listed in the Type Certificate Data Sheet, and (iii) be approved by the Aviation Authorities delivering the Export Certificate of Airworthiness and by the Buyer's Aviation Authority for installation and use on the Aircraft at the time of Delivery of such Aircraft. At the Buyer's request, the Seller will provide reasonable assistance to determine specific requirements of the DGAC relating to BFE.

18.3 THE BUYER'S OBLIGATION AND THE SELLER'S REMEDIES

18.3.1 Any delay or failure in,

- (i) furnishing the BFE in serviceable condition at the requested delivery date,
- (ii) complying with the warranty in Sub-clause 18.2 or in providing the descriptive information or service representatives mentioned in Sub-clause 18.1.1, or
- (iii) obtaining any required approval for such equipment under the above mentioned Aviation Authorities' regulations

may delay the performance of any act to be performed by the Seller and cause the Final Contract Price of the Aircraft to be adjusted in accordance with the updated Delivery Schedule, including, in particular, the costs the Seller incurs that are attributable to the delay or failure described above, such as storage, taxes, insurance and costs of out-of sequence installation.

18.3.2 In addition to the consequences outlined in Sub-clause 18.3.1,
in the event of a delay or failure described in Sub-clause 18.3.1,

(i) the Seller may select, purchase and install equipment
similar to the BFE at issue, in which event the Final
Contract Price of the affected Aircraft will also be
increased by the purchase price of such equipment,

plus reasonable costs and expenses incurred by the Seller
for handling, transportation, insurance, packaging

and, if required and not already provided for in the price
of the Aircraft, for adjustment and calibration; or

(ii) if the BFE is delayed more than thirty (30) days
beyond, or unapproved within thirty (30) days of, the
BFE delivery date pursuant to Sub-clause 18.1.1, then
the Seller may Deliver, or the Buyer may elect to have
the Aircraft delivered, without the installation of
such equipment, notwithstanding the terms of

Sub-clause 7.2 insofar as it may otherwise have applied, whereon
the Seller will be relieved of all obligations to
install such equipment.

18.4 TITLE AND RISK OF LOSS

Title to and risk of loss of BFE will at all times remain with
the Buyer, except that risk of loss (limited to cost of
replacement of said BFE and excluding in particular loss of use)
will be with the Seller for as long as the BFE is in the care,
custody and control of the Seller.

19 INDEMNITIES AND INSURANCE

19.1 THE SELLER'S INDEMNITIES

The Seller will be solely liable for, and will indemnify and will

hold the Buyer, its directors, officers, agents or employees, harmless against, all losses, liabilities, costs, expenses and damages, including court costs and reasonable attorneys' fees ("Losses"), arising from,

(a) claims for injuries to, or deaths of, the Seller's, Manufacturer's or any Associated Contractor's respective directors, officers, agents or employees, or loss or damage to property of the Seller, Manufacturer or any Associated Contractor or their respective employees when such losses occur during or are incidental to, (i) the Buyer's exercise of its inspection rights under Clause 7, (ii) the Technical Acceptance Process described in Clause 8, (iii) the provision of Field Assistance pursuant to Clause 15, or

(iv) the provision of training pursuant to Clause 16; and

(b) claims for injuries to or deaths of third parties, or loss of property of third parties, occurring during, or incidental to, (i) the Buyer's exercise of its inspection rights pursuant to Clause 7, or (ii) the Technical Acceptance Process described in Clause 8,

provided that such Losses do not result from the gross

negligence or willful misconduct of the Buyer, its directors, officers, agents or employees.

19.2 THE BUYER'S INDEMNITIES

The Buyer will be solely liable for, and will indemnify and will hold the Seller, the Manufacturer, each of the Associated Contractors and their respective subcontractors, Affiliates of the Seller, the Seller's representatives and the respective assignees, directors, officers, agents and employees of each of the foregoing, harmless against, all Losses arising from,

(a) claims for injuries to or deaths of the Buyer's directors, officers, agents or employees, or loss or damage to

property of the Buyer or its employees, when such losses occur

during or are incidental to, (i) the Buyer's exercise of its inspection rights under Clause 7, (ii) the Technical Acceptance Process described in Clause 8, (iii) the provision of Field Assistance pursuant to Clause 15, (iv) the provision of training pursuant to Clause 16, or (v) the Buyer's use of the Seller Avionics Data and the Buyer's development of or installation of the Alternative Modification pursuant to Letter Agreement No. 9 to this Agreement; and

(b) claims for injuries to or deaths of third parties, or loss of property of third parties, where such losses arise out

of or in connection with (i) the

provision of Field Services under Clause 15 or (ii) the provision of training pursuant to Clause 16;

negligence provided that such Losses do not result from the gross or willful misconduct of the Seller (including the Seller's Representatives, who are referred to in Clause 15).

19.3 NOTICE AND DEFENSE OF CLAIMS

(the (a) If any claim is made or suit is brought against a party or entity entitled to indemnification under this Clause 19 "Indemnatee") for damages for which liability has been assumed by the other party under this Clause 19, (the "Indemnitor"), the Indemnatee will promptly give notice to the Indemnitor and the Indemnitor (unless otherwise requested by the Indemnatee) will assume and conduct the defense, or settlement, of such suit, as the Indemnitor will deem prudent. Notice of the claim or suit will be accompanied by all information pertinent to the matter as is reasonably available to the Indemnatee and will be followed by such cooperation by the Indemnatee as the Indemnitor or its counsel may reasonably request at the expense of the Indemnitor.

(b) In the event that the Indemnitor fails or refuses to assume the defense of any claim or lawsuit notified to it under this Clause 19, the Indemnatee will have the right to proceed with the defense or settlement of the claim or lawsuit as it deems prudent and will have a claim against the Indemnitor for any judgments, settlements, costs or expenses, including reasonable attorneys' fees. Further, in any such event, the Indemnitor will be deemed to have waived objection or defense to the Indemnatee's claim based on the reasonableness of any settlement.

19.4 INSURANCE

The (a) [*] the Buyer will maintain adequate insurance to support [*] undertakings under this Clause 19, and will bear any deductible amounts set forth in the applicable policies.

Such Buyer [*] will provide a certificate of insurance, upon request, prepared by an insurance broker licensed and skilled in the field of aviation insurance, in English.

certificate of insurance will name each party as an additional insured under the other's applicable liability policies and will provide that the insurance coverage will not become ineffective, canceled or materially decreased or changed except on thirty (30) days' prior notice to the other.

in (b) With respect to the Seller's and the Buyer's undertakings Sub-clauses 19.1 and 19.2, respectively, each party will,

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

- (i) cause the other parties being indemnified to be named as additional insureds under the other's liability policies;
- (ii) obtain and cause the insurers of its hull all-risks and hull war-risk policies to waive all rights of subrogation against the indemnified parties; and
- (iii) not less than seven (7) Working Days before the commencement of training to be provided under Clause 16, furnish to the Seller certificates of insurance, in English, from a licensed insurance broker skilled in the field of aviation insurance, certifying
 - (1) that the requirements of the foregoing Sub-clauses 19.4 (b)(i) and (ii) have been met;
 - (2) that the limits and insurance periods of each applicable policy have been defined;
 - (3) that the applicable policies are primary and non-contributory to any other insurance maintained by the Seller;
 - (4) that the applicable policies contain a cross-liability provision; and
 - (5) the insurance coverage will not become ineffective, canceled or materially decreased or changed except upon seven (7) Working Days' notice to the Seller.

20 ASSIGNMENTS AND TRANSFERS

20.1 ASSIGNMENTS BY THE BUYER

Except as hereinafter provided, neither the Buyer nor the Seller may sell, assign or transfer its rights or obligations under this Agreement to any person without the prior written consent of the other. [*]

20.2 ASSIGNMENTS ON SALE, MERGER OR CONSOLIDATION

The Buyer will be entitled to assign its rights under this Agreement at any time due to a merger, consolidation, reorganization, sale or transfer of all, or substantially all, of its assets, provided that,

- (i) the surviving or acquiring entity is organized and existing under the laws of the United States;
- (ii) the Buyer holds an Operating Certificate issued by the FAA at the time, and immediately following the consummation, of such merger, consolidation, reorganization, sale or transfer; and
- (iii) following the merger, consolidation, reorganization, sale or transfer, the resulting entity is in a financial condition at least equal to that of the Buyer immediately before such merger, consolidation, reorganization, sale or transfer.

20.3 ASSIGNMENTS BY THE SELLER

The Seller may at any time, by written notice to the Buyer, designate particular facilities or particular personnel of the Manufacturer, ANACS, any of the Associated Contractors or any Affiliate of the Manufacturer or any Associated Contractor at which, or by whom, the services to be performed under this Agreement will be performed or may designate the Manufacturer, any Associated Contractor or any Affiliate of the Manufacturer or any Associated Contractor, which will be responsible on behalf of the Seller for providing to the Buyer all or any of the services described in this Agreement, provided that the Buyer's rights and obligations under this Agreement will not be materially adversely affected.

20.4 TRANSFER OF RIGHTS AND OBLIGATIONS UPON REORGANIZATION

If at any time until the date upon which all the obligations and liabilities of the Seller under this Agreement have been discharged, the legal structure, the

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

membership or the business of the Seller is reorganized or the legal form of the Seller is changed and, as a consequence thereof, the Seller wishes the Buyer to accept the substitution of the Seller by another entity within the restructured Airbus group (or the Seller in its new legal form) ("Newco"), as contemplated below, the Seller will promptly notify the Buyer of its wish.

In such event, the Seller may request the Buyer to enter into a novation agreement and/or other agreement having the same effect whereby the Seller's rights and obligations under this Agreement are novated or transferred in favor of Newco. Upon receipt of such request, the Buyer will enter into a novation agreement and/or other appropriate agreement, provided that Newco is in a financial condition at least equal to that of the Seller immediately before such reorganization and that the Buyer's rights and obligations under this Agreement are not adversely affected by such novation and/or other agreement.

documentation Until any such novation agreement/other appropriate
has come into effect, this Agreement will remain in full force and effect and each party will act diligently and in good faith to implement the novation agreement and/or other appropriate documentation as soon as practicable after Newco has come into existence.

20.5 ASSIGNMENTS FOR FINANCING PURPOSES

At or following Delivery, the Buyer will be entitled to assign its rights and obligations under Clauses 12, 13 and 17 hereof to any provider of financing with respect to one (1) or more Aircraft, to the extent that such Clauses apply to the Aircraft that are being financed, as security for the Buyer's obligations with respect to such financing, provided that such assignment does not, in the Seller's reasonable judgment, adversely affect the Seller's rights hereunder.

20.6 POST-DELIVERY SALE OR LEASE

The Seller agrees that, upon the post-Delivery sale or lease of an Aircraft (including a sale or lease for financing purposes), all of the Buyer's rights and obligations remaining at the time of such sale or lease under Clauses 12, 13, and 17 of this Agreement and this Sub-clause 20.6, with respect to the affected Aircraft, will inure to the benefit of the transferee upon delivery to the Seller of notice of such sale or lease and written agreement by the transferee, in form and substance satisfactory to the Seller, to be bound by the terms thereof.

21 TERMINATION EVENTS

21.1 TERMINATION EVENTS

21.1.1 Each of the following will constitute a "Termination Event"
under

this Agreement and immediately upon the occurrence of a Termination Event, the Buyer will notify the Seller of such occurrence in writing and by courier or telefax, provided, however, that any failure by the Buyer to notify the Seller will not prejudice the Seller's rights hereunder:

- (1) The Buyer commences any case, proceeding or other action relating to bankruptcy, insolvency, reorganization, relief from debtors, winding-up, liquidation or dissolution, and such case, proceeding or other action remains unstayed, undismitted or undischarged for sixty (60) days.
- (2) An action is commenced seeking the appointment of a receiver, trustee, custodian or other similar official for the Buyer for all, or substantially all, of its assets, and such action remains unstayed, undismitted or undischarged for sixty (60) days, or the Buyer makes a general
assignment

for the benefit of its creditors.
- (3) An action is commenced against the Buyer seeking issuance
of

a warrant of attachment, execution, distraint or similar process against all, or any substantial part of, its
assets,

and such action remains unstayed, undismitted or undischarged for sixty (60) days.
- (4) Any event occurs with respect to the Buyer in any jurisdiction to which it is subject which has an effect equivalent to any of the events mentioned in Sub-clauses 21.1.1 (1), (2) or (3).
- (5) The Buyer fails to make (i) any material payment (i.e., in excess of [*]) required to be made pursuant to this Agreement or any other agreement between the Buyer, or any of its Affiliates, and the Seller, or any of its
Affiliates,

after giving effect to the appropriate grace period or, in the event no grace period is specified, after giving effect to a grace period of five (5) days after receipt of the Seller's written notice to that effect.
- (6) The Buyer fails to make any Predelivery Payment required under the terms of this Agreement within fifteen (15) days of receipt of the Seller's written notice to that effect.
- (7) The Buyer repudiates this Agreement.
- (8) The Buyer [*] rejects Delivery of an Aircraft as provided in Sub-clause 9.2 of this Agreement.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

21.1.2 In the event of any Termination Event, the Seller will, at its sole option, have the right to resort to any remedy under applicable law, including, without limitation, the right by written notice to the Buyer, effective immediately, to (i) terminate this Agreement or any other agreement between the Buyer and the Seller with respect to any or all Aircraft, equipment, services, data and other items undelivered or unfurnished on the effective date of such termination, insofar

as

any other such agreement relates to the Aircraft, provided, however, that the Buyer's ability to operate delivered Aircraft is not prevented; and (ii) retain, as part of the liquidated damages for breach and not as a penalty, an amount equal to all Predelivery Payments previously received by the Seller from the Buyer under this Agreement.

The Seller will have the right to elect one (1) or more of the foregoing remedies, and exercise of any one (1) or more of such remedies will not be deemed a waiver of any other remedy or remedies provided herein or under applicable law.

21.2 Notwithstanding the foregoing provisions, the parties agree that in addition to the rights and remedies herein provided, the Seller and the Buyer will have those rights and remedies of the Uniform Commercial Code, including, but not limited to, the

right

to suspend performance and/or terminate this Agreement in circumstances contemplated by Articles 2-609 and 2-610 of the Uniform Commercial Code.

22 MISCELLANEOUS PROVISIONS

22.1 DATA RETRIEVAL

On the Seller's reasonable request, the Buyer will provide the Seller with all the necessary data, as customarily compiled by the Buyer and pertaining to the operation of the Aircraft, to assist the Seller in making an efficient and coordinated survey of all reliability, maintenance, operational and cost data with

a view to improving the safety and availability and reducing the operational costs of the Aircraft.

22.2 NOTICES

be All notices and requests required or authorized hereunder will given in writing either by personal delivery to a responsible officer of the party to whom the same is given or by commercial courier, certified air mail (return receipt requested) or facsimile at the addresses and numbers set forth below. The date on which any such notice or request is so personally delivered, or if such notice or request is given by commercial courier, certified air mail or facsimile, the date on which sent, will be deemed to be the effective date of such notice or request.

The Seller will be addressed at:

2, rond-point Maurice Bellonte
31700 BLAGNAC FRANCE
Attention: Director - Contracts

Telephone: 33 05 61 30 40 12
Telefax: 33 05 61 30 40 11

The Buyer will be addressed at:

Federal Express Corporation
3610 Hacks Cross Road
Bldg. A, 2nd Floor
Memphis, TN 38125
USA

Attention: Vice President, Fleet Development and Acquisitions

Telephone: (901) 434-7913
Telefax: (901) 434-7873

With a copy to:

Federal Express Corporation
Legal Department
3610 Hacks Cross Road
Bldg. B, 3rd Floor
Memphis, TN 38125
USA

Attention: Managing Director, Business Transactions Group
Telephone: (901) 434-8440
Telefax: (901) 434-7831

From time to time, the party receiving the notice or request may designate another address or another person.

22.3 WAIVER

The failure of either party to enforce, at any time, any of the provisions of this Agreement, to exercise any right herein provided or to require, at any time, performance by the other party of any of the provisions hereof will in no way be

construed

to be a present or future waiver of such provisions nor in any way to affect the validity of this Agreement or any part hereof or the right of the other party thereafter to enforce each and every such provision. The express waiver by either party of any provision, condition or requirement of this Agreement will not constitute a waiver of any future obligation to comply with such provision, condition or requirement.

22.4 INTERPRETATION AND LAW

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED, AND THE PERFORMANCE THEREOF WILL BE DETERMINED, IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ITS CONFLICTS OF LAWS PROVISIONS THAT WOULD RESULT IN THE

APPLICATION

OF THE LAW OF ANY OTHER JURISDICTION.

Each of the Seller and the Buyer (i) hereby irrevocably submits itself to the non-exclusive jurisdiction of the courts of the state of New York, New York County, of the United States

District

Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement, the subject matter hereof or any of the transactions contemplated hereby brought by any party or parties hereto, and (ii) hereby waives, and agrees not to assert, by way of motion, as a defense or otherwise, in any such suit, action or proceeding, to the extent permitted by applicable law, any defense based on sovereign or other immunity or that the suit, action or proceeding, which is referred to in Sub-clause 22.4

(i)

above, is brought in an inconvenient forum, that the venue of such suit, action or proceeding is improper or that this Agreement or the subject matter

hereof or any of the transactions contemplated hereby may not be enforced in or by these courts.

THE PARTIES HEREBY ALSO AGREE THAT THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS WILL NOT APPLY TO THIS TRANSACTION.

22.5 WAIVER OF JURY TRIAL

EACH OF THE PARTIES HERETO WAIVES ITS RIGHT TO TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF, OR RELATING TO, THIS AGREEMENT AND FOR ANY COUNTERCLAIM OR CROSS-CLAIM THEREIN.

22.6 NO REPRESENTATIONS OUTSIDE OF THIS AGREEMENT

The parties declare that, prior to the execution of this Agreement, they, with the advice of their respective counsel, apprised themselves of sufficient relevant data in order that they might intelligently exercise their own judgments in deciding whether to execute this Agreement and in deciding on the contents of this Agreement. Each party further declares that its decision to execute this Agreement is not predicated on, or influenced by, any declarations or representations by any other person, party or any predecessors in interest, successors, assigns, officers, directors, employees, agents or attorneys of any said person or party, except as set forth in this Agreement. This Agreement resulted from negotiation involving counsel for all of the parties hereto, and no term herein will be construed or interpreted against any party under the CONTRA PROFERENTUM or any related doctrine.

22.7 CONFIDENTIALITY

Subject to any legal or governmental requirements of disclosure, the parties (which for this purpose will include their employees, agents and advisors) will maintain the terms and conditions of this Agreement, and any reports or other data furnished hereunder, strictly confidential. Without limiting the generality of the foregoing, the Buyer will use its best efforts to limit the disclosure of the contents of this Agreement to the extent legally permissible in any filing required to be made by the Buyer with any governmental agency and will make such applications as will be necessary to implement the foregoing. With respect to any public disclosure or filing, the Buyer agrees to submit to the Seller a copy of the proposed document to be filed or disclosed and will give the Seller a reasonable period of time in which to review said document. The Buyer and the Seller will consult with each other and obtain the other's written approval (not to be unreasonably withheld) prior to the making of any public disclosure or filing, permitted hereunder, of this Agreement or the terms and conditions thereof. The Buyer will make the final determination of the necessity of compliance by it with laws regarding public filings. The provisions of this Sub-clause 22.7 will survive

foregoing, any termination of this Agreement. Notwithstanding the
in order to support the Buyer's effort to obtain Predelivery
Payment financing, the Seller agrees to allow the Buyer to
disclose to financial institutions information necessary to
obtain such financing. The Buyer and the Seller will agree on

the extent of the information disclosed to such financial
institutions prior to such disclosure. The Buyer will obtain a
confidentiality undertaking from such financial institutions,
such undertaking to be reasonably satisfactory to the Seller.

22.8 SEVERABILITY

In the event that any provision of this Agreement should for any
reason be held to be without effect, the remainder of this
Agreement will remain in full force and effect. To the extent
permitted by applicable law, each party hereto hereby waives any
provision of law which renders any provision of this Agreement
prohibited or unenforceable in any respect.

22.9 ALTERATIONS TO CONTRACT

This Agreement, including its Exhibits, Appendixes and Letter
Agreements, contains the entire agreement between the parties
with respect to the subject matter hereof and thereof and
supersedes any previous understanding, commitments or
representations whatsoever, whether oral or written. This
Agreement will not be varied except by an instrument in writing,
of even date herewith or subsequent hereto, executed by both
parties or by their fully authorized representatives.

22.10 INCONSISTENCIES

Specification In the event of any inconsistency between the terms of this
Agreement and the terms contained in either (i) the
annexed in Exhibit A hereto, (ii) any other Exhibit hereto, or
(iii) the Letter Agreements, in each such case the terms of such
Specification, other Exhibit or Letter Agreement will prevail
over the terms of this Agreement. For the purpose of this
Sub-clause 22.10, the term Agreement will not include the
Specification, any other Exhibit hereto or any Letter Agreement
hereto.

22.11 LANGUAGE

All correspondence, documents and any other written matters in
connection with this Agreement will be in English.

22.12 HEADINGS

All headings in this Agreement are for convenience of reference
only and do not constitute a part of this Agreement.

COUNTERPARTS

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

23 CERTAIN REPRESENTATIONS OF THE PARTIES

23.1. THE BUYER'S REPRESENTATIONS

The Buyer represents and warrants to the Seller that:

- into
- this
- the
- thereunder,
- valid
- against
- (i) the Buyer is a corporation organized and existing in good standing under the laws of the State of Delaware and has the corporate power and authority to enter and perform its obligations under this Agreement;
 - (ii) neither the execution and delivery by the Buyer of Agreement, nor the consummation of any of the transactions by the Buyer contemplated thereby, nor performance by the Buyer of the obligations constitutes a breach of any agreement to which the Buyer is a party or by which its assets are bound; and
 - (iii) this Agreement has been duly authorized, executed and delivered by the Buyer and constitutes the legal, and binding obligation of the Buyer enforceable the Buyer in accordance with its terms.

23.2 THE SELLER'S REPRESENTATIONS

The Seller represents and warrants to the Buyer that:

- obligations
- (i) the Seller is a SOCIETE A RESPONSABILITE LIMITEE organized and existing in good standing under the laws of the Republic of France and has the corporate power and authority to enter into and perform its obligations under this Agreement;
 - (ii) neither the execution and delivery by the Seller of this Agreement, nor the consummation of any of the transactions by the Seller contemplated thereby, nor the performance by the Seller of the obligations thereunder, constitutes a breach of any agreement to which the Seller is a party or by which its assets are bound; and
 - (iii) this Agreement has been duly authorized, executed and delivered by the Seller and constitutes the legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms.

IN WITNESS WHEREOF, these presents were entered into as of the day and year first above written.

AVSA, S.A.R.L.

By: /s/ MARIE-PIERRE MERLE BERAL

Marie-Pierre Merle-Beral

Title: Chief Executive Officer

FEDERAL EXPRESS CORPORATION

By: /s/ JAMES R. PARKER

James R. Parker

Title: Vice President

EXHIBITS

EXHIBIT A

The A380-800F Standard Specification is contained in a separate folder.

EXHIBIT A - APPENDIX 1

SPECIFICATION CHANGE NOTICES (SCNS)

[161 pages*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

EXHIBIT A - APPENDIX 2

CUSTOMIZATION MILESTONE CHART

[2 pages*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

EXHIBIT B

[3 pages*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

EXHIBIT C

SELLER SERVICE LIFE POLICY

1. The Items of primary and auxiliary structure described hereunder are covered by the Service Life Policy described in Sub-clause 12.2 of the Agreement.

- 2. WINGS - CENTER AND OUTER WING BOX
 - 2.1 SPARS
 - 2.2 RIBS INSIDE THE WING BOX
 - 2.3 UPPER AND LOWER PANELS OF THE WING BOX
 - 2.4 FITTINGS
 - 2.4.1 Attachment fittings for the flap structure
 - 2.4.2 Attachment fittings for the engine pylons
 - 2.4.3 Attachment fittings for the main landing gear
 - 2.4.4 Attachment fittings for the center wing box
 - 2.5 AUXILIARY SUPPORT STRUCTURE
 - 2.5.1 FOR THE SLATS:
 - 2.5.1.1 Ribs supporting the track rollers on wing-box structure
 - 2.5.1.2 Ribs supporting the actuators on wing-box structure
 - 2.5.2 FOR THE AILERONS:
 - 2.5.2.1 Hinge brackets and ribs on wing-box rear spar or shroud box
 - 2.5.2.2 Actuator fittings on wing-box rear spar or shroud box
 - 2.5.3 FOR AIRBRAKES, SPOILERS, LIFT DUMPERS:

EXHIBIT C

- 2.5.3.1 Hinge brackets and ribs on wing-box rear spar or shroud box
- 2.5.3.2 Actuator fittings on wing-box rear spar or shroud box
- 3. FUSELAGE
 - 3.1 FUSELAGE STRUCTURE
 - 3.1.1 Fore and aft bulkheads
 - 3.1.2 Pressurized floors and bulkheads surrounding the main- and nose-gear wheel well and center wing box
 - 3.1.3 Skins with doublers, stringers and frames from the forward pressure bulkheads to the frame supporting the rear attachment of the horizontal tail plane
 - 3.1.4 Window and windscreen attachment structure, but excluding transparencies
 - 3.1.5 Passenger- and cargo-doors internal structure
 - 3.1.6 Sills, excluding scuff plates and upper beams surrounding passenger- and cargo-door apertures
 - 3.1.7 Cockpit floor structure and passenger cabin floor beams, excluding floor panels and seat rails
 - 3.1.8 Keel beam structure
 - 3.2 FITTINGS
 - 3.2.1 Landing-gear attachment fittings
 - 3.2.2 Support structure and attachment fittings for the vertical and horizontal tail planes
- 4. TAIL PLANES
 - 4.1 HORIZONTAL TAIL PLANE MAIN STRUCTURAL BOX
 - 4.1.1 Spars

EXHIBIT C

4.1.2	Ribs
4.1.3	Upper and lower skins and stringers
4.1.4 actuator	Attachment fittings to the fuselage and trim-screw
4.1.5	Elevator support structure
4.1.5.1	Hinge bracket
4.1.5.2	Servocontrol attachment brackets
4.2	VERTICAL TAIL PLANE MAIN STRUCTURAL BOX
4.2.1	Spars
4.2.2	Ribs
4.2.3	Skins and stringers
4.2.4	Attachment fittings to the fuselage
4.2.5	Rudder support structure
4.2.5.1	Hinge brackets
4.2.5.2	Servocontrol attachment brackets

5. Bearing and roller assemblies, bearing surfaces, bushings, bolts, rivets, access and inspection doors, including manhole doors, latching mechanisms, all system components, commercial interior parts, insulation and related installation and connecting devices are excluded from this Seller Service Life Policy.

EXHIBIT D (GE-P&W EA)

CERTIFICATE OF ACCEPTANCE

In accordance with the terms of that certain Airbus A380-800F Purchase Agreement dated as of July 12, 2002, between Federal Express Corporation ("FedEx") and AVSA, S.A.R.L. ("AVSA") (the "Purchase Agreement"), the acceptance tests relating to the Airbus A380-800F aircraft, Manufacturer's Serial Number: _____, U.S. Registration Number: _____ with four (4) GE-P&W Engine Alliance GP 7277 series propulsion systems installed thereon, Serial Numbers _____ (Position #1), _____ (Position #2), _____ (Position #3) and _____ (Position #4) (the "A380-800F Aircraft"), have taken place at _____ on the ____ day of _____, ____.

In view of said tests having been carried out with satisfactory results, FedEx hereby approves the A380-800F Aircraft as being in conformity with the provisions of the Purchase Agreement.

Said acceptance does not impair the rights of FedEx that may be derived from the warranties and guarantees relating to the A380-800F Aircraft set forth in the Purchase Agreement.

FedEx specifically recognizes that it has waived any right it may have, at law or otherwise, to revoke this acceptance of the A380-800F Aircraft.

**RECEIPT AND ACCEPTANCE OF THE ABOVE-DESCRIBED
A380-800F AIRCRAFT ACKNOWLEDGED**

FEDERAL EXPRESS CORPORATION

By:

Its:

Exh. D-107

EXHIBIT D (GE-P&W EA)

CERTIFICATE OF ACCEPTANCE

In accordance with the terms of that certain Airbus A380-800F Purchase Agreement dated as of July 12, 2002, between Federal Express Corporation ("FedEx") and AVSA, S.A.R.L. ("AVSA") (the "Purchase Agreement"), the acceptance tests relating to the Airbus A380-800F aircraft, Manufacturer's Serial Number: _____, U.S. Registration Number: _____ with four (4) Rolls-Royce Trent 977 series propulsion systems installed thereon, Serial Numbers _____ (Position #1), _____ (Position #2), _____ (Position #3) and _____ (Position #4) (the "A380-800F Aircraft"), have taken place at _____ on the ____ day of _____, ____.

In view of said tests having been carried out with satisfactory results, FedEx hereby approves the A380-800F Aircraft as being in conformity with the provisions of the Purchase Agreement.

Said acceptance does not impair the rights of FedEx that may be derived from the warranties and guarantees relating to the A380-800F Aircraft set forth in the Purchase Agreement.

FedEx specifically recognizes that it has waived any right it may have, at law or otherwise, to revoke this acceptance of the A380-800F Aircraft.

**RECEIPT AND ACCEPTANCE OF THE ABOVE-DESCRIBED
A380-800F AIRCRAFT ACKNOWLEDGED**

FEDERAL EXPRESS CORPORATION

By:

Its:

EXHIBIT E (GE-P&W EA)

BILL OF SALE

Know all persons by these presents that AVSA, S.A.R.L. ("AVSA"), a SOCIETE A RESPONSABILITE LIMITEE organized and existing under the laws of the Republic of France, whose address is 2 rond-point Maurice Bellonte, 31700 Blagnac, FRANCE, is the owner of the title to the following airframe (the "AIRFRAME"), the attached engines as specified (the "ENGINES") and all appliances, components, parts, instruments, accessories, furnishings, modules and other equipment of any nature, excluding buyer furnished equipment, incorporated therein, installed thereon or attached thereto on the date hereof (the "PARTS"):

MANUFACTURER OF AIRFRAME :
ENGINES :

AIRBUS INDUSTRIE G.I.E.

MODEL: A380-800F

MANUFACTURER'S
SERIAL NUMBER: _____

REGISTRATION NO: _____

MANUFACTURER OF

GE-P&W ENGINE ALLIANCE

MODEL: GP 7277

SERIAL NUMBERS:
Position #1: _____
Position #2: _____
Position #3: _____
Position #4: _____

The Airframe, Engines and Parts are hereafter together referred to as the aircraft (the "A380-800F AIRCRAFT").

AVSA does this ____ day of _____, _____ sell, transfer and deliver all of its above described rights, title and interest to the A380-800F Aircraft to the following company forever, said A380-800F Aircraft to be the property thereof:

FEDERAL EXPRESS CORPORATION ("FedEx").

AVSA hereby warrants to FedEx that it has on the date hereof good and lawful right to sell, deliver and transfer title to the A380-800F Aircraft to FedEx and that there is hereby conveyed to FedEx on the date hereof good, legal and valid title to the A380-800F Aircraft, free and clear of all liens, claims, charges, encumbrances and rights of others.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed by its duly authorized representative this _____ day of _____, _____.

AVSA, S.A.R.L.

By:

Title:

Signature:

EXHIBIT E (R-R)

BILL OF SALE

Know all persons by these presents that AVSA, S.A.R.L. ("AVSA"), a SOCIETE A RESPONSABILITE LIMITEE organized and existing under the laws of the Republic of France, whose address is 2 rond-point Maurice Bellonte, 31700 Blagnac, FRANCE, is the owner of the title to the following airframe (the "AIRFRAME"), the attached engines as specified (the "ENGINES") and all appliances, components, parts, instruments, accessories, furnishings, modules and other equipment of any nature, excluding buyer furnished equipment, incorporated therein, installed thereon or attached thereto on the date hereof (the "PARTS"):

MANUFACTURER OF AIRFRAME:

AIRBUS INDUSTRIE G.I.E.

MODEL: A380-800F

MANUFACTURER'S

SERIAL NUMBER: _____

REGISTRATION NO: _____

MANUFACTURER OF ENGINES:

ROLLS-ROYCE

MODEL: TRENT 977

SERIAL NUMBERS:

Position #1:

Position #2:

Position #3:

Position #4:

The Airframe, Engines and Parts are hereafter together referred to as the aircraft (the "A380-800F AIRCRAFT").

AVSA does this ____ day of _____, _____ sell, transfer and deliver all of its above described rights, title and interest to the A380-800F Aircraft to the following company forever, said A380-800F Aircraft to be the property thereof:

FEDERAL EXPRESS CORPORATION ("FedEx").

AVSA hereby warrants to FedEx that it has on the date hereof good and lawful right to sell, deliver and transfer title to the A380-800F Aircraft to FedEx and that there is hereby conveyed to FedEx, on the date hereof, good, legal and valid title to the A380-800F Aircraft, free and clear of all liens, claims, charges, encumbrances and rights of others.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed by its duly authorized representative this _____ day of _____, _____.

AVSA, S.A.R.L.

By:

Title:

Signature:

EXHIBIT F
INTENTIONALLY LEFT BLANK

EXHIBIT G

AIRFRAME PRICE REVISION FORMULA

1. BASE PRICE

The Base Price of the Airframe is as quoted in Sub-clause 3.1.2 of the Agreement.

2. BASE PERIOD

[*]

The Base Price is subject to adjustment for changes in economic conditions as measured by data obtained from the US Department of Labor, Bureau of Labor Statistics, and in accordance with the provisions of Paragraphs 4 and 5 of this Exhibit G.

ECIb and ICb index values indicated in Paragraph 4 of this Exhibit G will not be subject to any revision of these indexes.

3. REFERENCE INDEXES

[*]

MATERIAL INDEX: Published monthly by the US Department of Labor, Bureau of Labor Statistics, in "PPI Detailed Report" (Table 6: "Producer prices indexes and percent changes for commodity groupings and individual items, not seasonally adjusted"), or such other names that may be, from time to time, used for the publication title and/or table. The index is found under industrial commodities (hereinafter referred to as "IC-Index") (Base year of 1982 = 100).

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

EXHIBIT G

4. REVISION FORMULA

[*]

In determining the Revised Base Price at Delivery of the Aircraft, each quotient will be calculated to the nearest ten-thousandth (4 decimals). If the next succeeding place is five

(5) or more, the preceding decimal place will be raised to the next higher figure. The final factor will be rounded to the nearest ten-thousandth (4 decimals). After final computation, Pn will be rounded to the next whole number (0.5 or more rounded to 1).

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

G

5. GENERAL PROVISIONS

5.1 SUBSTITUTION OF INDEXES

In the event that:

- referred
- (i) the U.S. Department of Labor substantially revises the methodology of calculation of any of the indexes referred to hereabove, or
 - (ii) the U.S. Department of Labor discontinues, either temporarily or permanently, any of the indexes referred to hereabove, or
 - (iii) the data samples used to calculate any of the indexes referred to hereabove are substantially changed,

the Seller will select a substitute index.

Such substitute index will reflect as closely as possible the actual variations of the wages or of the material costs, as the case may be, used in the calculation of the original index.

As a result of this selection of a substitute index, the Seller will make an appropriate adjustment to its price revision formula, allowing to combine the successive utilization of the original index and of the substitute index.

5.2 FINAL INDEX VALUES

kind

The Revised Base Price at the date of Aircraft Delivery will be final and will not be subject to further adjustments, of any or for any reason, to the applicable indexes as published at the date of Aircraft Delivery.

EXHIBIT H (GE-P&W EA)

GE-P&W ENGINE ALLIANCE PRICE REVISION FORMULA

1. REFERENCE PRICE

The Reference Price of the four (4) GE-P&W Engine Alliance
GP7277 Propulsion Systems is as quoted in Sub-clause 3.1.3.1 of the Agreement.

This Reference Price is subject to adjustment for changes in economic conditions as measured by data obtained from the US Department of Labor, Bureau of Labor Statistics, and in accordance with the provisions hereof.
2. REFERENCE PERIOD

The above Reference Price has been established in accordance
with the economic conditions prevailing in July 2000 (delivery conditions January 2001) as defined, according to the ENGINE ALLIANCE, by the ECIB and ICB index values indicated in Clause 4 of this Exhibit H.
3. INDEXES

[*]

The quarterly value released for a certain month (March, June, September and December) shall be the one deemed to apply for the two (2) preceding months.

Reference for access to the publications is located on the BLS Internet site: ECU28102i

Material Index: "Industrial Commodities" (hereinafter referred
to as "IC") as published in "PPI Detailed report" (found in Table
6; "Producer price indexes and percent changes for commodity groupings and individual items, not seasonally adjusted," or
such other names that may be, from time to time, used for the publication title and/or table). (Base Year of 1982 = 100).

Reference for access to the publications is located on the BLS Internet site: WPU03thru15

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

EA)

4 REVISION FORMULA

[*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

EA)

5. GENERAL PROVISIONS

5.1 ROUNDINGS

Each fact^o [*] shall be calculated to the nearest
five ten-thousandth (4 decimals). If the next succeeding place is

(5) or more, the preceding decimal place shall be raised to the nearest higher figure.

After final computation Pn shall be rounded to the nearest whole number (0.5 rounds to 1).

5.2 FINAL INDEX VALUES

The revised Reference Price at the date of Aircraft Delivery shall be the final price and shall not be subject to any further adjustments in the indexes.

If no final index values are available for any of the applicable month, the then published preliminary figures shall be the basis on which the Revised Reference Price shall be computed.

5.3 INTERRUPTION OF INDEX PUBLICATION

If the US Department of Labor substantially revises the methodology of calculation or discontinues any of these indexes referred to hereabove, the Seller shall reflect the substitute for the revised or discontinued index selected by the Engine Alliance, such substitute index to lead in application to the same adjustment result, insofar as possible, as would have been achieved by continuing the use of the original index as it may have fluctuated had it not been revised or discontinued.

Appropriate revision of the formula shall be made to accomplish this result.

5.4 ANNULMENT OF FORMULA

Should the above escalation provisions become null and void by action of the US Government, the price shall be adjusted due to increases in the costs of labor and material which have occurred from the period represented by the applicable Reference Price Indexes to the sixth (6th) month prior to the scheduled Aircraft Delivery.

5.5 LIMITATION

Should the revised Reference Price be lower than the Reference Price, the final price shall be computed with the Reference Price.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

EXHIBIT H (R-R)

PROPULSION SYSTEMS PRICE REVISION FORMULA

1. REFERENCE PRICE

The Reference Price of the Rolls-Royce Trent 977 Propulsion Systems is as quoted in Sub-clause 3.1.3.2 of the Agreement.

This Reference Price is subject to adjustment for changes in economic conditions as measured by data obtained from the US Department of Labor, Bureau of Labor Statistics, and in accordance with the provisions of Paragraphs 4 and 5 of this Exhibit H.

2. REFERENCE PERIOD - REFERENCE COMPOSITE PRICE INDEX

The above Reference Price has been established in accordance with the averaged economic conditions prevailing in December 1998/January 1999/February 1999 and corresponding to theoretical delivery conditions prevailing in January 2000 as defined by ECIB and ICb index values indicated in Paragraph 4 of this Exhibit H.

This Reference Price is subject to adjustment for changes in economic conditions as measured by data obtained from the US Department of Labor, Bureau of Labor Statistics, and in accordance with the provisions of Paragraphs 4 and 5 of this Exhibit H.

ECIB and ICb index values indicated in Paragraph 4 of this Exhibit H will not be subject to any revision of these indexes.

3. REFERENCE INDEXES

[*]

MATERIAL INDEX: Published monthly by the US Department of Labor, Bureau of Labor Statistics, in "PPI Detailed Report" (Table 6: "Producer prices indexes and percent changes for commodity groupings and individual items, not seasonally adjusted"), or such other names that may be, from time to time, used for the publication title and/or table. The index is found under industrial commodities (hereinafter referred to as "IC-Index") (Base year of 1982 = 100).

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

EXHIBIT H (R-R)

4. REVISION FORMULA

[*]

In determining the Revised Base Price at delivery of the Propulsion Systems, each quotient will be calculated to the nearest ten-thousandth (4 decimals). If the next succeeding place is five (5) or more, the preceding decimal place will be raised to the next higher figure. The final factor will be rounded to the nearest ten-thousandth (4 decimals). After final computation, Pn will be rounded to the next whole number (0.5 or more rounded to 1).

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

(R-R)

5. GENERAL PROVISIONS

5.1 SUBSTITUTION OF INDEXES

In the event that:

- referred
- (i) the U.S. Department of Labor substantially revises the methodology of calculation of any of the indexes referred to hereabove, or
 - (ii) the U.S. Department of Labor discontinues, either temporarily or permanently, any of the indexes referred to hereabove, or
 - (iii) the data samples used to calculate any of the indexes referred to hereabove are substantially changed,

the Propulsion Systems manufacturer will select a substitute index.

Such substitute index will reflect, as closely as possible, the actual variations of the wages or of the material costs, as the case may be, used in the calculation of the original index.

the

As a result of this selection of a substitute index, the Propulsion Systems manufacturer will make an appropriate adjustment to its price revision formula, allowing to combine successive utilization of the original index and of the substitute index.

5.2 FINAL INDEX VALUES

kind

The Revised Base Price at the date of Aircraft Delivery will be final and will not be subject to further adjustments, of any or for any reason, to the applicable indexes as published at the date of Aircraft Delivery.

As of July 12,

2002

FEDERAL EXPRESS CORPORATION

3610 Hacks Cross Road
Memphis, TN 38125

Re: [*]

Dear Ladies and Gentlemen:

FEDERAL EXPRESS CORPORATION (the "Buyer") and AVSA, S.A.R.L. (the "Seller"), have entered into an Airbus A380-800F Purchase Agreement, dated as of even date herewith (the "Agreement"), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The parties hereto have agreed to set forth in this Letter Agreement No. 1 (the "Letter Agreement") certain additional terms and conditions regarding the sale of the Aircraft provided for in the Agreement. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

The parties hereto agree that this Letter Agreement will constitute an integral, non-severable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions that are inconsistent, the specific provisions contained in this Letter Agreement will govern.

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LA1-1

1. [*]

1.1 The Seller will provide to the Buyer, upon Delivery of each Aircraft, [*]

2. [*]

3. [*]

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LA1-2

4. PREDELIVERY PAYMENT TERMS AND COMPUTATION

Sub-clause 5.2.2 of the Agreement is hereby superseded and replaced by the following quoted provisions:

QUOTE

5.2.2 The Buyer will pay Predelivery Payments to the Seller [*]

UNQUOTE

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA1-3

5. [*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA1-4

6. ASSIGNMENT

Notwithstanding any other provision of this Letter Agreement or of the Agreement, (but subject to the provisions of Sub-clause 20.2 of the Agreement), this Letter Agreement and the rights and obligations of the Buyer hereunder will not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Paragraph 6 will be void and of no force or effect.

LA1-5

If the foregoing correctly sets forth our understanding, please execute the original and one (1) copy hereof in the space below and return a copy to the Seller.

Very truly yours,

AVSA, S.A.R.L.

By: /s/ MARIE-PIERRE MERLE
BERAL

Marie-Pierre Merle-Beral

Its: Chief Executive Officer

Accepted and Agreed

FEDERAL EXPRESS CORPORATION

By: /s/ JAMES R. PARKER

James R. Parker

Its: Vice President

LA1-6

ATTACHMENT ONE TO LETTER AGREEMENT NO. 1
SUMMARY PRICING TABLE (FOR INFO ONLY)

[*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA1-7

LETTER AGREEMENT NO. 2

As of July 12, 2002

FEDERAL EXPRESS CORPORATION

3610 Hacks Cross Road
Memphis, TN 38125

Re: OPTION AIRCRAFT AND [*]

Dear Ladies and Gentlemen:

FEDERAL EXPRESS CORPORATION (the "Buyer") and AVSA, S.A.R.L. (the "Seller"), have entered into an Airbus A380-800F Purchase Agreement, dated as of even date herewith (the "Agreement"), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The parties hereto have agreed to set forth in this Letter Agreement No. 2 (the "Letter Agreement") certain additional terms and conditions regarding the sale of the Aircraft provided for in the Agreement. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

The parties hereto agree that this Letter Agreement will constitute an integral, non-severable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions that are inconsistent, the specific provisions contained in this Letter Agreement will govern.

1. [*]

1.1 [*]

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LA2-1

1.2 [*
]

1.2.1 [*
]

1.2.2 [*
]

1.3 [*
]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA2-2

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA2-3

2. OPTION AIRCRAFT

2.1 DELIVERY

2.1.1 DELIVERY SCHEDULE

The Seller will have the Option Aircraft Ready for Delivery as set forth in Sub-clause 9.1.1 of the Agreement.

2.1.2 OPTION SCHEDULE [*]

[*]

2.2 OPTION EXERCISE

2.2.1 The Buyer may exercise its option to purchase Option Aircraft by giving written notice to the Seller no later than [*] before the scheduled month of Delivery of the applicable Option Aircraft

(the "Option Lead Time"). The Buyer will [*] inform the Seller when it gives such notice whether it will exercise all the Option Aircraft in a given calendar year. [*] The Buyer will also inform the Seller, when it gives such notice, of its choice of Propulsion Systems for each Option Aircraft exercised.

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LA2-4

2.2.2 The Buyer and the Seller recognize that it is the Buyer's [*], and the Seller agrees to work diligently with the Manufacturer, taking into account the Manufacturer's commercial and industrial constraints, to [*]

2.2.3 With respect to Option Aircraft Nos. [*] which are scheduled for Delivery in [*] respectively, the Buyer may, at its sole discretion, give written notice to the Seller, prior to the Option Lead Time, of its intention [*] will have the same terms and conditions as the Option Aircraft.

2.2.4 On the Buyer's written request, the Seller will, subject to availability, offer the Buyer a Delivery position within the timeframe requested by the Buyer for a [*] (an "Available Delivery Position"). The Buyer will accept the Available Delivery

Position by [*] Working Days of the Seller's advice regarding the Available Delivery Position and [*]

2.2.5 In respect of each [*] for which the Seller has offered the Buyer an Available Delivery Position and for which the Buyer [*], the Buyer and the Seller will have no more rights or obligations with respect to the offer of such Available Delivery Position in response to the Buyer's current request.

3. [*]

4. [*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA2-5

5. OPTION AIRCRAFT [*]

5.1 [*]

5.2 Subject to Sub-paragraph 5.1 above, [*
]

5.3 [*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA2-6

5.4 [*]

5.5 [*]

6. ASSIGNMENT

Notwithstanding any other provision of this Letter Agreement or of the Agreement, (but subject to the provisions of Sub-clause 20.2 of the Agreement), this Letter Agreement and the rights and obligations of the Buyer hereunder will not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Paragraph 6 will be void and of no force or effect.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA2-7

If the foregoing correctly sets forth our understanding, please execute the original and one (1) copy hereof in the space below and return a copy to the Seller.

Very truly yours,

AVSA, S.A.R.L.

*By: /s/ MARIE-PIERRE MERLE
BERAL*

Marie-Pierre Merle-Beral

Its: Chief Executive Officer

Accepted and Agreed

FEDERAL EXPRESS CORPORATION

*By: /s/ JAMES R.
PARKER*

James R. Parker

Its: Vice President

LA2-8

**ATTACHMENT ONE TO LETTER AGREEMENT NO. 2
SUMMARY PRICING TABLE (FOR INFORMATION ONLY)**

[2 pages*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA2-9

LETTER AGREEMENT NO. 3

As of July 12, 2002

FEDERAL EXPRESS CORPORATION

3610 Hacks Cross Road
Memphis, TN 38125

Re: SPECIFICATION

Dear Ladies and Gentlemen:

FEDERAL EXPRESS CORPORATION (the "Buyer") and AVSA, S.A.R.L. (the "Seller"), have entered into an Airbus A380-800F Purchase Agreement, dated as of even date herewith (the "Agreement"), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The parties hereto have agreed to set forth in this Letter Agreement No. 3 (the "Letter Agreement") certain additional terms and conditions regarding the sale of the Aircraft provided for in the Agreement. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

The parties hereto agree that this Letter Agreement will constitute an integral, non-severable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions that are inconsistent, the specific provisions contained in this Letter Agreement will govern.

1. [*]

1.1. [*]

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LA3-1

1.2 SCN DEVELOPMENT

During the development of the technical solutions for the SCNs, the Seller will organize regular bi-lateral specialist meetings with the Buyer's Engineering department to make sure that the technical solutions meet the Buyer's technical and operational requirements.

1.3 SCN WEIGHTS

The Seller has provided [*] The Seller and the Buyer will jointly explore any weight-saving alternatives to reduce the total of the Allowable Payload Changes without adversely affecting the performance or durability of the technical solutions.

2. [*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA3-2

3. [*]

4. [*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA3-3

5. [*
]
6. [*
]
7. [*
]

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LA3-4

8. [*]

9. [*]

10. ASSIGNMENT

Notwithstanding any other provision of this Letter Agreement or of the Agreement (but subject to the provisions of Sub-clause 20.2 of the Agreement), this Letter Agreement

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LA3-5

and the rights and obligations of the Buyer hereunder will not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Paragraph 10 will be void and of no force or effect.

LA3-6

If the foregoing correctly sets forth our understanding, please execute the original and one (1) copy hereof in the space below and return a copy to the Seller.

Very truly yours,

AVSA, S.A.R.L.

By: /s/ MARIE-PIERRE MERLE
BERAL

Marie-Pierre Merle-Beral

Its: Chief Executive Officer

Accepted and Agreed

FEDERAL EXPRESS CORPORATION

By: /s/ JAMES R. PARKER

James R. Parker

Its: Vice President

LA3-7

Appendix 1 to Letter Agreement No. 3

[239 pages*]

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LA3-8

Appendix 2-1 to Letter Agreement No. 3

[3 pages*]

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LA3-9

Appendix 2-2 to Letter Agreement No. 3

[3 pages*]

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LA3-10

LETTER AGREEMENT NO. 4

As of July 12, 2002

FEDERAL EXPRESS CORPORATION

3610 Hacks Cross Road
Memphis, TN 38125

RE: GENERAL [*] PRODUCT SUPPORT AGREEMENT

Dear Ladies and Gentlemen:

FEDERAL EXPRESS CORPORATION (the "Buyer") and AVSA, S.A.R.L. (the "Seller"), have entered into an Airbus A380-800F Purchase Agreement, dated as of even date herewith (the "Agreement"), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The parties hereto have agreed to set forth in this Letter Agreement No. 4 (the "Letter Agreement" or the "Conditions") certain additional terms and conditions regarding the sale of the Aircraft provided for in the Agreement. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

The parties hereto agree that this Letter Agreement will constitute an integral, non-severable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions that are inconsistent, the specific provisions contained in this Letter Agreement will govern.

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LA4-5

1. DEFINITIONS

In these Conditions:

The "Aircraft"	As defined in Clause 0 of the Purchase Agreement.
The "Aviation Authority" manufacture,	means all official Authorities having the ability to approve the design, the the sale and the support, the individual airworthiness and the continuous airworthiness of the Aircraft and/or the Item, including but not limited to: (1) in FRANCE: La Direction Generale de l'Aviation Civile (DGAC) (2) in the UNITED KINGDOM: The Civil Aviation Authority (CAA) (3) in the FEDERAL REPUBLIC OF GERMANY: The Luftfahrtbundesamt (LBA) (4) in SPAIN: The Direccion de Aviacion Civil (DAC) (5) in the UNITED STATES OF AMERICA: The Federal Aviation Administration (FAA)
The "Certificate of Airworthiness"	means the Certificate of Airworthiness issued in respect of the Aircraft by the Aviation Authority.
The "Component"	means [*]
The "Item"	means, whatever the quantity and variety [*]
The "Manufacturer"	means AIRBUS G.I.E. 1 rond point Maurice Bellonte 31700 BLAGNAC - FRANCE A Groupement d'Interet Economique established in accordance with the Ordonnance N DEG. 67-821 of September 23, 1967 and with the Decret, dated February 2, 1968, of the French Republic.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA4-6

The "Order"	means the purchase order placed by the Buyer subject to these Conditions, with the Seller and amendments thereto.
The "Program"	means the Aircraft program.
The "Shipset"	means [*]
The "Spare Parts"	means the parts required for maintenance, repair, modification or overhaul [*]
The "Supplier"	As defined in Clause 0 of Purchase Agreement.
The "Support" services	means the after-sales product support provided by the Seller to the Buyer, as described in these Conditions.

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LA4-7

2. GENERAL

2.1 SCOPE

Services These Conditions describe the essential Customer Support provided by the Seller to the Buyer for Aircraft and defines the relationship between the Seller and the Buyer at the occasion of said services.

2.1.1 World Airline and Suppliers Guide (WASG)

The Seller agrees to adhere to the terms and conditions of the WASG issued and updated by Air Transport Association of America (ATA) inasmuch as the terms and conditions contained therein do not differ from those contained in these Conditions. These Conditions will govern in case of any conflict or discrepancy with the WASG.

2.1.2 Organization

The Seller shall maintain a fully operational customer support organization with an adequate number of suitably qualified personnel to provide prompt fulfillment of these Conditions throughout the entire contractual Support period.

the Within thirty (30) days after the execution of the Agreement,

Support Seller shall provide to the Buyer an organization chart of its Customer Support Department so that correspondence can be correctly addressed. The names of individuals and dedicated contacts responsible for particular functions of Customer

shall also be given. The Seller shall advise the Buyer whom to contact for emergency calls (AOG services) after normal working hours. Updates shall be provided as changes occur.

2.1.3. FACILITIES

Within ninety (90) days after execution of the Agreement, the Seller shall provide to the Buyer details of all facilities, whether existing or planned, in all countries, including the country of the Seller, and whether integrated in the Seller's organization or subcontracted as per Condition 10, and shall

state whether these facilities will cover:

- a. technical representation
- b. stock and supply of Items (Components and Spare Parts), and
- c. repair and overhaul facilities or stations.

All such facilities shall be identified by an FSCM or CAGE code.

Updates shall be provided as changes occur.

2.1.4. Support Period

LA4-8

As long as a minimum of one (1) Aircraft is in regular operation in the Buyer's fleet of aircraft, the Seller will maintain the facilities and organization as detailed above to provide to the Buyer the Support.

2.1.5. Language

Unless otherwise agreed upon between the Seller and the Buyer, all correspondence shall be written in the English language.

2.2 Scope of Materiel Support

2.2.1. Materiel is classified into the following categories
(hereinafter referred to as "Materiel"):

- (i) Seller Parts (industrial proprietary components, equipment, accessories or parts of the Manufacturer manufactured to the detailed design of the Manufacturer, or a subcontractor of it, and bearing official part numbers of the Manufacturer or material for which the Seller has exclusive sales rights in the United States);
- (ii) Supplier Parts classified as Repairable Line Maintenance Parts in accordance with SPEC 2000;
- (iii) Supplier Parts classified as Expendable Line Maintenance Parts in accordance with SPEC 2000; and
- (iv) Ground Support Equipment and Specific (To-Type) Tools.

2.2.2 The Seller Parts listed in Exhibit E are available for lease by the Seller to the Buyer.

2.2.3 The Support to be provided hereunder by the Seller covers the Materiel both for initial provisioning as described in Sub-condition 3.1 and for replenishment as described in Sub-condition 3.2.

Repairable Line Maintenance Parts specified in Sub-condition 2.2.1 (ii) having fewer than [*] are considered as new for invoicing purposes.

2.2.4 Propulsion Systems are not covered under this Letter Agreement and will be subject to direct agreements between the Buyer and the relevant Propulsion System Manufacturer. The Seller will use its reasonable efforts to assist the Buyer in case of any difficulties with the availability of Propulsion Systems and associated spare parts.

2.2.5 During a period commencing prior to entry into service of the Aircraft and continuing for as long as at least one (1) Aircraft is operated in commercial air transport service ("Term"), the Seller shall maintain, or have maintained, such stock of Seller Parts as defined in Sub-condition 2.3.4 below and will furnish interchangeable and/or

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

replaceable Seller Parts with the appropriate documentation and data adequate to meet the Buyer's needs for repairs, replacements, retrofits or maintenance of the Aircraft.

The Seller will use its reasonable efforts to obtain a similar service from all Suppliers of parts, which are originally installed on the Aircraft and not manufactured by the Seller.

2.3 Stores

2.3.1 Airbus North America Customer Services Spares Center

The Seller has established and will maintain, or cause to be maintained, as long as at least one (1) aircraft of the type of the Aircraft are operated by US airlines in commercial air transport service (the "US Term"), a US store adjacent to Dulles International Airport, Washington, DC, known as the Airbus North America Customer Services Spares Center - Washington ("Airbus North America Customer Services Spares Center"). The Airbus

North

America Customer Services Spares Center will be operated twenty-four (24) hours/day, seven (7) days/week, all year for

the

handling of AOG and critical orders for Seller Parts.

2.3.2. Material Support Center, Germany

The Manufacturer has set up and will maintain, or cause to be maintained, during the Term, a store of Seller Parts at its Materiel Support Center ("MSC") in Hamburg, Germany. MSC will be operated twenty-four (24) hours/day, seven (7) days/week, all year.

2.3.3 Other Points of Shipment

The Seller reserves the right to effect deliveries from distribution centers other than the Airbus North America

Customer

Services Spares Center or MSC and from any of the production facilities of the Associated Contractors.

2.3.4 Stocks and repair stations

The Seller undertakes to maintain in Europe, in the Far-East and in the United States of America, and other locations as a function of market needs, repair stations and adequate stocks of Items. The repair stations shall be approved by the FAA/JAA or other Aviation Authority as necessary.

This stock of Items shall be established taking into account at

least the following parameters:

- a) actual Item reliability,
- b) outstanding IP deliveries,
- c) number of Aircraft in the region served by the concerned repair station and/or stockist,
- d) Components classified as NO GO Items,

- e) industrial lead-times,
- f) interchangeability and configuration of the delivered Items;

and the following circumstances:

- a) outstanding Service Bulletins (SB) and modification / retrofit campaigns,
- b) major checks/overhauls, and
- c) in-service problems.

2.4 Agreements of the Buyer

2.4.1 The Buyer agrees to purchase from the Seller the required Seller Parts, as determined by the Buyer, for the Buyer's own needs during the Term, provided that the provisions of this Sub-condition 2.4 will not in any way prevent the Buyer from resorting to the Seller Parts stocks of other operators

operating

the same aircraft type as the Aircraft or from purchasing Seller Parts from said operators or from distributors, provided said Seller Parts have been designed and manufactured as specified in Sub-condition 2.2.1(i).

2.4.2 The Buyer may manufacture, or have manufactured, for its own use,

without paying any license fee to the Seller, or may purchase from other sources, parts equivalent to Seller Parts:

2.4.2.1 after expiration of the Term, if at such time the Seller Parts are out of stock,

2.4.2.2 at any time, to the extent Seller Parts are needed to effect aircraft on ground ("AOG") repairs on any Aircraft delivered under the Agreement and are not available from the Seller within a lead time shorter than, or equal to, the time in which the Buyer can procure such Seller Parts, and provided the Buyer will not sell such Seller Parts,

2.4.2.3 if the Seller fails to fulfill its obligations with respect to any Seller Parts pursuant to Sub-condition 2.2 within a reasonable time after written notice thereof from the Buyer,

2.4.2.4 in those instances where a Seller Part is identified as "Local Manufacture" in the Illustrated Parts Catalog (IPC),

2.4.2.5 it is demonstrated by the Buyer that the Seller Part price is excessive and the Seller refuses to reduce such price to a reasonable level.

2.4.3 The rights granted to the Buyer in Sub-condition 2.4.2 will not in any way be construed as a license, nor will they in any way obligate the Buyer to the payment of any license fee or royalty, nor will they in any way be construed to affect the rights of third parties.

2.5 Equipment Supplier Product Support

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2.5.1 Equipment Supplier Product Support Agreements

2.5.1.1 The Seller has obtained Supplier Product Support Agreements transferable to the Buyer from Suppliers of Seller Furnished Equipment listed in the Specification and as applicable in the IPC.

2.5.1.2 These agreements are based on, or exceed, the requirements of the "World Airlines and Suppliers Guide" and include Supplier commitments contained in the Supplier Product Support Agreements, which include the following:

- (i) Technical data and manuals required to operate, maintain, service and overhaul the Supplier items will (a) be prepared in accordance with the applicable provisions of ATA Specification 100 and 101 and in accordance with Condition 4 of this Letter Agreement, (b) include revision service, and (c) be published in the English language. The Seller recommends that software data, supplied in the form of an Exhibit to the Component Maintenance Manual, be provided in compliance with ATA Specification 102 up to Level 3 to protect the Suppliers' proprietary interests.
- (ii) Warranties and guarantees, including Suppliers' standard warranties, and in the case of Suppliers of landing gear, service life policies for selected landing gear structures.
- (iii) Training to ensure efficient operation, maintenance and overhaul of the Suppliers' items for the Buyer's instructors, shop and line service personnel.
- (iv) Spares data in compliance with ATA Specification 200 or 2000, initial provisioning recommendations, spares and logistics service, including routine and emergency deliveries.
- (v) Technical service to assist the Buyer with maintenance, overhaul, repair, operation and inspection of Supplier items, as well as required tooling and spares provisioning.

2.5.2 [*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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[*]

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2.5.3 Supplier Part Repair Stations

The Manufacturer has developed with the Suppliers a comprehensive network of repair stations in North America for those Supplier Parts originating from outside North America.

As a result, most Supplier Parts are repairable in North America,

and corresponding repair stations are listed in the AOG and Repair Guide, which is issued and regularly updated by the Seller.

The Seller undertakes that the Supplier Parts that have to be forwarded for repair outside North America will be sent back to the Buyer with proper tagging as required by the FAA.

The Seller will support the Buyer in cases where the agreed-to repair turn time of an approved repair station is not met by causing free-of-charge loans or exchanges as specified in the relevant Supplier Product Support Agreements to be offered to the Buyer.

2.5.4 [*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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[*]

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3. SPARES SUPPORT

3.1 INITIAL PROVISIONING (IP)

3.1.1 INITIAL PROVISIONING PERIOD

The Initial Provisioning Period is defined as the period up to and expiring on the ninetieth (90th) day after Delivery of the last Firm Aircraft.

3.1.2 PREPROVISIONING MEETING

3.1.2.1 The Seller will organize a meeting (i) at MSC, (ii) at Airbus North America Customer Services or (iii) at a place to be mutually agreed upon, to formulate an acceptable schedule and working procedure to accomplish the Initial Provisioning of Materiel (the "Pre-provisioning Meeting").

3.1.2.2 The date of the meeting will be mutually agreed to allowing a minimum preparation time of eight (8) weeks for the Initial Provisioning Conference referred to in Sub-condition 3.1.4

below.

3.1.3 Initial Provisioning Training

Upon the request of the Buyer, the Seller can provide Initial Provisioning training for the Buyer's provisioning and

purchasing

personnel. The following areas will be covered:

- (i) Familiarization of the Buyer with the provisioning documents,
- (ii) Explanation of the technical function, as well as the necessary technical and commercial Initial
- (iii) Familiarization with the Seller's purchase order administration system.

Provisioning

3.1.4 Initial Provisioning Conference

The Seller will organize an Initial Provisioning Conference at MSC or Airbus North America Customer Services that will include the participation of major Suppliers, as agreed on during the Pre-provisioning Meeting (the "Initial Provisioning Conference").

Such conference will not take place earlier than eight (8) weeks after Buyer Definition Freeze.

3.1.5 Seller-Supplied Data

The Seller will prepare and supply to the Buyer the following data:

3.1.5.1 Initial Provisioning Data

Initial Provisioning data elements, generally in accordance with SPEC 2000, Chapter 1, ("Initial Provisioning Data") will be supplied by the Seller to the Buyer in a form, format and within a time period to be mutually agreed on during the Pre-provisioning Meeting.

parts For Seller Parts identified as IP recommended parts, the Seller will, at no cost to the Buyer, ensure that delivery of such

is made directly from the Seller's stock to the Buyer on request by the Buyer.

Revision service will be provided every ninety (90) days, up to the end of the Initial Provisioning Period.

In any event, the Seller will ensure that Initial Provisioning Data is released to the Buyer in time to give the Buyer sufficient time, but in no event less than one (1) year, to perform any necessary evaluation and allow the on-time delivery of any ordered Materiel.

[*]

3.1.5.2 Supplementary Data

The Seller will provide the Buyer with supplementary data to the Initial Provisioning Data, including Local Manufacture Tables (X-File) and Ground Support Equipment and Specific (To-Type) Tools (W-File), in accordance with SPEC 2000, Chapter 1.

3.1.5.3 Data for Standard Hardware

The Initial Provisioning Data provided to the Buyer will include data for hardware and standard materiel.

3.1.6 Supplier-Supplied Data

3.1.6.1 General

the The Seller will obtain from Suppliers agreements to prepare and issue Initial Provisioning Data for the Materiel described in Sub-condition 2.2.1 (ii) in English, for components for which

Buyer has elected to receive data.

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Said data (initial issue and revisions) will be transmitted to the Buyer through the Suppliers and/or the Seller. The Seller will not be responsible for the substance of such data.

In any event, the Seller will exert its reasonable efforts to supply such Data to the Buyer in due time to give the Buyer sufficient time to perform any necessary evaluation and allow on-time deliveries.

3.1.6.2 Initial Provisioning Data

Initial Provisioning Data elements for Supplier Parts pursuant to Sub-condition 2.2.1(ii), generally in accordance with SPEC 2000, Chapter 1, will be furnished as mutually agreed to during a Pre-provisioning Meeting with revision service assured up to the end of the Initial Provisioning Period.

3.1.7 Initial Provisioning Data Compliance

Initial Provisioning Data generated by the Seller and supplied to the Buyer will comply with the latest configuration of the Aircraft to which such data relate as known three (3) months before the date of issue. Said data will enable the Buyer to order Materiel conforming to its Aircraft as required for maintenance and overhaul.

This provision will not cover:

- Buyer modifications not known to the Seller, - modifications not agreed to by the Seller.

3.1.8 Commercial Offer

3.1.8.1 At the end of the Initial Provisioning Conference, the Seller will, at the Buyer's request, submit a commercial offer for all Materiel mutually agreed as being Initial Provisioning, based on the Seller's and Suppliers' sales prices valid at the time of finalization of the Initial Provisioning Conference. This commercial offer will be valid for a period to be mutually

agreed upon, irrespective of any price changes for Seller Parts during this period, except for significant errors and/or price alterations due to part number changes and/or Supplier price changes.

3.1.8.2 During the Initial Provisioning Period, the Seller will supply Materiel, as defined in Sub-condition 2.2.1 and ordered from the Seller, which will be in conformity with the configuration standard of the applicable Aircraft and with the Initial Provisioning Data transmitted by the Seller. Otherwise, the Seller shall immediately replace such Materiel at no cost to the Buyer.

3.1.8.3 The Seller will require Suppliers to provide a similar service for their items.

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- 3.1.9 Delivery of Initial Provisioning Materiel
- 3.1.9.1 To support the operation of the Aircraft, the Seller will be required to deliver Materiel ordered during the Initial Provisioning Period against the Buyer's orders and according to
- a mutually agreed upon schedule. Provided the Buyer's orders have been placed within seven (7) months after receipt of the Initial Provisioning Data, but within the lead times for Materiel as defined in Sub-conditions 2.2.1(i) to (iv) before Delivery of
- the corresponding Aircraft, one hundred percent (100%) of the
- ordered quantity of each item, including line station items, will be delivered [*], at the Buyer's discretion, before Delivery of the first Aircraft. If said one hundred percent (100%) cannot be accomplished, in respect of Materiel described in Sub-condition 2.2.1(i), the Seller will be required to have such items available at its facilities, and, in respect of Materiel described in Sub-conditions 2.2.1(ii) through (iv), the Seller will endeavor to have such items available at the applicable Suppliers' facilities for immediate supply in case of an AOG.
- 3.1.9.2 Unless otherwise agreed to, the Seller shall not quote leadtimes longer than [*].
- 3.1.9.3 The Buyer may cancel or modify Initial Provisioning orders
- placed with the Seller, with no cancellation charge, not later than the quoted lead time before scheduled delivery of said Materiel.
- 3.1.9.4 If the Buyer cancels or modifies any orders for Materiel outside the time limits defined in Sub-condition 3.1.9.3, the Buyer will reimburse the Seller for any direct costs incurred in connection therewith and the Seller will have no liability for such cancellation or modification.
- 3.1.9.5 All transportation costs for the return of Materiel under this Sub-condition 3.1, including any insurance, customs and duties applicable or other related expenditures, will be borne by the Seller.
- 3.1.10 Initial Provisioning Data for Exercised Options
- 3.1.10.1 All Aircraft for which the Buyer exercises its option will be included into the revision of the provisioning data that is issued after option exercise if such revision is not scheduled
- to be issued within four (4) weeks from the date of option
- exercise. If the option exercise date does not allow four (4) weeks preparation time for the Seller, the concerned Aircraft will be included in the subsequent revision as may be mutually agreed.
- 3.1.10.2 The Seller will, from the date of option exercise until three
- (3) months after Delivery of each Aircraft, submit to the Buyer details of particular Seller components being installed on each Aircraft, with recommendations regarding order quantity. A list of

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such components will be supplied at the time of the provisioning data revision, as specified above.

3.1.10.3 The data concerning Materiel will, at the time of each Aircraft Delivery, at least cover such Aircraft's technical configuration as it existed six (6) months prior to Delivery and will be updated to reflect the final status of the concerned Aircraft once manufactured. Such update will be included in the data revisions issued three (3) months after Delivery of such Aircraft. The Seller will reduce this revision cycle if shorter cycles become available.

3.2 Replenishment and Delivery

3.2.1 General

Buyer's purchase orders are administered in accordance with SPEC 2000, Chapter 3. However, Sub-condition 3.2.2 below does not apply to Initial Provisioning Data and Materiel as described in Sub-condition 3.1.

3.2.2 Lead times

In general, lead times are in accordance with the provisions of the "World Airlines and Suppliers' Guide" (latest edition). Unless otherwise agreed to with the Buyer, the lead times quoted in the Seller's price list for delivery to the Buyer (the "Guaranteed Lead Times") shall not be more than :

- a) seven (7) calendar days for shelf stock Items and for Items classified as NO GO, GO IF and components with an MTBUR achieved or guaranteed lower than five thousand (5,000) flight hours and
 - b) forty-five (45) calendar days for standard tooling and rotables/repairable and not qualifying as shelf stock
- Items, as determined in the WASG.

3.2.2.1 Seller Parts (described in Sub-condition 2.2.1 (i)) listed in the Seller's Spare Parts Price List can be dispatched within the lead times defined in the Seller's Spare Parts Price List.

Lead times for Seller Parts, which are not published in the Seller's Spare Parts Price List, are quoted on request. In any event, the Seller shall comply with the latest industry standards to quote non-shelf stock Item lead times. In no event shall the time to quote be greater than ten (10) days.

3.2.2.2 Materiel of Sub-conditions 2.2.1 (ii) through 2.2.1 (iv) can be dispatched within the Supplier's lead time augmented by the Seller's own order and delivery processing time.

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3.2.2.3 Expedite Service

3.2.2.3.1 The Seller operates a twenty-four (24)-hour-a-day, seven (7)-day-a-week expedite service to supply relevant Seller Parts available in the Seller's stock, workshops and assembly line, including long-lead-time Spare Parts, to the international airport nearest to the location of such part (the "Expedite Service").

3.2.2.3.2 The Expedite Service is operated in accordance with the "World Airline and Suppliers Guide." Accordingly, the Seller will

notify

the Buyer of the action taken to effect the Expedite Service as follows:

- (i) four (4) hours after receipt of an AOG order,
- (ii) twenty-four (24) hours after receipt of a critical order (imminent AOG or work stoppage),
- (iii) [*] Working Days after receipt of an expedite order from the Buyer.

3.2.2.3.3 The Seller will deliver Seller Parts requested on an expedite basis against normal orders placed by the Buyer, or on telephone or telex requests by the Buyer's representatives. Such telephone or telex requests will be confirmed by subsequent Buyer's orders for such Seller Parts within a reasonable time.

3.2.3 Delivery Status

The Seller will report to the Buyer the status of supplies against orders on a monthly basis.

3.2.4 Excusable Delay

Condition 11 of these Conditions applies to the Materiel support.

3.2.5 Shortages, Over-shipments, Non-Conformity in Orders

3.2.5.1 Not later than thirty (30) days after receipt of Materiel delivered pursuant to a purchase order, the Buyer will advise the

Seller:

- respect
- (i) of any alleged shortages or over-shipments with
 - (ii) to such order, and of all nonconformities in part number in such order subjected to inspections by the Buyer visibly noticeable at the time of delivery.

If the Buyer has not advised the Seller of any such alleged shortages, over-shipments or non-conformities within the above-defined period, the Buyer will be deemed to have accepted the deliveries.

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3.2.5.2 If the Buyer reports over-shipments or non-conformities within the period defined in condition 3.2.5.1, then the Seller will, if the Buyer accepts such over-shipment or non-conformities, either replace the applicable Materiel or credit the Buyer for the returned Materiel. [*]

3.2.6 Packaging

All Materiel will be packaged in accordance with ATA 300 Specification, Category III for consumable/expendable materiel and Category II for rotables. Category I containers will be used if requested by the Buyer, and the difference between Category I and Category II packaging costs will be paid by the Buyer together with payment for the respective Materiel. The original packing list is required to have the FSC codes of OEM suppliers for each MPN to be delivered in electronic format compatible with SPEC 2000.

3.2.7. Delivery instructions

With each shipment, the Seller is expected to enclose evidence of airworthiness conformity and proof of work as required by legislation and by the Order.

3.2.7.1. Airworthiness Documentation

All shipments of Items must be accompanied by current Airworthiness Export Documentation, such as FAA Form 8130-3 or equivalent form such as JAA Form One or Form AAC038, plus relevant work and test reports. The Seller shall ensure that all such documents are available and updated as needed.

The documentation to be supplied together with the Items shall

comprise the following:

- a) For new Items - Export Airworthiness Approval Tag (Form 8130-3 or equivalent) for Class II and III parts, - Certificate of Conformity for standard hardware parts, - Test report where required by the specification, and - Release certificate.
- b) For used Items - Release certificate (maintenance done under FAR/JAR 8130-3/JAA Form One/AAC-038), - Work report, - Test report, and - Sufficient maintenance history data.

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3.2.7.2. FAR/TSO or PMA requirements

- Items covered by a Technical Standard Order (TSO) must be identified in accordance with FAR 21.607 or equivalent JTSO or other equivalent documents.
- Items covered by a Parts Manufacturer Approval (PMA) must be identified in accordance with FAR 45.15.

3.2.7.3. Export License

Where an Item is subject to export licensing procedures in the country of the Seller, the Seller shall ensure that an export license or similar documentation is obtained from its official authorities in time to allow delivery of the Item in accordance with the Buyer's Order delivery date.

When such date cannot be met due to lack of export license, the Buyer shall have the right to cancel the Order at no liability to the Buyer.

Delivery notes must detail the country of origin.

3.2.7.4 Life- or shelf-life-limited parts

When the Seller delivers life-limited or shelf-life-limited or periodic-check-limited parts, the life limit or the shelf life or the periodic check, as well as the manufacture date, shall be specified on the release certificate and on the part packaging, and such part shall have at least eighty-five percent (85%) shelf life left at the time of delivery.

3.2.8. Return to the Seller

Should the Buyer find non-visual damage or functional faults affecting the delivered Item, or deviations from the Order specifications, the Buyer shall be entitled to return the Item to the Seller, within thirty (30) calendar days after discovery, at the Seller's expense.

3.2.9. Delay in delivery

The Seller shall immediately inform the Buyer of any known or anticipated delay and shall indicate a new delivery date.

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3.2.10 [*]

3.2.11. Delivery monitoring and reporting

The Buyer and the Seller will agree on the monitoring of the Seller's Items delivery time, in the form of a Buyer Order status report.

3.3 Repairs

3.3.1 [*]

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3.3.2. Computation

The SPT shall be computed between physical receipt of the Item at the Seller's repair facilities and Airway Bill (AWB) issuance for shipment of the repaired Item from the Seller's facilities. This computation shall exclude delays not attributable to the Seller such as, but not limited to, the Buyer's time to answer the repair quotations from the Seller.

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- 3.3.3. [*]
- 3.3.4. [*]
- 3.3.5 SPT Monitoring and Reporting
- The Buyer and the Seller will agree on the monitoring of the Seller's SPT in the form of a customer repair order status report.
- 3.4. PRICE
- 3.4.1 The Materiel prices will be:
- Spares (i) [*] the Airbus North America Customer Services Center, for deliveries from Airbus North America Customer Services.
- (ii) [*] place specified by the Seller, for deliveries from other Seller or Supplier facilities.
- 3.4.2 Prices will be the Seller's sales prices in effect on the date of receipt of the order (subject to reasonable quantities and delivery time) and will be expressed in US dollars.
- 3.4.3 Prices of Seller Parts will be in accordance with the current Seller's Spare Parts Price List. Prices will be firm for each calendar year. The Seller will notify the Buyer of the next calendar year's pricing three (3) months prior to the next calendar

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year, if available. [*]

3.4.4 Prices of Materiel as defined in Sub-conditions 2.2.1 (ii) through 2.2.1 (iv) will be the valid list prices of the Supplier augmented by the Seller's handling charge. The percentage of the handling charge will vary with the Materiel's value and will be determined item by item.

3.4.5 The Seller warrants that, should the Buyer purchase one hundred percent (100 %) of the recommended Initial Provisioning package of the Materiel as defined in Sub-conditions 2.2.1 (ii) through 2.2.1 (iv) through the Seller, the average handling charge on the total package will not exceed [*]

first This average handling charge will apply when all orders are received by the Seller no later than nine (9) months before Aircraft delivery.

3.5 PAYMENT PROCEDURES AND CONDITIONS

3.5.1 Payment will be made in immediately available funds in US dollars. In case of payment in any other free convertible currency, the exchange rate valid on the day of actual money transfer will be applied for conversion.

3.5.2 Payment will be made by the Buyer to the Seller within thirty (30) days from the date of receipt of invoice, such that the value date of the credit to the accounts listed below falls within this thirty (30)-day period:

(i) For wire transfer, in favor of Airbus North America Customer Services:

[*]

(ii) For direct deposit (lockbox), in favor of Airbus North

America Customer Services:

(iii) Airbus North America Customer Services

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PO Box 8500
Lock Box No. 4555
Philadelphia, PA 19178-4555

[*]

3.5.3 All payments due the Seller hereunder will be made in full without set-off, counterclaim, deduction or withholding of any kind. Consequently, the Buyer will ensure that the sums received by the Seller under this Letter Agreement will be equal to the full amounts expressed to be due to the Seller hereunder,

without deduction or withholding on account of and free from any and all taxes, levies, imposts, dues or charges of whatever nature

except that if the Buyer is compelled by law to make any such deduction or withholding the Buyer will pay such additional amounts as may be necessary in order that the net amount received by the Seller after such deduction or withholding will equal the amounts which would have been received in the absence of such deduction or withholding.

3.5.4 If any payment due the Seller for which the invoice has been received by the Buyer in a timely manner, and is not the subject of a good-faith dispute between the parties, is not received by the Seller on the date or dates agreed on between the Buyer and the Seller, without prejudice to the Seller's other rights under this Letter Agreement or at law, the Seller will be entitled to interest for late payment calculated on the amount due from and including the due date of payment up to and including the date when the payment is received by the Seller at a rate equal to

the London Interbank Offered Rate (LIBOR) for twelve (12) months deposits in US dollars (as published in the Financial Times on the due date) [*] (part year to be pro-rated).

3.6 Left intentionally blank.

3.7 Title

Title to any Materiel purchased under this Letter Agreement remains with the Seller until full payment of the invoices and any interest thereon has been received by the Seller.

The Buyer will undertake that Materiel, title to which has not passed to the Buyer, will be kept free from any debenture or mortgage or any similar charge or claim in favor of any third party.

3.8 Buy-back

3.8.1 Buy-Back of Obsolete Materiel

The Seller agrees to buy back unused Seller Parts or Components which may become obsolete up to [*] years after Delivery of

the first Aircraft to the Buyer as a result of

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mandatory modifications required by the Buyer's or the Seller's Aviation Authorities, subject to the following:

- (i) The Seller Parts involved will be those that the Buyer is directed by the Seller to scrap or dispose of and which cannot be reworked or repaired to satisfy the revised standard.
- (ii) The Seller will credit to the Buyer an amount equal to the purchase price paid by the Buyer for any such obsolete parts, provided that the Seller's liability in this respect does not extend to quantities in excess of the Initial Provisioning recommendation.
- (iii) The Seller will use its reasonable efforts to obtain for the Buyer the same protection from Suppliers.

3.8.2 Buy-Back of Surplus Materiel

3.8.2.1 The Seller agrees that at any time up to [*] years after Delivery of the first Aircraft to the Buyer, the Buyer will have the right to return to the Seller, at a credit of one hundred percent (100 %) of the original purchase price paid by the Buyer, unused and undamaged Materiel (unless the damage was not visually noticeable at the time of delivery to the Buyer) described in Sub-condition 2.2.1 (i) and at a credit of one hundred percent (100 %) of the original Seller list price, unused and undamaged Materiel described in Sub-condition 2.2.1 (ii) originally purchased from the Seller under the terms hereof, provided that

(i) the selected protection level does not exceed ninety-six percent (96 %) with a transit time of twenty (20) days, (ii) said Materiel was recommended for the Buyer's purchase in the Seller's Initial Provisioning recommendations to the Buyer and does not exceed the provisioning quantities recommended by the Seller, and is not shelf-life-limited, or does not contain any shelf-life-limited components with less than [*] shelf life

remaining when returned to the Seller, and (iii) the Materiel is returned with the Seller's original documentation (tag, certificates).

3.8.2.2
Seller's

If the Buyer elects to procure Materiel in excess of the

recommendation, the Buyer will notify the Seller thereof in writing, with due reference to the present Condition. The Seller's agreement in writing is necessary before any Materiel

in

excess of the Seller's recommendation will be considered for buy-back.

3.8.2.3

It is expressly understood and agreed that the rights granted to the Buyer under this Sub-condition 3.8.2 will not apply to Materiel which may become surplus to requirements due to obsolescence at any time or for any reason other than those set forth in Sub-condition 3.8.1 above. Further, it is expressly understood and agreed that all credits described in this Sub-condition 3.8.2 will be provided by the Seller to the Buyer exclusively by means of credit notes to be entered into the Buyer's spares account with the Seller.

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- 3.8.3 All transportation costs for the return of obsolete Materiel under this Sub-condition 3.8, including any insurance and customs duties applicable or other related expenditures, will be borne by the Buyer. [*]
- 3.8.4 The Seller's obligation to buy back surplus Materiel is conditioned on the Buyer reasonably demonstrating that items proposed for buy-back were in excess of the Buyer's requirements after the initial purchase of such items.
- 3.8.5 The Seller will accept, as a reasonable demonstration of such excess initial purchase by the Buyer, if the data submitted to the Seller in compliance with the provisions of Sub-condition
- 3.9 indicate that the items proposed for buy-back are surplus to the Buyer's requirements.
- 3.9 Inventory Usage Data
- The Buyer undertakes to provide periodically to the Seller a quantitative list of the parts used for maintenance and overhaul of the Aircraft. The range and contents of this list will be established according to SPEC 2000, Chapter 5, or as mutually agreed between the Seller and the Buyer.
- 3.10 Re-Order for Unmodified Items
- Notwithstanding that the Item may have been redesigned or modified, for as long as the Aircraft is either in manufacture or in operation, the Seller undertakes to accept Orders for, and to supply to the Buyer, such unmodified or fully interchangeable Seller Parts under conditions and at prices which shall not exceed those which would have applied should the unmodified Item have been in Seller's current supply at the time of the Buyer's re-Order.
- 3.11 [*]
- 3.12 Bar-coding
- The Seller shall comply with Spec2000, Chapter 9 for shipping labels, Parts tags and Item permanent identification.

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4. TECHNICAL DATA AND DOCUMENTATION

4.1 General

This Condition covers the terms and conditions for the supply of technical data and documents (hereinafter "Technical Data") to support the Aircraft operation.

The Technical Data as outlined in this Agreement will be supplied

at no charge to the Buyer and will be in English, using the aeronautical terminology in common use.

All Technical Data will be provided in digital format using industry standards and as developed within the framework of the "Customer Focus Groups". The retained standards will be communicated to the Buyer no later than three (3) years before entry into service of the Aircraft.

The following data will be available in ATA Spec 2200-compliant SGML format, including graphics belonging to SGML documents in

ATA-compliant CGM format:

- Aircraft Maintenance Data, - Illustrated Parts Data, - Trouble-Shooting Data, - Aircraft Wiring Data, - Aircraft Wiring List Data, - Aircraft Schematics Data, - Electrical Standard Practices Data, - Structural Repair Data, - Service Bulletin Data, - Flight Crew Operating Data, - Master Minimum Equipment List Data - Component Maintenance Data (in the form of CMMM and CMMV in accordance with GCP2000). - Abnormal and Emergency Checklist Data, - Component Reliability Data.

[*]

4.2 Scope

Range, form, type, format, quantity and delivery schedule of Air Transport Association (ATA) and non-ATA Technical Data to be provided under this Agreement will be pursuant to Exhibit F.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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The Buyer will not be otherwise compensated for any Technical Data that is not used or is only used in part.

4.3 Aircraft Identification for Technical Data

4.3.1 For the customized Technical Data, the Buyer agrees to the allocation of fleet serial numbers ("Fleet Serial Numbers") in the form of a block of numbers selected in the range from 001 to 999.

4.3.2 The sequence will not be interrupted unless two (2) different Propulsion Systems or two (2) different aircraft models are selected.

4.3.3 The Buyer will indicate to the Seller the Fleet Serial Number allocated to the Aircraft Manufacturer's Serial Number two (2) years before the first Aircraft Delivery. The allocation of

Fleet

Serial Numbers to Manufacturer's Serial Numbers will not constitute any proprietary, insurable or other interest of the Buyer whatsoever in any Aircraft prior to its Delivery.

The following customized Technical Data will be provided to the

Buyer:

- Aircraft Maintenance Data,
- Illustrated Parts Data, - Trouble-Shooting Data, - Aircraft Wiring Data, - Aircraft Schematics Data, - Structural Repair Data, - Weight and Balance Data,

- [*]

A Freightier version of the Structural Repair Data will be provided.

will Component Maintenance Data, applicable to the Buyer's fleet,

be provided in the form of CMMM and CMMV in accordance with GCP2000. For component maintenance, Propulsion Systems data will be provided by the Propulsion Systems manufacturer, and BFE data will be supplied by the Buyer in accordance with Sub-condition 4.4.2 below.

[*]

4.4 Supplier Equipment

4.4.1 Information relating to Supplier equipment that is installed on the Aircraft by the Seller will be introduced into the

customized

Technical Data to the extent necessary

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for the explanation of the systems concerned [*] to the Buyer for the Technical Data initial issue.

4.4.2 The Buyer will supply the data related to Buyer Furnished Equipment to the Seller at least six (6) months before the scheduled delivery of the customized Technical Data. The Buyer
will Furnished Equipment data supplied by the Buyer to the Seller
 be in English.

4.4.3 The Seller will introduce Buyer Furnished Equipment data, for equipment that is installed on the Aircraft by the Seller, into the customized Technical Data [*] to the Buyer for the Technical Data basic issue. The transportation costs related to Buyer Furnished Equipment data shipment will be the Buyer's responsibility.

4.5 Delivery

4.5.1 Technical Data are generally delivered on-line.

4.5.2.1 If Technical Data are delivered in another format, the Technical Data and corresponding revisions to be supplied by the Seller will be sent to one address for engineering and one address for flight operations, and the Buyer will notify the Seller of such addresses.

4.5.2.2 In such case, the shipment will be Free Carrier (FCA) Toulouse, France and/or Free Carrier (FCA) Hamburg, Federal Republic of Germany

4.5.3 The Seller and the Buyer will agree on a delivery schedule for the Technical Data, such schedule being designed to ensure a smooth entry into service of the Aircraft. The Buyer agrees to provide forty (40) days' notice when requesting a change to the delivery schedule.

[*]

4.5.4 It will be the responsibility of the Buyer to coordinate and satisfy local Aviation Authorities' needs for Technical Data.

The Seller will, however, provide, on the Buyer's request, on-line
 access and, [*] such Technical Data as may be required from
to time to time, by the FAA or any other Airworthiness Authority,
 support the operation of the Buyer's Aircraft.

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4.6 Revision Service

Unless otherwise specifically stated, revision service will be provided [*] based upon a mutually agreed upon revision cycle, but which, in any case, [*]

4.7 Service Bulletin (SB) Incorporation

During the period of revision service, upon the Buyer's request for incorporation, Service Bulletin information will be incorporated, within the next scheduled revision, provided that the intention to incorporate a Service Bulletin is notified by the Buyer ninety (90) days prior to this revision. The Seller will use best reasonable efforts to achieve a thirty (30)-day notification period. The split effectivity for the corresponding Service Bulletin will remain in the Technical Data until notification from the Buyer that incorporation has been completed on all the Aircraft. The above provision is applicable for Technical Data relating to maintenance. For operational Data, only the pre- or post-Service Bulletin status will be shown.

4.8 Performance Engineer's Programs

The Seller will provide to the Buyer a full Performance Engineer's Programs (PEP) package, including Noise Level Calculation Program (NLCP), under license conditions defined in Appendix 1 to Exhibit F hereto. Revision Service will be provided [*]

4.9 Airbus On-Line Services (AOLS)

4.9.1 Technical Data are provided on-line under license conditions defined in Appendix 2 to Exhibit F hereto.

4.9.2 Access to the Airbus On-Line Services will be granted [*] to the Buyer allowing the Buyer access to the Basic and all Optional services for the Aircraft as soon as such services become available.

4.10 Future Developments

The Seller will continuously monitor technological developments and apply them to data production and methods of transmission where beneficial and economical. The Buyer and the Seller will mutually agree to implement any new development proposed by the Seller.

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4.11 Technical Data Familiarization

Technical Data familiarization training will be provided in accordance with Clause 16 of the Agreement.

4.12 Customer Originated Changes

4.12.1 Buyer-originated data documented in the Buyer's own airline engineering bulletin may be introduced as Customer-Originated Changes (COC) into the following Seller-customized Technical

Data:

- Aircraft Maintenance Data,
- Illustrated Parts Data, - Trouble-Shooting Data, - Aircraft Wiring Data, - Aircraft Schematics Data, - Flight Crew Operation Data - Quick-Reference "Handbook" Data.

4.12.2 COC data will be established by the Buyer according to the Customer Guide for Customer Originated Changes, as issued by the Seller. The Buyer will ensure that any such data is in compliance with its local Aviation Authorities' requirements.

COC data will generally be delivered on-line by the Buyer. It will be incorporated by the Seller into all affected customized Technical Data unless the Buyer specifies in writing the Technical Data of its choice into which the COC data will be incorporated.

next COC data will be incorporated into the Technical Data at the revision following receipt of the COC data, when the Seller

receives the applicable COC data at least [*] before the next revision [*]

4.12.3 The Buyer hereby acknowledges and accepts that the incorporation of any COC into the Technical Data issued by the Seller will be entirely at the Buyer's risk. Further, the Buyer acknowledges that full liability for the effects, including all related costs, any COC may have on any subsequent Service Bulletins and/or modifications.

4.12.3.1 The Seller will not be required to check any COC data submitted for incorporation. Accordingly, the Seller will be under no liability whatsoever in respect of either the contents of any COC, including any omissions or inaccuracies therein, or the effect that the incorporation of such COC may have on the Technical Data issued by the Seller.

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4.12.3.2 In the event of the Seller being required under any court order or settlement to indemnify any third party for injury, loss or damage incurred directly or indirectly as a result of incorporation of any COC into the Technical Data issued by the Seller, the Buyer agrees to reimburse the Seller for all payments or settlements made in respect of such injury, loss or damage including any expenses incurred by the Seller in defending such claims.

4.12.4 The incorporation of any COC as aforesaid will be performed under the conditions specified in the Seller's then current Customer Services Catalog.

4.13 Warranties

4.13.1 The Seller warrants that the Technical Data are prepared in accordance with the state of art at the date of their conception. Should any Technical Data prepared by the Seller contain any non-conformity or defect, [*] at its option, correct or replace such Technical Data. Notwithstanding the above, no warranties of any kind are given for the COCs.

Notwithstanding the provisions of this Sub-condition 4.13.1, [*]

4.13.2 [*]

4.14 Proprietary Rights

4.14.1 All proprietary rights, including, but not limited to, patent, design and copyrights, relating to Technical Data, will remain with the Seller.

These proprietary rights will also apply to any translation into a language or languages or media that may have been performed, or caused to be performed, by the Buyer.

4.14.2 Whenever this Letter Agreement or the Agreement provides for manufacturing by the Buyer, the consent given by the Seller will not be construed as express or implicit approval, whatsoever, either of the Buyer or of the manufactured products. The supply of the Technical Data will not be construed as any right other than those provided herein for the Buyer to design or manufacture any Aircraft or part thereof or spare part.

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4.15 Confidentiality

4.15.1 The Technical Data and their contents are designated as confidential. All such Technical Data are supplied to the Buyer for the sole use of the Buyer, who undertakes not to disclose the contents thereof to any third party without the prior written consent of the Seller, save as permitted therein or otherwise pursuant to any government or legal requirement imposed upon the Buyer.

4.15.2 [*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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5. TECHNICAL SERVICES

5.1. Technical Assistance, Liaison and Reporting

5.1.1. [*]

5.1.2. Technical Advisory Assistance

The Seller shall maintain a service organization capable of responding promptly to requests from the Buyer for technical advisory assistance on the operation, maintenance, service, repair and overhaul of an Item whether under warranty or not.

Such organization shall include suitably qualified, responsive personnel capable of answering immediately a technical query and performing on-site assistance as necessary. In particular, this organization will include a technical AOG service.

Shop findings reports shall be dispatched with the returned Items.

The Seller shall also provide to the Buyer a copy of the shop findings reports and applicable field service reports, for all Items returned to the Seller for repair, replacement or correction clearly indicating if the removal was confirmed, not confirmed or NFF.

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5.1.3. Technical Performance Reporting

If so requested by the Buyer, the Seller shall arrange data retrieval on the technical performance/reliability of an Item and provide technical statistics on a periodic basis.

5.2. Correction of In-Service Problems[*]

5.2.1. Corrective Actions

Should an Item for any reason develop an in-service problem, the Seller, in co-operation with the Buyer, shall take fast and efficient action to correct the problem, employing necessary resources to provide the Buyer with a timely and acceptable solution. The Seller shall endeavor to complete corrective actions notwithstanding any pending commercial settlement. [*]

5.2.2. [*] Programs

[*]

In the event that an Item modified by the Seller as part of a

[*]

5.3 Seller Representatives and Duties

The Seller will provide, or cause to be provided [*]
the

services described in this Sub-condition 5.3, at the Buyer's main base and at other locations to be mutually agreed upon.

5.3.1 Customer Support Director

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The Seller will assign the services of [*]

The Customer Support Director will act as the focal point within the Seller's Customer Support for the Buyer with regard to all support issues, including training and technical and materiel support. The Customer Support Director will ensure that the services provided to the Buyer are developed with the Buyer and are adapted to the Buyer's needs. The Buyer and the Seller recognize that the Customer Support Director will not be dedicated exclusively to the Buyer, but the Seller will ensure that the Customer Support Director's other responsibilities are such as to allow good and proper and timely support to the

Buyer.

The Customer Support Director will maintain a status report on all support issues related to the Aircraft and post it on a web page on the Buyer's intranet on a regular basis. The Buyer

agrees

to provide the necessary space, access and instruction to the Resident Customer Support Manager to allow this.

5.3.2 Customer Service Representatives

5.3.2.1 The Seller will also provide the services of a team of Seller customer service representatives ("Seller Representatives") acting in an advisory capacity. [*] This team will comprise

the

following persons:

- (i) A Resident Customer Support Representative at the Buyer's main base starting prior to entry into service

of the Aircraft and continuing [*]

(ii) A mutually agreed-upon number of Seller's Representatives at the Buyer's main base (or at mutually agreed-to outstation locations of the Buyer)

[*]

(iii) Seller Representatives providing on-site technical assistance (available to all aircraft), on a non-exclusive basis, at selected A380 aircraft destinations [*]

The Seller Representatives will provide advice on trouble-shooting and will provide general technical support as well as support at turn-around to minimize technically induced delays. The Seller Representatives will have a prime duty to support the Buyer, but on an occasional basis may help other operators of Airbus aircraft on the Buyer's bases just as the Buyer may obtain assistance from Seller service representatives allocated to other operators of Airbus aircraft.

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For up to the [*] The Seller Representatives will assist the

Buyer's maintenance staff in the use and application of the Aircraft's On-board Maintenance System (OMS).

[*]

- 5.3.2.2 The Seller will cause similar services to be provided by the representatives of the Propulsion Systems manufacturer and by representatives of the Suppliers when necessary and applicable.
- 5.3.2.3 The Seller will provide to the Buyer an annual written account of the consumed months and any remaining balance of months. Such account will be deemed approved by the Buyer unless the Seller receives written objection from the Buyer within thirty (30) days of receipt of such account.
- 5.3.2.4 Should the Buyer request additional services that exceed the amounts set forth in this Sub-condition 5.3.2, the Seller may provide additional services subject to the terms and conditions agreed to by the Buyer and the Seller at the time of such request.
- 5.3.3 The Buyer's Service
- 5.3.3.1 From the date of arrival of the first Seller Representative and for the duration of the assignment, the Buyer [*] suitable office space and facilities, including telephone, facsimile and computer network connections for the sole use of the Seller Representatives in, or conveniently near, the Buyer's maintenance facilities. The Buyer will provide, or cause to be provided, telecommunications facilities [*] to be invoiced on a monthly basis.
- 5.3.3.2 In accordance with the Buyer's internal regulations, the Buyer will provide, or cause to be provided [*] when said Seller's Representatives are assigned away from the locations mentioned above in Sub-condition 5.3.2.1 at the Buyer's request, commercial transportation between the said locations and the place of assignment.
- 5.3.3.3 The parties will give each other all necessary reasonable assistance with general administrative functions specific to their respective countries and procurement of the documents necessary to live and work there.
- 5.3.4 Temporary Assignment and Withdrawal of Seller Representatives

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The Buyer agrees that the Seller will have the right to transfer or recall any Seller Representative(s), on a temporary or permanent basis, as it sees fit, particularly if, in the
Seller's
opinion, the conditions are dangerous to the Seller
Representatives' safety or health or prevent the fulfillment of
any contractual tasks. The Buyer will receive credit for the
days
during which any Seller Representative is absent from the
Buyer's
facility pursuant to this Sub-condition 5.3.

[*]

5.3.5 Representatives' Status

In providing the above technical service, the Seller's
employees,
including the Seller Representative(s) and the Customer Support
Director, are deemed to be acting in an advisory capacity only
and at no time will they be deemed to be acting, either directly
or indirectly, as the Buyer's employees or agents.

5.4 Training and CBT Aids

In accordance with Clause 16 of the Purchase Agreement.

5.5. [*]

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5.6. [*]

5.7. [*]

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The Seller represents and warrants that the Manufacturer has provided to the Seller the following Seller Warranty at Aircraft Delivery, Seller Warranty for Seller Parts, Supplier Warranties, Service Life Policy, Maintenance Cost Protection Guarantee, Component Reliability Guarantee and Direct Maintenance Cost Guarantee, subject to the terms, conditions, limitations and restrictions (including, but not limited to, the Exclusivity of Warranties and General Limitations of Liability and Duplicate Remedies provisions) as hereinafter set out, and that the same are in full force and effect and have not been amended. The Seller hereby assigns to the Buyer, and the Buyer hereby

accepts,

all of the Seller's rights and obligations as the "Buyer" under the said Seller Warranty at Aircraft Delivery, Seller Warranty for Seller Parts, Supplier Warranties, Service Life Policy, Component Reliability Guarantee and Direct Maintenance Cost Guarantee, and the Seller subrogates the Buyer to all such

rights

and obligations in respect of the Aircraft. The Seller hereby warrants to the Buyer that (i) it has all requisite authority to make the foregoing assignment to and to effect the foregoing subrogation in favor of the Buyer, (ii) such assignment and subrogation are effective to confer on the Buyer all of the foregoing rights and obligations of the Seller, and (iii) the Seller will not enter into any amendment of the provisions so assigned without the prior written consent of the Buyer.

It is understood that, in the provisions below between the words QUOTE and UNQUOTE, capitalized terms have the meanings assigned thereto in this Letter Agreement, except that (i) the term "Seller," which means the Manufacturer as between the Manufacturer and the Seller, also means the Manufacturer in this Agreement, and (ii) the term "Buyer," which means the Seller as between the Manufacturer and the Seller, means the Buyer in this Letter Agreement.

QUOTE

6.1 SELLER WARRANTY AT AIRCRAFT DELIVERY

6.1.1 Nature of Warranty

Subject to the limitations and conditions as hereinafter provided, and except as provided in Sub-condition 6.1.2, the Seller warrants to the Buyer that each Aircraft and each Warranted Part will be, at the time of Aircraft Delivery, free

from defects:

(i) in material,

(ii) in workmanship, including, without limitation, processes of manufacture,

(iii) in design (including, without limitation, selection of materials) having regard to the state of the art at the date of such design, and

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- (iv) arising from failure to conform to the Specification, except as to those portions of the Specification that are expressly stated in the Specification to be estimates or approximations or design aims.

For the purposes of this Letter Agreement, the term "Warranted Part" will mean any Seller proprietary component, accessory or part, which is installed on an Aircraft at Delivery and (a)

which

is manufactured to the detail design specification of the Seller or a subcontractor of the Seller (b) which bears a part number

of

the Seller at the time of Delivery, and (c) which is not covered by GCP 2000.

Aircraft,

The Seller warrants that, at the time of Delivery of an

all Warranted Parts will have less than fifty (50) flight hours and will never have been rejected by another aircraft operator, manufacturer, distributor or maintenance or repair center.

6.1.2

Exceptions

to

The warranties set forth in Sub-condition 6.1.1 will not apply

Buyer Furnished Equipment, nor to the Propulsion Systems, nor to any component, accessory, equipment or part purchased by the Buyer that is not a Warranted Part, provided, however, that:

- (i) any defect in the Seller's workmanship in respect of the installation of such items in the Aircraft, including any failure by the Seller to conform to the installation instructions of the manufacturers of such items that invalidates any applicable warranty from such manufacturers, will constitute a defect in workmanship for the purpose of this Sub-condition 6.1 and be covered by the warranty set forth in Sub-condition 6.1.1(ii), and

- (ii) any defect inherent in the Seller's design of the installation, in view of the state of the art at the date of such design, that impairs the use of such

items

will constitute a defect in design for the purposes of this Sub-condition 6.1 and be covered by the warranty set forth in Sub-condition 6.1.1 (iii).

6.1.3

Warranty Periods

6.1.3.1

The warranties described in Conditions 6.1.1 and 6.1.2 hereinabove will be limited to those defects that become

apparent

within [*] Delivery of the affected Aircraft (the "Warranty Period").

6.1.3.2

[*]

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6.1.3.3 [*]

6.1.3.4 [*]

6.1.4 Limitations of Warranty

6.1.4.1 THE BUYER'S REMEDY AND THE SELLER'S OBLIGATION AND LIABILITY UNDER SUB-CONDITIONS 6.1.1 AND 6.1.2 HEREINABOVE ARE LIMITED TO, AT THE SELLER'S EXPENSE AND OPTION, THE REPAIR, REPLACEMENT OR CORRECTION OF ANY DEFECTIVE WARRANTED PART. ALTERNATIVELY, THE SELLER MAY, WITH THE BUYER'S APPROVAL, FURNISH A CREDIT TO THE BUYER FOR THE FUTURE PURCHASE OF GOODS AND SERVICES (NOT INCLUDING AIRCRAFT) EQUAL TO THE PRICE AT WHICH THE BUYER IS

THEN ENTITLED TO ACQUIRE A REPLACEMENT FOR THE DEFECTIVE WARRANTED PART.

6.1.4.2 In the event that the Seller corrects a defect covered by Sub-condition 6.1.1 (iii) that becomes apparent within the applicable period set forth in Sub-condition 6.1.3 and the

Seller is obligated to correct such defect, the Seller will also, if so requested by the Buyer in writing, [*] However, the Seller

will not be responsible, nor deemed to be in default, on account of any delay in Delivery of any Aircraft under the Agreement or otherwise, in respect of performance of this Letter Agreement, due to the Seller's undertaking to make such correction and, rather than accept a delay in Delivery of any such Aircraft, the Buyer and the Seller may agree to Deliver such Aircraft with subsequent correction of the defect by the Buyer [*] or the Buyer may elect to accept Delivery and the Seller will offer a pre-approved warranty remedy at Delivery.

6.1.4.3 [*]

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6.1.5 Warranty Claim Requirements

liability The Buyer's remedy and the Seller's obligation and
under this Sub-condition 6.1, with respect to each claimed

defect, are subject to the following conditions precedent:

(i) the defect becomes apparent within the Warranty Period,

(ii) the Buyer submits to the Seller proof, reasonably satisfactory to the Seller, that the claimed defect is due to a matter covered under the provisions of this Sub-condition 6.1, and that such defect has not resulted from any act or omission of the Buyer, including but not limited to, any failure to operate and maintain the affected Aircraft or part thereof in accordance with the standards set forth in Sub-condition 6.8 or from any act or omission of any third party maintaining or operating the Aircraft,

(iii) the Buyer returns, as soon as practicable, the Warranted Part claimed to be defective to the repair facilities designated by the Seller, unless the Buyer elects to repair a defective Warranted Part in accordance with the provisions of Sub-condition 6.1.7,

(iv) the Seller receives a "Warranty Claim" complying with the provisions of Sub-condition 6.1.6 below.

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The warranties set forth in Sub-condition 6.1 will be administered as hereinafter provided:

(i) Claim Determination

the
logs,
Warranty Claim determination by the Seller will be reasonably based on the claim details, reports from Seller's regional representative, historical data inspections, tests, findings during repair, defect analysis and other suitable documents and information as appropriate. The Seller will adjudicate each Warranty Claim within thirty (30) days of receipt.

(ii) Removal and Transportation Costs

[*]

(iii) Return of an Aircraft

such
In the event that the Buyer desires to return an Aircraft to the Seller for consideration of a Warranty Claim, the Buyer will notify the Seller of its intention to do so and the Seller will, prior to such return, have the right to inspect such Aircraft, and without prejudice to the Seller's rights hereunder, to repair such Aircraft either at the Buyer's facilities or at another place acceptable to the Seller. If the Seller elects to inspect, such inspection team will be dispatched as soon as practically possible, but generally within twenty-four (24) hours after notice from the Buyer. Return of any Aircraft by the Buyer to the Seller, and return of such Aircraft to the Buyer's facilities, will be at the Buyer's expense, unless

return was at the direction, or for the convenience,
[*]

(iv) On-Aircraft Work by the Seller

[*]

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The Seller and the Buyer will agree on a schedule and place for the work to be performed.

(v) Warranty Claim Substantiation

For each claim under this Sub-condition 6.1, the Buyer will give notice (the "Warranty Notification") to the Seller at the earliest practicable time, but in no event later than ninety (90) days after discovering the defect, that contains, as applicable, the data listed below with respect to a part or Aircraft. The Buyer will provide a Warranty Claim within one hundred eighty (180) days after the completion of the required repair or correction of the defect giving rise to such Warranty Claim. The Seller will establish an internet portal to allow electronic filing and tracking of the Buyer's Warranty Notifications and Claims, which shall contain the following:

- (a) Description of defect and action taken, if any,
- (b) Date of incident and/or of removal,
- (c) Description of the defective part,
- (d) Part number,
- (e) Serial number (if applicable),
- (f) Position on Aircraft, according to Catalog Sequence Number (CSN) of the Illustrated Parts Catalog, Component Maintenance Manual or Structural Repair Manual (as such documents are to be defined pursuant to Condition 4 and Exhibit F hereto), if applicable,
- (g) Time since last shop visit at the date of defect appearance, if applicable,
- (h) Manufacturer's serial number (MSN) of the Aircraft and/or its registration number,
- (i) Aircraft total flying hours or calendar times and/or number of landings, as applicable, at the date of defect appearance,
- (j) Claim number,
- (k) Date of claim, and
- (l) Date of Delivery of an Aircraft or delivery of a part to the Buyer.

Warranty Claims are to be filed electronically.

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(vi) Replacements

Replacements made pursuant to this Sub-condition 6.1 will be made within the lead time defined in the Seller's Spare Parts Price Catalog. Replaced components, equipment, accessories or parts will become the Seller's property.

Title to, and risk of loss of, any Aircraft, component, accessory, equipment or part returned by the Buyer to the Seller will at all times remain with the Buyer, except that (i) when the Seller has possession of a returned Aircraft, component, accessory, equipment or part to which the Buyer has title, the Seller will have such responsibility therefor as is chargeable by law to a bailee for hire, but the Seller will not be liable for loss of use, and (ii) title to, and risk of loss of, a returned component, accessory, equipment or part will pass to the Seller on shipment by the Seller to the Buyer of any item furnished by the Seller to the Buyer as a replacement therefor. Upon the Seller's shipment to the Buyer of any replacement component, accessory, equipment or part provided by the Seller pursuant to this Sub-condition 6.1, title to, and risk of loss of, such component, accessory, equipment or part will pass to the Buyer.

Notwithstanding the foregoing, the Seller agrees to indemnify the Buyer for loss for any Aircraft, component, accessory, equipment or part in the Seller's possession under provisions of this Sub-condition

6.1.6. This indemnification will extend only to the period from time of tender of possession to the Seller until return of possession to the Buyer.

(vii) Rejection

The Seller will provide reasonable written substantiation in case of rejection of a claim. The Buyer will (a) pay to the Seller reasonable inspection and test charges incurred by the Seller in connection with the investigation and processing of a rejected claim and (b) pay the costs of transportation to the Airbus North America Customer Services Spares Center in Ashburn, VA, insurance and any other costs associated with the sending or return of any Warranted Part or any other item, equipment, component or part for which the Seller rejects the Buyer's Warranty Claim. The Seller will contact the Buyer prior to the shipment or return of such parts and will await and comply with the Buyer's instructions as to choice of transportation carrier before taking any further transportation actions whatsoever. Such Buyer's instructions will be communicated within thirty (30) days. The Seller will reimburse the Buyer for any inspection charges and transportation costs paid by the Buyer, under this Sub-condition 6.1.6(vii) for a rejected part, should such rejected part fail upon its return to service and be subsequently accepted as a valid Warranty Claim.

(viii) Inspection

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The Seller will have the right to inspect the affected Aircraft, and the Buyer will provide the necessary records relating to a Warranty Claim thereto in the event of any Warranty Claim under this Sub-condition 6.1.

6.1.7 In-house Warranty

(i) Authorization

The Buyer is hereby authorized to perform the repair of Warranted Parts, subject to the terms of this Sub-condition 6.1.7 ("In-house Warranty").

(ii) Conditions of Authorization

The Buyer will be entitled to the benefits under this Sub-condition 6.1.7 for repair of Warranted Parts:

- (a) only if adequate facilities and qualified personnel are available to the Buyer,
- (b) provided that repairs are to be performed in accordance with the Seller's written instructions as set forth in applicable Technical Data, and
- (c) only to the extent specified by the Seller, or, in the absence of the Seller's specifying, to the extent reasonably necessary to correct the defect as defined by the Buyer's engineering specifications, Engineering Order or Engineering Authorization, in accordance with the standards set forth in Sub-condition 6.8.

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(iii) The Seller's Rights

The Seller will have the right to have any Warranted Part, or any part removed therefrom, which is claimed to be defective, returned to the Seller, as set forth in Sub-condition 6.1.6(ii), if, in the judgment of the Seller, the nature of the defect requires technical investigation. [*]

The Seller will further have the right to have a representative present during the disassembly, inspection and testing of any Warranted Part claimed to be defective, subject to its presence being practical and not unduly delaying the repair.

(iv) In-house Warranty Claim Substantiation

Claims for In-house Warranty credit will be filed within the time period set forth in, and will contain the same information required in, Warranty Claims under Sub-condition 6.1.6(v) and, in addition, will include:

(a) a report of technical findings with respect to the defect,

(b) for parts required to remedy the defect:

- part numbers, - serial numbers (if applicable), - description of the parts, - quantity of parts, - unit price of parts, - related Seller's or third party's invoices (if applicable), - total price of parts,

(c) detailed number of labor hours,

(d) In-house Warranty Labor Rate (defined below in Sub-condition 6.1.7(v)(b)), and total claim value.

(v) Credit

The Buyer's sole remedy, and the Seller's sole obligation and liability, in respect of In-house Warranty claims, will be a credit to the Buyer's account in US dollars. [*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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(vi) Limitation on Credit

The Buyer will in no event be credited for repair costs (labor and material) for any Warranted Part to the extent that such costs [*] (b) repair costs (labor and material) that would have resulted if repairs had been carried out at the Seller's facilities.

[*]

(vii) Scrapped Material

The Buyer may, with the agreement of the Seller's Resident Customer Support Representative, scrap any such defective parts that are beyond economic repair and not required for technical evaluation.

Scrapped Warranted Parts will be evidenced by a record of scrapped material certified by an authorized representative of the Buyer, which will be kept in the Buyer's file for at least the duration of the Warranty Period set forth in this Sub-condition 6.I.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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(viii) DISCLAIMER OF SELLER LIABILITY FOR THE BUYER'S REPAIR

THE SELLER WILL NOT BE LIABLE FOR ANY RIGHT, CLAIM OR REMEDY, AND THE BUYER WILL INDEMNIFY THE SELLER AGAINST THE CLAIMS OF ANY THIRD PARTIES FOR LOSSES DUE TO ANY DEFECT, NON-CONFORMANCE OR PROBLEM OF ANY KIND ARISING OUT OF, OR IN CONNECTION WITH, ANY IN-HOUSE REPAIR OF WARRANTED PARTS OR ANY OTHER ACTIONS UNDERTAKEN BY THE BUYER UNDER THIS SUB-CONDITION 6.1.7, INCLUDING, BUT NOT LIMITED TO : LIABILITY IN CONTRACT OR IN TORT; LIABILITY ARISING FROM THE BUYER'S ACTUAL OR IMPUTED NEGLIGENCE, INTENTIONAL TORTS AND/OR STRICT LIABILITY; AND/OR LIABILITY TO ANY THIRD PARTIES. NOTWITHSTANDING THE FOREGOING, THIS INDEMNIFICATION WILL NOT EXTEND TO THOSE REPAIRS THAT ARE PERFORMED IN ACCORDANCE WITH THE MANUFACTURER'S REPAIR INSTRUCTIONS.

6.1.8 Warranty Transferability

The warranties provided for in this Sub-condition 6.1 for any Warranted Part will continue to accrue if the Warranted Part enters into the possession of another airline as a result of a pooling or leasing agreement between such airline and the Buyer , in accordance with the terms and subject to the limitations and exclusions of the foregoing warranties and to applicable laws or regulations.

6.1.9 Warranty for Corrected, Replacement or Repaired Warranted Parts

Whenever any Warranted Part that contains a defect for which the Seller is liable under Sub-condition 6.1 has been corrected, repaired or replaced pursuant to the terms of this Condition 6, the period of the Seller's warranty with respect to such corrected, repaired or replacement Warranted Part, whichever may be the case, will be the remaining portion of the original warranty in respect of such corrected, repaired or replaced

Warranted Part [*]. Furthermore, the repair of a Warranted Part will be warranted for [*] from delivery to the Buyer of the applicable repaired Warranted Part. In the event that a defect is attributable to a negligent act or omission by the Buyer, a Warranty Claim with respect to such defect will not be allowable, notwithstanding any subsequent correction or repair, and will immediately terminate the remaining warranties under this Sub-condition 6.1 in respect of the affected Warranted Part.

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6.2 Seller Warranty for Seller Parts

Subject to the limitations and conditions as hereinafter provided, the Seller warrants to the Buyer that each Seller Part as defined above in Condition 2.2.1(i) will, at the time of delivery to the Buyer, be suitable for its intended use and be

free from defects:

- (i) in material,
- (ii) in workmanship, including, without limitation, processes of manufacture,
- (iii) arising from failure to conform to the applicable specification for such part,
- (iv) such as to hinder, restrict or annul the validity of the Certificate of Airworthiness of the Aircraft on which the Seller Part is fitted.

6.2.2 Warranty Period

6.2.2.1 The warranty period for defects in new Seller Parts is [*] to the Buyer (the "Seller Parts Warranty Period").

6.2.2.2 The warranty period for used Seller Parts delivered by and/or repaired, modified, overhauled or exchanged by the Seller is [*] of such parts to the Buyer.

6.2.3 The Buyer's Remedy and The Seller's Obligation

The Buyer's remedy and Seller's obligation and liability under this Sub-condition 6.2 are limited to the repair, replacement or correction, at the Seller's expense and option, of any defective Seller Part.

The Seller, at its option, may furnish a credit to the Buyer for the future purchase of Seller Parts equal to the price at which the Buyer is then entitled to acquire a replacement for the defective Seller Part.

The provisions of Sub-conditions 6.1.5, 6.1.6 and 6.1.7 of the Agreement will, as applicable, also apply to this Sub-condition 6.2.

6.3 Supplier Warranties

6.3.1 The Seller's Support

[*]

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6.3.2 The Supplier's Default

6.3.2.1 In the event that any Supplier under any standard warranty or indemnity against patent infringement obtained by the Seller pursuant to Sub-condition 6.3.1 hereof defaults in the performance of any material obligation under such warranty or indemnity against patent infringement with respect to a Supplier part, and the Buyer submits within a reasonable time to the Seller reasonable proof that such default has occurred, then Sub-condition 6.1 of this Agreement will apply to the extent it would have applied had such Supplier Part been a Warranted Part except that the shorter of (i) the Supplier's warranty period indicated in the Supplier Product Support Agreements manual, and (ii) the Warranty Period indicated in Sub-condition 6.1.3 of

this

Agreement will apply.

6.3.2.2 In the event that any Supplier under any Supplier service life policy obtained by the Seller pursuant to Sub-condition 6.3.1 hereof defaults in the performance of any material obligation with respect thereto, and the Buyer submits within reasonable time to the Seller reasonable proof that such default has occurred, then Sub-condition 6.4 of this Agreement will apply to the extent the same would have applied had such component, equipment, accessory or part been listed in Exhibit D hereto.

6.3.2.3 At the Seller's request, the Buyer will assign to the Seller, and the Seller will be subrogated to, all of the Buyer's rights against the relevant Supplier, with respect to and arising by reason of such default, and the Buyer will provide reasonable assistance to enable the Seller to enforce the rights so assigned.

6.4 Seller Service Life Policy

6.4.1 Scope and Definitions

In addition to the warranties set forth in Sub-condition 6.1 above, the Seller further agrees that should a Failure occur in any SLP Item (as these terms are defined below), then, subject

to

the general conditions and limitations set forth in this Sub-condition 6.4.4, the provisions of this Sub-condition 6.4 will apply.

For the purposes of this Sub-condition 6.4, the following definitions will apply:

- (i) "SLP Item" means any of the Seller components, equipment, accessories or parts listed in Exhibit D hereto which are installed on an Aircraft at any time during the period of effectiveness of the Service Life Policy as defined below in Sub-condition 6.4.2. During the development period of the Aircraft, the Buyer and Seller will further review and complete this list of SLP Items, as applicable, to address the Aircraft's unique design.
- (ii) "Failure" means any breakage of, or defect in, an Item that materially impairs the utility or safety of the Item that has occurred, or can reasonably be expected to occur, on a repetitive or fleetwide basis.

6.4.2 Periods and the Seller's Undertaking

Subject to the general conditions and limitations set forth in Sub-condition 6.4.4 below, the Seller agrees that if a Failure occurs in an SLP Item before the Aircraft in which such SLP Item is installed has completed [*] after the Delivery of the applicable Aircraft to the Buyer, whichever occurs first, the Seller will, at its own discretion, as promptly as practicable and for a price that reflects the Seller's financial participation as hereinafter provided, either:

6.4.2.1 [*]

6.4.2.2 [*]

6.4.2.3 [*] to incorporate SLP-related modifications in production Aircraft [*]

6.4.3 The Seller's Participation in the Cost

Any part or SLP Item that the Seller is required to furnish to the Buyer under this Service Life Policy in connection with the correction or replacement of an SLP Item will be furnished to the

Buyer [*]

6.4.4 General Conditions and Limitations

6.4.4.1 Notwithstanding the Seller's cost participation mentioned in Sub-condition 6.4.3, during the Warranty Period applicable to an SLP Item under Sub-condition 6.1.3 the level of Seller's cost participation will be [*]

The Buyer's remedy and the Seller's obligation and liability under this Service Life Policy are subject to compliance by the Buyer with the following conditions precedent:

- (i) The Buyer will maintain log books and other historical records with respect to each Item adequate to enable the Seller to determine whether the alleged Failure is covered by this Service Life Policy and, if so, to define the portion of the cost to be borne by the Seller in accordance with Sub-condition 6.4.3 above.
- (ii) The Buyer will keep the Seller informed of any significant incidents relating to an Aircraft, howsoever occurring or recorded.
- (iii) The provisions of Sub-condition 6.8 will have been complied with.

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(iv) In the case of any breakage or defect, the Buyer will report the same in writing to the Seller within one hundred twenty (120) days after any breakage or defect in an Item becomes apparent, whether or not said breakage or defect can reasonably be expected to occur in any other Aircraft, and the Buyer will inform the Seller in sufficient detail about the breakage or defect to enable the Seller to determine whether said breakage or defect is subject to this Service Life Policy.

6.4.4.3 Except as otherwise provided in this Sub-condition 6.4, any claim under this Service Life Policy will be administered as provided in, and will be subject to the terms and conditions of, Sub-condition 6.1.6.

6.4.4.4 In the event that the Seller has issued a modification applicable to an Aircraft, the purpose of which is to avoid a Failure, the Seller may elect to supply the necessary modification kit [*] If such a kit is so offered to the Buyer, then, in respect of such Failure and any Failures that could ensue therefrom, the validity of the Seller's commitment under this Sub-condition 6.4 will be subject to the Buyer's incorporating such modification in the relevant Aircraft, within a reasonable time, as promulgated by the Seller and in accordance with the Seller's instructions.

6.4.4.5 THIS SERVICE LIFE POLICY IS NEITHER A WARRANTY, PERFORMANCE GUARANTEE NOR AN AGREEMENT TO MODIFY ANY AIRCRAFT OR AIRFRAME COMPONENTS TO CONFORM TO NEW DEVELOPMENTS OCCURRING IN THE STATE OF AIRFRAME DESIGN AND MANUFACTURING ART. THE SELLER'S OBLIGATION UNDER THIS SUB-CONDITION 6.4 IS TO MAKE ONLY THOSE CORRECTIONS TO THE ITEMS OR FURNISH REPLACEMENTS THEREFOR AS PROVIDED IN THIS SUB-CONDITION 6.4. THE BUYER'S SOLE REMEDY AND RELIEF FOR THE NON-PERFORMANCE OF ANY OBLIGATION OR LIABILITY OF THE SELLER ARISING UNDER, OR BY VIRTUE OF, THIS SERVICE LIFE POLICY WILL BE IN MONETARY DAMAGES, LIMITED TO THE AMOUNT THE BUYER REASONABLY EXPENDS IN PROCURING A CORRECTION OR REPLACEMENT FOR ANY ITEM THAT IS THE SUBJECT OF A FAILURE COVERED BY THIS SERVICE LIFE POLICY AND TO WHICH SUCH NON-PERFORMANCE IS RELATED, LESS THE AMOUNT THAT THE BUYER OTHERWISE WOULD HAVE BEEN REQUIRED TO PAY UNDER THIS SUB-CONDITION 6.4 IN RESPECT OF SUCH CORRECTED OR REPLACEMENT ITEM. WITHOUT LIMITING THE EXCLUSIVITY OF WARRANTIES AND GENERAL LIMITATIONS OF LIABILITY PROVISIONS SET FORTH IN SUB-CONDITIONS 6.10 AND 6.11, THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL CLAIMS TO ANY FURTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOSS OF PROFITS AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES, ARISING UNDER, OR BY VIRTUE OF, THIS SERVICE LIFE POLICY WITH RESPECT TO SUCH NON-PERFORMANCE.

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6.4.5 Transferability

 The Buyer's rights under this Sub-condition 6.4 will not be
 assigned, sold, leased, transferred or otherwise alienated by
written operation of law or otherwise, without the Seller's prior
 consent.

 Any unauthorized assignment, sale, lease, transfer or other
 alienation of the Buyer's rights under this Service Life Policy
 will, as to the particular Aircraft involved, immediately void
 this Service Life Policy in its entirety.

6.5 [Intentionally Deleted]

6.6 [*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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6.7. [*]

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[*]

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[*]

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6.8. Good Airline Operation - Normal Wear and Tear

6.8.1 Good Airline Operation

The Buyer's rights under this Condition 6 are subject to the Aircraft and each Item being stored, maintained, overhauled, repaired and operated in accordance with good commercial airline practice, all technical documentation and any other instructions issued by the Seller and all applicable rules, regulations and directives of the relevant Aviation Authorities. The Seller's liability under this Condition 6 shall not extend to:

- (i) any Item which has been repaired, altered or modified after delivery except by the Seller or in a manner approved by the Supplier;
- (ii) any Item which has been operated in a damaged state;
- (iii) any Item from which the trade mark, name, part or serial number or any other identification marks have been removed;

the unless, in any such case (except in the case of (iii) above), Buyer submits reasonable evidence to the Seller that the fault did not arise from, or was not contributed to, by any one (1) or more of the said causes.

6.8.2 Normal Wear and Tear

The Seller's liability under this Condition 6 shall not extend to normal Wear and Tear as defined by the Component Specification.

6.9 Limitations

All durations quoted in this Condition 6 are subject to the limitation of Sub-conditions 2.1 and 14.

6.10 EXCLUSIVITY OF WARRANTIES

THIS CONDITION 6 (INCLUDING ITS SUB-PROVISIONS) SETS FORTH THE EXCLUSIVE WARRANTIES, EXCLUSIVE LIABILITIES AND EXCLUSIVE OBLIGATIONS OF THE SELLER, AND THE EXCLUSIVE REMEDIES AVAILABLE TO THE BUYER, WHETHER UNDER THIS LETTER AGREEMENT OR OTHERWISE, ARISING FROM ANY DEFECT OR NON-CONFORMITY OR PROBLEM OF ANY KIND IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART OR

SERVICE DELIVERED UNDER THIS AGREEMENT.

THE BUYER RECOGNIZES THAT THE RIGHTS, WARRANTIES AND REMEDIES IN THIS CONDITION 6 ARE ADEQUATE AND SUFFICIENT TO

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OF PROTECT THE BUYER FROM ANY DEFECT OR NON,CONFORMITY OR PROBLEM

ANY KIND IN THE GOODS AND SERVICES SUPPLIED UNDER THE AGREEMENT OR THIS LETTER AGREEMENT. THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS, GUARANTEES AND LIABILITIES OF THE SELLER AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, WHETHER EXPRESS OR IMPLIED BY CONTRACT, TORT OR STATUTORY LAW OR OTHERWISE, WITH RESPECT TO ANY NON,CONFORMITY OR DEFECT OR PROBLEM OF ANY KIND

IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART OR SERVICE DELIVERED UNDER THE AGREEMENT OR THIS LETTER AGREEMENT, INCLUDING, BUT NOT LIMITED TO:

(1) ANY IMPLIED WARRANTY OF MERCHANTABILITY AND/OR FITNESS FOR ANY GENERAL OR PARTICULAR PURPOSE;

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

(3) ANY RIGHT, CLAIM OR REMEDY FOR BREACH OF CONTRACT;

(4) ANY RIGHT, CLAIM OR REMEDY FOR TORT, INCLUDING ACTIONS FOR NEGLIGENCE, RECKLESSNESS, INTENTIONAL TORTS, IMPLIED WARRANTY IN TORT AND/OR STRICT LIABILITY;

(5) ANY RIGHT, CLAIM OR REMEDY ARISING UNDER THE UNIFORM COMMERCIAL CODE OR ANY OTHER STATE OR FEDERAL STATUTE;

(6) ANY RIGHT, CLAIM OR REMEDY ARISING UNDER ANY REGULATIONS OR STANDARDS IMPOSED BY ANY INTERNATIONAL, NATIONAL, STATE OR LOCAL STATUTE OR AGENCY;

FOR: (7) ANY RIGHT, CLAIM OR REMEDY TO RECOVER OR BE COMPENSATED

(a) LOSS OF USE, OR REPLACEMENT, OF ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART PROVIDED UNDER THIS AGREEMENT;

(b) LOSS OF, OR DAMAGE OF ANY KIND TO, ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART PROVIDED UNDER THIS AGREEMENT;

(c) LOSS OF PROFITS AND/OR REVENUES;

(d) ANY OTHER INCIDENTAL OR CONSEQUENTIAL DAMAGE.

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THE WARRANTIES AND SERVICE LIFE POLICY PROVIDED BY THIS LETTER AGREEMENT WILL NOT BE EXTENDED, ALTERED OR VARIED, EXCEPT BY A WRITTEN INSTRUMENT SIGNED BY THE SELLER AND THE BUYER. IN THE EVENT THAT ANY PROVISION OF THIS CONDITION 6 SHOULD FOR ANY REASON BE HELD UNLAWFUL, OR OTHERWISE UNENFORCEABLE, THE REMAINDER OF THIS CONDITION 6 WILL REMAIN IN FULL FORCE AND EFFECT.

6.11 Duplicate Remedies

The remedies provided to the Buyer under this Condition 6 as to any defect in respect of the Aircraft, or any part thereof, are mutually exclusive and not cumulative. The Buyer will be

entitled

to the remedy that provides the maximum benefit to it, as the Buyer may elect, pursuant to the terms and conditions of this Condition 6 for any such particular defect for which remedies

are

provided under this Condition 6; provided, however, that the Buyer will not be entitled to elect a remedy under one part of this Condition 6 that constitutes a duplication of any remedy elected by it under any other part hereof or of the Agreement

for

the same defect. The Buyer's rights and remedies herein for the non-performance of any obligations or liabilities of the Seller arising under these warranties will be in monetary damages limited to the amount the Buyer expends in procuring a

correction

or replacement for any covered part subject to a defect or non-performance covered by this Condition 6, and the Buyer will not have any right to require specific performance by the

Seller.

UNQUOTE

In consideration of the assignment and subrogation by the Seller under this Condition 6 in favor of the Buyer in respect of the Seller's rights against and obligations to the Manufacturer

under

the provisions quoted above, the Buyer hereby accepts such assignment and subrogation and agrees to be bound by all of the terms, conditions and limitations therein contained,

specifically

including, without limitation, the Exclusivity of Warranties and General Limitations of Liability provisions and Duplicate Remedies provisions.

THIS CONDITION 6 (INCLUDING ITS SUB-PROVISIONS) SETS FORTH THE EXCLUSIVE WARRANTIES, EXCLUSIVE LIABILITIES AND EXCLUSIVE OBLIGATIONS OF THE SELLER AND THE EXCLUSIVE REMEDIES AVAILABLE

TO

THE BUYER, WHETHER UNDER THIS LETTER AGREEMENT OR THE AGREEMENT OR OTHERWISE, ARISING FROM ANY DEFECT OR NON-CONFORMITY OR PROBLEM OF ANY KIND IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART OR SERVICE DELIVERED UNDER THIS LETTER AGREEMENT OR THE AGREEMENT.

THE BUYER RECOGNIZES THAT THE RIGHTS, WARRANTIES AND REMEDIES IN THIS CONDITION 6 ARE ADEQUATE AND SUFFICIENT TO

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OF PROTECT THE BUYER FROM ANY DEFECT OR NON-CONFORMITY OR PROBLEM
ANY KIND IN THE GOODS AND SERVICES SUPPLIED UNDER THIS LETTER
AND AGREEMENT OR THE AGREEMENT. THE BUYER HEREBY WAIVES, RELEASES
RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS, GUARANTEES AND
LIABILITIES OF THE SELLER AND ALL OTHER RIGHTS, CLAIMS AND
REMEDIES OF THE BUYER AGAINST THE SELLER, WHETHER EXPRESS OR
IMPLIED BY CONTRACT, TORT OR STATUTORY LAW OR OTHERWISE, WITH
IN RESPECT TO ANY NON-CONFORMITY OR DEFECT OR PROBLEM OF ANY KIND
ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART OR SERVICE
DELIVERED UNDER THE AGREEMENT OR THIS LETTER AGREEMENT,
INCLUDING, BUT NOT LIMITED TO:

- (1) ANY IMPLIED WARRANTY OF MERCHANTABILITY AND/OR FITNESS FOR
ANY GENERAL OR PARTICULAR PURPOSE;
- (2) ANY IMPLIED OR EXPRESS WARRANTY ARISING FROM THE COURSE OF
PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (3) ANY RIGHT, CLAIM OR REMEDY FOR BREACH OF CONTRACT;
- (4) ANY RIGHT, CLAIM OR REMEDY FOR TORT, INCLUDING ACTIONS FOR
NEGLIGENCE, RECKLESSNESS, INTENTIONAL TORTS, IMPLIED WARRANTY IN
TORT AND/OR STRICT LIABILITY;
- (5) ANY RIGHT, CLAIM OR REMEDY ARISING UNDER THE UNIFORM
COMMERCIAL CODE OR ANY OTHER STATE OR FEDERAL STATUTE;
- (6) ANY RIGHT, CLAIM OR REMEDY ARISING UNDER ANY REGULATIONS OR
STANDARDS IMPOSED BY ANY INTERNATIONAL, NATIONAL, STATE OR LOCAL
STATUTE OR AGENCY;
- (7) ANY RIGHT, CLAIM OR REMEDY TO RECOVER OR BE COMPENSATED

FOR:

- (a) LOSS OF USE, OR REPLACEMENT, OF ANY AIRCRAFT,
COMPONENT, EQUIPMENT, ACCESSORY OR PART PROVIDED UNDER THIS
AGREEMENT;
- (b) LOSS OF, OR DAMAGE OF ANY KIND TO, ANY AIRCRAFT,
COMPONENT, EQUIPMENT, ACCESSORY OR PART PROVIDED UNDER THIS
AGREEMENT;
- (c) LOSS OF PROFITS AND/OR REVENUES;
- (d) ANY OTHER INCIDENTAL OR CONSEQUENTIAL DAMAGE.

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THE WARRANTIES AND SERVICE LIFE POLICY PROVIDED BY THIS LETTER AGREEMENT WILL NOT BE EXTENDED, ALTERED OR VARIED EXCEPT BY A WRITTEN INSTRUMENT SIGNED BY THE SELLER AND THE BUYER IN THE EVENT THAT ANY PROVISION OF THIS CONDITION 6 SHOULD FOR ANY REASON BE HELD UNLAWFUL, OR OTHERWISE UNENFORCEABLE, THE REMAINDER OF THIS CONDITION 6 WILL REMAIN IN FULL FORCE AND EFFECT.

entitled
are
for
correction
Seller.

The remedies provided to the Buyer under this Condition 6 as to any defect in respect of the Aircraft or any part thereof, are mutually exclusive and not cumulative. The Buyer will be to the remedy that provides the maximum benefit to it, as the Buyer may elect, pursuant to the terms and conditions of this Condition 6 for any such particular defect for which remedies provided under this Condition 6; provided, however, that the Buyer will not be entitled to elect a remedy under one part of this Condition 6 that constitutes a duplication of any remedy elected by it under any other part hereof or of the Agreement the same defect. The Buyer's rights and remedies herein for the non-performance of any obligations or liabilities of the Seller arising under these warranties will be in monetary damages limited to the amount the Buyer expends in procuring a or replacement for any covered part subject to a defect or non-performance covered by this Condition 6, and the Buyer will not have any right to require specific performance by the

6.12 NEGOTIATED AGREEMENT

The Buyer and the Seller specifically recognizes that:

- (i) the Agreement, and in particular this Condition 6 of this Letter Agreement, has been the subject of discussion and negotiation and is fully understood by the Buyer;
- (ii) the price of the Aircraft, and the other mutual agreements of the Buyer set forth in the Agreement, were arrived at in consideration of, inter alia, the provisions of this Condition 6, specifically including the Exclusivity of Warranties set forth in Sub-condition 6.10

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7 INTERFACE COMMITMENT

7.1 Interface Problem

If the Buyer experiences any technical problem in the operation of an Aircraft or its systems due to a malfunction, the cause of which, after due and reasonable investigation, is not readily identifiable by the Buyer, but which the Buyer reasonably believes to be attributable to the design characteristics of one (1) or more components of the Aircraft (an "Interface Problem"), the Seller will, if requested by the Buyer, and without additional charge to the Buyer, promptly conduct or have conducted an investigation and analysis of such problem to determine, if possible, the cause or causes of the problem and

to

recommend such corrective action as may be feasible. The Buyer will furnish to the Seller all data and information in the Buyer's possession relevant to the Interface Problem and will cooperate with the Seller in the conduct of the Seller's investigations and such tests as may be required. At the conclusion of such investigation the Seller will promptly advise the Buyer in writing of the Seller's opinion as to the cause or causes of the interface Problem and the Seller's recommendations as to corrective action. The Seller will use reasonable efforts to complete such investigation within ninety (90) days and, in any event, will provide an interim status report.

7.2 The Seller's Responsibility

If the Seller determines that the Interface Problem is primarily attributable to the design of a Warranted Part, the Seller will, if requested by the Buyer, replace, repair or correct the design of such Warranted Part, pursuant to the terms and conditions of Sub-condition 6.1.

7.3 The Supplier's Responsibility

If the Seller determines that the Interface Problem is primarily attributable to the design of any Supplier Part, the Seller

will,

if requested by the Buyer, reasonably assist the Buyer in processing any warranty claim the Buyer may have against the manufacturer of such Supplier Part. In the event that the Supplier fails to take action pursuant to the Seller's recommendation as to the necessary corrective action within a reasonable time, the Seller agrees to correct, repair or replace such Supplier component in accordance with and subject to the terms and conditions of Sub-condition 6.3.2.1 of this Letter Agreement.

7.4 Joint Responsibility

If the Seller determines that the Interface Problem is attributable partially to the design of a Warranted Part and partially to the design of any Supplier Part, the Seller will,

if

requested by the Buyer, seek a solution to the Interface Problem through cooperative efforts of the Seller and any Supplier involved. The Seller will promptly

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advise the Buyer of any corrective action proposed by the Seller and any such Supplier and provide information on any impact this action has on the Aircraft such as weight, loadability and performance. Such proposal will be consistent with any then-existing obligations of the Seller hereunder and of any

such

Supplier to the Buyer in accordance with GCP 2000. Such corrective action, unless reasonably rejected by the Buyer, will constitute full satisfaction of any claim the Buyer may have against either the Seller or any such Supplier with respect to such Interface Problem. The Seller will, in this case, and at

the

request of the Buyer, coordinate and process the Buyer's

warranty

claim(s) for the Warranted Parts and Supplier Parts.

7.5

General

7.5.1

All requests under this Condition 7 will be directed both to the Seller and the affected Suppliers. The Seller will, at the request of the Buyer, coordinate and manage the corrective action(s) with the Suppliers and will act as the focal point for the Buyer.

7.5.2

Except as specifically set forth in this Condition 7, this Condition 7 will not be deemed to impose on the Seller any obligations not expressly set forth elsewhere in this Agreement.

All reports, recommendations, data and other documents furnished by the Seller to the Buyer pursuant to this Condition 7 will be deemed to be delivered under this Letter Agreement and will be subject to the terms, covenants and conditions set forth in

these

Conditions.

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10. SUBCONTRACTING

The Seller may subcontract all or part of its obligations under these Conditions to the Seller's designated and authorized third parties (Affiliate, agency, repair station, stockist, subcontractor, Supplier and co-operative partner); the latter shall be deemed to act on behalf of the Seller, and the Seller shall ensure that they are aware of, and comply with these Conditions. The Seller shall not be relieved from its obligations and liabilities and shall substitute for such third parties in the event they fail to perform in accordance with these Conditions within the scope of their responsibility. In the latter circumstances, the Seller shall bear any damages and/or additional costs incurred by the Buyer.

Such subcontract shall be undertaken only when the Seller can ensure that all legal requirements which may be imposed by the Aviation Authority are complied with.

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11. EXCUSABLE DELAYS

Neither party shall be responsible, or be deemed to be in default, on account of an Excusable Delay (as defined in Clause 10 of the Agreement).

Either party shall as soon as practicable after becoming aware of any such excusable delay, notify the other party of such delay and of the probable duration and shall, as soon as practicable after the removal of the cause of such delay, resume its performance under these Conditions, unless otherwise agreed upon between both parties. The Buyer shall have the right to cancel an Order if the Excusable Delay exceeds an operationally and/or economically acceptable period of time.

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12. SELLER PARTS LEASING

12.1 General

The terms and conditions of this Condition 12 will apply for the leasing of Seller Parts listed in Exhibit E hereto, hereinafter "Leased Parts" or a "Leased Part," and will form a part of each lease of Seller Parts by the Buyer from the Seller.

12.1.1 The terms and conditions of this Condition 12 will prevail over all other terms and conditions appearing on any order form or other document pertaining to Leased Parts. The Seller's current proprietary parts Repair Guide will be provided to the Buyer and will be used, along with this Letter Agreement, as the basis for Seller Parts lease transactions between the Buyer and the Seller.

However, in case of discrepancy, this Letter Agreement will prevail.

12.1.2 For the purposes of this Condition 12, the term "Lessor" refers to the Seller and the term "Lessee" refers to the Buyer.

12.1.3 [INTENTIONALLY LEFT BLANK]

12.2 Leasing Procedure

On the Lessee's request by telephone (to be confirmed promptly in writing), telefax, cable, SITA, letter or other written instrument, the Lessor will lease such Leased Parts, which will be made available in accordance with Sub-condition 3.2.2.3 for the purpose of being substituted for a part removed from an Aircraft for repair or overhaul. Each lease of Leased Parts will be evidenced by a lease document (hereinafter "Lease") issued by the Lessor to the Lessee not later than seven (7) days after delivery of the Leased Part.

12.3 Lease Period

12.3.1 The period of the Lease (the "Lease Period") will begin on the day the Leased Part is delivered [*] and end on either the day the Leased Part is returned (POD) at the Lessor or at any address indicated by the Lessor or the day when title to the Leased Part passes to the Lessee.

12.3.2 If the Lessee does not return the Leased Part to the Lessor within [*], then the Lessor, by giving prompt written notice to the Lessee, may deem such non-return an election by the Lessee to purchase the Leased Part unless the reason for the long lease is due to the Seller's failure to repair the removed unit. On receipt of such notice, the Lessee will pay the Lessor all amounts due under Sub-conditions 12.4 and 12.8 for the Leased Part for the Lease Period of [*] plus the current sales price of the Leased Part

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to in effect when Lease is converted to a document of sale. Title
such Leased Part will pass to the Lessee in accordance with
sub-condition 12.6.

12.3.3 The minimum Lease Period is seven (7) days. If the shipment of a
Leased Part has been arranged and the Lessee cancels the order
for such Leased Part, the minimum chargeable period of seven (7)
days will apply.

12.4 LEASE CHARGES AND TAXES

During the Lease Period, the Lessee will pay the Lessor the
following amounts:

- (i) a daily rental charge for the Lease Term in respect of
each Leased Part equal to
one-three-hundred-sixty-fifth
(1/365) of the Catalog Price of such Leased Part, as
set forth in the Seller's Spare Parts Price List in
effect on the date of commencement of the Lease Term,
- (ii) any reasonable additional costs, which may be incurred
by the Lessor as a direct result of such Lease, such
as
inspection, test, repair, overhaul and repackaging
costs as required, to place the Leased Part in
satisfactory condition for lease to a subsequent
Buyer,

(iii) all transportation and insurance charges, and

(iv) any taxes, charges or customs duties imposed upon the Lessor or its property as a result of the lease, sale, delivery, storage or transfer of
any Leased Part (excluding the net gross income of the Lessor) (the "Lease Charges").

All payments due hereunder will be made in accordance with Sub-condition 3.5.

12.5 Risk of Loss, Maintenance, Storing and Repair of the Leased Part

(i) The Lessee will be liable for maintaining and storing the Leased Part in accordance with all applicable rules of the relevant Aviation
Authorities and the Lessee's maintenance and storage program.

(ii) Except for normal wear and tear, each Leased Part will be returned to the Lessor in the same condition as when delivered to the Lessee.

(iii) The Leased Part will be repaired solely at repair stations approved by the Lessor. If during the Lease Period any inspection, maintenance,
rework and/or repair is carried out to maintain the Leased Part serviceable, in accordance with the standards of the Lessor, the Lessee will
provide details and documentation about the scope of the work performed, including respective inspection, work and test reports.

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- (iv) All documentation will include, but not be limited to, evidence of incidents, such as hard landings, abnormalities of operation and corrective action taken by the Lessee as a result of such incidents.
- (v) The Leased Part must not be loaned or sub-leased to a third party.
- (vi) Risk of loss of, or damage to, each Leased Part will remain with the Lessee until such Leased Part is redelivered to the Lessor at the return location specified in the applicable Lease. If a Leased Part is lost, damaged beyond economical repair or damaged and unrepairable, the Lessee will be deemed to have exercised its option to purchase said Leased Part in accordance with Sub-condition 12.8 as of the date of such loss or damage.

12.6 Title

Title to each Leased Part will remain with the Lessor at all times unless the Lessee exercises its option to purchase in accordance with Sub-condition 12.3.2 or 12.8, in which case title will pass to the Lessee on receipt by the Lessor of the payment for the purchased Leased Part.

12.7 Return of Leased Part

12.7.1 The Lessee will return the Leased Part at the end of the Lease Period to the address indicated herebelow:

Airbus North America Customer Services Spares Center
21780 Filigree Court
Ashburn, VA 20147-6205
or any other address indicated by the Lessor.

12.7.2 The return shipping document will indicate the reference of the

Lease and the removal data, such as the following:

- (i) Aircraft manufacturer serial number,
- (ii) removal date,
- (iii) total flight hours and flight cycles for the period the Leased Part was installed on the Aircraft, and
- (iv) documentation in accordance with Sub-condition 12.5

If the Lessee cannot provide the above mentioned data and documentation for the Leased Part to be returned from Lease, lease charges of seventy-five percent (75%) of the Lessor's current sales price for a new part plus fifty percent (50%) of the accumulated Lease fees will be invoiced. According to the Lessor's quality standards,

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parts are not serviceable without the maintenance history data outlined above and must be scrapped on site.

12.7.3 The unserviceable or serviceable tag issued by the Lessee and the original Lessor certification documents must be attached to the Leased Part.

12.7.4 The Leased Part will be returned with the same painting as when delivered (Airbus gray or primary paint). If the Lessee is not in a position to return the Leased Part in the same serviceable condition, the Lessee will contact the Lessor for instructions.

12.7.5 The Leased Part is to be returned in the same shipping container as that delivered by the Lessor. The container must be in a serviceable condition, normal wear and tear excepted.

12.7.6 The Lessee will not return an equivalent part different from the Leased Part delivered by the Lessor without the Lessor's prior written agreement.

12.8 OPTION TO PURCHASE

12.8.1 The Lessee may, at its option, exercisable by written notice given to the Lessor during the Lease Period, elect to purchase the Leased Part, in which case the then-current sales price for such Leased Part, as set forth in the Seller's Spare Parts Price List, will be paid by the Lessee to the Lessor. Should the Lessee exercise such option, [*] of the Lease Charges due pursuant to Sub-condition 12.4(i) will be credited to the Lessee against said purchase price of the Leased Part.

12.8.2 If purchased, the Leased Part will be warranted in accordance with Sub-condition 6.2 as though such Leased Part were a Seller Part, but the warranty period will be deemed to have commenced on the date such part was first installed on any Aircraft. However, in no event will such warranty period be less than six (6) months from the date of purchase of such Leased Part. A warranty granted under this Sub-condition 12.8.2 will be in substitution for the warranty granted under Sub-condition 12.9 at the beginning of the Lease Period.

12.9 WARRANTIES

The Lessor, in its capacity as "Lessee," under its arrangements with the Manufacturer, in its capacity as "Lessor," has negotiated and obtained the following warranties from the Manufacturer with respect to the Leased Parts, subject to the terms, conditions, limitations and restrictions all as hereinafter set out. The Lessor hereby assigns to the Lessee, and the Lessee hereby accepts, all of the rights and

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obligations of the Lessor in its capacity as "Lessee" as aforesaid under the said warranties and the Lessor subrogates the Lessee as to all such rights and obligations in respect of Leased Parts during the Lease Term with respect thereto. The Lessor hereby warrants to the Lessee that it has all requisite authority to make the foregoing assignment and effect the foregoing subrogation to and in favor of, the Lessee and that it will not enter into any amendment of the provisions so assigned or subrogated without the prior written consent of the Lessee. Capitalized terms utilized in the following provisions have the meanings assigned thereto in this Letter Agreement, except that the term "Lessor" refers to the Manufacturer and the term "Lessee" refers to the Lessor.

QUOTE

12.9.1 The Lessor warrants that each Leased Part will at the time of delivery be free from defects in material and workmanship that could materially impair the utility of the Leased Part.

12.9.2 Warranty and Notice Periods

The Lessee's remedy and the Lessor's obligation and liability under this Sub-condition 12.9, with respect to each defect, are conditioned on:

- (i) the defect having become apparent to the Lessee within the Lease Period, and
- (ii) the return by the Lessee as soon as practicable to the return location specified in the applicable Lease, or such other place as may be mutually agreed, of the Leased Part claimed to be defective, and
- (iii) the Lessor's warranty administrator having received written notice of the defect from the Lessee within forty-five (45) days after the defect becomes apparent to the Lessee, with reasonable proof that the claimed defect is due to a matter embraced within the Lessor's warranty under this Sub-condition 12.9 and that such defect did not result from any act or omission of the Lessee, including, but not limited to, any failure to operate or maintain the Leased Part claimed to be defective or the Aircraft in which it was installed in accordance with applicable governmental regulations

and

the Lessor's applicable written instructions.

12.9.3 Remedies

The Lessee's remedy and the Lessor's obligation and liability under this Sub-condition 12.9 with respect to each defect are limited to the repair of such defect in the Leased Part in which the defect appears, or, as mutually agreed, to the replacement

of

such Leased Part with a similar part free from defect.

Any replacement part furnished under this Sub-condition 12.9.3 will be deemed to be the Leased Part so replaced.

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12.9.4 Suspension and Transportation Costs

12.9.4.1 If a Leased Part is found to be defective and covered by this warranty, the Lease Period, and the Lessee's obligation to pay Lease Charges as provided for in Sub-condition 12.4(i), will be suspended from the date on which the Lessee notifies the Lessor of such defect until the date on which the Lessor has repaired, corrected or replaced the defective Leased Part, provided, however, that the Lessee has, promptly after giving such notice to the Lessor, withdrawn such defective Leased Part from use. If the defective Leased Part is replaced, such replaced part will

be deemed to no longer be a Leased Part under the Lease as of the date on which such part was received by the Lessor at the return location specified in the applicable Lease.

If a Leased Part is found to be defective on first use by the Lessee and is covered by this warranty, no Lease Charges, as provided in Sub-condition 12.4(i), will accrue and be payable by the Lessee until the date on which the Lessor has repaired, corrected or replaced the defective Leased Part.

12.9.4.2 All transportation and insurance costs of returning the defective

Leased Part and returning the repaired, corrected or replacement part to the Lessee will be borne by the Lessor.

12.9.5 Wear and Tear

Normal wear and tear and the need for regular maintenance and overhaul will not constitute a defect or non-conformance under this Sub-condition 12.9.

12.9.6 Exclusivity of Warranties and General Limitations of Liability and Duplicate Remedies

THE LESSEE AND THE LESSOR RECOGNIZE AND AGREE THAT THE EXCLUSIVITY OF WARRANTIES AND GENERAL LIMITATIONS OF LIABILITY PROVISIONS AND THE DUPLICATE REMEDIES PROVISIONS CONTAINED IN SUB-CONDITIONS 6.10 AND 6.11 OF THE THIS LETTER AGREEMENT WILL ALSO APPLY TO THE FOREGOING WARRANTIES PROVIDED FOR IN THIS SUB-CONDITION 12.9.

UNQUOTE

In consideration of the assignment and subrogation by the Seller under this Subcondition 12.9 in favor of the Buyer in respect of the Seller's rights against, and obligations to, the Manufacturer under the provisions quoted above, the Buyer hereby accepts such assignment and subrogation and agrees to be bound by all of the terms, conditions and limitations therein contained.

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12.10

EXCLUSIVITY OF WARRANTIES AND GENERAL LIMITATIONS OF LIABILITY
AND DUPLICATE REMEDIES

SUB-CONDITION 12.9 (INCLUDING ITS SUB-PROVISIONS) SETS FORTH THE EXCLUSIVE WARRANTIES, EXCLUSIVE LIABILITIES AND EXCLUSIVE OBLIGATIONS OF THE SELLER, AND THE EXCLUSIVE REMEDIES AVAILABLE TO THE BUYER, WHETHER UNDER THIS LETTER AGREEMENT OR OTHERWISE, ARISING FROM ANY DEFECT OR NON-CONFORMITY OR PROBLEM OF ANY KIND IN ANY LEASED PART DELIVERED UNDER THIS LETTER AGREEMENT.

THE BUYER RECOGNIZES THAT THE RIGHTS, WARRANTIES AND REMEDIES IN SUBCONDITION 12.9 ARE ADEQUATE AND SUFFICIENT TO PROTECT THE BUYER FROM ANY DEFECT OR NON-CONFORMITY OR PROBLEM OF ANY KIND

IN

THE GOODS AND SERVICES SUPPLIED UNDER THIS LETTER AGREEMENT. THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER

WARRANTIES,

OBLIGATIONS, GUARANTEES AND LIABILITIES OF THE SELLER AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, WHETHER EXPRESS OR IMPLIED BY CONTRACT, TORT OR

STATUTORY

LAW OR OTHERWISE, WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT

OR

PROBLEM OF ANY KIND IN ANY LEASED PART DELIVERED UNDER THIS LETTER AGREEMENT, INCLUDING BUT NOT LIMITED TO:

- (1) ANY IMPLIED WARRANTY OF MERCHANTABILITY AND/OR FITNESS FOR ANY GENERAL OR PARTICULAR PURPOSE;
- (2) ANY IMPLIED OR EXPRESS WARRANTY ARISING FROM THE COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- (3) ANY RIGHT, CLAIM OR REMEDY FOR BREACH OF CONTRACT;
- (4) ANY RIGHT, CLAIM OR REMEDY FOR TORT, UNDER ANY THEORY OF LIABILITY, HOWEVER ALLEGED, INCLUDING, BUT NOT LIMITED TO, ACTIONS AND/OR CLAIMS FOR NEGLIGENCE, GROSS NEGLIGENCE, INTENTIONAL ACTS, WILLFUL DISREGARD, PRODUCT LIABILITY, STRICT LIABILITY OR FAILURE TO WARN;
- (5) ANY RIGHT, CLAIM OR REMEDY ARISING UNDER THE UNIFORM COMMERCIAL CODE, OR ANY OTHER STATE OR FEDERAL STATUTE;
- (6) ANY RIGHT, CLAIM OR REMEDY ARISING UNDER ANY REGULATIONS OR STANDARDS IMPOSED BY ANY INTERNATIONAL, NATIONAL, STATE OR LOCAL STATUTE OR AGENCY;

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- FOR:
- (7) ANY RIGHT, CLAIM OR REMEDY TO RECOVER OR BE COMPENSATED
- (a) LOSS OF USE OR REPLACEMENT OF ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART PROVIDED UNDER THE AGREEMENT;
- (b) LOSS OF, OR DAMAGE OF ANY KIND TO, ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART PROVIDED UNDER THE AGREEMENT;
- (c) LOSS OF PROFITS AND/OR REVENUES;
- (d) ANY OTHER INCIDENTAL OR CONSEQUENTIAL DAMAGE.

THE WARRANTIES PROVIDED BY THIS LETTER AGREEMENT WILL NOT BE EXTENDED, ALTERED OR VARIED, EXCEPT BY A WRITTEN INSTRUMENT SIGNED BY THE SELLER AND THE BUYER. IN THE EVENT THAT ANY PROVISION OF SUB-CONDITION 12.10 SHOULD FOR ANY REASON BE HELD UNLAWFUL, OR OTHERWISE UNENFORCEABLE, THE REMAINDER OF THIS SUB-CONDITION 12.10 WILL REMAIN IN FULL FORCE AND EFFECT.

The remedies provided to the Buyer under Sub-condition 12.9, as to any defect in respect of the Aircraft or any part thereof, are mutually exclusive and not cumulative. The Buyer will be entitled to the remedy which provides the maximum benefit to it, as the Buyer may elect, pursuant to the terms and conditions of Sub-condition 12.9 for any such particular defect for which remedies are provided under Sub-condition 12.9; provided, however, that the Buyer will not be entitled to elect a remedy under one part of Sub-condition 12.9 which constitutes a duplication of any remedy elected by it under any other part thereof for the same defect. The Buyer's rights and remedies for nonperformance of any obligation or liability of the Seller, arising under these warranties, will be in monetary damages limited to the amount the Buyer expends in procuring a correction or replacement for any covered part subject to a defect or non-performance covered by Sub-condition 12.9, and the Buyer will not have any right to require specific performance by the Seller.

NEGOTIATED AGREEMENT

The Buyer and the Seller agree that Sub-condition 12.9 and this Sub-condition 12.10 have been the subject of discussion and negotiation and are fully understood by the parties, and that the price of the Aircraft and the other mutual agreements of the parties set forth in this Letter Agreement and the Agreement were arrived at in consideration of, INTER ALIA, the Exclusivity of Warranties provisions and General Limitations of Liability provisions set forth above.

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13. TERMINATION

Any termination under Clause 10, 11 or 21 of the Purchase Agreement or any Letter Agreements thereto will discharge all obligations and liabilities of the parties under the Conditions with respect to such undelivered Materiel, services, data or other items to be purchased hereunder that are applicable to those Aircraft as to which the Purchase Agreement has been terminated. Termination under this Condition 13 notwithstanding, new and unused Materiel in excess of the Buyer's requirements due to such Aircraft cancellation will be repurchased by the Seller as provided in Sub-condition 3.8 of these Conditions.

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14. ASSIGNMENT

Notwithstanding any other provision of these Conditions or of the Purchase Agreement, or any Letter Agreement thereto, these Conditions and the rights and obligations of the Buyer hereunder will not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Condition 14 will be void and of no force or effect.

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If the foregoing correctly sets forth our understanding, please execute the original and one (1) copy hereof in the space below and return a copy to the Seller.

Very truly yours,

AVSA, S.A.R.L.

By: /s/ MARIE-PIERRE MERLE
BERAL

Marie-Pierre Merle-Beral

Its: Chief Executive Officer

Accepted and Agreed,

FEDERAL EXPRESS CORPORATION

By: /s/ JAMES R. PARKER

James R. Parker

Its: Vice President

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EXHIBIT A - [*]

[*]

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EXHIBIT B - [*]

[*]

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EXHIBIT C - REPORTING TABLES

[*]

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EXHIBIT D - SELLER SERVICE LIFE POLICY

1. The SLP Items of primary and auxiliary structure described hereunder are covered by the Service Life Policy described in Sub-condition 6.4.
2. WINGS - (CENTER, LEFT AND RIGHT OUTER)
 - 2.1 WING STRUCTURE
 - 2.1.1 Spars
 - 2.1.2 Ribs, [*] inside the wing box (center and outer)
 - 2.1.3 Upper and lower panels of the wing box
 - 2.1.4 [*]
 - 2.1.5 [*]
 - 2.1.6 [*]
 - 2.1.7 Wing Tip
 - 2.2 FITTINGS
 - 2.2.1 [*] attachment fittings for the flap structure
 - 2.2.2 [*] attachment fittings for the engine pylons
 - 2.2.3 [*] attachment fittings for the main landing gear
 - 2.2.4 [*] attachment fittings for the center wing box
 - 2.3 AUXILIARY SUPPORT STRUCTURE
 - 2.3.1 FOR THE SLATS [*]
 - 2.3.1.1 Ribs supporting the track rollers on wing box structure
 - 2.3.1.2 Ribs supporting the actuators on wing box structure

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- 2.3.2 FOR THE AILERONS
- 2.3.2.1 Hinge brackets and ribs on wing box rear spar or shroud box
- 2.3.2.2 Actuator fittings on wing box rear spar or shroud box
- 2.3.3 FOR AIRBRAKES, SPOILERS, LIFT DUMPERS
- 2.3.3.1 Hinge brackets and ribs on wing box rear spar or shroud box
- 2.3.3.2 Actuator fittings on wing box rear spar or shroud box
- 2.3.4 FOR THE FLAPS
- 2.3.4.1 [*]
- 2.4 PYLON
- 2.4.1 [*]
- 2.4.1.1 [*]
- 2.4.1.2 [*]
- 2.4.1.3 [*]
- 2.4.1.4 [*]

3. FUSELAGE

3.1 FUSELAGE STRUCTURE

- 3.1.1 Fore, [*] and Aft pressure bulkheads, [*]
- 3.1.2 Pressurized floors and bulkheads surrounding the main- and nose-gear wheel well and center wing box
- 3.1.3 Skins (including skin joints) with doublers, stringers and frames from the forward pressure bulkheads [*] supporting the rear attachment of horizontal tail plane (or also referred to as the horizontal stabilizer)

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3.1.4	Window and windshield attachment structure, but excluding transparencies
3.1.5	Sills (excluding scuff plates) and upper beams surrounding passenger and cargo door apertures
3.1.6	Cockpit, Courier and Service Area floor structure and Cargo Compartment floor beams, excluding floor panels and seat rails
3.1.7	[*]
3.1.8	[*]
3.1.9	[*]
3.2	FITTINGS
3.2.1	[*]
3.2.2	Support structure and attachment fittings for the vertical and horizontal tail plane (or also referred to as vertical and horizontal stabilizers)
3.2.3	[*]
3.2.4	[*]
3.3	[*]
3.3.1	[*]
3.3.2	[*]
3.3.3	[*]
3.3.4	[*]

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4	Horizontal Tail Planes (STABILIZERS)
4.1	HORIZONTAL TAIL PLANE (HTP)
4.1.1	HORIZONTAL TAIL TORQUE BOX
4.1.1.1	Spars
4.1.1.2	Ribs
4.1.1.3	Skins and stringers
4.1.1.4	Support structure and attachment fitting to fuselage and trim screw actuator
4.1.2	[*]
4.1.3	[*]
4.1.4	ELEVATOR SUPPORT STRUCTURE
4.1.4.1	Hinge bracket
4.1.4.2	Servocontrol attachment brackets
4.1.5	HTP CONTROL SURFACES SUPPORT STRUCTURE
4.1.5.1	Hinge bracket
4.1.5.2	Servocontrol attachment brackets
4.2	VERTICAL TAIL PLANE (VTP)
4.2.1	VERTICAL TAIL CENTER BOX
4.2.1.1	Spars
4.2.1.2	Ribs
4.2.1.3	Skins and stringers
4.2.1.4	Support structure and attachment fitting to fuselage
4.2.2	[*]
4.2.3	[*]
4.2.4	VTP CONTROL SURFACES SUPPORT STRUCTURE
4.2.4.1	Hinge brackets
4.2.4.2	Servocontrol attachment brackets
5	EXCLUSIONS
bolts,	Bearing and roller assemblies, bearing surfaces, bushings,
	rivets, latching mechanisms, servicing panels, all system components, commercial interior parts, insulation and related installation and connecting devices are excluded from this
Seller	Service Life Policy.

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EXHIBIT E - SELLER PARTS LEASING LIST

(Leased Parts)

AILERONS

AUXILIARY POWER UNIT (APU) DOORS

CARGO DOORS

PASSENGER DOORS

ELEVATORS

FLAPS

LANDING GEAR DOORS

RUDDER

TAIL CONE

WING SLATS

SPOILERS

AIRBRAKES

WING TIPS

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EXHIBIT F - TECHNICAL DATA FOR THE AIRCRAFT

In continuation of progressive policies applied in previous Airbus aircraft programs, Technical Data, whether in accordance with or supplementary to ATA 2200 specification, will be made available electronically through the Airbus On-Line Services (AOLS) in accordance with Sub-condition 4.9 of this Letter Agreement when Technical Data production means allow it, [*]

Aircraft systems (e.g. Onboard Maintenance System (OMS)/Onboard Information System (OIS)) will be designed for maximum integration of, and access to, maintenance and operational data in support of the paperless cockpit concept, efficient trouble-shooting and short turn-around times.

If for certain data that are available on-line, the Buyer, the Aviation Authorities or data processing should require digital media, such as CD, then such media will be made available for the purpose of the initial Technical Data supply, in quantities and formats as defined or based on ATA standards, subject to licensing conditions to be mutually agreed upon, [*]

The format and definition of Technical Data for the A380 aircraft is under development. To allow the Buyer to benefit from these developments, it is hereby agreed that the Seller and the Buyer will, within two (2) years prior to Delivery of the first Aircraft, mutually agree upon a suite of Technical Data to be delivered to the Buyer to support the Buyer's operation. Such suite of Technical Data will be based upon the following list:

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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NOMENCLATURE

Abbr

OPERATIONAL MANUALS AND DATA

Flight Crew Operating Manual

FCOM

Flight Manual

FM

Master Minimum Equipment List

M MEL

Quick Reference Handbook

QRH

Trim Sheet

TS

Weight and Balance Manual

WBM

Performance Engineer's Programs

PEP

Performance Programs Manual

PPM

MAINTENANCE AND ASSOCIATED MANUALS

Aircraft Maintenance Manual

AMM

Aircraft Schematics Manual

ASM

Aircraft Wiring Lists

AWL

Aircraft Wiring Manual

AWM

Component Location Manual

CLM

Consumable Material List

CML

Duct Repair Manual

DRM

Electrical Standard Practices Manual

ESPM

Fuel Pipe Repair Manual

FPRM

Illustrated Parts Catalog (Airframe)

IPC

Illustrated Parts Catalog (Power Plant)

PIPC

MAINTENANCE AND ASSOCIATED MANUALS

Maintenance Facility Planning

MFP

Maintenance Planning Document

MPD

Maintenance Review Board

MRB

Support Equipment Summary

SES

Tool and Equipment Bulletins

TEB

Tool and Equipment Drawings

TED

Tool and Equipment Index

TEI

Illustrated Tool and Equipment Manual

TEM

Technical Publications Combined Index

TPCI

Trouble Shooting Manual

TSM

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NOMENCLATURE

Abbr

STRUCTURAL MANUALS

Nondestructive Testing Manual NTM

Nacelle Structural Repair Manual

NSRM

Structural Repair Manual

SRM

OVERHAUL DATA

Component Documentation Status

CDS

Component Evolution List

CEL

Component Maintenance Manual - Manufacturer

CMMM

Component Maintenance Manual - Vendor

CMMV

Cable Fabrication Manual

CFM

ENGINEERING DOCUMENTS

Drawing Numerical Index

DNI

Installation and Assembly Drawings

IAD

Process and Material Specification

PMS

Parts Usage (Effectivity)

PU

Schedule (Drawing Nomenclature)

S

Standards Manual

SM

MISCELLANEOUS PUBLICATIONS

Airplane Characteristics for Airport Planning

AC

ATA Index

ATAI

CADETS (Technical Publications Training)

CADE

Aircraft Recovery Manual

ARM

Crash Crew Chart

CCC

Cargo Loading System Manual

CLS

List of Applicable Publications

LAP

List of Radioactive and Hazardous Elements

LRE

Livestock Transportation Manual

LTM

Service Bulletins

SB

Service Information Letters

SIL

Supplier Product Support Agreements

SPSA

Transportability Manual

TM

Vendor Information Manual

VIM

Vendor Information Manual GSE

VIM/

Vendor Product Support Agreements

VPSA

Supplier Product Support Agreements

SPSA

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**APPENDIX 1 TO EXHIBIT F - LICENSE FOR USE OF THE PERFORMANCE
ENGINEER'S PROGRAMS (PEP)**

1 Grant

1.1 The Seller hereby grants the Buyer a [*] license to use the PEP during the term of this license ("PEP License") on up to [*]

1.2 The above grant shall [*]

2 Copies

2.1 Use of the PEP shall be limited to [*] copies.

2.2 The Buyer agrees to reproduce the copyright and other notices
as they appear on or within the original media on any copies that
 the Buyer makes of the PEP.

3 Term

 The rights under the PEP License shall be granted to the Buyer
 for as long as the Buyer operates a Seller's Aircraft model to
said which the PEP is applicable. When the Buyer stops operating
 Aircraft model, the Buyer shall use its best reasonable efforts
 to return the PEP, and any copies thereof, to the Seller,
 accompanied by a notice certifying that the Buyer has used its
 best reasonable efforts to return all such existing copies.

4 MERGING

 The PEP may be used and adapted in machine-readable form for
the purpose of merging it into other program material of the Buyer,
 but on termination of this PEP License, the PEP shall be
removed from the other program material with which it has been merged.

 The Buyer agrees to reproduce the copyright and other notices
as they appear on or within, the original media in any program
into which the PEP is merged.

5 Personal License

 The above-described PEP License is personal to the Buyer,
 nontransferable and nonexclusive.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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6 Installation

It is the Buyer's responsibility to install the PEP and to perform any merging and checks.

7 Training

7.1 In addition to the performance programs user guide supplied with the PEP, training and other assistance will be provided in accordance with Sub-clause 1.4 of Appendix A to Clause 16 of the Purchase Agreement.

7.2 In addition, the Buyer will be allowed to [*] to any scheduled performance engineer class at the Seller's training centers, [*] classroom space permitting. The Buyer's attendees will be responsible for their own travel expenses.

8 Proprietary Rights

The PEP and the copyright and other proprietary rights of whatever nature in the PEP are, and shall remain, with the Seller. The PEP and its contents are designated as confidential.

9 Copyright Indemnity

The Seller shall defend and indemnify the Buyer against any claim that the normal use of PEP infringes on the intellectual property rights of any third party in accordance with terms and conditions of Condition 8 of this Letter Agreement, except that the words "best efforts", contained in Sub-condition 8.1.3, will be replaced, when Condition 8 is applied with respect to the PEP, by the words "best reasonable efforts", but so as not to materially impair the Buyer's ability to operate the Aircraft.

10 Confidentiality

The Buyer undertakes not to disclose the PEP or parts thereof and its contents to any third party without the prior written consent of the Seller. In so far as it is necessary to disclose aspects of the PEP to employees, such disclosure is permitted only for the purpose for which the PEP is supplied and only to the employee who needs to know the same.

11 Conditions of Use

The Buyer shall ensure that the PEP is correctly used in appropriate machines as described in the PEP delivery documentation and that staff are properly trained to use the same in accordance with the user guide.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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12 Warranty

12.1 The Seller warrants that the PEP is prepared in accordance with the state of art at the date of conception. Should the PEP be found to contain any non,conformity or defect, the Buyer shall notify the Seller promptly thereof and the sole and exclusive liability of the Seller under this PEP License shall be to correct the same at its own expense.

Condition Notwithstanding the provisions of this Sub-condition 12.1, the Seller indemnity described in Condition 8 of this Letter Agreement No. 4 will apply to copyright and patent infringement relating to the PEP, except that the words "best efforts" contained in Sub-condition 8.1.3 will be replaced, when 8 is applied with respect to the PEP, by the words "best reasonable efforts", but so as not to materially impair the Buyer's ability to operate the Aircraft.

12.2 SUBJECT TO THE PROVISIONS OF SUB-CONDITION 12.1 OF THIS APPENDIX

1 OF THIS EXHIBIT F AND CONDITION 8 OF THIS LETTER AGREEMENT, THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND REMEDIES OF THE BUYER SET FORTH IN THIS PEP LICENCE ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN THE PEP DELIVERED UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO:

(A) ANY EXPRESS WARRANTY;

(B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;

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

(D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER IN CONTRACT OR IN TORT AND WHETHER OR NOT ARISING FROM THE SELLER'S ACTUAL OR IMPUTED NEGLIGENCE; AND

(E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART THEREOF.

THE SELLER SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER OF THE BUYER'S DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN THE PEP DELIVERED UNDER THIS AGREEMENT.

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APPENDIX 2 TO EXHIBIT F - AOLS LICENSE

LICENSE AGREEMENT

BETWEEN

AIRBUS NORTH AMERICA CUSTOMER SERVICES, INC.

AND

FEDERAL EXPRESS CORPORATION

FOR AIRBUS ON-LINE SERVICES

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LICENSE AGREEMENT

This License Agreement (the "Agreement") is made this 12th day of July, 2002 by and between Airbus North America Customer Services, Inc., having its principal corporate office located at 198 Van Buren Street, Suite 300, Herndon, Virginia ("AIRBUS NA CUSTOMER SERVICES") and Federal Express Corporation, having its principal corporate office located at FEDERAL EXPRESS CORPORATION, 3610 Hacks Cross Road Memphis, TN 38125 (the "User").

WHEREAS Airbus, G.I.E., ("Airbus") has developed and owns an original database containing technical and commercial documentation and information on aircraft manufactured by Airbus (as more fully defined below, the "Database"), which is available via a set of services known as "Airbus On-Line Services" ("AOLS");

WHEREAS Airbus has granted a license for use of AOLS to access the Database to its affiliate AVSA, S.A.R.L. ("AVSA") and AIRBUS NA CUSTOMER SERVICES has obtained a license thereof from AVSA; and

WHEREAS AIRBUS NA CUSTOMER SERVICES's license entitles AIRBUS NA CUSTOMER SERVICES to further sub-license the use of AOLS to the User under the terms and conditions set forth herein (the "License"), and the User wishes to obtain such License in order to have access to the Database through AOLS in its operation of Airbus aircraft;

NOW THEREFORE, the parties, wishing to be mutually and legally bound, hereby agree as follows:

1. DEFINITIONS

The following capitalized terms will have the meanings set forth below:

"Access Procedure Kit"	the information necessary for accessing the Database and made available to the User either online or on a CD-ROM.
"Administrator"	the person appointed by the User to be responsible for qualifying, suspending or canceling the qualification
of	an Authorized User, gathering identification information relative to such Authorized User, applying to the Certification
Service-Provider	for the appropriate Certificate, providing the necessary access equipment, registering the Authorized User and the Authorized User-related Certificate with

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AIRBUS NA CUSTOMER SERVICES
and managing the Authorized
Users.

"Authorized User"

a natural person who has been
authorized by the
Administrator to access the
Database pursuant to this
Agreement.

"Certificate"

an electronic record (file)
that binds a Public Key to

identity of the owner of a
Public - Private Key pair and
is signed by the Certificate
Service Provider.

"Certificate Service Provider"

an entity or a legal or
natural person retained by
AIRBUS NA CUSTOMER SERVICES

Airbus who issues

and/or provides other

related to Electronic
Signatures

"Data"

the usual representation of a
piece of information

or produced on any medium so
as to facilitate its
processing on the Database.

"Database"

the Data of Airbus and AIRBUS
NA CUSTOMER SERVICES

in AOLS in such a manner as

be used by (a) computer
programs forming distinct
applications to facilitate
electronic or
telecommunication data
exchange, and (b) computer
programs comprising the
necessary electronic elements
for the operation of such
Database, including a
thesaurus, a Database index,
viewing systems and Database
services, such as AOLS.

"Electronic Signature"

data in electronic form which
are attached to, or logically
associated with, other
electronic data and which
serve as a method of
authentication.

"Extracting"

the temporary or permanent
transfer of Data from a
Database by any means or
media.

"Multiba



2002. [EDGAR Online](#) of

databases, which
compose the Database.

"On-Line Help"

on-line orientation and

	"Public key"	the public cryptographic key used for the purpose of verifying an Electronic Signature.
of	"Public Key Infrastructure"	the system organizing the generation and distribution keys and Certificates.
	"Private Key"	the private cryptographic key used for the purpose of creating an Electronic Signature.
	"Smartcard"	a card supplied by AIRBUS NA CUSTOMER SERVICES, memorizing the Administrator's identity, personal password and Private Key for use with the Reader for authentication and security purposes.
SERVICES	"Smartcard Reader"	an electronic device supplied by AIRBUS NA CUSTOMER SERVICES to be used with the Smartcard for authentication of the Administrator
	"Use"	means viewing, Extracting, reviewing, printing and reproducing, on any media, of Data from the Database
may	"User Guide"	means documentation, which be in electronic format, designed to assist the Authorized User to use the Database.

2 GRANT OF LICENSE

AIRBUS NA CUSTOMER SERVICES hereby grants, and User hereby accepts, a worldwide, fully-paid, royalty-free, non-exclusive, non-assignable and non-transferable License to the User for the Use of AOLS to access the Database under the terms and conditions set forth herein. Such License will be irrevocable, subject to the provisions of Condition 16 of this Exhibit F, Appendix 2.

3 LIMITATION OF RIGHTS

The User shall be entitled to exercise its rights under this License through Authorized Users only and only for the purpose of maintaining and operating Airbus aircraft. Notwithstanding any provision that may be contained under this License, provided that the User and its maintenance provider enter into a Data License Agreement (DRA) with AIRBUS NA CUSTOMER SERVICES the User shall have the right to

transfer any necessary Data and documentation to any of the User's maintenance providers as may be required for the maintenance and operation of Airbus aircraft.

4 TECHNICAL CHARACTERISTICS/ CONFIGURATION CHANGES

AOLS Database technical characteristics are defined in Appendix 1.

The configuration of the Database, of the operating systems involved and of the relevant information systems are subject to adjustment, modification and improvement by Airbus or AIRBUS NA CUSTOMER SERVICES from time to time; neither AIRBUS NA CUSTOMER SERVICES nor Airbus shall be held liable for any consequences to User of such adjustments, modifications or improvements.

Implementation of AOLs will not impede the User's access to technical documents to which it has access prior to such implementation.

5 ADMINISTRATOR AND AUTHORIZED USERS

5.1 The User shall appoint one (1) or more Administrators who shall be responsible for:

- qualifications
- (i) gathering and screening identification information on potential Authorized Users;
 - (ii) qualifying and managing Authorized Users and, where appropriate, suspending or canceling the thereof;
 - (iii) making application to the Certification Service Provider for the appropriate Certificates;
 - (iv) registering the Authorized Users and the related Certificates with AIRBUS NA CUSTOMER SERVICES
 - (iv) providing the network connections and equipment (excluding the Smartcard and Smartcard Reader, which are supplied by AIRBUS NA CUSTOMER SERVICES) necessary to access AOLs.

5.2 Once an Authorized User obtains a Smartcard and a Certificate is properly issued for such Authorized User, the Authorized User shall access AOLs by logging onto the Airbus On-Line Services website in accordance with procedures set forth in the Access Procedure Kit made available to the User.

The User is solely responsible for the choice of services accessed for defining its research strategy and for evaluating and defining the use of, the search results.

5.3 prevent The User shall take every reasonable measure necessary to unauthorized access to the Database, to the Data and to the documentation, including the User

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Guide, in accordance with the terms of this License. Positive authentication of an Authorized User shall render the User responsible in all respects for each and every transaction performed by such Authorized User and the User expressly waives any right to repudiate any transaction resulting from such Use.

5.4 The User Entity shall comply with the AOLS security procedures defined by Airbus and/or AIRBUS NA CUSTOMER SERVICES.

5.5 of AIRBUS NA CUSTOMER SERVICES shall provide for initial training up to three (3) Administrators at AIRBUS NA CUSTOMER SERVICES's designated site, at no cost to the User. The User shall be responsible for all costs associated with the transportation of the Administrators to AIRBUS NA CUSTOMER SERVICES site and shall bear all costs associated with hotel and personal allowances.

6. DATABASE AVAILABILITY

The Database shall be generally available to the User via the Airbus On-Line Services website on a 24 hours a day / 7 days a week basis. Notwithstanding the above, Airbus has reserved the right to suspend temporarily the access to AOLS where such suspension is necessary to address security problems, perform maintenance services, correct errors and bugs, update and/or upgrade the Database. AIRBUS NA CUSTOMER SERVICES will inform the User before any scheduled suspension, unless security concerns prevent such notification.

7. ELECTRONIC LOGS

The electronic logs produced by the information system supporting AOLS shall be evidence of the communications, transactions and payments made between AIRBUS NA CUSTOMER SERVICES and the User. AIRBUS NA CUSTOMER SERVICES will assure that such logs are stored in a reasonably secure manner and that the data contained in such logs are not modified following initial recording.

8. ELECTRONIC SIGNATURE

The use of digital Certificates together with the Smartcard Readers shall constitute the Electronic Signature of the User and the Authorized Users, authenticating the identities of both and of the Data communicated by and/or to each of them.

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issuance AIRBUS NA CUSTOMER SERVICES or Airbus will appoint a Certification Service Provider, who will provide for the of certificates for three (3) Administrators and up to two hundred (200) Authorized Users.

Such Certification Service Provider shall, upon the User's application, issue one (1) or more Certificates containing:

(i) the identification of the Certification Service Provider;

(ii) the country in which such Certificate was issued:

(iii) the identification of the User and the Authorized User;

(iv) the User's and the Authorized User's Public Key corresponding to the User's and the Authorized User's Private Key(s);

(v) the identity code of the Certificate;

(vi) the Electronic Signature of the Certification Service Provider issuing the Certificate, and

(vii) limitations, if any, on the scope of the Certificate

All dues or fees charged by the Certification Service Provider shall be the responsibility of the User. Should AIRBUS NA CUSTOMER SERVICES become aware of the possibility or actuality of any such fees, it will inform the User as soon as practicable.

10. PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

10.1 The User acknowledges that AOLS, the Database and all documentation supplied in connection therewith, including the Airbus On-Line Services Catalog, the User Guide and all On-Line Help, are, and shall remain, the property of Airbus, and the User agrees to take no action inconsistent with Airbus' ownership rights in same. The User shall not deactivate the Database-integrated security system.

10.2 The User shall not make representations regarding, or market or promote, the Database or any Data from the Database, whether gratuitously or for consideration. The User shall not adapt, modify, alter, arrange or translate the Database for any reason, or alter the Database's architecture in any manner. Notwithstanding the foregoing, the User shall have the right to extract Data or any other information from the Database for its use as set forth under this License.

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- 10.3 The User shall not use any information regarding the structure, content or operation of AOLS to create a database designed to compete with AOLS.
- 10.4 The User shall inform its Authorized Users of the terms of this Agreement and in particular of this Section 10, and shall take all other reasonable measures to prevent unauthorized access to the Database. The User shall preserve all copyright notations appearing on the Database, Data and documentation (including the User Guide and the Airbus On-Line Services Catalog), and on any media.

11. INTELLECTUAL PROPERTY RIGHTS INDEMNITY

AIRBUS NA CUSTOMER SERVICES shall indemnify the User against any claims that the normal Use of the Database infringes on the intellectual property rights of any third party, provided that the User (a) forthwith notifies AIRBUS NA CUSTOMER SERVICES of any such claim, (b) makes no admission or settlement of any claim, (c) allows AIRBUS NA CUSTOMER SERVICES to conduct the defense or settlement of such claim, and (d) provides AIRBUS NA CUSTOMER SERVICES with all reasonable assistance as may be requested in writing by AIRBUS NA CUSTOMER SERVICES in connection therewith and at AIRBUS NA CUSTOMER SERVICES's expense.

12. WARRANTY

AIRBUS NA CUSTOMER SERVICES, in its capacity as the "User," has obtained from Airbus, through its license with AVSA, the following warranty. AIRBUS NA CUSTOMER SERVICES hereby assigns to the User and the User hereby accepts, all of the rights and obligations of AIRBUS NA CUSTOMER SERVICES in its capacity as a "User" under the aforementioned license, and AIRBUS NA CUSTOMER SERVICES subrogates the User into all such rights and obligations in respect of the License. AIRBUS NA CUSTOMER SERVICES hereby warrants that it has the requisite authority to make the foregoing assignment and effect the foregoing subrogation to, and in favor of, the User and that it will not enter into any amendment of the provisions so assigned without the prior written consent of the User. Capitalized terms used in the following provisions have the meanings assigned thereto in this License, except that "User " refers to AIRBUS NA CUSTOMER SERVICES.

QUOTE

- 12.1 Airbus warrants that the Database has been developed in accordance with the state of art current as of the date of such development, taking into account the diversity of the information sources presented and the complexity of the information processing involved.

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12.2 IN THE EVENT THAT THE DATABASE IS FOUND TO CONTAIN A DEFECT, THE LIABILITY OF AIRBUS NA CUSTOMER SERVICES SHALL BE LIMITED TO CORRECTION OF THE DEFECT AT ITS EXPENSE.

12.3 The above warranty shall not apply to:

- (i) data transmission;
- (ii) the performance of the website or the internet;
- (iii) the telecommunications lines, information systems hardware or software products, proprietary or otherwise, interfacing with the Database, including the browser;
- (iv) malfunctions or defects attributable to the availability or speed or other inherent limitations in the world wide web or search engines employed with respect thereto, or
- (v) any consequence of the interface of the User's software with the Database.

12.4 The User shall inform Airbus of any error or missing Data of which it may become aware during its use of the Database.

12.5 Waiver, Release and Renunciation

CUSTOMER THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF AIRBUS NA
SERVICES AND REMEDIES OF THE USER SET FORTH IN THIS AGREEMENT
ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE USER HEREBY WAIVES,
RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS AND
LIABILITIES OF AIRBUS AND RIGHTS, CLAIMS AND REMEDIES OF THE
USER AGAINST AIRBUS NA CUSTOMER SERVICES, EXPRESS OR IMPLIED, ARISING
BY LAW OR OTHERWISE, WITH RESPECT TO ANY NON-CONFORMITY OR
DEFECT IN THE DATABASE MADE AVAILABLE
UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO:
(A) ANY WARRANTY AGAINST HIDDEN DEFECTS;
(B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
(C) ANY IMPLIED WARRANTY ARISING FROM THE COURSE OF
PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;

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- (D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR DELICTUAL AND WHETHER OR NOT ARISING FROM AIRBUS'S NEGLIGENCE, ACTUAL OR IMPUTED; AND
- (E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART THEREOF.

AIRBUS NA CUSTOMER SERVICES SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR THE USER'S LOSS OF USE,

REVENUE

OR PROFIT OR FOR ANY OTHER OF THE USER'S DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON-CONFORMITY OR DEFECT IN THE DATABASE MADE AVAILABLE UNDER THIS AGREEMENT.

UNQUOTE

13. NONDISCLOSURE

Except as set forth in this License, the User shall not disclose the Database, related documentation, or parts thereof, to any third party without the prior written consent of AIRBUS NA CUSTOMER SERVICES. Insofar as it is necessary to disclose aspects of the Database to employees, such disclosure is permitted only for the purpose for which the Database is supplied and only to the employee with a need to know.

14. PERSONAL DATA PROTECTION

If necessary under applicable law to protect the privacy of any personal data received regarding any of the User's or AIRBUS NA CUSTOMER SERVICES'S personnel, AIRBUS NA CUSTOMER SERVICES or the User, as applicable, will register such data with the relevant authority or authorities and shall inform the other party regarding the receipt or potential receipt of such data. Personal data may be accessed and any errors therein corrected by notice in writing to AIRBUS NA CUSTOMER SERVICES. The User shall notify Authorized Users of this right and shall itself abide by applicable rules on personal data protection. Nothing in this Paragraph 14 is intended by either party to grant access to the personal data of its personnel.

15. EXCUSABLE DELAYS

- 15.1 Neither AIRBUS NA CUSTOMER SERVICES nor its affiliates shall be responsible for, or be deemed to be in default on account of, delays in availability of the services licensed hereunder due to causes reasonably beyond AIRBUS NA CUSTOMER SERVICES'S, Airbus's or their respective subcontractors' control, including, but not limited to the following: natural disasters, fires, floods,

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explosions or earthquakes, epidemics or quarantine restrictions, serious accidents, total or constructive total loss, any act of the government of the country of the User or the governments of the countries of Airbus or its subcontractors, war, insurrections or riots, failure of transportation, communications or services, strikes or labor troubles causing cessation, slow-down or interruption of services, inability after due and timely diligence to procure materials, accessories, equipment or parts, failure of a subcontractor or vendor to furnish materials, accessories, equipment or parts due to causes reasonably beyond such subcontractor's or vendor's control or failure of the User to comply with its obligations under this License (all of the foregoing defined as "Excusable Delay").

15.2 AIRBUS NA CUSTOMER SERVICES shall, as soon as practicable after becoming aware of any Excusable Delay, notify the User of such delay and of the probable duration thereof and shall, subject to the conditions as hereinafter provided and as soon as practicable after the removal of the cause or causes for the Excusable Delay, resume performance under this License.

15.3 Should an Excusable Delay continue for longer than three (3) months, either party may terminate this License with no further rights or obligations on the part of either party.

16. TERMINATION

16.1 In the event of a material breach of any provision of this Agreement and/or the License by either party, which is not cured within thirty (30) days from the date of receipt of a written notice of such breach, the non-breaching party shall be entitled to terminate this Agreement and the License.

16.2 In the event of termination for cause, the User's rights to Use of the Database shall terminate and, unless such breach is attributable to gross negligence or willful misconduct on the part of AIRBUS NA CUSTOMER SERVICES, AIRBUS NA CUSTOMER SERVICES shall retain any amount paid for the then-current year.

17. GENERAL PROVISIONS

17.1 Assignment

Neither the Agreement nor the License may be assigned to a third party without the prior consent of the other party, except that AIRBUS NA CUSTOMER SERVICES may assign all or part of this Agreement to any Airbus member, shareholder or affiliate company.

17.2 Further Sublicense

The User shall not be entitled to further sub-license this License absent the express written consent of AIRBUS NA CUSTOMER SERVICES.

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17.3 Law

This Agreement and the License are entered into and granted and shall be interpreted in accordance with the law of the State of New York, USA, without regard to any conflict of laws provisions which would result in the application of the law of any other jurisdiction.

17.4 Invalidity

In the event that any provision of this Agreement is held to be legally ineffective or unenforceable, such provision shall be deemed deleted from this Agreement and the remainder of this Agreement shall remain in full force and effect.

17.5 Notices

All notices and requests required or authorized hereunder shall be given in writing either by registered mail (return receipt requested) or by fax at the addresses set forth below. In the case of any such notice or request being given by registered mail, the date upon which it is received by the addressee or, in the case of a fax, the date the fax is recorded as "sent" by the sender's fax machine, shall be deemed to be the effective date

of

such notice or request. Such notices shall be sent:

If to AIRBUS NA CUSTOMER SERVICES:
Airbus North America Customer Services, Inc.
198 Van Buren Street
Suite 300
Herndon, VA 20170

If to the User:
Federal Express Corporation
3610 Hacks Cross Road
Memphis, TN 38125

17.6 Entire Agreement

This Agreement contains the entire understanding of the parties hereto regarding the subject hereof, and supercedes and renders void all other prior written or oral agreements thereon. This Agreement may not be amended except by a writing signed by both parties.

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Wherefore, the AIRBUS NA CUSTOMER SERVICES and the User have agreed and have executed this Agreement on the date first above written:

**AIRBUS NORTH AMERICA
CUSTOMER SERVICES, INC.**

By: /s/ CLYDE KIZER

Its: President & COO

FEDERAL EXPRESS CORPORATION

By: /s/ JAMES R. PARKER

James R. Parker

Its: Vice President

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AIRBUS NA CUSTOMER SERVICES AOLS CATALOG

Exhibit 1 to License Agreement

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AOLS MULTIBASE SERVICES

A. AOLS Free Areas

- Technical Follow-Up (TFU) - Modification Information Document (MID) - All Operators Telex (AOT) - Flight Operations Telex (FOT) - Buyer Service Catalog

B. AOLS Basic Services

1. Engineering Technical Data Service (ETDS)

The ETDS service will provide access, via a document index, to the contents of:

- Service Bulletins - issued since beginning of 1993 (SBs after July 1997 in SGML; - SBs between 1993 and July 1997 in PDF) - Service Information Letter (SIL) - all - Consignes de Navigabilite (CN) - all - Quarterly Service Report (QSR) - all

In addition, links between those documents are available through the service.

SBs available in SGML format can be downloaded in SGML. Printing of all documents will be based on PDF format.

Documents available through this Service are for all Airbus aircraft types.

2. Flight Crew Operating Manual (FCOM) Service

The FCOM service offers:

- Availability of the FCOM Vol 1, Vol 2, Vol 3, Vol 4 on

CD-ROM.

- On-line consultation of the FCOM Vol 1, Vol2, Vol3, Vol4. - On-line consultation of the Operations Engineering Bulletins (OEB) and the corresponding impacted FCOM procedures. - On-line consultation of the Temporary Revisions (TR) related to the FCOM documents.

- Possibility for end-users to download onto their personal computer the latest TRs and OEBs released by Airbus. Immediately after the latter are downloaded, the consultation process on the personal computer takes the

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information contained in the FCOM CD-ROM as baseline and amends this information with the TRs' and OEBS' information. - Possibility for users to provide Airbus with feedback through an e-mail tool integrated within the application.

C. AOLS Optional Services

1. Airbus Drawing Access (AIDA)

The AIDA service offers:

- Mechanical Drawings for all Airbus aircraft types. - Data available: Drawing pictures (in raster format (TIFF/CCITTG4)) and Parts List / Parts Usage (in PDF). - Data access:
- Access control: Information applicable to user fleet, - Direct access by Drawing Number, Parts List or Part Number,
- Top-down navigation by using the Parts Lists, - Bottom-up navigation by using the Parts Usage, - Printing and downloading of any drawing, - Back-up service: fax copy of the data.

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AOLS TECHNICAL CHARACTERISTICS

1. Workstation Specifications - Hardware requirements

- PC Pentium 11 200 MHz with 64 MB RAM (128 MB recommended)
- 17-inche (20 inches recommended) screen - Screen resolution 1024X768 with 256 colors 1 GB hard drive
- Printer 300 dpi Laser A3/A4, Adobe-compliant

- Software requirements

- Windows Compatibility - Netscape Navigator 4.51 or Internet Explorer 5.0 (or higher)
- Browser PDF plug-in: Acrobat Reader 3.01 or higher - TIFF browser plug-in recommendations:
 - ViewDirector Prizm 2.3 Company: TMS Sequoia
<http://www.tmssequoia.com> CSView 150 Company: CSU
Software Solutions
<http://www.csu-software-solutions.com>

2. Network Specifications

AIRBUS NA CUSTOMER SERVICES will support the following TCP/IP networks for accessing AOLs:

- SITA AeroNet - Internet
- **ISDN/PSTN**
 - Direct lines (leased lines)

The User has the choice of the network (company, bandwidth) according to its needs and budget, but AIRBUS NA CUSTOMER SERVICES recommends the following minimum configurations in terms of bandwidth for accessing services such as Airbus Drawing Access (AIDA):

- For intensive usage: 256 KBPS line - For moderate usage: 128 KBPS line - Minimum requirements: 56 KBPS line

3. Certificate Specification

Connection to AOLs requires a Certificate (standard X509) delivered via the User's Administrator. This Certificate shall be embedded into the User browser and protected by an eight (8) digit password.

All procedures, rules and responsibilities associated with such Certificate are described in the Certificate Practice Statement (CPS).

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APPENDIX 3 TO EXHIBIT F

DATA RELEASE AGREEMENT

THIS DATA RELEASE AGREEMENT (the "Agreement"), dated as of _____, 200__ is between and among AIRBUS NORTH AMERICA CUSTOMER SERVICES, INC. with a place of business is at 198 Van Buren Street, Suite 300, Herndon, VA 20170 ("ANACS"), and FEDERAL EXPRESS CORPORATION whose place of business is at 3610 Hacks Crossroad, Memphis, TN 38125, ("FedEx") and _____, whose place of business is at _____ (the "Recipient").

WITNESSETH:

WHEREAS, FedEx desires to have released to the Recipient certain data, identified in Attachment A to this Agreement, which is customized and/or confidential to FEDEX as well as proprietary to ANACS, AVSA, S.A.R.L. (hereinafter "AVSA") and/or Airbus (the "Data") and

WHEREAS, ANACS is in possession of such Data and is willing to release such Data to the Recipient, under the terms and conditions set forth below,

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. FedEx hereby authorizes ANACS to provide the Recipient with full and complete copies of the Data and expressly waives, with respect to the Data and its release under this Agreement, any and all obligations of ANACS, AVSA and Airbus to maintain the confidentiality of such Data.
2. The Data are, and will remain, the exclusive property of ANACS, AVSA and/or Airbus and may not be disclosed by FedEx or Recipient except as provided herein.
3. The Recipient will, and will cause its employee(s) and any other person who obtains any part of the Data through the Recipient to, preserve the confidentiality of the Data. Except as provided in this Agreement, the Recipient shall not:
 - (i) copy, reproduce, distribute or disclose, to any person, firm, entity or corporation, any of the Data (whether in oral, electronic or written form), or any facts related thereto; or
 - (ii) permit any third party to have access to such Data.

It is understood and agreed between and among the parties that ANACS may transmit Data to the Recipient, and by the signatures of their authorized representatives below, the Recipient and FedEx agree to be bound, and will abide, by the terms and conditions of this Agreement.

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2. The Recipient may provide the Data to its employees and subcontractors, provided such employees and subcontractors:

- (i) need to know the Data for any purpose agreed to by FedEx and the Recipient which is not inconsistent with this Agreement;
- (ii) are informed of this Agreement; and
- (iii) agree to be bound by this Agreement.

3. In the event that the Recipient or any person who has received Data through the Recipient is requested in any judicial or governmental proceeding to disclose the Data or any portion thereof, the Recipient will give ANACS prompt notice of such request so that ANACS may seek an appropriate protective order. If, in the absence of a protective order, the Recipient or any such person is, nonetheless, advised by counsel that disclosure of the Data is required by law, the Recipient may disclose such Data without liability hereunder.

4. The term Data does not include any information that, as demonstrated through production of credible evidence,

- (i) becomes or has become generally available to the public other than as a result of violation of this Agreement;
- (ii) has been available on a non-confidential basis prior to its disclosure hereunder;
- (iii) is, or has been, developed or acquired independently by personnel of the Recipient having no substantive knowledge of the Data, or
- (iv) becomes available on a non-confidential basis from a third-party source.

5. It is a condition of ANACS's agreement to provide the Data as requested by the FedEx and the Recipient that both FedEx and the Recipient agree to indemnify and hold ANACS, AVSA and Airbus harmless from and against any and all claims of third parties for injury, death or property damage arising in connection with, or in any way related to, the use or possession by the Recipient of the Data.

6. This Agreement does not require nor may it be implied that ANACS shall be required to disclose any data hereunder.

7. It is agreed that an action for damages may not be an adequate remedy for a breach of this Agreement by FedEx or the Recipient and that ANACS may bring an action for equitable relief, including an action for an injunction.

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8. It is understood and agreed between and among the parties that ANACS, AVSA and/or Airbus are bound by confidentiality agreements with third parties and shall not release information which is the subject of such agreements, whether or not such information is related to, or is part of, the Data.

9. Information transferred pursuant to this Agreement will be protected from disclosure for the term of this Agreement, or for the duration of the business arrangement between FedEx and the Recipient to which it relates, whichever is longer.

10. This Agreement shall be effective on the date of execution and shall remain in effect for the term of five (5) years.

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

10. THIS AGREEMENT WILL BE INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT APPLICATION OF ANY CONFLICT OF LAWS PROVISIONS WHICH WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

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ACCEPTED AND AGREED this _____ day of _____ 20__.

AIRBUS NORTH AMERICA CUSTOMER SERVICES, INC.

By:

Title:

FEDERAL EXPRESS CORPORATION

By:

Title:

[RECIPIENT]

By:

Title:

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EXHIBIT G

[39 pages*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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LETTER AGREEMENT NO. 5

[11 pages*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA5-1

LETTER AGREEMENT NO. 6

As of July 12, 2002

FEDERAL EXPRESS CORPORATION

3610 Hacks Cross Road
Memphis, TN 38125

Re: USED AIRCRAFT

Dear Ladies and Gentlemen:

FEDERAL EXPRESS CORPORATION (the "Buyer") and AVSA, S.A.R.L. (the "Seller"), have entered into an Airbus A380-800F Purchase Agreement, dated as of even date herewith (the "Agreement"), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The parties hereto have agreed to set forth in this Letter Agreement No. 6 (the "Letter Agreement") certain additional terms and conditions regarding the sale of the Aircraft provided for in the Agreement. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

The parties hereto agree that this Letter Agreement will constitute an integral, non-severable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions that are inconsistent, the specific provisions contained in this Letter Agreement will govern.

LA06-1

1. [*]
- 1.1 Subsequent to the date of execution of this Agreement,
the Seller, or one of its Affiliates [*]
- 1.2 [*]
- 1.3 [*]

2. ASSIGNMENT

Notwithstanding any other provision of this Letter Agreement or of the Agreement (but subject to the provisions of Sub-clause 20.2 of the Agreement), this Letter Agreement, and the rights and obligations of the Buyer hereunder, shall not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Paragraph 2 will be void and of no force or effect.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA06-2

If the foregoing correctly sets forth our understanding, please execute the original and one (1) copy hereof in the space below and return a copy to the Seller.

Very truly yours,

AVSA, S.A.R.L.

By: /s/ MARIE-PIERRE MERLE
BERAL

Marie-Pierre Merle-Beral

Its: Chief Executive Officer

Accepted and Agreed,

FEDERAL EXPRESS CORPORATION

By: /s/ JAMES R. PARKER

James R. Parker

Its: Vice President

LA06-3

LETTER AGREEMENT NO. 7

[4 pages*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA07-1

LETTER AGREEMENT NO. 8

[3 pages*]

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LA8-1

LETTER AGREEMENT NO. 9

[29 pages*]

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LA9-1

LETTER AGREEMENT NO. 10

[12 pages*]

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LA10-1

LETTER AGREEMENT NO. 11A

[39 pages*]

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LETTER AGREEMENT NO. 11B

[41 pages*]

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LETTER AGREEMENT NO. 12

[31 pages*]

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LETTER AGREEMENT NO.13

[4 pages*]

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LA13-1

LETTER AGREEMENT NO. 14

[3 pages*]

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LETTER AGREEMENT NO. 15

[3 pages*]

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LETTER AGREEMENT NO. 16

As of July 12, 2002

FEDERAL EXPRESS CORPORATION

3610 Hacks Cross Road
Memphis, TN 38125

Re: TAXES, DUTIES AND IMPOSTS

Dear Ladies and Gentlemen:

FEDERAL EXPRESS CORPORATION (the "Buyer") and AVSA, S.A.R.L. (the "Seller"), have entered into an Airbus A380-800F Purchase Agreement, dated as of even date herewith (the "Agreement"), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The parties hereto have agreed to set forth in this Letter Agreement No. 16 (the "Letter Agreement") certain additional terms and conditions regarding the sale of the Aircraft provided for in the Agreement. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

The parties hereto agree that this Letter Agreement will constitute an integral, non-severable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions that are inconsistent, the specific provisions contained in this Letter Agreement will govern.

1. THE SELLER'S OBLIGATIONS

1.1 The Seller will bear, and pay [*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA16-1

Notwithstanding the foregoing, the Seller will be liable for neither: [*]

that are (a) imposed upon the Buyer, (b) imposed upon the Seller with an obligation on the Buyer to withhold or collect the amount thereof from the Seller, or (c) imposed upon the Buyer with an obligation on the Seller to withhold or collect such amount from the Buyer.

1.2 The Seller will arrange for the exportation of the Aircraft
from the country of the Delivery Location and [*]

1.3 [*]

1.4 [*]

2. THE BUYER'S OBLIGATIONS

2.1 The Buyer will bear, and pay [*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA16-2

Notwithstanding the foregoing, the Buyer will be liable for neither: [*]

that are (a) imposed upon the Seller, (b) imposed upon the Buyer with an obligation on the Seller to withhold or collect the amount thereof from the Buyer, or (c) imposed upon the Seller with an obligation on the Buyer to withhold or collect such amount from the Seller.

2.2 The Buyer will arrange for the importation of the Aircraft into any country or jurisdiction [*]

3. Either party may, at its expense and option, contest fully, or require the other party to contest fully, any claim that would require an indemnity payment. Where the Seller or the Buyer contests any such claim, the other party will have the right to participate in such contest, including, without limitation, the right to attend governmental or judicial conferences concerning such claim and the right to review and approve all submissions to any governmental or other authority. The party that receives any tax refund or tax credit (including any interest on such refund or credit) will pay such tax refund or tax credit to the other party, provided such other party had previously made an indemnity payment, less expenses incurred for which the other is liable (unless such expenses have been reimbursed).

4. ASSIGNMENT

Notwithstanding any other provision of this Letter Agreement or of the Agreement (but subject to the provisions of sub-clause 20.2 of the Agreement), this Letter Agreement and the rights and obligations of the Buyer hereunder shall not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Paragraph 4 will be void and of no force or effect.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA16-3

If the foregoing correctly sets forth our understanding, please execute the original and one (1) copy hereof in the space below and return a copy to the Seller.

Very truly yours,

AVSA, S.A.R.L.

By: /s/ MARIE-PIERRE MERLE
BERAL

Marie-Pierre Merle-Beral

Its: Chief Executive Officer

Accepted and Agreed,

FEDERAL EXPRESS CORPORATION

By: /s/ JAMES R. PARKER

James R. Parker

Its: Vice President

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LETTER AGREEMENT NO. 17

[3 pages*]

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LA17-1

LETTER AGREEMENT NO. 18

[7 pages*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA18-1

LETTER AGREEMENT NO. 19

[8 pages*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

LA19-1

LETTER AGREEMENT NO. 20

As of July 12, 2002

FEDERAL EXPRESS CORPORATION

3610 Hacks Cross Road
Memphis, TN 38125

Re: PROPULSION SYSTEM CHOICE

Dear Ladies and Gentlemen:

FEDERAL EXPRESS CORPORATION (the "Buyer") and AVSA, S.A.R.L. (the "Seller"), have entered into an Airbus A380-800F Purchase Agreement, dated as of even date herewith (the "Agreement"), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The parties hereto have agreed to set forth in this Letter Agreement No. 20 (the "Letter Agreement") certain additional terms and conditions regarding the sale of the Aircraft provided for in the Agreement. Capitalized terms used herein and not otherwise defined in this Letter Agreement will have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

The parties hereto agree that this Letter Agreement will constitute an integral, non-severable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference and that this Letter Agreement will be governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions that are inconsistent, the specific provisions contained in this Letter Agreement will govern.

LA20-1

1. PROPULSION SYSTEM CHOICE

In accordance with Sub-clause 2.3 of the Agreement, the Buyer has elected to equip each of the Firm Aircraft with four (4) GE-P&W Engine Alliance GP7277 Propulsion Systems.

2. ASSIGNMENT

Notwithstanding any other provision of this Letter Agreement or of the Agreement, (but subject to the provisions of Sub-clause 20.2 of the Agreement), this Letter Agreement, and the rights and obligations of the Buyer hereunder, will not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Paragraph 2 will be void and of no force or effect.

LA20-2

If the foregoing correctly sets forth our understanding, please execute the original and one (1) copy hereof in the space below and return a copy to the Seller.

Very truly yours,

AVSA, S.A.R.L.

By: /s/ MARIE-PIERRE MERLE
BERAL

Marie-Pierre Merle-Beral

Its: Chief Executive Officer

Accepted and Agreed,

FEDERAL EXPRESS CORPORATION

By: /s/ JAMES R. PARKER

James R. Parker

Its: Vice President

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LETTER AGREEMENT NO. 21

[3 pages*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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[Related side agreement consisting of 4 pages*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

[Related side agreement consisting of 25 pages*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

[Related side agreement consisting of 8 pages*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

EXHIBIT 10.2

FIRST AMENDMENT TO ADDENDUM

THIS FIRST AMENDMENT TO THE ADDENDUM ("Amendment") dated the 3rd day of April, 2002, amends the Addendum to the Transportation Agreement dated December 13, 2001 (the "Addendum") between the United States Postal Service ("USPS") and Federal Express Corporation ("FedEx").

PREAMBLE

WHEREAS, USPS and FedEx entered into an Addendum to the Transportation Agreement in order to accommodate the need by USPS to transport Product over and above the Minimum Guaranteed Volumes provided for under the Agreement;

WHEREAS, USPS has determined that some of its volume requirements exceed those already provided for under the Addendum and has requested FedEx to transport such additional volume and FedEx is willing to transport such Product subject to the terms and conditions set forth in this Amendment and the Addendum;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Amendment, the parties agree as follows:

1. For purposes of this Agreement, all capitalized terms used as defined terms and not otherwise defined in this Amendment shall have meanings set forth in the Addendum and the Agreement.
2. The Weekday Volume Commitments and Weekend Volume Commitments for the months of [*] of the Interim Period as set forth in Section 2(b) of the Addendum are revised as follows:

[*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

3. Except as amended by this Amendment, the terms and conditions of the Addendum shall remain in full force and effect and are ratified and confirmed in all respects.

IN WITNESS WHEREOF, the parties have signed this Amendment in duplicate, one for each of the Parties, as of April 3, 2002.

THE UNITED STATES POSTAL SERVICE

By: /s/ LESLIE A. GRIFFITH

Title: Contracting Officer

FEDERAL EXPRESS CORPORATION

By: /s/ PAUL J. HERRON

Title: VP - Postal Transportation

SECOND AMENDMENT TO ADDENDUM

THIS SECOND AMENDMENT TO THE ADDENDUM ("Amendment") dated the 26th day of April, 2002, amends the Addendum to the Transportation Agreement dated December 13, 2001 (the "Addendum") between The United States Postal Service ("USPS") and Federal Express Corporation ("FedEx").

PREAMBLE

WHEREAS, USPS and FedEx entered into an Addendum to the Transportation Agreement in order to accommodate the need by USPS to transport Product over and above the Minimum Guaranteed Volumes provided for under the Agreement;

WHEREAS, USPS has determined that some of its volume requirements exceed those already provided for under the Addendum and has requested FedEx to transport such additional volume and FedEx is willing to transport such Product subject to the terms and conditions set forth in this Amendment and the Addendum;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Amendment, the parties agree as follows:

1. For purposes of this Amendment, all capitalized terms used as defined terms and not otherwise defined in this Amendment shall have meanings set forth in the Addendum and the Agreement.
2. The Weekday Volume Commitments and Weekend Volume Commitments for the months of [*] of the Interim Period as set forth in Section 2(b) of the Addendum are revised as follows:

[*]

The Minimum Daily Weekend Volume Commitment will be met if the average of the combined volumes tendered for transport on Saturday and Sunday of each week equal or exceed the stated volume requirement. For example, a Minimum Daily Weekend

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

Volume Commitment of [*] will be met if USPS tenders [*] on Saturday and [*] on Sunday.

* These amounts include the following maximum volumes into and out of the following offshore locations:

[*]

3. Except as amended by this Amendment, the terms and conditions of the Addendum shall remain in full force and effect and are ratified and confirmed in all respects.

IN WITNESS WHEREOF, the parties have signed this Amendment in duplicate, one for each of the Parties, as of April 26, 2002.

THE UNITED STATES POSTAL SERVICE

By: /s/ LESLIE A. GRIFFITH

Title: Contracting Officer

FEDERAL EXPRESS CORPORATION

By: /s/ PAUL J. HERRON

Title: VP - Postal Transportation

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

SECOND ADDENDUM

THIS SECOND ADDENDUM ("Second Addendum"), dated the 29th day of August, 2002, revises and supplements the Transportation Agreement between the United States Postal Service ("USPS" or "the Postal Service") and Federal Express Corporation ("FedEx").

BACKGROUND FACTS

On January 10, 2001, USPS and FedEx entered into the Transportation Agreement ("Agreement") which states that FedEx will provide for the transportation of certain USPS Products.

On December 13, 2001, USPS and FedEx entered into the Addendum to the Agreement ("Addendum") due to the USPS' immediate need for the transportation of its Product over and above the Minimum Guaranteed Volumes listed in the Agreement.

On April 3, 2002 and April 26, 2002, USPS and FedEx entered into the First Amendment to the Addendum and the Second Amendment to the Addendum, respectively.

The parties agreed to reconvene before the end of July 2002 to negotiate and agree about both parties' transportation needs beyond the October 27, 2002 Interim Period covered by the Addendum and the First and Second Amendments to the Addendum. This agreement is a result of those negotiations. The parties agree to extend the Interim Period provided for in the Addendum, subject to the following terms:

AGREEMENT

1. DEFINITIONS

For the purposes of this Second Addendum, capitalized terms used as defined terms and not otherwise defined in this Second Addendum shall have the meanings outlined in the Agreement. The following additional terms shall have the following meaning:

"Billable Weekday Volume" means the greater of the actual Mid-week Volume tendered by USPS to FedEx during the Schedule Period or [*] of the aggregate Daily Mid-Week Volume Commitment for the Schedule Period.

"Billable Weekend Volume" means the greater of the actual Weekend Volume tendered by USPS to FedEx during the Schedule Period or [*] of the aggregate Daily Weekend Volume Commitment for the Schedule Period.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

"Daily Mid-week Volume Commitment" means the daily volume committed for transport during the Day Turn Operations on Tuesday through Friday of a week for a Schedule Period.

"Daily Weekend Volume Commitment" means the volume committed for transport during the Day Turn Operations on Saturday and Sunday of a week for a Schedule Period.

"Interim Period" means the period of time commencing October 28, 2002 and terminating June 1, 2003.

"Non-Widely Observed Holiday" means Veteran's Day, Martin Luther King Day, and President's Day.

"Offshore Locations" means [*].

"Operating Day" means any day other than a Monday or a FedEx Holiday.

"Revised Schedule Period Request Forecast" means the volume forecasting document which USPS will provide to FedEx after the Schedule Period Request Forecast. USPS will provide the Revised Schedule Period Request Forecast no later than 118 calendar days prior to each Schedule Block Implementation Date.

"Trucking Location" means a location specified on Exhibit A, attached.

"Weekend Volume" means volume transported during the Day Turn Operations on Saturday and Sunday of a week.

2. VOLUME

(a) During the Interim Period, the Committed Volume and the Committed Volume Schedule will be as set forth in the following table:

[*]

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

(b) During the Interim Period, (excluding the peak period of December 10-22, 2002) USPS will tender and FedEx must transport between [*] of the Committed Volume for each applicable Schedule Block listed in the chart above.

For the period December 10 through 22, 2002, USPS will tender and FedEx must transport between [*] of the Committed Volume listed above.

(c) For the time period December 10-22, 2002, the Postal Service requested Daily Mid-week Volume Commitment and Daily Weekend Volume Commitment of [*]. Although the parties could not agree to that amount prior to the signing of this Second Addendum, FedEx will continue to work on their network design and will inform the Postal Service of their increased Daily Mid-week Volume Commitment cubic feet number and Daily Weekend Volume Commitment cubic feet number no later than 30 days after the date this Second Addendum is executed.

(d) For the April, May, 2003 Schedule Block, shown herein as having a range of between [*], the Postal Service will, not later than 30 days after the date this Second Addendum is executed, revise the Daily Mid-week Volume Commitment to have a range of not more than [*] with the understanding that the Minimum Daily Mid-week Volume Commitment shall be no less than [*].

3. SCHEDULE PERIOD REQUEST FORECAST

Section 3.3.0 of the Agreement is hereby modified for the Interim Period as follows: For any Schedule Period in which the USPS Schedule Period Request Forecast is greater than [*] the USPS shall deliver to FedEx a Revised Schedule Period Request Forecast no later than [*] prior to each Schedule Block Implementation Date. In the Revised Schedule Period Request Forecast, the Postal Service can [*].

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

If USPS does not make the Revised Schedule Period Request Forecast available by the required deadline, the Schedule Period Request Forecast shall be used.

4. NON-FUEL TRANSPORT

During the Interim Period, FedEx will invoice USPS for the non-fuel transport portion of the Day System pricing at the rates provided below:

[*]

5. NO NON-WIDELY OBSERVED HOLIDAY

During the Interim Period, the parties agree that for those months in which there is no Non-Widely Observed Holiday (i.e. December 2002, March, 2003, April, 2003 and May, 2003), the monthly billed volume will be computed on the following basis:

[*]

6. NON-WIDELY OBSERVED HOLIDAYS

The parties agree that during those months within the Interim Period in which there is a Non-Widely Observed Holiday (i.e. November, 2002, January, 2003 and February, 2003), [*].

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

7. BYPASS CONTAINER HANDLING CHARGE

During the Interim Period, FedEx and the USPS agree that notwithstanding the provisions of Exhibit B, paragraph A(3) of the Agreement, USPS shall be invoiced a handling charge of [*] for packages unloaded from By-pass ULDs which are destined to a Trucking Location. FedEx and USPS agree to the following methodology to simplify invoicing:

[*]

8. DENSITY

The provisions of Exhibit B, paragraph A, subparagraphs 1 and 2 of the Agreement will be revised for the Interim Period to eliminate the cubic footage conversion factor of [*].

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

9. 14-DAY BY-PASS MATRIX REVIEW

Section 3.6.0 of Exhibit A, Operating Specifications, is hereby modified for the Interim Period as follows:

[*]

10. PRIOR AGREEMENTS TO BE EXTENDED

(a) PRELIMINARY NETWORK FLOW

Notwithstanding the provisions of Section 3.6.0 of the Operating Specifications, during the Interim Period, the parties agree that FedEx will not be required to furnish USPS with the Preliminary Network Flow document.

(b) SATURDAY VOLUME

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

Attachment 1 of the Agreement is hereby modified for the remaining Term of the Agreement as follows:

[*]

(c) SERVICE FOR OFFSHORE LOCATIONS

The Market Service Commitment Time provided for in Attachments 1 and 2 to Exhibit A for volume to or from the Offshore Locations will be adjusted by [*]. If USPS requests FedEx to accept for transport an amount in excess of the maximum volumes for the Offshore Locations but FedEx is unable to transport the excess volume to such destination by such adjusted Market Service Commitment Time, FedEx shall tender such excess volume to the gateway for the destination not later than the adjusted Market Service Commitment Time. The gateway locations for the following destinations are:

[*]

11. FULL FORCE AND EFFECT

Except as amended by this Second Addendum, the terms and conditions of the Agreement shall remain in full force and effect and are ratified and confirmed in all other respects.

12. PROVISION CONFLICT

If any provision of this Second Addendum conflicts with any provision of the Agreement, the provision of the Agreement shall govern, unless otherwise provided for in the Addendum.

The parties have signed this Second Addendum in duplicate, one for each of the parties, as of August 29, 2002.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

THE UNITED STATES POSTAL SERVICE

By: /s/ LESLIE A. GRIFFITH

Printed Name: Leslie A. Griffith

Printed Title: Manager, Air Transportation

FEDERAL EXPRESS CORPORATION

By: /s/ PAUL J. HERRON

Printed Name: Paul J. Herron

Printed Title: VP - Postal Transportation

EXHIBIT A
TO THE
SECOND ADDENDUM

The Trucking Locations are as follows:

[*]

The list of Trucking Locations may be amended during the Interim Period by mutual agreement of the parties.

451173.1

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

EXHIBIT 10.3

SEVENTH SPECIAL FACILITY SUPPLEMENTAL LEASE AGREEMENT

BY AND BETWEEN

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

AND

FEDERAL EXPRESS CORPORATION

DATED AS OF JUNE 1, 2002

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**SEVENTH SPECIAL FACILITY
SUPPLEMENTAL LEASE AGREEMENT**

THIS SEVENTH SPECIAL FACILITY SUPPLEMENTAL LEASE AGREEMENT (this "Seventh Supplemental Lease") dated as of the first day of June 2002, by and between the MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY (the "Lessor"), a public and governmental body politic and corporate of the State of Tennessee, and FEDERAL EXPRESS CORPORATION (the "Lessee"), a corporation duly organized and existing under the laws of the State of Delaware and qualified to do business in the State of Tennessee;

WITNESSETH:

WHEREAS, Lessor and Lessee on August 21, 1979, entered into a Special Facility Lease Agreement dated as of August 1, 1979 (as heretofore amended and supplemented by the Supplemental Leases (defined below), the "Lease");

WHEREAS, Lessor and Lessee have amended and supplemented the Lease by First, Second, Third, Fourth, Fifth and Sixth Special Facility Supplemental Lease Agreements dated as of May 1, 1982, November 1, 1982, December 1, 1984, July 1, 1992, July 1, 1997 and December 1, 2001, respectively (said First, Second, Third, Fourth, Fifth and Sixth Special Facility Supplemental Lease Agreements being referred to herein, collectively, as the "Supplemental Leases"); and

WHEREAS, Lessor and Lessee have agreed to further supplement the Lease to reflect a change in rentals resulting from the current refunding of the Lessor's Special Facilities Revenue Bonds, Refunding Series 1992 (Federal Express Corporation) issued to refund bonds originally issued to finance facilities and equipment for inclusion in the Special Facility, as defined in the Lease;

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and agreements hereinafter contained to be kept and performed by the parties hereto and upon the provisions and conditions hereinafter set forth, Lessor and Lessee do hereby covenant and agree, and each for itself does hereby covenant and agree, as follows:

SECTION 1. DEFINITIONS. Except as otherwise provided herein, and unless the context shall clearly require otherwise, all words and terms used in this Seventh Supplemental Lease which are defined in the Lease shall, for all purposes of this Seventh Supplemental Lease, have the respective meanings given to them in the Lease.

Unless the context shall clearly require otherwise, the following terms shall, for all purposes of the Lease and of any agreement amendatory or supplemental thereto (including for all purposes this Seventh Supplemental Lease) have the meanings herein specified, with the following definitions to be equally applicable to both the singular and plural forms of any of the terms herein defined:

(a) EIGHTH SUPPLEMENTAL INDENTURE. The term "Eighth Supplemental Indenture" shall mean the Eighth Supplemental Indenture dated as of June 1, 2002, by and between the Lessor and the Trustee amending and supplementing the Indenture, as amended and supplemented as provided in the Indenture.

(b) SERIES 2002 BONDS. The term "Series 2002 Bonds" shall mean the \$95,770,000 principal amount of special obligation bonds of the Lessor designated Special Facilities Revenue Refunding Bonds, Series 2002 (Federal Express Corporation) and issued under Sections 2.07 and 2.08 of the Indenture and the Eighth Supplemental Indenture and in accordance with Section 7.6 of the Lease.

SECTION 2. TERM OF LEASE. The term of the Lease, including this Seventh Supplemental Lease, shall expire on August 31, 2012 at 11:59 o'clock P.M.; PROVIDED, that the term of the Lease, including this Seventh Supplemental Lease, shall not expire so long as any Bonds remain outstanding under the terms of the Indenture except as provided in subsection A of Section 9.2 of the Lease.

SECTION 3. RENTAL. Lessee shall pay the rentals reserved to the Lessor under Section 3.3 of the Lease at the time, place and manner set forth therein, which from and after the date of delivery of and payment for the Series 2002 Bonds, in addition to the amounts otherwise payable as of the date hereof under said Section 3.3, shall include (a) an amount equal to the principal of and premium (if any) and interest on the Series 2002 Bonds as and when the same become due and payable by reason of stated maturity or redemption of such Bonds as provided in the Indenture, and (b) all other amounts payable under said Section 3.3 in connection with the Series 2002 Bonds.

SECTION 4. PREPAYMENT OF CERTAIN RENTALS. (a) Lessee may prepay the rentals required hereby in accordance with subsections A, B and C of Section 3.4 of the Lease and receive the credits provided therein.

(b) In the event a judgment or order of a court of competent jurisdiction which is final (either because the time for appeal thereof has expired or because the judgment or order is issued by that court having final appellate jurisdiction over the matter and is not subject to collateral attack), or a determination of the Internal Revenue Service which is final (because the tax has been paid pursuant thereto and the time for filing a claim for refund of such tax has expired) to the effect that the interest paid or payable on any Series 2002 Bond to other than a substantial user of the Special Facility or a related person is or was includable in the gross income of the holder thereof for federal income tax purposes as a result of a failure by the Lessee to observe or perform any covenant or agreement to be observed or performed by it under the Lease or as a result of facts within the control of the Lessee which are contradictory to any representation or warranty made by the Lessee under the Lease, the Lessee shall prepay on the next scheduled rent payment date the entire amount of rent due under subparagraph (b) of Section 3.3 of the Lease and pursuant to Section 3 hereof to effect redemption of the then outstanding Series 2002 Bonds in accordance with the Indenture.

SECTION 5. SERIES 2002 BONDS. Lessor shall apply the proceeds of the Series 2002 Bonds in accordance with the terms of the Eighth Supplemental Indenture, the form, terms and provisions of which the Lessee hereby acknowledges.

SECTION 6. SPECIAL COVENANTS OF THE LESSEE. The Lessee covenants and agrees with the Lessor that so long as the Series 2002 Bonds are outstanding, it will provide the Lessor with copies of all publicly available reports, notices, financial statements or other documents that the Lessee is required to provide to the Securities and Exchange Commission.

SECTION 7. TAX COVENANT. The Lessee covenants and agrees that it will comply with the requirements of Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), if and to the extent required to maintain the exclusion of interest on the Series 2002 Bonds from gross income for federal income tax purposes under the Code.

SECTION 8. LEASE STILL IN EFFECT; PROVISIONS THEREOF APPLICABLE TO THIS SEVENTH SUPPLEMENTAL LEASE. All of the terms, provisions, conditions, covenants and agreements of the Lease shall continue in full force and effect as supplemented hereby, and shall be applicable to each of the provisions of this Seventh Supplemental Lease during the term hereof with the same force and effect as though the provisions hereof were set forth in the Lease.

SECTION 9. DESCRIPTIVE HEADINGS. The descriptive headings of the sections of this Seventh Supplemental Lease are inserted for convenience of reference only and do not constitute a part of this Seventh Supplemental Lease and shall not affect the meaning, construction, interpretation or effect of this Seventh Supplemental Lease.

SECTION 10. EFFECTIVENESS OF THIS SEVENTH SUPPLEMENTAL LEASE. This Seventh Supplemental Lease shall become effective upon delivery of and payment for the Series 2002 Bonds.

SECTION 11. EXECUTION OF COUNTERPARTS. This Seventh Supplemental Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY and FEDERAL EXPRESS CORPORATION have caused this Seventh Supplemental Lease to be duly executed as of the date first above written.

**MEMPHIS-SHELBY COUNTY AIRPORT
AUTHORITY**

By /s/ LARRY D. COX

ATTEST:

President and Chief Executive Officer

/s/ JERRY L. MCMICHAEL

*Executive Vice President,
Finance and Administration and
Secretary/Treasurer*

FEDERAL EXPRESS CORPORATION

By /s/ BURNETTA B. WILLIAMS

Name: Burnetta B. Williams

Title: Vice President and Assistant

*ATTEST:
Treasurer*

/s/ ANDREW M. PAALBORG

Secretary

STATE OF TENNESSEE)
)

ss:
COUNTY OF SHELBY)

On this 19th day of June, 2002, before me appeared Larry D. Cox, to me personally known, who, being by me duly sworn (or affirmed) did say that he is the President and Chief Executive Officer of the Memphis-Shelby County Airport Authority, and that the seal affixed to the foregoing instrument is the corporate seal of said Authority, and that said instrument was signed and sealed on behalf of said Authority, by authority of its Board of Commissioners and he acknowledged said instrument to be the free act and deed of said Authority.

[SEAL]

/s/ S.M. GARRETT, JR.

Notary Public

My Commission Expires: 11/16/02

[illegible]

On this 19th day of June, 2002, before me appeared Burnetta B. Williams, to me personally known, who, being by me duly sworn (or affirmed) did say that she is Vice President and Assistant Treasurer of Federal Express Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and she acknowledged said instrument to be the free act and deed of said Corporation.

[SEAL]

/s/ JUDITH L. TWELE

Notary Public

My Commission Expires: 2/26/03

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EXHIBIT 10.4

FIRST AMENDMENT TO FIVE-YEAR CREDIT AGREEMENT

FIRST AMENDMENT, dated as of September 27, 2002 (this "AMENDMENT"), to the FIVE-YEAR CREDIT AGREEMENT dated as of September 28, 2001 ("CREDIT AGREEMENT"), among FEDEX CORPORATION, the LENDERS party thereto, JPMORGAN CHASE BANK, as Administrative Agent, CITICORP USA, INC. and BANK OF AMERICA, N.A., as Co-Syndication Agents, and BANK ONE, NA, COMMERZBANK A.G., BANK OF TOKYO-MITSUBISHI TRUST COMPANY and THE ROYAL BANK OF SCOTLAND PLC, as Co-Documentation Agents.

WITNESSETH:

WHEREAS, pursuant to the Credit Agreement, the Borrower has requested that the Lenders agree, and the Lenders have agreed, to extend credit to the Borrower subject to the terms and conditions contained therein;

WHEREAS, the Borrower has requested that the Lenders amend the Credit Agreement in certain ways; and

WHEREAS, the Lenders and the Borrower desire to amend the Credit Agreement in the manner specified herein.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. DEFINED TERMS. Terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.
2. AMENDMENTS TO SECTION 1.01 OF THE CREDIT AGREEMENT (DEFINED TERMS).

(a) Section 1.01 is hereby amended by adding the following new definitions in the appropriate alphabetical order:

"INSUFFICIENCY" means, with respect to any Plan, the amount, if any, by which the present value of the benefits under such Plan exceeds the fair market value of the assets of such Plan allocable to such benefits, as determined using such reasonable actuarial assumptions and methods as are specified in the accountant's report attached to the most recent annual report (Form 5500 Series) filed with respect to such Plan.

"TERMINATION EVENT" means (i) a Reportable Event, (ii) the distribution of a notice of intent to terminate a Plan pursuant to Section 4041(c)(1) of ERISA or the treatment of a Plan amendment as a termination under Section 4041(e) of ERISA, (iii) the institution of proceedings to terminate a Plan by the PBGC under Section 4042 of ERISA, or (iv) any other event or condition that, as reasonably determined by the Borrower in good faith, is reasonably likely to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

(b) Section 1.01 is hereby amended by deleting the definition of "Unfunded Liabilities".

3. AMENDMENT TO SECTION 7 OF THE CREDIT AGREEMENT (EVENTS OF DEFAULT). Section 7(n) is hereby amended by replacing it in its entirety with the following:

(n) any Termination Event with respect to a Plan shall have occurred or the sum of the Insufficiency of all Single Employer Plans is equal to or greater than \$80,000,000; or

4. CONDITIONS TO EFFECTIVENESS. This Amendment shall become effective on the date (the "AMENDMENT EFFECTIVE DATE") on which the Borrower and the Required Lenders shall have executed and delivered this Amendment to the Administrative Agent. The Administrative Agent shall notify the Borrower and the Lenders of the Amendment Effective Date, and such notice shall be conclusive and binding.

5. REPRESENTATION AND WARRANTIES. To induce the Lenders to enter into this Amendment, the Borrower hereby represents and warrants to the Lenders that:

(a) REAFFIRMATION. As of the Amendment Effective Date and after giving effect to this Amendment, the representations and warranties set forth in Article V of the Credit Agreement are true and correct in all material respects; and

(b) NO DEFAULT. As of the Amendment Effective Date and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.

6. PAYMENT OF EXPENSES. The Borrower agrees to pay or reimburse the Administrative Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Amendment and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including the reasonable fees and disbursements of counsel to the Administrative Agent as separately agreed by the Administrative Agent and the Borrower.

7. COUNTERPARTS. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Amendment signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

8. SEVERABILITY; HEADINGS. Any provision of this Amendment 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. The section and subsection headings used in this Amendment are for convenience of reference only and are not to affect the construction hereof or to be taken into consideration in the interpretation hereof.

9. CONTINUING EFFECT OF OTHER DOCUMENTS. This Amendment shall not constitute an amendment or waiver of any other provision of the Credit Agreement not expressly referred to herein and shall not be construed as a waiver or consent to any further or future action on the part of the Borrower that would require a waiver or consent of the Lenders or the Administrative Agent. Except as expressly amended, modified and supplemented hereby, the provisions of the Credit Agreement are and shall remain in full force and effect.

10. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

[BALANCE OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

FEDEX CORPORATION, as Borrower

By: /s/ Burnetta B. Williams

*Title: Staff Vice-President and
Assistant Treasurer*

**JPMORGAN CHASE BANK,
as Administrative Agent and as a Lender**

By: /s/ Matthew H. Massie

Title: Managing Director

BANK OF AMERICA, N.A., as a Co-Syndication Agent and as a Lender

By: /s/ Sharon Burks Horos

Title: Vice President

BANK ONE, NA., as a Co-Documentation Agent and as a Lender

By: /s/ Christopher C. Cavaiani

Title: Director

CITICORP USA, INC., as a Co-Syndication Agent and as a Lender

By: /s/ Gaylord C. Holmes

Title: Vice President

By: /s/ Subash R. Viswanathan

Title: Senior Vice President

By: /s/ Brian Campbell

Title: Senior Vice President

**THE ROYAL BANK OF SCOTLAND PLC,
as a Co-Documentation Agent and as a Lender**

By: /s/ David Apps

Title: Senior Vice President

**BANK OF TOKYO-MITSUBISHI TRUST COMPANY, as
a Co-Documentation Agent and as a Lender**

By: /s/ Eduardo P. Abello

Title: Assistant Vice President

**THE BANK OF NOVA SCOTIA,
as a Lender**

By: /s/ N. Bell

Title: Senior Manager

KBC BANK, N.V., as a Lender

By: /s/ Robert Snauffer

Title: First Vice President

By: /s/ Eric Raskin

Title: Vice President

**KREDITANSTALT FUR WIEDERAUFBAU,
as a Lender**

By: /s/ M. Nosbusch

Title: Vice President

By: /s/ Wolf Muth

Title: Vice President

MELLON BANK, N.A., as a Lender

By: /s/ Mark F. Johnston

Title: Vice President

**SUMITOMO MITSUI BANKING CORPORATION,
as a Lender**

By: /s/ Bob Granfelt

Title: Vice President and Manager

REGIONS BANK, as a Lender

By: /s/ David L. Waller

Title: Vice President Corporate
Banking

**MIZUHO CORPORATE BANK, LIMITED,
as a Lender**

By: /s/ James W. Masters

Title: Senior Vice President

**KEYBANK NATIONAL ASSOCIATION,
as a Lender**

By: /s/ Mary K. Young

Title: Vice President

**MERRILL LYNCH BANK USA,
as a Lender**

By: /s/ D. Kevin Imlay

Title: Senior Credit Officer

**UNION PLANTERS BANK, N.A.,
as a Lender**

By: /s/ B. Gordin McMurtry

Title: Senior Vice President

**AMSOUTH BANCORPORATION,
as a Lender**

By: /s/ S. Floyd Harvey, III

Title: Senior Vice President

**THE BANK OF NEW YORK,
as a Lender**

By: /s/ Steven P. Cavaluzzo

Title: Vice President

**CREDIT SUISSE FIRST BOSTON,
as a Lender**

By: /s/ Joel Glodowski

Title: Managing Director

By: /s/ Guy M. Baron

Title: Associate

**FIRST TENNESSEE BANK NATIONAL
ASSOCIATION, as a Lender**

By: /s/ James H. Moore, Jr.

Title: Senior Vice President

**WACHOVIA BANK, N.A.,
as a Lender**

By: /s/ Andrew Payne

Title: Director

**INTESABCI, NEW YORK BRANCH,
as a Lender**

By: /s/ Frank Maffei

Title: Vice President

By: /s/ J. Dickerhof

Title: Vice President

**THE NORTHERN TRUST COMPANY,
as a Lender**

By: /s/ Tracy J. Toulouse

Title: Vice President

**SUNTRUST BANK, INC.,
as a Lender**

By: /s/ Bryan W. Ford

Title: Director

EXHIBIT 10.5

\$250,000,000

**AMENDED AND RESTATED
364-DAY CREDIT AGREEMENT**

dated as of

September 27, 2002

among

FEDEX CORPORATION,
as Borrower,

CITICORP USA, INC. and BANK OF AMERICA, N.A.,
as Co-Syndication Agents,

**BANK ONE, NA, COMMERZBANK A.G.,
BANK OF TOKYO-MITSUBISHI TRUST COMPANY
and THE ROYAL BANK OF SCOTLAND PLC,**
as Co-Documentation Agents,

The Several Lenders Party Hereto,

and

JPMORGAN CHASE BANK,
as Administrative Agent

J.P. MORGAN SECURITIES INC.,
as Sole Lead Arranger and Sole Bookrunner

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AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT dated as of September 27, 2002, among FEDEX CORPORATION, the LENDERS party hereto, JPMORGAN CHASE BANK, as Administrative Agent, CITICORP USA, INC. and BANK OF AMERICA, N.A., as Co-Syndication Agents and BANK ONE, NA, COMMERZBANK A.G., BANK OF TOKYO-MITSUBISHI TRUST COMPANY and THE ROYAL BANK OF SCOTLAND PLC, as Co-Documentation Agents.

W I T N E S S E T H:

WHEREAS, the Borrower is party to the 364-Day Credit Agreement, dated as of September 28, 2001 (as amended, supplemented or otherwise modified, the "EXISTING CREDIT AGREEMENT"), with the lenders parties thereto and the administrative agent and other agents identified therein; and

WHEREAS, the Borrower has requested that the Lenders agree, and the Lenders have agreed, to amend and restate the Existing Credit Agreement;

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, the parties hereto agree that on the Effective Date the Existing Credit Agreement shall be amended and restated in its entirety, as provided in Section 9.17, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. DEFINED TERMS. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"ADJUSTED LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"ADJUSTED NET INCOME" means, for any period on a consolidated basis in accordance with GAAP, the income (loss) before income taxes of the Borrower and its consolidated Subsidiaries for such period MINUS, to the extent included in determining such income (loss) for such period, any net loss or gain realized in connection with any sale or disposition of any asset (other than in the ordinary course of business).

"ADMINISTRATIVE AGENT" means JPMorgan Chase Bank, in its capacity as administrative agent for the Lenders hereunder.

"AFFILIATE" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"AGENTS" means the collective reference to the Co-Syndication Agents, the Co-Documentation Agents and the Administrative Agent.

"AGGREGATE EXPOSURE" means, with respect to any Lender at any time, an amount equal to (a) until the Effective Date, the aggregate amount of such Lender's Commitments at such time and (b) thereafter, the amount of such Lender's Commitment then in effect or, if the Commitments have been terminated, the amount of such Lender's Loans then outstanding. If any Lender shall have any Term-Out Loans outstanding, such Lender shall, for purposes of determining its Aggregate Exposure prior to the termination of the Commitments, be deemed to have a Commitment equal to the aggregate principal amount of such Lender's Term-Out Loans then outstanding.

"AGGREGATE EXPOSURE PERCENTAGE" means, with respect to any Lender at any time, the ratio (expressed as a percentage) of such Lender's Aggregate Exposure at such time to the Aggregate Exposure of all Lenders at such time.

"AGREEMENT" means this Amended and Restated 364-Day Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"ALTERNATE BASE RATE" means, for any day, a rate per annum equal to the higher of (a) the Prime Rate in effect on such day or (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"APPLICABLE PERCENTAGE" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"APPLICABLE RATE" means, for any day, with respect to any ABR Loan or Eurodollar Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "ABR Spread", "Eurodollar Spread" or "Facility Fee Rate", as the case may be, based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt:

CATEGORY	INDEX DEBT RATINGS	ABR SPREAD	EURODOLLAR SPREAD	FACILITY FEE RATE
CATEGORY 1	Rating GREATER THANOR EQUAL TO A- from S&P or GREATER THAN OR EQUAL TO A3 from Moody's	0%	0.300%	0.075%
CATEGORY 2	Rating = BBB+ from S&P or = Baal from Moody's	0%	0.400%	0.100%
CATEGORY 3	Rating = BBB from S&P or = Baa2 from Moody's	0%	0.500%	0.125%
CATEGORY 4	Rating = BBB- from S&P or = Baa3 from Moody's	0%	0.825%	0.175%
CATEGORY 5	Rating LESS THAN BBB- from S&P and LESS THAN Baa3 from Moody's	0.150%	1.150%	0.225%

For purposes of the foregoing, (i) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories, the Applicable Rate shall be based on the higher of the two ratings unless one of the two ratings is two or more Categories lower than the other, in which case the Applicable Rate shall be determined by reference to the Category next below that of the higher of the two ratings;

(iii) if either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then such rating agency shall be deemed to have established a rating in Category 5; and (iv) the ABR Spread and Eurodollar Spread for each category above shall be increased by 0.25% with respect to Term-Out Loans. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect prior to such change.

"ASSIGNEE" has the meaning assigned to such term in Section 9.06(c).

"ASSIGNMENT AND ACCEPTANCE" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.06), and accepted by the Administrative Agent, in the form of EXHIBIT E.

"ASSIGNOR" has the meaning assigned to such term in Section 9.06(c).

"AVAILABILITY PERIOD" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"BENEFICIAL OWNER" means a Person deemed the "Beneficial Owner" of any securities as to which such Person or any of such Person's Affiliates is or may be deemed to be the beneficial owner pursuant to Rule 13d-3 or 13d-5 under the Securities Exchange Act of 1934 (as the same may from time to time be amended, modified or readopted), as well as any securities as to which such Person or any of such Person's Affiliates has the right to become such a beneficial owner (whether such right is exercisable immediately or only after the passage of time or the occurrence of a specified event) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise. In determining the percentage of the outstanding Voting Stock with respect to which a Person is the Beneficial Owner, all shares as to which such Person is deemed the Beneficial Owner shall be deemed outstanding.

"BENEFITTED LENDER" has the meaning assigned to such term in Section 9.07(a).

"BOARD" means the Board of Governors of the Federal Reserve System of the United States of America.

"BORROWER" means FedEx Corporation, a Delaware corporation.

"BORROWING" means Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

"BORROWING REQUEST" means a request by the Borrower for a Borrowing in accordance with Section 2.03.

"BUSINESS DAY" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; PROVIDED that, when used in connection with a Eurodollar Loan, the term "BUSINESS DAY" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"CAPITALIZED OPERATING LEASE VALUE" means the present value, using a discount rate equal to 12.5%, of the Borrower's and the consolidated Subsidiaries' future minimum lease payments for aircraft leases scheduled to terminate more than 365 days after their respective dates of execution.

"CAPITALIZED LEASE OBLIGATIONS" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases ("CAPITALIZED LEASE") on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"CHANGE IN LAW" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.12(b), by any lending office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"CHANGE OF CONTROL" means any of the following: (a) any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange

Commission thereunder as in effect on the date thereof) becoming the Beneficial Owner of Voting Stock of the Borrower having more than 30 percent of the voting power of all of the then outstanding Voting Stock of the Borrower or (b) individuals who are not Continuing Directors constituting a majority of the Board of Directors of the Borrower.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time.

"COMMITMENT" means, with respect to any Lender, the obligation of such Lender, if any, to make Loans hereunder, in an amount not to exceed the amount set forth under the heading "Commitment" opposite such Lender's name on SCHEDULE 2.01 or in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The aggregate original amount of the Commitments on the Effective Date is \$250,000,000.

"COMMONLY CONTROLLED ENTITY" means an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes the Borrower and that is treated as a single employer under Section 414 of the Code.

"CONDUIT LENDER" means any special purpose corporation organized and administered by any Lender for the purpose of making Loans otherwise required to be made by such Lender and designated by such Lender in a written instrument; PROVIDED, that the designation by any Lender of a Conduit Lender shall not relieve the designating Lender of any of its obligations to fund a Loan under this Agreement if, for any reason, its Conduit Lender fails to fund any such Loan, and the designating Lender (and not the Conduit Lender) shall have the sole right and responsibility to deliver all consents and waivers required or requested under this Agreement with respect to its Conduit Lender, and PROVIDED, FURTHER, that no Conduit Lender shall (a) be entitled to receive any greater amount pursuant to Section 2.12, 2.13, 2.14, 2.15 or 9.05 than the designating Lender would have been entitled to receive in respect of the extensions of credit made by such Conduit Lender or (b) be deemed to have any Commitment.

"CONSOLIDATED ADJUSTED NET WORTH" means, at any date as of which the amount thereof is to be determined, (a) the sum of the amounts set forth as preferred stock, common stock, capital in excess of par value or paid-in surplus and retained earnings on a consolidated balance sheet of the Borrower and the consolidated Subsidiaries prepared as of such date in accordance with GAAP, minus (b) the sum of the amounts set forth on such consolidated balance sheet as

(i) the cost of any shares of the Borrower's common stock held in the treasury,

(ii) any surplus resulting from any write-up of assets after the date of this Agreement and (iii) the aggregate value of all goodwill, all as determined in accordance with GAAP.

"CONSOLIDATED ADJUSTED TOTAL ASSETS" means, at any date as of which the amount thereof is to be determined, (a) the aggregate amount set forth as the assets of the Borrower and the consolidated Subsidiaries on a consolidated balance sheet of the Borrower and the consolidated Subsidiaries prepared as of such date in accordance with GAAP, minus (b) the aggregate book value as of such date of determination of all assets of the Borrower or any consolidated Subsidiary subject on such date of determination to a Lien permitted by Section 6.01(j).

"CONSOLIDATED CASH FLOW" means, on a consolidated basis for the Borrower and its consolidated Subsidiaries for any period, the sum of (i) Adjusted Net Income plus (ii) Interest

Expense plus (iii) Rent Expense, in each case as determined in accordance with GAAP for such period.

"CONSOLIDATED NET INCOME" means, for any period, the net income (or net loss) of the Borrower and the consolidated Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP and after giving appropriate effect to any outside minority interests in the consolidated Subsidiaries, excluding

- (i) any aggregate net gain arising from the sale or other disposition of any assets other than any such gain arising from the sale or other disposition of assets (including aircraft) in the ordinary course of business,
- (ii) any gain arising from any write-ups of assets,
- (iii) any unrealized capital gain or loss on any investment,
- (iv) any portion of the earnings of any consolidated Subsidiary which for any reason is unavailable for payment of dividends to the Borrower or another consolidated Subsidiary,
- (v) any amount representing the interest of the Borrower and the consolidated Subsidiaries in the undistributed earnings of any other Person (other than a consolidated Subsidiary),
- (vi) the net income (or net loss) of any Person prior to the date it became a consolidated Subsidiary, and
- (vii) the effect of the application of Financial Accounting Standards Board Statement No. 142.

"CONTINGENT OBLIGATION" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, or take-or-pay contract.

"CONTINUING DIRECTOR" means an individual who is a member of the Board of Directors of the Borrower on the date of this Agreement or who shall have become a member of the Board of Directors of the Borrower subsequent to such date and who shall have been nominated or elected by a majority of the other Continuing Directors then members of the Board of Directors of the Borrower.

"CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "CONTROLLING" and "CONTROLLED" have meanings correlative thereto.

"CONVERSION DATE" has the meaning assigned to such term in Section 2.17.

"CREDIT EXPOSURE" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Loans (including Term-Out Loans) at such time.

"CURRENT MATURITIES" means, as of any date with respect to the Long Term Debt or the Capitalized Lease Obligations of any Person, any portion of such Long Term Debt or Capitalized Lease Obligations, as the case may be, which would in accordance with GAAP be classified as a current liability of such Person.

"DEFAULT" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"DISCLOSED MATTERS" means the actions, suits and proceedings and the environmental matters disclosed in SCHEDULE 3.06.

"DOLLARS" or "\$" refers to lawful money of the United States of America.

"EFFECTIVE DATE" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.01).

"ENVIRONMENTAL LAWS" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"ENVIRONMENTAL LIABILITY" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law,

(b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials,

(d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"EURODOLLAR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"EVENT OF DEFAULT" has the meaning assigned to such term in Article VII.

"EXISTING CREDIT AGREEMENT" has the meaning assigned to such term in the recitals.

"EXTENDING LENDER" has the meaning assigned to such term in Section 2.17.

"EXTENSION DATE" has the meaning assigned to such term in Section 2.17.

"FAA" means the Federal Aviation Administration or any other governmental agency succeeding to the jurisdiction thereof.

"FEDERAL AVIATION ACT" means the Federal Aviation Act of 1958, as amended from time to time.

"FEDERAL EXPRESS CORPORATION" means Federal Express Corporation, a Delaware corporation.

"FEDERAL FUNDS EFFECTIVE RATE" means, for any day, an interest rate per annum equal to the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"FINANCIAL OFFICER" means the chief financial officer, principal accounting officer, treasurer, staff vice president and assistant treasurer or controller of the Borrower.

"FIVE-YEAR COMMITMENT" has the meaning attributed to the term "Commitment" in the Five-Year Credit Agreement.

"FIVE-YEAR CREDIT AGREEMENT" means the Five-Year Credit Agreement dated as of September 28, 2001 (as amended, supplemented or otherwise modified from time to time) among the Borrower, the lenders party thereto and JPMorgan Chase Bank, as administrative agent.

"FIVE-YEAR GUARANTEE AGREEMENT" means that certain Guaranty of the obligations under the Five-Year Credit Agreement dated as of September 28, 2001, as amended, supplemented or otherwise modified from time to time, executed by each Guarantor, substantially in the form of EXHIBIT C attached hereto.

"FIVE-YEAR LOANS" has the meaning attributed to the term "Loans" in the Five-Year Credit Agreement.

"FLIGHT EQUIPMENT" means, collectively, aircraft, aircraft engines, appliances and spare parts, all as defined in the Federal Aviation Act, and related parts.

"FUNDED DEBT" means, as of any date of determination, any Indebtedness (excluding items characterized as Indebtedness pursuant to clause (vii) of the definition thereof other than Contingent Obligations in respect of Indebtedness of Persons other than the Borrower or its consolidated Subsidiaries) of the Borrower and its consolidated Subsidiaries that is outstanding on such date.

"GAAP" means generally accepted principles of accounting as in effect from time to time in the United States of America.

"GOVERNMENTAL AUTHORITY" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency,

authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"GUARANTEE AGREEMENT" means that certain Guaranty of the Obligations hereunder dated as of September 28, 2001, as amended, supplemented or otherwise modified from time to time, executed by each Guarantor, a copy of which is attached hereto as EXHIBIT C.

"GUARANTOR" means each Subsidiary that executes the Guarantee Agreement in accordance with Section 5.12 hereof. The Guarantors as of the date hereof are set forth on SCHEDULE 5.12 hereto.

"HAZARDOUS MATERIALS" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"HEDGE AGREEMENT" means any interest rate swap, exchange or cap agreement.

"INDEBTEDNESS" of a Person means, without duplication, such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of Property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other similar instruments, (v) Capitalized Lease Obligations, (vi) net liabilities under Hedge Agreements, (vii) Contingent Obligations, and (viii) obligations created through asset securitization financing programs.

"INDEX DEBT" means senior, unsecured, non-credit enhanced long-term indebtedness for borrowed money of the Borrower.

"INSOLVENCY" means, with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"INSUFFICIENCY" means, with respect to any Plan, the amount, if any, by which the present value of the benefits under such Plan exceeds the fair market value of the assets of such Plan allocable to such benefits, as determined using such reasonable actuarial assumptions and methods as are specified in the accountant's report attached to the most recent annual report (Form 5500 Series) filed with respect to such Plan.

"INTEREST ELECTION REQUEST" means a request by the Borrower to convert or continue a Borrowing in accordance with Section 2.05.

"INTEREST EXPENSE" means, for any period, the gross interest expense (without regard to any offsetting interest income or reduction for capitalized interest) of the Borrower and its consolidated Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

"INTEREST PAYMENT DATE" means (a) with respect to any ABR Loan, the last day of each March, June, September and December and (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"INTEREST PERIOD" means with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect; PROVIDED, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period and (iii) with respect to Term-Out Loans, the initial Interest Period therefor may, at the Borrower's option, be a period commencing on the day such Term-Out Loan is made or deemed made and ending on the next succeeding day which is the last day of an Interest Period for any then outstanding Loans. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"INVESTMENT" of a Person means any loan, advance (other than commission, travel and similar advances to officers and employees made in the ordinary course of business), extension of credit (other than accounts receivable arising in the ordinary course of business on terms customary in the trade), deposit account (other than a demand deposit account maintained in the ordinary course of business) or contribution of capital by such Person to any other Person or any investment in, or purchase or other acquisition of, the stock, partnership interests, notes, debentures or other securities of any other Person made by such Person.

"LAST RESPONSE DATE" has the meaning assigned to such term in Section 2.17.

"LENDER AFFILIATE" means (a) any Affiliate of any Lender, (b) any Person that is administered or managed by any Lender or any Affiliate of any Lender and that is engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and (c) with respect to any Lender which is a fund that invests in commercial loans and similar extensions of credit, any other fund that invests in commercial loans and similar extensions of credit and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such Lender or investment advisor.

"LENDERS" means the Persons listed on SCHEDULE 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance. Unless the context otherwise requires, each reference herein to the Lenders shall be deemed to include any Conduit Lender.

"LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Telerate Service (or on any successor or substitute

page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO RATE" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate (rounded upwards, if necessary, to the next 1/16 of 1%) at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"LIEN" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or other security agreement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

"LOANS" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"LOAN DOCUMENTS" means this Agreement, the Guarantee Agreement and the Notes, if any.

"LOAN PARTIES" means the collective reference to the Borrower and each Guarantor.

"LONG TERM DEBT" means, as of any date with respect to any Person, all liabilities of such Person outstanding on such date which would in accordance with GAAP be classified as long term debt of such Person.

"MARGIN STOCK" has the meaning assigned to such term in Regulation U.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (i) the business, Property, condition (financial or otherwise), results of operations, or prospects of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower to perform its obligations under the Loan Documents, or (iii) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Administrative Agent or the Lenders thereunder.

"MATERIAL INDEBTEDNESS" means Indebtedness (other than the Loans) of any one or more of the Borrower and its consolidated Subsidiaries, in the case of any single item of such Indebtedness, in excess of \$20,000,000 (or the equivalent thereof in any other currency) or, in the case of all such Indebtedness, in an aggregate principal amount in excess of \$60,000,000 (or the equivalent thereof in any other currency).

"MATURITY DATE" means September 26, 2003, as such date may be extended pursuant to Section 2.17, or if such date is not a Business Day, the preceding Business Day.

"MOODY'S" means Moody's Investors Service, Inc., or, if Moody's shall cease rating Indebtedness of the Borrower and its ratings business with respect to Indebtedness of the Borrower

shall have been transferred to a successor Person, such successor Person; PROVIDED, HOWEVER, that if Moody's ceases rating securities similar to Indebtedness of the Borrower and its ratings business with respect to such securities shall not have been transferred to any successor Person, then "Moody's" shall mean any other nationally recognized rating agency (other than S&P) selected by the Borrower and reasonably satisfactory to the Administrative Agent that rates any Indebtedness of the Borrower.

"MULTIEMPLOYER PLAN" means a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NON-EXCLUDED TAXES" has the meaning assigned to such term in Section 2.14(a).

"NON-EXTENDING LENDER" has the meaning assigned to such term in Section 2.17.

"NON-U.S. LENDER" has the meaning assigned to such term in Section 2.14(d).

"NOTES" means any promissory notes executed by the Borrower in favor of a Lender party hereto pursuant to Section 2.07(e).

"OBLIGATIONS" means the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities of the Borrower to the Administrative Agent or to any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document, or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs or expenses (including all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower pursuant hereto).

"OTHER TAXES" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"PARTICIPANT" has the meaning assigned to such term in Section 9.06(b).

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"PERMITTED INVESTMENTS" means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of one year or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than \$250,000,000; (c) commercial paper of an issuer rated

at least A-1 by S&P or P-1 by Moody's, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within one year from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; or (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

"PERSON" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"PLAN" means at a particular time, any employee benefit plan that is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"PRIME RATE" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"PROPERTY" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned or leased by such Person.

"REGISTER" has the meaning assigned to such term in Section 9.06(d).

"REGULATION U" means Regulation U of the Board as from time to time in effect and any successor or other regulation or official interpretation of the Board relating to the extension of credit by banks for the purpose of purchasing or carrying Margin Stock applicable to member banks of the Federal Reserve System.

"RENT EXPENSE" means, for any period, the rental expense of the Borrower and its consolidated Subsidiaries for such period determined on a consolidated basis in accordance with GAAP excluding rental expense with respect to leases of aircraft scheduled to terminate no more than 365 days after their respective dates of execution.

"REORGANIZATION" means, with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"REPLACEMENT LENDER" has the meaning assigned to such term in Section 2.17.

"REPORTABLE EVENT" means any of the events set forth in Section 4043(c) of ERISA, other than those events for which the thirty day notice period has been waived under the Regulations of PBGC.

"REQUIRED LENDERS" means, at any time, Lenders having Credit Exposures and unused Commitments representing at least 51% of the sum of the total Credit Exposures and unused Commitments at such time outstanding (if any Lender shall have any Term-Out Loans outstanding prior to the termination of the Commitments, such Lender shall, for purposes of this definition, be deemed to have a Commitment equal to the aggregate principal amount of such Lender's Term-Out Loans then outstanding).

"REQUIREMENT OF LAW" means, as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"RESTRICTED INVESTMENT" means any Investment other than an Investment permitted by Section 6.05.

"RESTRICTED MARGIN STOCK" means Margin Stock owned by the Borrower or any Subsidiary which represents not more than 33-1/3% of the aggregate value (determined in accordance with Regulation U), on a consolidated basis, of the Property and assets of the Borrower and the Subsidiaries (other than Margin Stock) that is subject to the provisions of Article 6 (including Section 6.01).

"SIGNIFICANT SUBSIDIARY" means, during each fiscal year of the Borrower, any Subsidiary of the Borrower which had revenues (determined in accordance with GAAP) for the immediately preceding fiscal year of the Borrower in excess of 2.0% of the consolidated revenues (determined in accordance with GAAP) of the Borrower and the consolidated Subsidiaries for such immediately preceding fiscal year.

"SINGLE EMPLOYER PLAN" means any Plan that is covered by Title IV of ERISA, but that is not a Multiemployer Plan.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., or, if S&P shall cease rating Indebtedness of the Borrower and its ratings business with respect to Indebtedness of the Borrower shall have been transferred to a successor Person, such successor Person; PROVIDED, HOWEVER, that if S&P ceases rating securities similar to Indebtedness of the Borrower and its ratings business with respect to such securities shall not have been transferred to any successor Person, then "S&P" shall mean any other nationally recognized rating agency (other than Moody's) selected by the Borrower and reasonably satisfactory to the Administrative Agent that rates any Indebtedness of the Borrower.

"STATUTORY RESERVE RATE" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as

"Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"SUBSIDIARY" of a Person means (i) any corporation more than 50% of the outstanding Voting Stock of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its subsidiaries or by such Person and one or more of its subsidiaries, or (ii) any partnership, association, joint venture or similar business organization more than 50% of the ownership interests having power to direct the ordinary affairs thereof of which shall at the time be so owned or controlled.

"SUBSIDIARY" means any subsidiary of the Borrower.

"TAXES" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"TERM-OUT LOAN" has the meaning assigned to such term in Section 2.17.

"TERMINATION EVENT" means (i) a Reportable Event, (ii) the distribution of a notice of intent to terminate a Plan pursuant to Section 4041(c)(1) of ERISA or the treatment of a Plan amendment as a termination under Section 4041(e) of ERISA, (iii) the institution of proceedings to terminate a Plan by the PBGC under Section 4042 of ERISA, or (iv) any other event or condition that, as reasonably determined by the Borrower in good faith, is reasonably likely to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"TRANSACTIONS" means the execution, delivery and performance by each Loan Party of the Loan Documents to which it is a party, the borrowing of Loans by the Borrower and the use of the proceeds thereof by the Borrower.

"TRANSFeree" means any Assignee or Participant.

"TYPE", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"UNRESTRICTED MARGIN STOCK" means any Margin Stock owned by the Borrower or any Subsidiary which is not Restricted Margin Stock.

"UTILIZATION FEES" has the meaning set forth in Section 2.09(b).

"VOTING STOCK" means all outstanding shares of capital stock of a Person entitled to vote generally in the election of directors.

"WHOLLY-OWNED SUBSIDIARY" of a Person means (i) any subsidiary all of the outstanding voting securities (other than directors' qualifying shares and other de minimis local ownership required by law) of which shall at the time be owned or controlled, directly or indirectly,

by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (ii) any Person 100% of the ownership interests (other than directors' qualifying shares and other de minimis local ownership required by law) having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise specified herein, references to "Wholly-Owned Subsidiaries" herein shall be deemed to refer to Wholly-Owned Subsidiaries of the Borrower.

SECTION 1.02. CLASSIFICATION OF LOANS AND BORROWINGS. For purposes of this Agreement, Loans may be classified and referred to by Type (e.g., a Eurodollar Loan") and Borrowings also may be classified and referred to by Type (e.g., a Eurodollar Borrowing").

SECTION 1.03. TERMS GENERALLY. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. ACCOUNTING TERMS; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; **PROVIDED** that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

THE CREDITS

SECTION 2.01. COMMITMENTS. Subject to the terms and conditions set forth herein, each Lender agrees to make Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Credit Exposure exceeding such Lender's Commitment or (b) the sum of the total Credit Exposures exceeding the

total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Loans.

SECTION 2.02. LOANS AND BORROWINGS. (a) Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; **PROVIDED** that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.11, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Lender Affiliate to make such Loan; **PROVIDED** that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000; **PROVIDED** that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments. Borrowings of more than one Type may be outstanding at the same time; **PROVIDED** that there shall not at any time be more than a total of 15 Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. REQUESTS FOR BORROWINGS. To request a Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, at least three Business Days before the date of the proposed Borrowing or

(b) in the case of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in the form of EXHIBIT A. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.04.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. FUNDING OF BORROWINGS. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City and designated by the Borrower in the applicable Borrowing Request.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at

(i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.05. INTEREST ELECTIONS. (a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in the form of EXHIBIT B.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.06. TERMINATION AND REDUCTION OF COMMITMENTS. Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(a) The Borrower may at any time terminate, or from time to time reduce, the Commitments; PROVIDED that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$10,000,000 and not less than \$20,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.08, the Credit Exposures of the Lenders would exceed the total Commitments.

(b) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (a) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date

thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; PROVIDED that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.07. REPAYMENT OF LOANS; EVIDENCE OF DEBT. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan on the Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph

(b) or (c) of this Section shall be PRIMA FACIE evidence of the existence and amounts of the obligations recorded therein; PROVIDED that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.06) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.08. PREPAYMENT OF LOANS. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment or (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be

prepaid; PROVIDED that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section

2.06, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.06. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Partial prepayments of Loans shall be in an aggregate principal amount of \$5,000,000 or a whole multiple thereof. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.10. Once prepaid, Term-Out Loans may not be reborrowed.

SECTION 2.09. FEES. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; PROVIDED that, if such Lender continues to have any Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; PROVIDED that any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) If on any day the sum of the aggregate outstanding principal amount of all Loans and all Five-Year Loans exceeds the sum of (i) the product of (A) one-third (1/3) TIMES (B) the Commitment and (ii) the product of (A) one-third (1/3) TIMES (B) the Five-Year Commitment, then the Borrower shall pay to the Administrative Agent, for the pro rata benefit of each Lender, a fee (the "UTILIZATION FEE") of 0.125% per annum on the sum of the Borrower's outstanding Loans and outstanding Five-Year Loans. Accrued Utilization Fees shall be payable in arrears on the last day of March, June, September and December of each year (as well as on the Maturity Date and on any day that the Commitment is reduced). All Utilization Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent. Fees paid shall not be refundable under any circumstances.

SECTION 2.10. INTEREST. (a) The Loans comprising each ABR Borrowing shall bear interest at a rate per annum equal to the Alternate Base Rate plus the Applicable Rate.

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(b) The Loans comprising each Eurodollar Borrowing shall bear interest at a rate per annum equal to the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided above or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided above.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; PROVIDED that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion and (iv) all accrued interest shall be payable upon termination of the Commitments.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.11. ALTERNATE RATE OF INTEREST. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

SECTION 2.12. INCREASED COSTS. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to reduce the amount of any sum received or receivable by such Lender (whether of principal, interest or otherwise), then the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section, setting forth in reasonable detail the calculations upon which such Lender determined such amount, shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 15 days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; PROVIDED that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than six months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; PROVIDED FURTHER that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.13. BREAK FUNDING PAYMENTS. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under Section 2.08(b) and is revoked in accordance herewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to

Section 2.16, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, the loss to any Lender attributable to any such event shall be deemed to include an amount determined by such Lender to be equal to the

excess, if any, of (i) the amount of interest that such Lender would pay for a deposit equal to the principal amount of such Loan for the period from the date of such payment, conversion, failure or assignment to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or continue, the duration of the Interest Period that would have resulted from such borrowing, conversion or continuation) if the interest rate payable on such deposit were equal to the Adjusted LIBO Rate for such Interest Period, over (ii) the amount of interest that such Lender would earn on such principal amount for such period if such Lender were to invest such principal amount for such period at the interest rate that would be bid by such Lender (or an Affiliate of such Lender) for dollar deposits from other banks in the eurodollar market at the commencement of such period. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower, setting forth in reasonable detail the calculations upon which such Lender determined such amount, and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 15 days after receipt thereof.

SECTION 2.14. TAXES. (a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("NON-EXCLUDED TAXES") or Other Taxes are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement, PROVIDED, HOWEVER, that the Borrower shall not be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section or (ii) that are United States withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Non-Excluded Taxes pursuant to this paragraph.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or

penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure.

(d) Each Lender (or Transferee) that is not a "U.S. Person" as defined in Section 7701(a)(30) of the Code (a "NON-U.S. LENDER") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of EXHIBIT F and a Form W-8BEN, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, PROVIDED that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(f) The agreements in this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

SECTION 2.15. PAYMENTS GENERALLY; PRO RATA TREATMENT; SHARING OF SET-OFFS. (a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or under Section 2.12, 2.13 or 2.14, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York and except that payments pursuant to Sections 2.12, 2.13, 2.14 and 9.05 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next

succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans; PROVIDED that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.04(b) or 2.15(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.16. MITIGATION OBLIGATIONS; REPLACEMENT OF LENDERS. (a) If any Lender requests compensation under Section 2.12, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.14, then such Lender shall use reasonable efforts to designate a different

lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.12 or 2.14, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. To the extent reasonably possible, each Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment would avoid the unavailability of Eurodollar Loans under Section 2.11, so long as such designation is not disadvantageous to such Lender as determined by such Lender in its sole discretion.

The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) The Borrower shall, at its sole expense and effort, have the right, by giving at least 15 Business Days' prior written notice to the affected Lender and the Administrative Agent, at any time when no Default or Event of Default has occurred and is continuing, to require any Lender to assign all of its rights and obligations under the Loan Documents to any other Lender (other than a Conduit Lender) approved by the Borrower. Such assignment shall be substantially in the form of EXHIBIT E hereto or in such other form as may be agreed to by the parties thereto but shall be on terms and conditions reasonably satisfactory to the affected Lender. The Borrower shall remain liable to the affected Lender for any indemnification provided under Section 2.13 with respect to Loans of such Lender outstanding on the effective date of an assignment required under this Section 2.16(b), as well as for all other Obligations owed to such Lender under this Agreement as of such effective date.

SECTION 2.17. EXTENSION OF MATURITY DATE; TERM-OUT OPTION. At least 30 days but not more than 60 days prior to the Maturity Date in effect at any time, the Borrower may, by written notice to the Administrative Agent (which notice the Administrative Agent shall promptly transmit to each Lender), request that each Lender agree to an extension of the Maturity Date in effect at such time for a period of 364 days from its then scheduled expiration. Each Lender shall respond to such extension request (each such response being delivered to the Administrative Agent) not earlier than 30 days but at least 15 days (such date, the "LAST RESPONSE DATE") prior to such Maturity Date, with the failure of any Lender to respond being deemed to be a negative response. Each Lender shall decide in its sole discretion whether or not to agree to such extension of the Maturity Date. Lenders consenting to extend the then applicable Maturity Date are hereinafter referred to as "EXTENDING LENDERS", and Lenders declining to consent to extend such Maturity Date (or Lenders deemed to have so declined) are hereinafter referred to as "NON- EXTENDING LENDERS". In the event that there are one or more Non-Extending Lenders, the Borrower may elect, with respect to any such Non-Extending Lender, on or before the date which is 10 days prior to the Maturity Date then in effect (the "REPLACEMENT DATE"), to provide, with the consent of the Administrative Agent (which consent shall not be unreasonably withheld), another bank or financial institution or entity ("REPLACEMENT LENDER") to acquire the Commitment of, and Loans owing to, such Non-Extending Lender, which assignment of such Non-Extending Lender's Commitment and Loans shall be effected pursuant to an Assignment and Acceptance executed by such Non-Extending Lender, such Replacement Lender, the Borrower and the Administrative Agent. On the Business Day next following the Last Response Date, the Administrative Agent shall advise the Borrower of each Lender's response, whereupon the Borrower shall, on or prior to the Replacement Date, determine

and so advise the Administrative Agent either (a) not to have the Maturity Date extended or (b) to have the Maturity Date extended. If the Borrower so elects to extend the Maturity Date, and so long as no Default or Event of Default is in existence at such time and subject to the next succeeding sentence, then each Extending Lender and Replacement Lender shall be deemed to have agreed (such agreement to become effective on the then effective Maturity Date (each such date an "EXTENSION DATE")) to cause the Maturity Date to be extended as to each such Lender until the date which is 364 days after the then effective Maturity Date. In the event, on the Replacement Date, Extending Lenders (together with Replacement Lenders, if applicable) do not, in the aggregate, hold at least 66 2/3rd% of the outstanding Commitments, no extension of any Lender's Commitment pursuant to this Section 2.17 shall become effective and the Borrower may, at its option by written notice to the Administrative Agent no later than 5 days prior to the Maturity Date then in effect, elect to convert on such Maturity Date ("CONVERSION DATE") the outstanding Loans of all Lenders into term loans ("TERM-OUT LOANS") which shall be due and payable on the first anniversary of the Conversion Date (but in no event later than the Maturity Date (as defined in the Five-Year Credit Agreement) of the Five-Year Loans). The Maturity Date may be extended for successive periods of 364 days pursuant to this Section 2.17 but in no event shall any Maturity Date extend beyond the Maturity Date (as defined in the Five-Year Credit Agreement) of the Five-Year Loans. In the event the Maturity Date is extended in accordance with this Section 2.17, the Commitment of any Non-Extending Lender shall terminate on the Maturity Date without giving effect to such proposed extension, and the Borrower shall on such date pay to the Administrative Agent, for the account of such Non-Extending Lender, the principal amount of, and accrued interest on, such Non-Extending Lender's Loans, together with any amounts payable to such Non-Extending Lender pursuant to Sections 2.11, 2.12 and 2.13 and any fees or other amounts owing to such Non-Extending Lender under this Agreement; PROVIDED that if such Non-Extending Lender has been replaced then such provisions shall not apply to such Non-Extending Lender. The aggregate amount of the Commitments shall be reduced by the amount of the Commitment of such Non-Extending Lender to the extent the Commitment of such Non-Extending Lender has not been transferred to one or more Replacement Lenders pursuant to this Section 2.17.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders that:

SECTION 3.01. ORGANIZATION; POWERS. The Borrower and each of the Significant Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.02. AUTHORIZATION; ENFORCEABILITY. The Transactions are within the Borrower's and each of the Guarantors' corporate powers and authority and have been duly authorized by all necessary corporate action. The Loan Documents (i) have been duly executed and delivered by the Borrower and each of the Guarantors and (ii) constitute legal, valid and binding obligations of the Borrower and each of the Guarantors, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other

laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. GOVERNMENTAL APPROVALS; NO CONFLICTS. The Transactions

(a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower, any Guarantor or any of the Significant Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower, any Guarantor or any of the Significant Subsidiaries or their assets, or give rise to a right thereunder to require any payment to be made by the Borrower, any Guarantor or any of the Significant Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of the Significant Subsidiaries.

SECTION 3.04. FINANCIAL STATEMENTS. The Borrower has heretofore furnished to the Lenders its consolidated balance sheet, related profit and loss and reconciliation of surplus statements, and a statement of cash flows as of and for the fiscal year ended May 31, 2002, reported on by Ernst & Young LLP, independent public accountants. Such financial statements present fairly, in all material respects, the consolidated financial condition and operations of the Borrower and its consolidated Subsidiaries as of such date and the consolidated results of their operations for the periods then ended, in accordance with GAAP.

SECTION 3.05. TAXES. The Borrower and each of its Significant Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Significant Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06. LITIGATION AND ENVIRONMENTAL MATTERS. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Significant Subsidiaries (i) that could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters listed on SCHEDULE 3.06) or (ii) that involve this Agreement or the Transactions.

(b) Except for the Disclosed Matters listed on SCHEDULE 3.06 and except with respect to any matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Significant Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Other than any liability incident to the Disclosed Matters, the Borrower and its Significant Subsidiaries have no material contingent obligations not provided for or disclosed in the financial statements referred to in Section 3.04. Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in a Material Adverse Effect.

SECTION 3.07. SUBSIDIARIES. SCHEDULE 3.07 hereto contains an accurate list of all of the presently existing Significant Subsidiaries of the Borrower, setting forth their respective jurisdictions of incorporation and the percentage of their respective capital stock owned by the Borrower or other Subsidiaries. All of the issued and outstanding shares of capital stock of such Significant Subsidiaries have been duly authorized and issued and are fully paid and non-assessable.

SECTION 3.08. ERISA. Neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by a material amount. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither the Borrower nor any Commonly Controlled Entity would become subject to any material liability under ERISA if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or Insolvency.

SECTION 3.09. ACCURACY OF INFORMATION. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder by the Borrower (as subsequently modified, superseded or supplemented by other information so furnished), contains, when taken as a whole, any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

SECTION 3.10. REGULATION U. Margin Stock constitutes less than 25% of the aggregate value (determined in accordance with Regulation U), on a consolidated basis, of the Property and assets of the Borrower and its Subsidiaries that is subject to the provisions of Article 6 (including Section 6.01).

SECTION 3.11. COMPLIANCE WITH LAWS AND AGREEMENTS. The Borrower and each of its Significant Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 3.12. PROPERTIES; LIENS. The Borrower and each of the Significant Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for any such defects that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, and none of such property is subject to any Lien except as permitted by Section 6.01.

SECTION 3.13. INVESTMENT AND HOLDING COMPANY STATUS. Neither the Borrower nor any of its Subsidiaries is (a) an investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.14. CITIZENSHIP. Federal Express Corporation is a citizen of the United States, as defined in 49 U.S.C. Section 40102(a)(15) (a "CITIZEN"). Each other Subsidiary that must be a Citizen in order to conduct its business as currently conducted is a Citizen. Neither Federal Express Corporation nor any such other Subsidiary is a national of any foreign country designated in Presidential Executive Order No. 8389 or 9193, as amended, and the regulations issued thereunder, as amended, or a national of any foreign country designated in the Foreign Assets Control Regulations or in the Cuban Assets Control Regulations of the United States Treasury Department, 31 C.F.R., Chapter V, as amended.

SECTION 3.15. STATUS AS AIR CARRIER. Federal Express Corporation, and each other Subsidiary that must be so authorized in order to conduct its business as currently conducted, (i) is authorized to engage in all cargo domestic and international air service under certificates issued pursuant to 49 U.S.C. Section 41103 and 49 U.S.C. Section 41102(a), respectively, and (ii) is the holder of a valid and effective operating certificate issued by the FAA pursuant to Part 119 of the regulations under the Federal Aviation Act. Such certificates are in full force and effect and are adequate for the conduct of the business of the Borrower and its Subsidiaries as now conducted. There are no actions, proceedings or investigations pending or, to the knowledge of the executive officers of the Borrower, threatened (or any basis therefor known to the Borrower) to amend, modify, suspend or revoke any such certificate in whole or in part, which would have any material adverse effect on any such certificate or any of the operations of the Borrower or its Subsidiaries.

SECTION 3.16. PARI PASSU. All the payment obligations of the Borrower and the Guarantors arising under or pursuant to the Loan Documents will at all times rank pari passu, with all other unsecured and unsubordinated payment obligations and liabilities (including contingent obligations and liabilities) of the Borrower and the Guarantors (other than those which are mandatorily preferred by laws or regulations of general application).

ARTICLE IV

CONDITIONS

SECTION 4.01. EFFECTIVE DATE. The obligations of the Lenders to make Loans shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.01):

(a) The Administrative Agent (or its counsel) shall have received (i) from each party hereto either a counterpart of this Agreement signed on behalf of such party or written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement and (ii) an acknowledgement and consent with respect to the Guarantee Agreement, executed and delivered by each Guarantor.

- (b) The Administrative Agent shall have received satisfactory evidence that this Agreement shall have been approved by the Required Lenders (as defined in the Existing Credit Agreement).
- (c) The Administrative Agent shall have received a written opinion from counsel to the Borrower, substantially in the form of EXHIBIT D.
- (d) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Borrower and the domestic Significant Subsidiaries and the authorization of the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.
- (e) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.
- (f) Since May 31, 2002, there has been no change in the business, Property, prospects, condition (financial or otherwise) or results of operations of the Borrower and its Subsidiaries taken as a whole which could reasonably be expected to have a Material Adverse Effect and the Administrative Agent shall have received a written representation and warranty to such effect by the Borrower as of the Effective Date.
- (g) The Administrative Agent shall have received (i) satisfactory audited consolidated financial statements of the Borrower for the two most recent fiscal years ended prior to the Effective Date as to which such financial statements are available, and (ii) satisfactory unaudited interim consolidated financial statements of the Borrower for each quarterly period ended subsequent to the date of the latest financial statements delivered pursuant to clause (i) of this paragraph as to which such financial statements are available.
- (h) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.
- (i) The Administrative Agent shall have received evidence reasonably satisfactory to it that (i) no Loan shall be outstanding under the Existing Credit Agreement as of the Effective Date and (ii) any accrued interest and fees accrued under the Existing Credit Agreement to but excluding the Effective Date shall have been paid.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.01) at or prior to 3:00 p.m., New York City time, on September 27, 2002 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. EACH CREDIT EVENT. The obligation of each Lender to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower set forth in this Agreement shall be true and correct on and as of the date of such Borrowing.

(b) At the time of and immediately after giving effect to such Borrowing no Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V

AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, the Borrower covenants and agrees with the Lenders that:

SECTION 5.01. FINANCIAL STATEMENTS AND OTHER INFORMATION. The Borrower will furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year of the Borrower, its audited consolidated balance sheet, related profit and loss and reconciliation of surplus statements, and a statement of cash flows as of the end of and for such year, setting forth in each case the figures for the previous fiscal year, all reported on by Ernst & Young LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit);

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, an unaudited consolidated balance sheet and consolidated profit and loss and reconciliation of surplus statements and a statement of cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Borrower (i) certifying as to whether a Default or Event of Default has occurred and, if a Default or Event of Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto and (ii) setting forth reasonably detailed calculations demonstrating compliance with Sections 5.10 and 5.11, substantially in the form of SCHEDULE 5.01(c) hereto;

(d) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements

of any Default or Event of Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) promptly after the same become publicly available, copies of all regular and periodic reports, proxy statements and prospectuses filed by the Borrower, any Guarantor or any Significant Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Borrower to its shareholders generally, as the case may be; and

(f) promptly following any request therefor, such other information (including non-financial information) as the Administrative Agent or any Lender may from time to time reasonably request.

SECTION 5.02. USE OF PROCEEDS. The proceeds of the Loans will be used only for general corporate purposes, including commercial paper back-up and acquisitions. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulation U.

SECTION 5.03. NOTICE OF MATERIAL EVENTS. The Borrower will, and will cause each Subsidiary to, furnish to the Administrative Agent and each Lender prompt written notice of the occurrence of any Default or Event of Default or any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect. Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.04. EXISTENCE; CONDUCT OF BUSINESS. Except as permitted by Sections 6.03 and 6.04, the Borrower will, and will cause each Significant Subsidiary to, carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and to do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted and where the failure to have such requisite authority could reasonably be expected to have a Material Adverse Effect.

SECTION 5.05. CITIZENSHIP AND REGULATORY CERTIFICATES. The Borrower will cause Federal Express Corporation and each other applicable Subsidiary to continue to be (a) a citizen of the United States, as defined in 49 U.S.C. Section 40102(a)(15), (b) authorized to engage in all cargo domestic and international air service under certificates issued pursuant to 49 U.S.C. Section 41103 and 49 U.S.C. Section 41102(a), respectively, (c) the holder of all other certificates, rights, permits, franchises and concessions from appropriate Governmental Authorities necessary or appropriate to enable the Borrower and its Subsidiaries to conduct their business in all material respects as presently being conducted, and (d) the holder of a valid and effective operating certificate issued by the FAA pursuant to Part 119 of the regulations under the Federal Aviation Act. The Borrower will, and will cause each of its Subsidiaries to, use its best efforts to maintain, preserve and keep in full force and effect its material certificates, rights, permits, franchises and concessions from appropriate Governmental Authorities and use its best efforts from time to time to obtain appropriate renewals or replacements, PROVIDED, that nothing in this Section 5.05 shall prevent the Borrower or any of its

Subsidiaries from abandoning, or permitting the amendment, expiration or termination of, any such certificate, right, permit, franchise or concession if, in the opinion of the Borrower, such abandonment, amendment, expiration or termination is in the interest of the Borrower and not prejudicial in any material respect to the Lenders.

SECTION 5.06. PAYMENT OF TAXES. The Borrower will, and will cause each Subsidiary to, pay and discharge all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any property belonging to it, and all lawful claims which, if unpaid, would become a Lien, except where failure to do any of the foregoing would not have a Material Adverse Effect and provided that neither the Borrower nor a Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim the payment of which is being contested in good faith and by appropriate proceedings; and make monthly accruals of all of the estimated liability of the Borrower and Subsidiaries for such taxes, assessments, charges and levies, determined in accordance with GAAP, and establish adequate reserves determined in accordance with GAAP, for such thereof as may be contested, and reflect such accruals and reserves in all financial statements furnished hereunder.

SECTION 5.07. COMPLIANCE WITH LAWS. The Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. MAINTENANCE OF PROPERTIES; INSURANCE. The Borrower will, and will cause each of its Significant Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, except where failure to do so could not reasonably be expected to have a Material Adverse Effect and (b) maintain, with financially sound and reputable insurance companies, insurance on its property in such amounts and against such risks as are consistent with prudent business practice, and the Borrower will furnish to any Lender upon request full information as to the insurance carried.

SECTION 5.09. BOOKS AND RECORDS; INSPECTION RIGHTS. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books of accounts and other financial records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and intervals as the Lenders may designate.

SECTION 5.10. LEVERAGE. The Borrower will maintain at all times a ratio of (i) the sum of (a) the aggregate unpaid principal amount of all outstanding Funded Debt, PLUS (b) Capitalized Operating Lease Value, to (ii) the sum of (a) the items listed in clause (i) above PLUS (b) Consolidated Adjusted Net Worth, of not more than .70 to 1.

SECTION 5.11. FIXED CHARGE COVERAGE. The Borrower will, for each period of four consecutive fiscal quarters of the Borrower ending after August 31, 2002, maintain a ratio of (a) Consolidated Cash Flow for such period to (b) the sum of Interest Expense and Rent Expense for such period, in an amount not less than 1.25 to 1.

SECTION 5.12. GUARANTEE AGREEMENT. (a) Within thirty days after (A) acquiring or establishing any Subsidiary that constitutes a Significant Subsidiary or (B) any Subsidiary guaranteeing either the Obligations (as defined therein) under the Five-Year Credit Agreement or any public debt securities issued by the Borrower, upon its acquisition or establishment or the issuance of any such guarantee, as the case may be, the Borrower shall cause such Subsidiary to execute the Guarantee Agreement pursuant to an Addendum thereto in the form of Annex I to the Guarantee Agreement, and to deliver documentation, to the extent requested by the Administrative Agent, similar to that described in Section 4.01(c) and (d) relating to the authorization for, execution and delivery of, and validity of such Significant Subsidiary's obligations as a Guarantor, such documentation to be in form and substance reasonably satisfactory to the Administrative Agent.

(b) If at any time the Guarantors do not consist of Subsidiaries of the Borrower which, in the aggregate, had revenues (determined in accordance with GAAP) for the immediately preceding fiscal year of the Borrower in excess of 90% of the consolidated revenues (determined in accordance with GAAP) of the Borrower and the consolidated Subsidiaries for such immediately preceding fiscal year, then the Borrower shall promptly cause one or more additional Subsidiaries each to execute the Guarantee Agreement pursuant to an Addendum thereto in the form of Annex I to the Guarantee Agreement, and to deliver documentation, to the extent requested by the Administrative Agent, similar to that described in Section 4.01(c) and (d) relating to the authorization for, execution and delivery of, and validity of such Subsidiary's obligations as a Guarantor, such documentation to be in form and substance reasonably satisfactory to the Administrative Agent, so that the aggregate consolidated revenues (determined in accordance with GAAP) of the Guarantors for such fiscal year equal or exceed 90% of the consolidated revenues (determined in accordance with GAAP) of the Borrower and the consolidated Subsidiaries for such fiscal year.

ARTICLE VI

NEGATIVE COVENANTS

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full, the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. LIENS. The Borrower will not, nor will it permit any consolidated Subsidiary to, create, incur, assume or suffer to exist, any Lien on, or enter into, or make any commitment to enter into, any arrangement for the acquisition of, any Property (other than Unrestricted Margin Stock) through conditional sales, lease-purchase or other title retention agreement, except:

- (a) Liens which may be hereafter created to secure payment of the Obligations;
- (b) Liens incurred or deposits or pledges, made in the ordinary course of business, to secure payment of workers' compensation, unemployment insurance, old age pensions or other social security obligations;
- (c) Liens incurred or deposits or pledges, made in the ordinary course of business, to secure performance of bids, tenders, contracts (other than contracts for Indebtedness), leases, public or statutory obligations, surety bonds, or other Liens or deposits or pledges for purposes of like general nature made in the ordinary course of business;

(d) Deposits or pledges for the purpose of securing an appeal, stay or discharge in the course of legal proceedings, or Liens for judgments or awards which were not incurred in connection with Indebtedness or the obtaining of advances or credits, provided such deposits, pledges and Liens do not, in the aggregate for the Borrower and the consolidated Subsidiaries, materially detract from the value of their assets or properties or materially impair the use thereof in the ordinary course of business and such appeal, judgment or award, as the case may be, is being diligently contested or litigated in good faith by appropriate proceedings being diligently conducted, and provided further there has been set aside on the books of the Borrower or the consolidated Subsidiaries, as the case may be, reserves in accordance with GAAP with respect thereto, which reserves shall be maintained until the related liabilities are paid or otherwise discharged, and provided further execution is not levied upon any such judgment or award;

(e) Liens for taxes, fees, assessments and governmental charges not delinquent or which are being contested in good faith by appropriate proceedings being diligently conducted, provided there has been set aside on the books of the Borrower or the consolidated Subsidiaries, as the case may be, adequate reserves in accordance with GAAP with respect thereto, which reserves shall be maintained until the related liabilities are paid or otherwise discharged, and provided further, execution is not levied upon any such Lien;

(f) Mechanics', carriers', workers', repairmen's or other like Liens arising in the ordinary course of business securing obligations which are not overdue for a period of more than 90 calendar days, or which are being contested in good faith by appropriate proceedings being diligently conducted provided there has been set aside on the books of the Borrower and the consolidated Subsidiaries, as the case may be, adequate reserves in accordance with GAAP with respect thereto, which reserves shall be maintained until the related liabilities are paid or otherwise discharged, and provided further, execution is not levied upon any such Lien;

(g) Lessors' interests under Capitalized Leases;

(h) Liens on property acquired or constructed with the proceeds of any tax-exempt bond financing to secure such financing;

(i) Liens securing Indebtedness of a consolidated Subsidiary to the Borrower or any Guarantor or, in the case of Indebtedness of a consolidated Subsidiary which is not a Guarantor, to any consolidated Subsidiary which is not a Guarantor;

(j) Liens existing on the property of a corporation or other business entity immediately prior to its being consolidated with or merged into the Borrower or a consolidated Subsidiary or its becoming a consolidated Subsidiary, or Liens existing on any property acquired by the Borrower or a consolidated Subsidiary at the time such is so acquired (whether or not the Indebtedness secured thereby shall have been assumed), provided that (i) no such Lien was created or assumed in contemplation of such consolidation or merger or such entity's becoming a consolidated Subsidiary or such acquisition of property and

(ii) each such Lien shall only cover the acquired property and, if required by the terms of the instrument originally creating such Lien, property which is an improvement to or is acquired for specific use in connection with such acquired property;

(k) Liens on Flight Equipment acquired on or after the date of this Agreement which (i) secure the payment of all or any part of the purchase price of such Flight Equipment or improvements thereon, (ii) are limited to the Flight Equipment so acquired and improvements

thereon, and (iii) attach to such Flight Equipment within one year after the acquisition or improvement of such Flight Equipment;

(l) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(m) Zoning, building or other restrictions, variances, covenants, rights of way, encumbrances, easements and other minor irregularities in title, none of which, individually or in the aggregate, (i) interfere in any material respect with the present use or occupancy of the affected parcel by the Borrower or any Subsidiary, (ii) have no more than an immaterial effect on the value thereof or its use or (iii) would impair the ability of such parcel to be sold for its present use;

(n) Liens arising solely by virtue of any law or regulation relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution;

(o) Liens to secure Indebtedness for the purpose of financing all or any part of the purchase price or the cost of construction or improvement of the property subject to such Lien; PROVIDED, HOWEVER, that (i) the principal amount of any Indebtedness secured by such Lien does not exceed 100% of such purchase price or cost and (ii) such Lien does not extend to or cover any other property other than such item of property so acquired, constructed or improved;

(p) Liens arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by clauses (h), (j), (k) and (o) of this Section, PROVIDED that such Indebtedness is not increased and is not secured by any additional assets; and

(q) Liens not otherwise permitted by Sections 6.01 (a) through (p) PROVIDED that, as of the date any Lien is incurred and as of the end of each fiscal quarter of the Borrower ending after August 31, 2002, the sum of (i) the aggregate principal amount of all outstanding Long Term Debt of the consolidated Subsidiaries which are not Guarantors (excluding the Current Maturities of any such Long Term Debt and any Long Term Debt of a consolidated Subsidiary owing to the Borrower), PLUS (ii) the aggregate principal amount of all outstanding Long Term Debt of the Borrower or any Guarantor (excluding the Current Maturities of any such Long Term Debt and any Long Term Debt of a consolidated Subsidiary owing to the Borrower) which is secured as permitted by this Section 6.01(q), does not exceed 8% of Consolidated Adjusted Total Assets.

SECTION 6.02. RESTRICTED INVESTMENTS. The Borrower will not, nor will it permit any consolidated Subsidiary to, make any Restricted Investment except Restricted Investments made by the Borrower or a consolidated Subsidiary so long as, after giving effect to any such Restricted Investment (i) the aggregate amount of all such Restricted Investments existing on the date of such proposed action shall not exceed (x) \$750,000,000 plus (y) 75% (or in the case of a deficit, minus 100%) of the Consolidated Net Income for the period commencing on June 1, 2001 and ending on and including the date of any such proposed action (the "COMPUTATION PERIOD") plus (z) the aggregate amount of the net cash proceeds received by the Borrower during the Computation Period from the sale of its stock and Indebtedness of the Borrower convertible into stock of the Borrower (but only to the extent that any such Indebtedness has been converted into shares of such stock during such period), and (ii) there shall exist no Default or Event of Default.

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SECTION 6.03. MERGER AND CONSOLIDATION. The Borrower will not, nor will it permit any consolidated Subsidiary to, merge or consolidate with or into or enter into any analogous reorganization or transaction with any other Person, or sell all or substantially all of the assets of the Borrower and its consolidated Subsidiaries taken as a whole, except:

- (a) Any consolidated Subsidiary or other corporation or entity may merge or consolidate with the Borrower, PROVIDED that, after giving effect to any such merger or consolidation, (i) the Borrower shall be the continuing or surviving corporation and (ii) no Default or Event of Default shall exist;
- (b) Any consolidated Subsidiary may merge with or into any consolidated Subsidiary so long as, after giving effect thereto, no Default or Event of Default shall exist;
- (c) The Borrower or any consolidated Subsidiary may transfer its assets to the Borrower or any consolidated Subsidiary, so long as after giving effect thereto, no Default or Event of Default shall exist;
- (d) Any consolidated Subsidiary other than a Significant Subsidiary may be liquidated or dissolved; and
- (e) Any corporation or other entity may merge or consolidate with any consolidated Subsidiary, provided that, after giving effect to any such merger or consolidation, (i) the continuing or surviving entity shall be a consolidated Subsidiary, (ii) no Default or Event of Default shall exist, and (iii) the Borrower owns, directly or indirectly, 100% of such consolidated Subsidiary; PROVIDED, further, that the requirements of clauses (i) and (iii) will not apply to a merger or consolidation of any consolidated Subsidiary in connection with a transaction permitted under Section 6.04(c).

SECTION 6.04. SALES OF ASSETS. The Borrower will not, nor will it permit any consolidated Subsidiary to, sell, transfer, convey (including, without limitation, any sale, transfer or conveyance related to a sale and leaseback transaction but excluding sales of inventory in the ordinary course of business) or lease (or enter into any commitment to sell transfer, convey or lease) all or any part of its assets (other than Unrestricted Margin Stock) (whether in one or a series of transactions) except:

- (a) Leases by the Borrower and consolidated Subsidiaries of Flight Equipment to others provided that the aggregate book value of all Flight Equipment leased to any other Person or Persons by the Borrower or any such consolidated Subsidiary shall not at any time exceed \$500,000,000;
- (b) Sales of property by the Borrower or a consolidated Subsidiary provided that at the time of any such sale or other disposition the Borrower or consolidated Subsidiary making such sale or disposition shall have previously acquired or shall be simultaneously acquiring, in contemplation of such sale or other disposition, substantially similar property, or shall have previously entered into, or shall be simultaneously entering into, a binding purchase agreement or purchase agreements to acquire substantially similar property, which property is acquired within three years of such sale or other disposition;

(c) Sales of property (including any deemed sales of property pursuant to Section 6.03(e)) provided that the aggregate net book value of all such property sold in any one fiscal year of the Borrower shall not exceed 12.5% of Consolidated Adjusted Net Worth as of the last day of the fiscal year of the Borrower immediately preceding the fiscal year of the Borrower during which any such sale of assets shall take place;

(d) Sales of any property in order concurrently or subsequently to lease as lessee such or similar property, provided that (i) any such sale takes place within 360 days after (A) in the case of personal property, the date on which the Borrower or the applicable consolidated Subsidiary acquired such property, and (B) in the case of real property or fixtures, the later of the date on which the Borrower or the applicable consolidated Subsidiary acquired such property or the date on which construction of all improvements on such property was completed, and (ii) after giving effect to the creation of the Capitalized Lease Obligations, if any, of the Borrower or a consolidated Subsidiary resulting from the lease of such property by the Borrower or a consolidated Subsidiary, the Borrower is in compliance with Section 5.10; and

(e) Transfers of assets permitted pursuant to Section 6.03.

Notwithstanding the foregoing in this Section 6.04, the Borrower and its consolidated Subsidiaries will be permitted to sell, transfer or otherwise dispose of Unrestricted Margin Stock without regard to the foregoing restrictions contained in this Section 6.04.

SECTION 6.05. LOANS, ADVANCES AND INVESTMENTS. The Borrower will not, nor will it permit any consolidated Subsidiary to, make or suffer to exist any Investments, or commitments therefor, except:

(a) Investments in Permitted Investments;

(b) Investments in the capital stock of a consolidated Subsidiary;

(c) Loans and advances by the Borrower to a consolidated Subsidiary;

(d) Loans and advances by a consolidated Subsidiary to any other consolidated Subsidiary or to the Borrower;

(e) Investments in any Person not otherwise permitted by this Section

6.05, which together with all other Investments at the time outstanding under this Section 6.05(e), do not exceed 12.5% of Consolidated Adjusted Net Worth provided that at least 66-2/3% of such Investments are reasonably related to the same fields of enterprise as those in which the Borrower and the consolidated Subsidiaries are now engaged; and

(f) Restricted Investments made in compliance with Section 6.02.

In determining from time to time the amount of the Investments permitted by this

Section 6.05, loans and advances shall be taken at the principal amount thereof then remaining unpaid at the time of such determination and other Investments shall be taken at the original cost thereof, regardless of any subsequent appreciation or depreciation therein.

SECTION 6.06. CONTINGENT LIABILITIES. The Borrower will not, nor will it permit any consolidated Subsidiary to become liable with respect to any Contingent Obligation, except:

- (a) the Guarantee Agreement and the Five-Year Guarantee Agreement;
- (b) by the endorsement of negotiable instruments for deposit or collection (or similar transactions) in the ordinary course of business;
- (c) guaranties of customs fees in the ordinary course of business;
- (d) Contingent Obligations in respect of surety and appeal bonds and similar obligations incurred in the ordinary course of business;
- (e) Contingent Obligations with respect to letters of credit entered into in the ordinary course of business, PROVIDED that the aggregate amount of such letters of credit shall not exceed \$200,000,000 at any time outstanding;
- (f) Contingent Obligations in respect of obligations (other than Indebtedness) of Wholly-Owned Subsidiaries incurred in the ordinary course of business; and
- (g) any other Contingent Obligation which after having given effect thereto would not cause the Borrower to fail to be in compliance with Section 5.10.

In determining from time to time the amount of guaranties and contingent liabilities permitted by this Section 6.06, guaranties and contingent liabilities shall be taken at the principal amount then remaining unpaid at the time of such determination on the indebtedness and obligations so guaranteed or related to such contingent liabilities.

SECTION 6.07. NEGATIVE COVENANTS IN SUBSIDIARY AGREEMENTS. The Borrower will not permit any of its Subsidiaries to enter into, after the date hereof, any agreement, instrument or indenture that, directly or indirectly, contains negative covenants restricting any of the following (or otherwise prohibits or restricts, or has the effect of prohibiting or restricting, any of the following):

- (a) the incurrence or payment of Indebtedness owed to the Borrower or any other Subsidiary of the Borrower;
- (b) the granting of Liens, PROVIDED that the foregoing shall not apply to (i) restrictions and conditions imposed by law or by this Agreement; (ii) restrictions and conditions existing on the date hereof (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), (iii) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (v) customary provisions in leases and other contracts restricting the assignment thereof and customary transfer restrictions and rights of first refusal in shareholders' agreements in existence on the date hereof or consistent with past practice;

(c) the declaration or payment of dividends; and

(d) the making of loans, advances or other Investments to or in the Borrower or any other Subsidiary of the Borrower.

SECTION 6.08. SALES OF UNRESTRICTED MARGIN STOCK. The Borrower shall not, and shall not permit any Subsidiary to, (a) sell or otherwise dispose of any capital stock constituting Unrestricted Margin Stock other than in exchange for cash or cash equivalents or (b) fail to maintain the proceeds of any such sale or other disposition as cash, cash equivalents or short-term investments; **PROVIDED** that (i) to the extent that the Borrower shall elect to reduce the Commitments pursuant to Section 2.06(a) at any time after any such sale or other disposition, the requirements of clause (b) above shall cease to apply to the portion of such proceeds as shall be equal to the aggregate amount of any such reductions and (ii) this Section shall not apply to sales or other dispositions of Unrestricted Margin Stock pursuant to Section 6.03(c).

SECTION 6.09. SUBSIDIARY INDEBTEDNESS. The Borrower will not permit any of its Subsidiaries to create or issue any unsecured notes or debentures.

ARTICLE VII

EVENTS OF DEFAULT

If any of the following events ("EVENTS OF DEFAULT") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with this Agreement or any amendment or modification hereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof, shall prove to have been inaccurate in any material respect on or as of the date made or deemed made;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03, 5.10, 5.11, 6.01, 6.02, 6.03, 6.04, 6.05, 6.06, or 6.08;

(e) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b), (c) or (d) of this Article), and such failure shall continue unremedied for a period of 5 days after written notice thereof to the Borrower from the Administrative Agent or any Lender;

(f) the Borrower or any consolidated Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable, after giving effect to any applicable grace period;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; PROVIDED that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness; PROVIDED that this clause (g) shall not apply to secured Indebtedness that becomes due in accordance with its terms as a result of the voluntary or involuntary sale, transfer or disposition of the property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any consolidated Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any consolidated Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Borrower or any consolidated Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any consolidated Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) the Borrower or any consolidated Subsidiary shall fail to pay, or admit in writing its inability to pay, its debts generally as they become due;

(k) The Borrower or any of its consolidated Subsidiaries shall be the subject of any proceeding or investigation pertaining to the release by the Borrower or any of its consolidated Subsidiaries, or any other Person of any toxic or hazardous waste or substance into the environment, or any violation of any federal, state or local environmental, health or safety law or regulation, which, in either case, could reasonably be expected to have a Material Adverse Effect;

(l) Any provision of any Loan Document shall at any time for any reason cease to be valid and binding and enforceable against the Borrower or any Significant Subsidiary, or the validity, binding effect or enforceability thereof against the Borrower or any Significant

Subsidiary shall be contested by any Person, or the Borrower or any Significant Subsidiary shall deny that it has any or further liability or obligation thereunder, or any Loan Document shall be terminated, invalidated or set aside, or be declared ineffective or inoperative or in any way cease to give or provide to the Lenders and the Administrative Agent the benefits purported to be created thereby;

(m) The Borrower or any Consolidated Subsidiary shall fail within 45 days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of \$1,000,000, which is not stayed on appeal or otherwise being appropriately contested in good faith;

(n) any Termination Event with respect to a Plan shall have occurred or the sum of the Insufficiency of all Single Employer Plans is equal to or greater than \$80,000,000; or

(o) a Change of Control shall occur;

then, and in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

If, within 14 days after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans hereunder as a result of any Default (other than any Default as described in clause (h) or (i) of this Article) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders (in their sole discretion) shall so direct, the Administrative Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination, provided that the Borrower certifies to the Lenders to their satisfaction that, upon giving effect to such rescission, no other Indebtedness of the Borrower shall be accelerated by virtue of a cross-default or cross-acceleration to Indebtedness under this Agreement.

ARTICLE VIII

THE AGENTS

SECTION 8.01. APPOINTMENT. Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other

Loan Documents, and each such Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

SECTION 8.02. DELEGATION OF DUTIES. The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

SECTION 8.03. EXCULPATORY PROVISIONS. Neither any Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Loan Party or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Agents under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any Loan Party a party thereto to perform its obligations hereunder or thereunder. The Agents shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party.

SECTION 8.04. RELIANCE BY ADMINISTRATIVE AGENT. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in

accordance with a request of the Required Lenders (or, if so specified by this Agreement, all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

SECTION 8.05. NOTICE OF DEFAULT. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, if so specified by this Agreement, all Lenders); **PROVIDED** that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

SECTION 8.06. NON-RELIANCE ON AGENTS AND OTHER LENDERS. Each Lender expressly acknowledges that neither the Agents nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates have made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of a Loan Party or any Affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by any Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their Affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their Affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Loan Party or any Affiliate of a Loan Party that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

SECTION 8.07. INDEMNIFICATION. The Lenders agree to indemnify each Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Aggregate Exposure Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Aggregate Exposure Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of, the Commitments, this

Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing; PROVIDED that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from such Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

SECTION 8.08. AGENT IN ITS INDIVIDUAL CAPACITY. Each Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Loan Party as though such Agent were not an Agent. With respect to its Loans made or renewed by it, each Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

SECTION 8.09. SUCCESSOR ADMINISTRATIVE AGENT. The Administrative Agent may resign as Administrative Agent upon 10 days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 7(a) or Section 7(i) with respect to the Borrower shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 10 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

SECTION 8.10. DOCUMENTATION AGENT AND SYNDICATION AGENT. Neither the Documentation Agent nor the Syndication Agent shall have any duties or responsibilities hereunder in its capacity as such.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. AMENDMENTS AND WAIVERS. (a) Neither this Agreement, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 9.01. The Required Lenders and each Loan

Party party to the relevant Loan Document may, or, with the written consent of the Required Lenders, the Administrative Agent and each Loan Party party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding, deleting or modifying any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; PROVIDED, HOWEVER, that no such waiver and no such amendment, supplement or modification shall (i) forgive the principal amount or extend the final scheduled date of maturity of any Loan, reduce the stated rate of any interest or fee payable hereunder (except (x) in connection with the waiver of applicability of any post-default increase in interest rates (which waiver shall be effective with the consent of each adversely affected Lender) and (y) that any amendment or modification of defined terms used in the financial covenants in this Agreement shall not constitute a reduction in the rate of interest or fees for purposes of this clause (i)) or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Lender's Commitment, in each case without the written consent of each Lender directly affected thereby; (ii) eliminate or reduce the voting rights of any Lender under this Section 9.01 without the written consent of such Lender; (iii) reduce any percentage specified in the definition of Required Lenders, consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release any of the Significant Subsidiaries from their material obligations under the Guarantee Agreement, in each case without the written consent of all Lenders; (iv) amend, modify or waive any provision of Section 2.15 without the written consent of the Lenders adversely affected thereby; and (v) amend, modify or waive any provision of Section 8 without the written consent of the Administrative Agent. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

(b) Notwithstanding the foregoing, this Agreement may be amended (or amended and restated) with the written consent of the Required Lenders, the Administrative Agent and the Borrower (i) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Loans and extensions of credit and the accrued interest and fees in respect thereof and (ii) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders.

SECTION 9.02. NOTICES. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of the Borrower and the Administrative Agent, and as set forth in an administrative questionnaire delivered to the Administrative Agent in the case of the Lenders, or to such other address as may be hereafter notified in writing by the respective parties hereto:

Borrower: FedEx Corporation
 942 S. Shady Grove Road
 Memphis, Tennessee 38120
 Attention: Treasurer
 Telecopy: (901) 818-7121
 Telephone: (901) 818-7040

with a copy to: FedEx Corporation
 942 S. Shady Grove Road
 Memphis, Tennessee 38120
 Attention: Kenneth R. Masterson
 Telecopy: (901) 818-7590
 Telephone: (901) 818-7580

Administrative Agent: JPMorgan Chase Bank
 Loan & Agency Services Group
 One Chase Manhattan Plaza, 8th Floor
 New York, New York 10081
 Attention: Mo-Lin Sum
 Telecopy: 212-552-5650
 Telephone: 212-552-7312

with copy to: JPMorgan Chase Bank
 270 Park Avenue, 38th Floor
 New York 10017
 Attention: Matthew Massie
 Telecopy: 212-270-5100
 Telephone: 212-270-5432

PROVIDED that any notice, request or demand to or upon the Administrative Agent or the Lenders shall not be effective until received.

SECTION 9.03. NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

SECTION 9.04. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans and other extensions of credit hereunder.

SECTION 9.05. PAYMENT OF EXPENSES AND TAXES. The Borrower agrees (a) to pay or reimburse the Administrative Agent for all its reasonable out-of-pocket costs and expenses

incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including the reasonable fees and disbursements of counsel to the Administrative Agent as separately agreed by the Administrative Agent and the Borrower, and filing and recording fees and expenses, with statements with respect to the foregoing to be submitted to the Borrower prior to the Effective Date (in the case of amounts to be paid on the Effective Date) and from time to time thereafter on a quarterly basis or such other periodic basis as the Administrative Agent shall deem appropriate, (b) to pay or reimburse each Lender and the Administrative Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any such other documents, including the fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to each Lender and of counsel to the Administrative Agent, (c) to pay, indemnify, and hold each Lender and the Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to stamp, excise and other taxes, if any, that are payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify, and hold each Lender and the Administrative Agent and their respective officers, directors, employees, affiliates and agents (each, an "INDEMNITEE") harmless from and against any and all other liabilities, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement and the other Loan Documents, including any of the foregoing relating to the use of proceeds of the Loans or the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of the Borrower, any Guarantor or any Subsidiary or any of the Properties and the reasonable fees and expenses of legal counsel in connection with claims, actions or proceedings by any Indemnatee against any Loan Party under any Loan Document (all the foregoing in this clause (d), collectively, the "INDEMNIFIED LIABILITIES"), PROVIDED, that the Borrower shall have no obligation hereunder to any Indemnatee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnatee. Without limiting the foregoing, and to the extent permitted by applicable law, the Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries to waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnatee. All amounts due under this Section 9.05 shall be payable not later than 10 days after written demand therefore, which shall set forth in reasonable detail the nature, basis and description of such Indemnified Liability. Statements payable by the Borrower pursuant to this

Section 9.05 shall be submitted to FedEx Corporation, Attn: Treasurer (Telephone No. (901) 818-7040 (Telecopy No. (901) 818-7121), at the address of the Borrower set forth in Section 9.02, or to such other Person or address as may be hereafter designated by the Borrower in a written notice to the Administrative Agent. The agreements in this Section 9.05 shall survive repayment of the Loans and all other amounts payable hereunder.

SECTION 9.06. SUCCESSORS AND ASSIGNS; PARTICIPATIONS AND ASSIGNMENTS.

(a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Administrative Agent, all future holders of the Loans and their respective successors and assigns,

except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender.

(b) Any Lender other than any Conduit Lender may, without the consent of the Borrower, in accordance with applicable law, at any time sell to one or more banks, financial institutions or other entities (each, a "PARTICIPANT") participating interests in any Loan owing to such Lender, any Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. In no event shall any Participant under any such participation have any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by any Loan Party therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Loans or any fees payable hereunder, or postpone the date of the final maturity of the Loans, in each case to the extent subject to such participation. The Borrower agrees that if amounts outstanding under this Agreement and the Loans are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement, PROVIDED that, in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in Section 9.07(a) as fully as if it were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.12, 2.13 and 2.14 with respect to its participation in the Commitments and the Loans outstanding from time to time as if it were a Lender; PROVIDED that, in the case of Section 2.13, such Participant shall have complied with the requirements of said Section and PROVIDED, FURTHER, that no Participant shall be entitled to receive any greater amount pursuant to any such Section than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender other than any Conduit Lender (an "ASSIGNOR") may, in accordance with applicable law, at any time and from time to time assign to any Lender or any Lender Affiliate or, with the consent of the Borrower and the Administrative Agent (which, in each case, shall not be unreasonably withheld or delayed), to an additional bank, financial institution or other entity (an "ASSIGNEE") all or any part of its rights and obligations under this Agreement and the other Loan Documents pursuant to an Assignment and Acceptance, executed by such Assignee, such Assignor and any other Person whose consent is required pursuant to this paragraph, and delivered to the Administrative Agent for its acceptance and recording in the Register (as defined below); PROVIDED that, unless otherwise agreed by the Borrower and the Administrative Agent, no such assignment to an Assignee (other than any Lender or any Lender Affiliate) shall be in an aggregate principal amount of less than \$5,000,000, and after giving effect to such assignment, such assigning Lender shall have Commitments and Loans in an aggregate amount of at least \$5,000,000 in each case described in this sentence except in the case of an assignment of all of a Lender's interests under this Agreement. For purposes of the proviso contained in the preceding sentence, the amount described therein shall be aggregated in respect of each Lender and its Lender Affiliates, if any. The Assignee

shall purchase, at par, all Loans and pay all accrued interest and other amounts owing to such Assignor under this Agreement on or prior to the date of assignment for any assignment pursuant to Section 2.16. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with a Commitment and/or Loans as set forth therein, and (y) the Assignor thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of an Assignor's rights and obligations under this Agreement, such Assignor shall cease to be a party hereto). Notwithstanding any provision of this Section

9.06, the consent of the Borrower shall not be required for any assignment that occurs after the occurrence and during the continuance of an acceleration of the Obligations. Notwithstanding the foregoing, any Conduit Lender may assign at any time to its designating Lender hereunder without the consent of the Borrower or the Administrative Agent any or all of the Loans it may have funded hereunder and pursuant to its designation agreement and without regard to the limitations set forth in the first sentence of this Section 9.06(c).

(d) The Administrative Agent shall, on behalf of the Borrower, maintain at its address referred to in Section 9.02 a copy of each Assignment and Acceptance delivered to it and a register (the "REGISTER") for the recordation of the names and addresses of the Lenders and the Commitment of, and the principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, each other Loan Party, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of the Loans and any Notes evidencing the Loans recorded therein for all purposes of this Agreement. Any assignment of any Loan, whether or not evidenced by a Note, shall be effective only upon appropriate entries with respect thereto being made in the Register (and each Note shall expressly so provide). Any assignment or transfer of all or part of a Loan evidenced by a Note shall be registered on the Register only upon surrender for registration of assignment or transfer of the Note evidencing such Loan, accompanied by a duly executed Assignment and Acceptance, and thereupon one or more new Notes shall be issued to the designated Assignee.

(e) Upon its receipt of an Assignment and Acceptance executed by an Assignor, an Assignee and any other Person whose consent is required by Section

9.06(c), together with payment to the Administrative Agent of a registration and processing fee of \$4,000, the Administrative Agent shall (i) promptly accept such Assignment and Acceptance and (ii) record the information contained therein in the Register on the effective date determined pursuant thereto.

(f) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section 9.06 concerning assignments relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including any pledge or assignment by a Lender to any Federal Reserve Bank in accordance with applicable law.

(g) The Borrower, upon receipt of written notice from the relevant Lender, agrees to issue Notes to any Lender requiring Notes to facilitate transactions of the type described in paragraph (f) above.

(h) The Borrower, each Lender and the Administrative Agent hereby confirms that it will not institute against a Conduit Lender or join any other Person in instituting against a Conduit

Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any state bankruptcy or similar law, for one year and one day after the payment in full of the latest maturing commercial paper note issued by such Conduit Lender; PROVIDED, however, that each Lender designating any Conduit Lender hereby agrees to indemnify, save and hold harmless each other party hereto for any loss, cost, damage or expense arising out of its inability to institute such a proceeding against such Conduit Lender during such period of forbearance.

SECTION 9.07. ADJUSTMENTS; SET-OFF. (a) Except to the extent that this Agreement expressly provides for payments to be allocated to a particular Lender or to the Lenders, if any Lender (a "BENEFITTED LENDER") shall, at any time after the Loans and other amounts payable hereunder shall immediately become due and payable pursuant to Section 7, receive any payment of all or part of the Obligations owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 7(i), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of the Obligations owing to such other Lender, such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of the Obligations owing to each such other Lender, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; PROVIDED, HOWEVER, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, if an Event of Default shall have occurred and be continuing, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower, as the case may be. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender, PROVIDED that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 9.08. COUNTERPARTS. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

SECTION 9.09. SEVERABILITY. Any provision of this Agreement 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.

SECTION 9.10. INTEGRATION. This Agreement and the other Loan Documents represent the entire agreement of the Borrower, the Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

SECTION 9.11. GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 9.12. SUBMISSION TO JURISDICTION; WAIVERS. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower at its address set forth in Section 9.02 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

SECTION 9.13. ACKNOWLEDGEMENTS. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between Administrative Agent and Lenders, on one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

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(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrower and the Lenders.

SECTION 9.14. RELEASE OF GUARANTORS. Upon the consummation of any liquidation, dissolution, merger, consolidation, sale or other transfer of a Guarantor other than Federal Express Corporation (collectively, a "TRANSFER"), and provided no Default or Event of Default has occurred and is continuing or would occur as a result of such Transfer, such Guarantor shall automatically be released from all of its obligations under the Guarantee Agreement, and, if the Borrower so requests, the Lenders shall promptly execute an instrument, in form and substance reasonably satisfactory to the Borrower and the Administrative Agent, evidencing such release.

SECTION 9.15. CONFIDENTIALITY. Each of the Administrative Agent and each Lender agrees to keep confidential all non-public information provided to it or its Affiliates by any Loan Party or its Affiliates pursuant to this Agreement that is designated by such Loan Party as confidential; PROVIDED that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender or any Lender Affiliate, (b) subject to an agreement to comply with the provisions of this Section, to any actual or prospective Transferee or any direct or indirect counterparty to any Hedge Agreement (or any professional advisor to such counterparty), (c) to its employees, directors, agents, attorneys, accountants and other professional advisors or those of any of its affiliates who are made aware of the confidential requirements of this Section

9.15, (d) upon the request or demand of any Governmental Authority, (e) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (f) if required to do so in connection with any litigation or similar proceeding, (g) that has been publicly disclosed, (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, or (i) in connection with the exercise of any remedy hereunder or under any other Loan Document. The provisions of this Section 9.15 shall survive any expiration or termination of this Agreement for a period of one-year.

SECTION 9.16. WAIVERS OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

SECTION 9.17. EFFECT OF AMENDMENT AND RESTATEMENT OF THE EXISTING CREDIT AGREEMENT. On the Effective Date, the Existing Credit Agreement shall be amended, restated and superseded in its entirety. The parties hereto acknowledge and agree that (a) this Agreement and the other Loan Documents, whether executed and delivered in connection herewith or otherwise, do not constitute a novation, payment and reborrowing, or termination of the "Obligations" (as defined in the Existing Credit Agreement) under the Existing Credit Agreement as in effect prior to the Effective Date and (b) such "Obligations" are in all respects continuing (as amended and restated hereby) with only the terms thereof being modified as provided in this Agreement.

SECTION 9.18. SPECIAL PROVISIONS. (a) From and after the Effective Date, (i) each Lender under the Existing Credit Agreement which does not have a Commitment under this Agreement shall cease to be a party to this Agreement, (ii) no such Lender shall have any obligations

or liabilities under this Agreement with respect to the period from and after the Effective Date and (iii) no such Lender shall have any rights under the Existing Credit Agreement, this Agreement or any other Loan Document (other than rights under the Existing Credit Agreement expressly stated to survive the termination of the Existing Credit Agreement and the repayment of amounts outstanding thereunder).

(b) The Lenders (which are Lenders under the Existing Credit Agreement) hereby waive any requirements for ratable reductions of Commitments (as defined in the Existing Credit Agreement) and ratable payments on account of the principal or interest of any Loan (as defined in the Existing Credit Agreement) under the Existing Credit Agreement to the extent such reductions or payments are required pursuant to subsection 4.01(i) or Section 9.18(a).

SECTION 9.19. INTEREST RATE LIMITATION. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively, the "CHARGES"), shall exceed the maximum lawful rate (the "MAXIMUM RATE") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.20. HEADINGS. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated 364-Day Credit Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

FEDEX CORPORATION, as Borrower

By: /s/ Burnetta B. Williams

*Title: Staff Vice President and
Assistant Treasurer*

**JPMORGAN CHASE BANK,
as Administrative Agent and as a Lender**

By: /s/ Matthew H. Massie

Title: Managing Director

**BANK ONE, NA,
as a Co-Documentation Agent and as a Lender**

By: /s/ Christopher C. Cavaiani

Title: Director

**BANK OF TOKYO-MITSUBISHI TRUST COMPANY,
as a Co-Documentation Agent and as a Lender**

By: /s/ Eduardo P. Abello

Title: Assistant Vice President

**BANK OF AMERICA, N.A.,
as a Co-Syndication Agent and as a Lender**

By: /s/ Sharon Burks Horos

Title: Vice President

**CITICORP USA, INC.,
as a Co-Syndication Agent and as a Lender**

By: /s/ Gaylord C. Holmes

Title: Vice President

**COMMERZBANK AKTIENGESELLSCHAFT,
New York and Grand Cayman branches,
as a Co-Documentation Agent and as a Lender**

By: /s/ Brian Campbell

Title: Senior Vice President

By: /s/ Subash Visvanathan

Title: Senior Vice President

**THE ROYAL BANK OF SCOTLAND PLC,
as a Co-Documentation Agent and as a Lender**

By: /s/ Maria Amaral-LeBlanc

Title: Vice President

**KBC BANK N.V.,
as a Lender**

By: /s/ Robert Snauffer

Title: First Vice President

By: /s/ Sean O' Brien

Title: Assistant Vice President

**KREDITANSTALT FUER WIEDERAUFBAU,
as a Lender**

By: /s/ M. Nosbusch

Title: Vice President

By: /s/ Wolf Muth

Title: Vice President

**MELLON BANK, N.A.,
as a Lender**

By: /s/ Mark F. Johnston

Title: Vice President

**THE BANK OF NOVA SCOTIA,
as a Lender**

By: /s/ N. Bell

Title: Senior Manger

**SUMITOMO MITSUI BANKING CORPORATION,
as Lender**

By: /s/ Bob Granfelt

Title: Vice President and Manager

**KEYBANK NATIONAL ASSOCIATION,
as a Lender**

By: /s/ Mary K. Young

Title: Vice President

**MERRILL LYNCH BANK USA,
as a Lender**

By: /s/ D. Kevin Imlay

Title: Senior Credit Officer

**MIZUHO CORPORATE BANK, LIMITED,
as a Lender**

By: /s/ James W. Masters

Title: Senior Vice President

**REGIONS BANK,
as a Lender**

By: /s/ David L. Waller

Title: Vice President Corporate Banking

**UNION PLANTERS BANK, N.A.,
as a Lender**

By: /s/ B. Gordin McMurty

Title: Senior Vice President

**THE BANK OF NEW YORK,
as a Lender**

By: /s/ Steven P. Cavaluzzo

Title: Vice President

**DVB BANK AG,
as a Lender**

By: /s/ James M. Morton

Title: Vice President

By: /s/ Marc Cho

Title: Vice President

**FIFTH THIRD BANK,
as a Lender**

By: /s/ Megan S. Heisel

Title: Assistant Vice President

**FIRST TENNESSEE BANK NATIONAL ASSOCIATION,
as a Lender**

By: /s/ James H. Moore, Jr.

Title: Senior Vice President

**THE NORTHERN TRUST COMPANY,
as a Lender**

By: /s/ Ashish S. Bhagwat

Title: Vice President

**SUNTRUST BANK,
as a Lender**

By: /s/ Bryan W. Ford

Title: Director

**UFJ BANK, LIMITED,
acting through its New York Branch,
as a Lender**

By: /s/ P. Bartlett Wu

Title: Vice President

**WACHOVIA BANK, N.A.,
as a Lender**

By: /s/ Andrew Payne

Title: Director

SCHEDULE 2.01

LENDERS AND COMMITMENTS

Names of Lenders
Commitments

JPMORGAN CHASE BANK 24,500,000	\$
BANK ONE CAPITAL MARKETS 17,000,000	\$
BANK OF AMERICA, N.A. 17,000,000	\$
BANK OF TOKYO-MITSUBISHI TRUST COMPANY 17,000,000	\$
CITICORP USA, INC. 17,000,000	\$
COMMERZBANK AG, NEW YORK AND 15,000,000 GRAND CAYMAN BRANCHES	\$
THE ROYAL BANK OF SCOTLAND PLC 15,000,000	\$
KBC BANK N.V. 10,000,000	\$
KREDITANSTALT FUR WIEDERAUFBAU 10,000,000	\$
MELLON BANK, N.A. 10,000,000	\$
SUMITOMO MITSUI BANKING CORPORATION 10,000,000	\$
THE BANK OF NOVA SCOTIA 10,000,000	\$
KEYBANK NATIONAL ASSOCIATION 7,500,000	\$
MERRILL LYNCH BANK USA 7,500,000	\$
MIZUHO CORPORATE BANK, LTD. 7,500,000	\$
REGIONS BANK 7,500,000	\$
UNION PLANTERS BANK, N.A. 7,500,000	\$
THE BANK OF NEW YORK 5,000,000	\$
DVB BANK AG 5,000,000	\$
THE FIFTH THIRD BANK 5,000,000	\$
FIRST TENNESSEE BANK NATIONAL ASSOCIATION 5,000,000	\$
THE NORTHERN TRUST COMP.	\$

SUNTRUST BANK, INC.	\$
5,000,000	

UFJ BANK, LTD.	\$
5,000,000	

WACHOVIA NATIONAL BANK	\$
5,000,000	

Total:	\$
250,000,000.00	

SCHEDULE 3.06

DISCLOSED MATTERS

(SEE SECTION 3.06)

The matters described under Notes 11 and 16 to the financial statements included in the Borrower's Annual Report on Form 10-K for the fiscal year ended May 31, 2002, relevant excerpts of which are set forth below:

NOTE 11: INCOME TAXES

In connection with an Internal Revenue Service ("IRS") audit for the tax years 1993 and 1994, the IRS proposed adjustments characterizing routine jet engine maintenance costs as capital expenditures that must be recovered over seven years, rather than as expenses that are deducted immediately, as has been our practice. We filed an administrative protest of these adjustments and engaged in discussions with the Appeals office of the IRS. After these discussions failed to result in a settlement, in 2001 we paid \$70 million in tax and interest and filed suit in Federal District Court for a complete refund of the amounts paid, plus interest. The IRS has continued to assert its position in audits for the years 1995 through 1998 with respect to maintenance costs for jet engines and rotatable aircraft parts. Based on these audits, the total proposed deficiency for the 1995-1998 period, including tax and interest through May 31, 2002 was approximately \$187 million. In addition, we have continued to expense these types of maintenance costs subsequent to 1998. We believe that our practice of expensing these types of maintenance costs is correct, consistent with industry practice and with IRS ruling 2001-4. We intend to vigorously contest the adjustments.

NOTE 16: LEGAL PROCEEDINGS

A class action lawsuit is pending in Federal District Court in San Diego, California against FedEx Express generally alleging that customers who had late deliveries during the 1997 Teamsters strike at United Parcel Service were entitled to a full refund of shipping charges pursuant to our money-back guarantee, regardless of whether they gave timely notice of their claim. At the hearing on the plaintiffs' motion for summary judgment, the court ruled against FedEx Express. The judgment totaled approximately \$68 million, including interest and fees for the plaintiffs' attorney. We plan to appeal to the 9th Circuit Court of Appeals. No accrual has been recorded as we believe the case is without merit and it is probable we will prevail upon appeal.

Another class action lawsuit is pending in Illinois state court against FedEx Express generally alleging that FedEx Express imposed a fuel surcharge in a manner that is not consistent with the terms and conditions of its contracts with customers. We are presently attempting to negotiate a settlement. If a settlement is not reached and approved, a trial date will be set for sometime in 2003. Although settlement discussions have occurred, the amount of loss (if any) is not currently estimable.

We have denied any liability with respect to these claims and intend to vigorously defend ourselves in these cases.

Also, see Note 11 for discussion of tax-related legal proceedings.

SCHEDULE 3.07**FEDEX CORPORATION
SIGNIFICANT SUBSIDIARIES
(SEE SECTION 3.07)**

Significant Subsidiary -----	Percent Ownership -----	Jurisdiction of Organization -----	Address of Registrant Guarantor's Executive Offices -----
Federal Express Corporation	100%	Delaware	3610 Hacks Cross Road Memphis, TN 38125
FedEx Ground Package System, Inc.	100%	Delaware	1000 FedEx Drive Moon Township, PA 15108
FedEx Freight Corporation (formerly known as FedEx Freight System, Inc.)	100%	Delaware	6075 Poplar Avenue, Suite 300 Memphis, TN 38119
FedEx Freight East, Inc. (formerly known as American Freightways, Inc.)(1)	100%	Arkansas	2200 Forward Drive Harrison, AR 72601

(1) FedEx Freight East, Inc. is a wholly owned subsidiary of FedEx Freight Corporation.

SCHEDULE 5.01(c)

COMPLIANCE CALCULATIONS
(SEE SECTION 5.01(c))

SEE ATTACHED

FEDEX CORPORATION
COMPLIANCE CALCULATIONS
AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT,
DATED AS OF SEPTEMBER 27, 2002
IN THOUSANDS OF US\$

PAGE 1 OF 2

SECTION 5.10 LEVERAGE TEST

	1st Qtr. FY ____	2nd Qtr. FY ____	3rd Qtr. FY ____	4th Qtr. FY ____
Total Funded Debt (sum)	\$_____	\$_____	\$_____	\$_____
Capitalized Operating Lease Value*	\$_____	\$_____	\$_____	\$_____
Total Defined Debt	\$_____	\$_____	\$_____	\$_____
Total Defined Debt	\$_____	\$_____	\$_____	\$_____
Consolidated Adjusted Net Worth	\$_____	\$_____	\$_____	\$_____
Total Defined Capitalization	\$_____	\$_____	\$_____	\$_____
Defined Capitalization Ratio**	_____	_____	_____	_____
Maximum Defined Capitalization Ratio	0.70	0.70	0.70	0.70
Total Additional Defined Debt Allowed	\$_____	\$_____	\$_____	\$_____

* Capitalized Operating Lease Value is the present value of Aircraft Leases discounted at 12.5%.

** The Defined Capitalization Ratio is Total Defined Debt to Total Defined Capitalization.

FEDEX CORPORATION
COMPLIANCE CALCULATIONS
AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT,
IN THOUSANDS OF US\$

PAGE 2 OF 2

SECTION 5.11 FIXED CHARGE COVERAGE TEST

Prior Fiscal Year Detail	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
	FY ____	FY ____	FY ____	FY ____
Adjusted Net Income	\$_____	\$_____	\$_____	\$_____
Interest Expense	\$_____	\$_____	\$_____	\$_____
Rent Expense	\$_____	\$_____	\$_____	\$_____
Consolidated Cash Flow*	\$_____	\$_____	\$_____	\$_____
Interest Expense	\$_____	\$_____	\$_____	\$_____
Rent Expense	\$_____	\$_____	\$_____	\$_____
Total Fixed Charges**	\$_____	\$_____	\$_____	\$_____
Current Fiscal Year Detail	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
	FY ____	FY ____	FY ____	FY ____
Adjusted Net Income	\$_____	\$_____	\$_____	\$_____
Interest Expense	\$_____	\$_____	\$_____	\$_____
Rent Expense	\$_____	\$_____	\$_____	\$_____
Consolidated Cash Flow	\$_____	\$_____	\$_____	\$_____
Interest Expense	\$_____	\$_____	\$_____	\$_____
Rent Expense	\$_____	\$_____	\$_____	\$_____
Total Fixed Charges	\$_____	\$_____	\$_____	\$_____
12 Month Consolidated Cash Flow	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Divided By:	FY ____	FY ____	FY ____	FY ____
12 Month Total Fixed Charges	\$_____	\$_____	\$_____	\$_____
Equals:				
Fixed Charge Coverage	\$_____	\$_____	\$_____	\$_____
Minimum Fixed Charge Coverage Ratio	1.25	1.25	1.25	1.25
12 Month Consolidated Cash Flow Over/(Under)	\$_____	\$_____	\$_____	\$_____

* Consolidated Cash Flow is the sum of Adjusted Net Income, Interest and Rent Expense.

** Total Fixed Charges is the sum of Interest Expense and Rent Expense.

The Ratio is calculated on a rolling 12 month basis to eliminate seasonality.

SCHEDULE 5.12

SUBSIDIARY GUARANTORS

Subsidiary -----	Jurisdiction of Organization -----	Address of Subsidiary's Executive Offices -----
FedEx Freight East, Inc. (formerly American Freightways, Inc.)	Arkansas	2200 Forward Drive Harrison, AR 72601
Caribbean Transportation Services, Inc.	Delaware	7304 West Market Street Greensboro, NC 27409
Federal Express Corporation	Delaware	3610 Hacks Cross Road Memphis, TN 38125
Federal Express (Australia) Pty. Ltd.	Australia	215-225 Euston Road Alexandria NSW 2015 Australia
Federal Express Aviation Services, Incorporated	Delaware	3610 Hacks Cross Road Memphis, TN 38125
Federal Express Canada Ltd.	Canada	5895 Explorer Drive Mississauga, Ontario L4W 5K6
Federal Express Europe, Inc.	Delaware	3610 Hacks Cross Road Memphis TN 38125
Federal Express Europe, Inc. & Co., V.O.F./S.N.C.	Belgium	Airport Building 119 1820 Melsbroek, Belgium
Federal Express Holdings S.A.	Delaware	3610 Hacks Cross Road Memphis, TN 38125
Federal Express Holdings (Mexico) y Compania S.N.C. de C.V.	Mexico	Calle Insurgentes Sur 899 Napoles 03810 Mexico D.F., Mexico
Federal Express International (France) SNC	France	125/135 Av. Louis Roche 92230, Gennevilliers
Federal Express International, Inc.	Delaware	3610 Hacks Cross Road Memphis, TN 38125

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Subsidiary -----	Jurisdiction of Organization -----	Address of Subsidiary's Executive Offices -----
Federal Express Japan K.K.	Japan	Kyodo Building 16 Ichibancho Chiyoda-Ku Tokyo 102-0082 Japan
Federal Express Pacific, Inc.	Delaware	3610 Hacks Cross Road Memphis, TN 38125
Federal Express (Singapore) Pte. Ltd.	Singapore	3 Khaki Bukit Road #2 Block A, Unit 3E Eunos Warehouse Complex Singapore 417837
Federal Express Virgin Islands, Inc.	U.S. Virgin Islands	Havensite Mall Charlotte Amalie St. Thomas, U.S. Virgin Islands
FedEx Corporate Services, Inc.	Delaware	942 S. Shady Grove Road Memphis, TN 38120
FedEx Custom Critical, Inc.	Ohio	2088 South Arlington Road Akron, OH 44306
FedEx Freight Corporation (formerly FedEx Freight System, Inc.)	Delaware	6075 Poplar Avenue, Suite 300 Memphis, TN 38119
FedEx Ground Package System, Inc.	Delaware	1000 FedEx Drive Moon Township, PA 15108
FedEx Ground Package System, Ltd.	Wyoming	3930 Nashua Drive, Suite 201 Mississauga, Ontario L4V 1M5
FedEx Supply Chain Services, Inc.	Ohio	5455 Darrow Road Hudson, OH 44236
FedEx Trade Networks, Inc.	Delaware	6075 Poplar Avenue, Suite 434 Memphis, TN 38119
FedEx Trade Networks Transport & Brokerage, Inc. (formerly Tower Group International, Inc.)	New York	128 Dearborn Street Buffalo, NY 14207

Subsidiary -----	Jurisdiction of Organization -----	Address of Subsidiary's Executive Offices -----
FedEx Trade Networks Transport & Brokerage (Canada), Inc. (formerly Tower Group International Canada Inc.)	Canada	5915 Airport Rd., Suite 1100 Mississauga, Ontario LV4 1T1
FedEx Freight West, Inc. (formerly Viking Freight, Inc.)	California	6411 Guadalupe Mines Road San Jose, CA 95120
World Tariff, Limited	California	220 Montgomery Street, Suite 448 San Francisco, CA 94101

EXHIBIT A

FORM OF BORROWING REQUEST

Pursuant to Section 2.03 of the Amended and Restated 364-Day Credit Agreement dated as of September 27, 2002 (as amended, supplemented or otherwise modified from time to time, the "CREDIT AGREEMENT"), among FEDEX CORPORATION, a Delaware corporation (the "BORROWER"), the several banks and other financial institutions from time to time parties to this Agreement (the "LENDERS"), JPMORGAN CHASE BANK, a New York banking corporation, as administrative agent (in such capacity, the "ADMINISTRATIVE AGENT"), CITICORP USA, INC. and BANK OF AMERICA, N.A., as Co-Syndication Agents, and BANK ONE, NA, COMMERZBANK A.G.,

BANK OF TOKYO-MITSUBISHI TRUST COMPANY and THE ROYAL BANK OF SCOTLAND PLC, as Co-Documentation Agents, the undersigned hereby delivers this Borrowing Request.

The Borrower hereby requests that a [Eurodollar / ABR] Loan be made in the aggregate principal amount of _____ on ____ __, 200__ [with an Interest Period of ____ months].

The undersigned hereby certifies as follows:

(a) The representations and warranties made by the Borrower in or pursuant to the Loan Documents are true and correct on and as of the date hereof with the same effect as if made on the date hereof; and

(b) No Default has occurred and is continuing on the date hereof or after giving effect to the Loans requested to be made on such date.

Capitalized terms used herein and not defined herein shall have the meanings given to them in the Credit Agreement.

The Borrower agrees that if prior to the time of the borrowing requested hereby any matter certified to herein by it will not be true and correct in all material respects at such time as if then made, it will immediately so notify the Administrative Agent. Except to the extent, if any, that prior to the time of the borrowing requested hereby the Administrative Agent shall receive written notice to the contrary from the Borrower, each matter certified to herein shall be deemed once again to be certified as true and correct in all material respects at the date of such borrowings as if then made.

Please wire transfer the proceeds of the borrowing as directed by the Borrower on the attached Schedule 1.

The Borrower has caused this Borrowing Request to be executed and delivered, and the certification and warranties contained herein to be made, by the undersigned Financial Officer this ____ day of _____, 200_.

FEDEX CORPORATION

By:

Name:

Title:

EXHIBIT B

FORM OF INTEREST ELECTION REQUEST

Pursuant to subsection 2.05(b) of the Amended and Restated 364-Day Credit Agreement, dated as of September 27, 2002 (as amended, supplemented or otherwise modified from time to time, the "CREDIT AGREEMENT"), among FEDEX CORPORATION, a Delaware corporation (the "BORROWER"), the several banks and other financial institutions from time to time parties to this Agreement (the "LENDERS"), JPMORGAN CHASE BANK, a New York banking corporation, as administrative agent (in such capacity, the "ADMINISTRATIVE AGENT"), CITICORP USA, INC. and BANK OF AMERICA, N.A., as Co-Syndication Agents, and BANK ONE, NA, COMMERZBANK A.G., BANK OF TOKYO-MITSUBISHI TRUST COMPANY and THE ROYAL BANK OF SCOTLAND PLC, as Co-Documentation Agents, this represents the Borrower's request to convert or continue Loans as follows:

1 Date of conversion/continuation: _____

2. Amount of Loans being converted/continued: \$ _____

3. Type of Loans being converted/continued:

// a. Eurodollar Loans

// b. ABR Loans

4. Nature of conversion/continuation:

// a. Conversion of ABR Loans to Eurodollar ABR Loans // b. Conversion of Eurodollar Loans to ABR Loans // c. Continuation of Eurodollar Loans as such

5. INTEREST PERIODS:

If Loans are being continued as or converted to Eurodollar Loans, the duration of the new Interest Period that commences on the conversion/continuation date: _____ month(s)

In the case of a conversion to or continuation of Eurodollar Loans, the undersigned officer, to the best of his or her knowledge, on behalf of the Borrower, certifies that no Default or Event of Default has occurred and is continuing under the Credit Agreement.

DATED:

FEDEX CORPORATION

By:

Name:

Title:

EXHIBIT C

[GUARANTY DELIVERED SEPARATELY]*

* Note: Guaranty was previously filed with the Commission as part of Exhibit 10.2 to FedEx's FY2002 First Quarter Report on Form 10-Q.

EXHIBIT D

The Administrative Agent and the Lenders who are parties to the Credit Agreement described below

September __, 2002

Re: REVOLVING CREDIT FACILITY

Ladies and Gentlemen:

I am the Corporate Vice President - Customer and Business Transactions and Corporate Counsel of FedEx Corporation, a Delaware corporation (the "Borrower"), and have acted as such in connection with the Amended and Restated 364-Day Credit Agreement dated as of September __, 2002 among the Borrower, the Lenders named therein and JPMorgan Chase Bank, as Administrative Agent (the "AGREEMENT"). This opinion is being delivered pursuant to the provisions of Section 4.01(c) of the Agreement. Unless the context otherwise requires, all terms used in this opinion which are specifically defined in the Agreement shall have the meanings given such terms in the Agreement.

In connection with the opinions expressed below, I have examined the Loan Documents and the other schedules, exhibits, certificates, instruments, agreements and documents delivered in connection therewith. I have relied upon originals or copies, certified or otherwise identified to my satisfaction, of such corporate records, documents and other instruments as in my judgment are relevant to rendering the opinions expressed below. As to any facts material to the opinions expressed below (other than any thereof relating to the Borrower or any Guarantor), I have relied upon the representations and warranties made in the Loan Documents, the accuracy of which I have not independently investigated or verified. In such examination, I have assumed the genuineness of all signatures (other than the signatures of the Borrower and any Guarantor) and the authenticity of all documents submitted to me as originals and the conformity with the originals of all documents submitted to me as copies. I also have assumed that each of the parties to the Agreement, other than the Borrower, has full power, authority and legal right to enter into the Agreement and that the Agreement has been duly authorized, executed and delivered by each of such parties.

Based upon the foregoing, it is my opinion that:

1. The Borrower is a corporation duly incorporated and validly existing in good standing under the laws of the State of Delaware. The Borrower has the power and authority to execute and deliver the Agreement and perform its obligations under the Agreement and to borrow under the Agreement. The Borrower has all corporate power required to carry on its ordinary course of business.
2. Each Significant Subsidiary and each Guarantor is a corporation duly incorporated and validly existing in good standing under the laws of the jurisdiction of its incorporation.

3. Each of the Borrower and each Significant Subsidiary and Guarantor is duly qualified as a foreign corporation in good standing to do business in all jurisdictions where the failure to so qualify would have a material adverse effect on the business of the Borrower and the Significant Subsidiaries taken as a whole.

4. The execution and delivery of the Loan Documents by the Borrower and each of the Guarantors and the consummation of the transactions contemplated thereby, the borrowings by the Borrower under the Agreement and the performance by the Borrower and the Guarantors of their respective obligations under the Loan Documents have been duly authorized by all necessary corporate action and proceedings on the part of the Borrower and each Guarantor and do not at this time:

(a) require any consent of the Borrower's or any Guarantor's shareholders, or

(b) contravene, or constitute a default under, any provision of any law or regulation applicable to the Borrower or any Guarantor or of the certificate or articles of incorporation or bylaws of the Borrower or any Guarantor or of any material contract, agreement, judgment, order, decree, adjudication or other instrument binding upon the Borrower or any Guarantor, or by which the Borrower or any Guarantor or any of their respective property may be bound or affected, or result in the creation of any Lien on any property now owned by the Borrower, any Guarantor or any Significant Subsidiary pursuant to the provisions of any agreement, indenture or other instrument binding upon it.

5. The Loan Documents delivered as of the date hereof have been duly executed and delivered by the Borrower and each of the Guarantors, and constitute the legal, valid and binding obligations of the Borrower and the Guarantors, respectively, to the extent each is a party thereto, enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and subject also to the availability of equitable remedies if equitable remedies are sought.

6. Except for the matters described under Notes 11 and 16 to the financial statements included in the Borrower's Annual Report on Form 10-K for the fiscal year ended May 31, 2002, as to all of which I can express no opinion at this time concerning the Borrower's or any Subsidiary's liability (if any) or the effect of any adverse determination upon the business, Property, condition (financial or otherwise), results of operations, or prospects of the Borrower and its Subsidiaries taken as a whole, or the ability of the Borrower to perform its obligations under the Loan Documents, there is no action, suit, proceeding or investigation of which I am aware pending or threatened against or affecting the Borrower, any Guarantor or any Significant Subsidiary before any court, regulatory commission, arbitration tribunal, governmental department, administrative agency or instrumentality which, if such action, suit, proceeding or investigation were determined adversely to the interest of the Borrower, the Guarantors and the Significant Subsidiaries, would have a Material Adverse Effect.

7. Neither the Borrower nor any Guarantor or Significant Subsidiary is in default or violation in any respect which would have a Material Adverse Effect with respect to any law, rule, regulation, order, writ, judgment, injunction, decree, adjudication, determination or award presently in effect and applicable to it.
8. No approval, authorization, consent, adjudication or order of any governmental authority, which has not been obtained by the Borrower or any Guarantor, is required to be obtained by the Borrower or any Guarantor in connection with the execution and delivery of the Loan Documents delivered as of the date hereof, the borrowings under the Agreement or in connection with the performance by the Borrower or any of the Guarantors of their respective obligations under the Loan Documents.
9. The Borrower is not engaged principally or as one of its important activities in the business of extending credit for the purpose of purchasing or carrying any Margin Stock and is not otherwise subject to the registration requirements of Section 3(b) of Regulation U.
10. The Borrower is not an "investment company," within the meaning of the Investment Company Act of 1940, as currently in effect.
11. The laws of the State of Tennessee which limit interest rates or other amounts payable with respect to borrowed money or interest thereon are not applicable to the Agreement.
12. Federal Express Corporation is not a national of any foreign country designated in Presidential Executive Order No. 8389 or 9193, as amended, and the regulations issued thereunder, as amended, or a national of any foreign country designated in the Foreign Assets Control Regulations or in the Cuban Assets Control Regulations of the United States Treasury Department, 31 C.F.R., Subtitle B, Chapter V, as amended.
13. The certificates issued to Federal Express Corporation pursuant to 49 U.S.C. Section 41102(a) and 49 U.S.C. Section 41103 and the operating certificates issued to Federal Express Corporation pursuant to Part 119 of the Federal Aviation Regulations are in full force and effect and are adequate for the conduct of the business of the Borrower and its Subsidiaries as now conducted. There are no actions, proceedings or investigations pending or, to my knowledge, threatened (or any basis therefor known to me) to amend, modify, suspend or revoke any such certificate in whole or in part which would have any material adverse effect on any such certificate or the operations of the Borrower and its Subsidiaries.

I do not express any opinion as to matters governed by any law other than the federal laws of the United States of America, the General Corporation Law of the State of Delaware and the laws of the State of Tennessee. To the extent that matters covered by this opinion letter involve the laws of any state other than the State of Tennessee or the General Corporation Law of the State of Delaware, I have assumed, without independent verification of the accuracy or correctness of such assumption, that the laws of such other state which apply to the matter in question are the same as the substantive

law of the State of Tennessee (but without regard to choice of law or conflicts of law principles) which would apply were such matter governed by the laws of the State of Tennessee.

This opinion may be relied upon by the Administrative Agent, the Lenders, and their respective permitted participants, assignees, and other transferees. It is understood that this opinion speaks as of the date given, notwithstanding any delivery as contemplated above on any other date.

Very truly yours,

Christine P. Richards

EXHIBIT E

FORM OF ASSIGNMENT AND ACCEPTANCE

Reference is made to the Amended and Restated 364-Day Credit Agreement, dated as of September 27, 2002 (as amended, supplemented or otherwise modified from time to time, the "CREDIT AGREEMENT"), among FedEx Corporation (the "BORROWER"), the Lenders party thereto and JPMORGAN CHASE BANK, as administrative agent for the Lenders (in such capacity, the "ADMINISTRATIVE AGENT"), CITICORP USA, INC. and BANK OF AMERICA, N.A., as Co-Syndication Agents, and BANK ONE, NA, COMMERZBANK A.G., BANK OF TOKYO-MITSUBISHI TRUST COMPANY and THE ROYAL BANK OF SCOTLAND PLC, as Co-Documentation Agents. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

The Assignor identified on Schedule 1 hereto (the "ASSIGNOR") and the Assignee identified on Schedule 1 hereto (the "ASSIGNEE") agree as follows:

1. The Assignor hereby irrevocably sells and assigns to the Assignee without recourse to the Assignor, and the Assignee hereby irrevocably purchases and assumes from the Assignor without recourse to the Assignor, as of the Effective Date (as defined below), the interest described in Schedule 1 hereto (the "ASSIGNED INTEREST") in and to the Assignor's rights and obligations under the Credit Agreement with respect to those credit facilities contained in the Credit Agreement as are set forth on Schedule 1 hereto (individually, an "ASSIGNED FACILITY"; collectively, the "ASSIGNED FACILITIES"), in a principal amount for each Assigned Facility as set forth on Schedule 1 hereto.
2. The Assignor (a) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or with respect to the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, any other Loan Document or any other instrument or document furnished pursuant thereto, other than that the Assignor has not created any adverse claim upon the interest being assigned by it hereunder and that such interest is free and clear of any such adverse claim and (b) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower, any of its Affiliates or any other obligor or the performance or observance by the Borrower, any of its Affiliates or any other obligor of any of their respective obligations under the Credit Agreement or any other Loan Document or any other instrument or document furnished pursuant hereto or thereto.
3. The Assignee (a) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements delivered pursuant to Section 3.04 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it will, independently and without reliance upon the Assignor, the Administrative Agent or any Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the

Credit Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender including, if it is organized under the laws of a jurisdiction outside the United States, its obligation pursuant to Section 2.14(d) of the Credit Agreement.

4. The effective date of this Assignment and Acceptance shall be the Effective Date of Assignment described in Schedule 1 hereto (the "EFFECTIVE DATE"). Following the execution of this Assignment and Acceptance, it will be delivered to the Administrative Agent for acceptance by it and recording by the Administrative Agent pursuant to the Credit Agreement, effective as of the Effective Date (which shall not, unless otherwise agreed to by the Administrative Agent, be earlier than five Business Days after the date of such acceptance and recording by the Administrative Agent).

5. Upon such acceptance and recording, from and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to the Effective Date and to the Assignee for amounts which have accrued subsequent to the Effective Date.

6. From and after the Effective Date, (a) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and under the other Loan Documents and shall be bound by the provisions thereof and (b) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

7. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed as of the date first above written by their respective duly authorized officers on Schedule 1 hereto.

Schedule 1 to Assignment and Acceptance with respect to the Amended and Restated 364-Day Credit Agreement, dated as of September 27, 2002 among the Borrower, the Lenders party thereto, the Co-Documentation Agents, the Co-Syndication Agents, and JPMorgan Chase Bank, as Administrative Agent

Name of Assignor: _____

Name of Assignee: _____

Effective Date of Assignment: _____

Credit Facility Assigned Assigned	Principal Amount Assigned	Commitment Percentage
----- -----	----- \$ _____	_____. _____ %

[Name of Assignee] [Name of Assignor]

By: _____

Name:
Title:

Accepted for Recordation in the Register:

JPMORGAN CHASE BANK, as
Borrower]
Administrative Agent

By: _____

Name:
Title:

By:

Name:
Title:

Required Consents (if any):

[FEDEX CORPORATION, as

By:

Name:
Title:

JPMORGAN CHASE BANK, as
Administrative Agent

By:

Name:
Title:

EXHIBIT F

FORM OF EXEMPTION CERTIFICATE

Reference is made to the Amended and Restated 364-Day Credit Agreement, dated as of September 27, 2002 (as amended, supplemented or otherwise modified from time to time, the "CREDIT AGREEMENT"), among FedEx Corporation (the "BORROWER"), the Lenders party thereto, the Co-Documentation Agents and Co-Syndication Agents named therein and JPMorgan Chase Bank, as administrative agent (in such capacity, the "ADMINISTRATIVE AGENT"). Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement. _____ (the "NON-U.S. LENDER") is providing this certificate pursuant to Section 2.14(d) of the Credit Agreement. The Non-U.S. Lender hereby represents and warrants that:

1. The Non-U.S. Lender is the sole record and beneficial owner of the Loans in respect of which it is providing this certificate.
2. The Non-U.S. Lender is not a "bank" for purposes of Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code"). In this regard, the Non-U.S. Lender further represents and warrants that:
 - (a) the Non-U.S. Lender is not subject to regulatory or other legal requirements as a bank in any jurisdiction; and
 - (b) the Non-U.S. Lender has not been treated as a bank for purposes of any tax, securities law or other filing or submission made to any Governmental Authority, any application made to a rating agency or qualification for any exemption from tax, securities law or other legal requirements.
3. The Non-U.S. Lender is not a 10-percent shareholder of the Borrower within the meaning of Section 881(c)(3)(B) of the Code.
4. The Non-U.S. Lender is not a controlled foreign corporation receiving interest from a related person within the meaning of Section 881(c)(3)(C) of the Code.

IN WITNESS WHEREOF, the undersigned has duly executed this certificate.

[NAME OF NON-U.S. LENDER]

By:

Name:

Title:

Date:

FEDEX CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(UNAUDITED)
(IN MILLIONS, EXCEPT RATIOS)

	Three Months Ended August 31,			Year Ended May 31,			
	2002	2001	2002	2001	2000	1999	1998
Earnings:							
Income before income taxes	\$ 255	\$ 200	\$ 1,160	\$ 927	\$ 1,138	\$ 1,061	\$ 900
Add back:							
Interest expense, net of capitalized interest	32	38	143	155	121	111	136
Amortization of debt issuance costs	1	—	4	2	1	9	1
Portion of rent expense representative of interest factor	177	173	710	667	625	571	508
Earnings as adjusted	\$ 465	\$ 411	\$ 2,017	\$ 1,751	\$ 1,885	\$ 1,752	\$ 1,545
Fixed Charges:							
Interest expense, net of capitalized interest	\$ 32	\$ 38	\$ 143	\$ 155	\$ 121	\$ 111	\$ 136
Capitalized interest	5	9	27	27	35	39	33
Amortization of debt issuance costs	1	—	4	2	1	9	1
Portion of rent expense representative of interest factor	177	173	710	667	625	571	508
	\$ 215	\$ 220	\$ 884	\$ 851	\$ 782	\$ 730	\$ 678
Ratio of Earnings to Fixed Charges	2.2	1.9	2.3	2.1	2.4	2.4	2.3

EXHIBIT 15.1

The Board of Directors and Stockholders
FedEx Corporation

We are aware of the incorporation by reference in the Registration Statements (FormS-8 Nos.2-95720, 33-20138, 33-38041, 33-55055, 333-03443, 333-45037, 333-71065, 333-34934, 333-55266 and FormS-3 No.333-86342) of FedEx Corporation and in the related Prospectuses, of our report dated September27, 2002, relating to the unaudited condensed consolidated interim financial statements of FedEx Corporation that are included in its Form10-Q for the quarter ended August31, 2002.

/s/ ERNST & YOUNG
LLP

Memphis, Tennessee
October11, 2002

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of FedEx Corporation ("FedEx") on Form10-Q for the period ended August31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frederick W. Smith, Chairman, President and Chief Executive Officer of FedEx, certify, pursuant to 18 U.S.C. Section1350, as adopted pursuant to Section906 of the Sarbanes-Oxley Act of 2002, that:

- (1)
The Report fully complies with the requirements of section13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2)
The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FedEx.

Date:October11, 2002
/s/ FREDERICK W. SMITH Frederick
W. Smith
Chairman, President and
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of FedEx Corporation ("FedEx") on Form10-Q for the period ended August31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan B. Graf, Jr., Executive Vice President and Chief Financial Officer of FedEx, certify, pursuant to 18 U.S.C. Section1350, as adopted pursuant to Section906 of the Sarbanes-Oxley Act of 2002, that:

- (1)
The Report fully complies with the requirements of section13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2)
The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FedEx.

Date:October11, 2002
/s/ ALAN B. GRAF, JR. Alan B. Graf, Jr.
Executive Vice President and
Chief Financial Officer

End of Filing