
LEASE AGREEMENT

Dated as of June 1, 1998

Between

FIRST SECURITY BANK, NATIONAL ASSOCIATION,
not in its individual capacity but solely
as Owner Trustee under the Trust Agreement
dated as of June 1, 1998 with
Connell Finance Company, Inc.,

as Lessor

And

WESTAR AVIATION, INC.,

as Lessee

This Lease has been executed in several counterparts. To the extent, if any, that this Lease constitutes chanel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease may be created through the transfer or possession of any counterpart hereof other than the "Counterpart No. 1". This Counterpart is Counterpart No. _____ of _____. Certain rights of Lessor under this Lease Agreement have been assigned as security to, and are subject to a security interest in favor of State Street Bank and Trust Company, as Security Trustee under the Security Agreement-Trust Deed dated as of the date hereof between Lessor and Security Trustee, for the benefit of the holders of the Notes referred to therein.

EXHIBIT C
(to Participation Agreement)

TABLE OF CONTENTS

SECTION	HEADING	PAGE
SECTION 1.	DEFINITIONS	1
SECTION 2.	AGREEMENT FOR LEASE OF EQUIPMENT	1
SECTION 3.	DELIVERY AND ACCEPTANCE OF EQUIPMENT	1
SECTION 4.	- LEASE TERM	2
SECTION 5.	- RETURN OF EQUIPMENT	2
SECTION 6.	RENT	7
SECTION 7.	NET LEASE	9
SECTION 8.	LESSOR'S TITLE; EQUIPMENT TO BE AND REMAIN PERSONAL PROPERTY	10
SECTION 9.	USE OF EQUIPMENT; COMPLIANCE WITH LAWS	10
SECTION 10.	MAINTENANCE AND REPAIR OF EQUIPMENT	12
SECTION 11.	REPLACEMENTS; ALTERATIONS; MODIFICATIONS	13
SECTION 12.	INSIGNLA; REGISTRATION; INSPECTION	13
SECTION 13.	ASSIGNMENTS AND SUBLEASES	14
SECTION 14.	LIENS	16
SECTION 15.	LOSS, DAMAGE OR DESTRUCTION	16
SECTION 16.	INSURANCE	21
SECTION 17.	NO WARRANTIES	24

SECTION 18.	EVENTS OF DEFAULT	25
SECTION 19.	REMEDIES UPON DEFAULT.....	26
SECTION 20.	LESSOR'S RIGHT TO PERFORM FOR LESSEE.....	29
SECTION 21.	LATE CHARGES	29
SECTION 22.	COVENANT OF QUIET ENJOYMENT.....	29
SECTION 23.	OTHER DOCUMENTS	30
SECTION 24.	NOTICES AND REQUESTS	30
SECTION 25.	LESSEE'S RENEWAL AND PURCHASE OPTIONS.....	30
SECTION 26.	FINANCIAL INFORMATION; REPORTS.....	32
SECTION 27.	- VOLUNTARY TERMINATION.....	33
SECTION 28.	[INTENTIONALLY LEFT BLANK].....	33
SECTION 29.	MISCELLANEOUS	33
SECTION 30.	THIRD-PARTY BENEFICIARIES.....	34
SECTION 31.	LIABILITY OF LESSOR LIMITED.....	34
SECTION 32.	EXECUTION.....	35
SECTION 33.	RETURN OF CERTAIN FUNDS.....	35
SECTION 34.	TRUTH IN LEASING.....	35
Signature.....		36

ATTACHMENTS TO LEASE AGREEMENT:

Annex 1 — Definitions

EXHIBITS

- A — Lease Supplement
- B — Fixed Rent
- C — Stipulated Loss Value and Termination Value

LEASE AGREEMENT

THIS LEASE AGREEMENT dated as of June 1, 1998 (the "*Lease*"), by and between FIRST SECURITY BANK, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity but solely as Owner Trustee (the "*Lessor*"), under the Trust Agreement dated as of June 1, 1998 with Connell Finance Company, Inc., a New Jersey corporation, and WESTAR AVIATION, INC., a Kansas corporation (the "*Lessee*").

WHEREAS, Lessee has selected a Cessna Citation VII aircraft as more specifically described in the Lease Supplement to be delivered on the Closing Date for purchase from Seller and intends to assign to Lessor, pursuant to the Purchase Agreement Assignment, its right to purchase such aircraft; and

WHEREAS, Lessor will purchase such aircraft on the Closing Date;

In consideration of the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

SECTION 1. DEFINITIONS.

For purposes of this Lease, capitalized terms used herein shall have the meanings assigned to them in Annex 1 hereto, as the same may be amended from time to time (such definitions to be equally applicable to both the singular and plural forms of the terms defined). Any term defined by reference to an agreement, instrument or other document shall have the meaning so assigned to it whether or not such document is in effect. Unless otherwise indicated, references without qualification in this Lease to sections, paragraphs, clauses, appendices, schedules and exhibits are to the same contained in or attached to this Lease.

SECTION 2. AGREEMENT FOR LEASE OF EQUIPMENT.

Subject to, and upon all of the terms and conditions of this Lease, Lessor hereby agrees to lease to Lessee and Lessee hereby agrees to lease from Lessor each Item of Equipment for the Lease Term.

SECTION 3. DELIVERY AND ACCEPTANCE OF EQUIPMENT.

Lessor shall not be liable to Lessee for any failure or delay in obtaining any Item of Equipment or making delivery thereof. Upon execution and delivery of a Lease Supplement substantially in the form attached hereto as Exhibit A by Lessor and Lessee, the Items described therein shall be deemed to have been delivered to and accepted by Lessee as agent for Lessor under the Acquisition Agreements and for all purposes of this Lease, and thereupon shall be subject to all of the terms, provisions and conditions of this Lease.

Lessee's execution and delivery of the Lease Supplement shall be evidence that the Items of Equipment listed therein have been subjected to this Lease on the terms hereof. Lessee's execution and delivery of the Lease Supplement with respect to the Equipment pursuant to this Section 3 shall conclusively establish that, as between Lessor and Lessee, but without limiting or otherwise affecting Lessor's or Lessee's rights, if any, against any other Person, each Item of Equipment described therein is acceptable to and irrevocably accepted by Lessee under the Lease, notwithstanding any defect with respect to design, manufacture, condition or any other matter or the failure of any such Item of Equipment to comply to the specifications applicable thereto or to all applicable federal or state governmental standards including, without limitation, any imposed by the United States Department of Transportation and FAA requirements and specifications, if any, and that, as between Lessor and Lessee, each such Item of Equipment is in good order and condition.

SECTION 4. LEASE TERM.

The basic term (the "*Basic Term*") for the Equipment shall commence on the Acceptance Date for the Equipment and, unless this Lease is sooner terminated pursuant to the provisions hereof, shall terminate at 11:59 p.m. (Kansas City, Missouri time) on June 18, 2008. If not sooner terminated pursuant to the provisions hereof, the Lease Term for the Equipment shall end on the last day of the Basic Term thereof, or if this Lease is renewed pursuant to Section 25(a) hereof, on the last day of the Renewal Term thereof.

SECTION 5. RETURN OF EQUIPMENT.

(a) *Return of Equipment upon Expiration of Term.* Upon the expiration or earlier termination of the Lease Term with respect to each Item of Equipment (and provided, in the case of the expiration of the Lease Term, that Lessee has not exercised its renewal option under Section 25(a) hereof or its purchase option under Section 25(b) hereof, in each case as applicable) or at the end of any storage period pursuant to Section 5(c), Lessee will deliver possession of the Equipment (with the Engines installed on the Airframe) at Lessee's cost, risk and expense to Lessor at a location in the continental contiguous United States designated by Lessor in writing to Lessee at least 30 days prior to such redelivery. Upon return of the Equipment as provided herein and assuming the return conditions hereof have been fully satisfied, Lessee shall have no further liability or obligation with respect to the Equipment; *provided, however,* the preceding clause shall not be deemed to terminate any other obligations of Lessee under the Operative Agreements which may extend beyond such return of the Equipment. Upon return the Equipment shall be duly registered in the name of Lessor in the United States under the Federal Aviation Act. Lessee shall deliver to Lessor all licenses, logs, manuals, certificates, data and inspection, modification and overhaul records which are required to be maintained with respect thereto under Applicable Law or under this Lease and any others which are in the possession of the Lessee. Immediately prior to the return of the Equipment, Lessee will (upon no less than five (5) days' prior written notice) permit Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or user of the Equipment to conduct a full systems functional inspection of the Equipment during normal business hours

and conduct a full inspection of the aircraft documentation (including books and manuals), such inspections to be to Lessor's reasonable satisfaction in duration and scope.

At the time of return of the Equipment:

(i) Lessee shall have removed all Lessee identification (i.e., name and logo) from the Equipment, which removal shall be completed in a workman-like manner;

(ii) the Equipment shall be free and clear of all Liens and rights of others other than Lessor's Liens;

(iii) the Equipment shall be fully operational in compliance with Lessee's and the manufacturer's then valid and appropriate (whichever is more stringent) FAA approved maintenance program and in the condition and repair as required by Sections 9, 10 and 11 of the Lease;

(iv) the Equipment shall have a valid FAA Certificate of Airworthiness and a valid certificate for operations under Part 91 of the FARs;

(v) the Equipment shall have completed within thirty (30) days prior to such return, an Annual Inspection or the next required primary or equivalent major inspection on the Airframe, and the next periodic major inspection on each Engine (including, without limitation, a spectrometric analysis test (also known as the "SOAP TEST") and a Boroscope Inspection of each Engine and auxiliary power unit);

(vi) (1) with respect to each Engine, have available operating hours until the next scheduled "hot section" inspection and the next scheduled major overhaul, both of not less than fifty percent (50%) of the total operating hours, respectively, available between such hot section inspections or major overhaul, and (2) the airframe, landing gear, major components and pressure vessel shall have at least one-half of each of the available operating hours, cycles and calendar time until the later of the next scheduled primary or equivalent and special airframe and pressure vessel inspections or the Phase 1 through 5 check, each as required by the manufacturer's maintenance program in effect at the time of the return;

(vii) at Lessor's request and Lessee's expense, Lessee will perform one test flight lasting up to two hours for the purpose of demonstrating the satisfactory operation of the Equipment, its equipment and systems in accordance with the requirements of this Agreement; any discrepancies in the Equipment from the requirements of this Agreement noted during the test flight shall be corrected and repaired by Lessee within 30 days of such test flight and satisfactory completion of such correction and repair shall be demonstrated by Lessee through tests on the ground to the extent possible and, if necessary, through subsequent test flights at Lessee's expense;

(viii) all airworthiness directives and mandatory service bulletins with respect to the Equipment issued by the FAA which are required by the FAA to be complied with at or before the date on which the Equipment is returned by Lessee shall have been complied with at Lessee's expense prior to delivery;

(ix) the Equipment will have all pilot discrepancies and deferred maintenance items cleared on a terminating action basis; all equipment, components and systems will be operating within limits approved by the manufacturer and the FAA;

(x) the Equipment will be returned with the Engines installed and with the same equipment as on the Closing Date, subject only to those replacements, additions and modifications permitted under this Lease;

(xi) all no-charge vendor and Manufacturer's service bulletin kits received by Lessee for the Equipment but not installed thereon will be on board the Equipment as cargo, if practicable; any such service bulletin kits ordered for the Equipment which Lessee paid for will also be delivered to Lessor and on board the Equipment, but Lessor will reimburse Lessee for its actual out-of-pocket costs for the kits or, if loading the cargo aboard the Equipment is not practicable, independent shipping to Lessor's destination;

(xii) if corrosion control is not integral to Lessee's maintenance program, a full internal and external corrosion inspection of the Equipment will be accomplished in accordance with the manufacturer's recommendations; if Lessee's maintenance program allows for fleet sampling of corrosion or structural inspections/tasks and the Equipment has been excluded from having these inspections and tasks performed as allowed by the sampling program, then these inspections also will be accomplished; and

(xiii) Lessee will ensure that at return of the Equipment any and all airport, navigation and other charges which give rise or may if unpaid give rise to any Lien in relation to the Airframe, Engines or any Part, whether incurred in respect of the Equipment or any other aircraft operated by Lessee, have been paid and discharged in full (whether or not due) and will at Lessor's request produce evidence thereof satisfactory to Lessor.

At Lessor's request and expense and upon reasonable notice from the Lessor to the Lessee, Lessee will cooperate with Lessor in order to (i) obtain an Export Certificate of Airworthiness or its equivalent from the United States so that the Equipment can be exported to a foreign country designated by Lessor, (ii) assist with deregistration of the Equipment from the FAA and (iii) perform any other acts reasonably required by Lessor in connection with the foregoing; *provided* that Lessee shall not be required to perform any action set forth in clause (i), (ii) or (iii) prior to the return of the Equipment if such performance would unreasonably interfere with Lessee's use of the Equipment or otherwise be unduly burdensome to Lessee.

The Equipment shall be redelivered with not less than the amount of fuel aboard than the amount when the Equipment was delivered by Lessor to Lessee on the Closing Date. Lessor shall reimburse Lessee for any excess fuel contained in the Equipment's fuel tanks at Lessee's then current cost of fuel at the place of redelivery. Lessee shall reimburse Lessor for any shortfall of fuel contained in the Equipment's fuel tanks at Lessor's then current cost of fuel at the place of redelivery.

(b) At the time of return of the Equipment the then current cost of overhaul or replacement of each cycle life limited component shall be determined (V_o). A "half-life value", V_h , of each overhaul or replacement shall then be determined by taking one-half (1/2) of the current cost of overhaul or replacement of each cycle life limited component. Thereafter an amount, V_i , shall be calculated with respect to each cycle life limited component as follows:

$$V_i = \frac{t}{t_{TOT}} \times V_o$$

Where

V_i =the proportion of the current cost of overhaul or replacement consumed to date;

t =hours, calendar time or number of landings, as the case may be, since the last overhaul or replacement of that component;

t_{TOT} =the manufacturer's recommended total hours, calendar time or number of landings allowed between overhaul or replacement, as the case may be, with respect to such component; and

V_o =the then current cost of overhaul or replacement of that component.

If the V_i with respect to the Airframe is greater than the half-life value, V_h , of the Airframe, Lessee shall pay Lessor the difference; *provided, however*, if the V_i with respect to the Airframe is equal to or less than the half-life value, V_h , of the Airframe, then Lessee shall have no obligation to make any payment to Lessor with respect thereto.

If the aggregate total of V_i with respect to the Engines is greater than the half-life value, V_h , of the Engines, in the aggregate, Lessee shall pay Lessor the difference; *provided, however*, if the aggregate total of V_i with respect to the Engines is equal to or less than the half-life value, V_h , of the Engines, in the aggregate, then Lessee shall have no obligation to make any payment to Lessor with respect thereto; *provided*, notwithstanding the foregoing provisions of this paragraph, no Engine individually shall have less than 50% remaining hours or cycles before its next scheduled hot section inspection.

If the aggregate total of V_i with respect to all cycle/life limited components (to the extent not referenced in the preceding two paragraphs) is greater than the half-life value, V_h , of all such components, Lessee shall pay Lessor the difference; *provided, however*, if

the aggregate total of Vi with respect to all such life limited components is equal to or less than the half-life value, Vh, of all such components, then Lessee shall have no obligation to make any payment to Lessor with respect thereto.

For the purpose hereof the term "*cycle/life limited component*" shall mean any part of the Equipment, including the engine or engine parts, that is required to be overhauled or replaced after such number of hours, calendar time, cycles or landings recommended by the manufacturer or required by the FAA.

(c) *Storage and Certain Assistance by Lessee.* Upon any expiration or termination of this Lease with respect to the Equipment and return of the Equipment in the condition required hereunder, at the written request of Lessor, Lessee will arrange, or will cause to be arranged, at a location within the continental United States selected by Lessee and reasonably acceptable to Lessor, storage of such Equipment beyond the Term for a period not exceeding 60 days at Lessee's cost, risk and expense and during such storage period, Lessee shall continue to maintain insurance required by Section 16.

(d) *Holdover Rent.* In the event the Equipment is not returned as hereinabove provided as a result of any action or inaction by the Lessee and in the condition required by this Lease as of the date of the expiration of the Basic Term or the Renewal Term, as applicable, Lessee shall pay to Lessor, for each day thereafter as liquidated damages, and not as a penalty, for the failure of Lessee to return the Equipment to Lessor at the expiration of the Lease Term as required by the provisions of Section 5(a), an amount equal to 100% of the daily equivalent of (i) the arithmetic average of the Fixed Rent during the Basic Term for the Equipment or, (ii) if the failure to return occurs after a Renewal Term, the arithmetic average of the rent paid during the Renewal Term for the Equipment. Notwithstanding the foregoing, nothing in this Section 5(d) is intended to limit Lessee's obligation to return the Equipment in a timely manner as otherwise set forth in Section 5 or to permit Lessee to retain possession of the Equipment subsequent to the expiration of the Lease Term; such return provision being of the essence of this Lease.

(e) *Dispute Resolution.*

(i) Any dispute between the Lessor and Lessee as to compliance of the Equipment with the requirements of this Section 5 shall be determined as follows.

(ii) If the Lessor and Lessee are unable mutually to resolve a dispute arising under Section 5(a) or (b), within 15 days of the expiration or earlier termination of the Lease Term, then Lessor shall, within 15 days after the expiration of such original 15 day period, select a proposed qualified independent aircraft expert (the "*Lessor's Expert*") to conduct an inspection of the Equipment in order to determine compliance of the Equipment with the requirements of Section 5(a) or (b). If upon selection by Lessor, Lessee shall be unwilling to rely solely upon Lessor's Expert, Lessee shall select a qualified independent aircraft expert within 10 days after Lessee has received notice of Lessor's selection. If Lessee fails to appoint an expert within the applicable time limit, Lessor's Expert shall conduct the inspection. If both parties appoint

experts, the two experts so appointed shall, within 10 days after such notice is given, appoint a third qualified independent aircraft expert who will be the sole expert in determining compliance of the Equipment with the requirements of Sections 5(a) and (b).

Any expert or experts appointed pursuant to the foregoing procedure shall be instructed to determine compliance of the Equipment with the requirements of this Section 5 within 20 days after the appointment of such expert. Such determination shall be in accordance with the terms of this Section 5 and the parties agree that such expert(s) shall be permitted to exercise the rights of the Lessor under this Section 5 related to inspection of the Equipment (including the right to a test flight). The appointed expert's determination of such compliance shall be final. If the expert determines that the Equipment is not in compliance with Sections 5(a) and 5(b), then Lessee shall pay (i) such amounts as are required pursuant to Section 5(d) until such time as the Lessee is in compliance with the appointed expert's determination and (ii) the fees and expenses of any experts pursuant to this Section 5(e). In all other cases, no amounts shall be payable by the Lessee under Section 5(d) for the period in which compliance with the requirements of Section 5(a) and (b) are in dispute, and the Lessor shall pay the fees and expenses of any experts pursuant to this Section 5(e).

SECTION 6. RENT.

(a) [Intentionally left blank]

(b) *Fixed Rent.* Lessee hereby agrees to pay Lessor Fixed Rent for the use by Lessee of the Equipment during the Basic Term, in consecutive monthly installments in advance, due and payable on each Rent Payment Date and continuing until the expiration or earlier termination of the Basic Term, with each such installment to be in an amount equal to the product obtained by multiplying (i) the Purchase Price of the Equipment by (ii) the percentage set forth for such Rent Payment Date in Exhibit B attached hereto. Each installment of Fixed Rent or portion thereof shall be for the monthly period commencing on the Rent Payment Date on which such installment is due. Lessee hereby agrees to pay Lessor Fixed Rent for the Equipment during each Renewal Term thereof as specified in Section 25(a) hereof.

(c) *Supplemental Rent.* Lessee also agrees to pay to Lessor, to such other Person as shall be expressly designated to receive such payment pursuant to the terms of the Operative Agreements, or otherwise to whomever Lessor shall direct Lessee to pay, all Supplemental Rent, as the same shall become due and owing. Lessee shall also pay to Lessor (and, in the case of payments of Supplemental Rent payable to other Persons hereunder, such other Persons) on demand, as Supplemental Rent, to the extent permitted by Applicable Law, interest at the Late Rate on any part of any installment of Fixed Rent or any amount due under Section 19 hereof not paid when due at or prior to the time specified for such payment for any period for which the same shall be overdue. The payment or satisfaction of Lessee's obligation with respect to Fixed Rent or any installment thereof shall not limit any obligation of Lessee which may have accrued during the Lease Term with respect to Supplemental Rent. In the event of any failure on the part of Lessee to pay any such

Supplemental Rent hereunder Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise for such non-payment.

(d) *Method of Payment.* All payments of Fixed Rent and Supplemental Rent required to be made by Lessee to Lessor shall be made by 11:00 A.M. Hartford, Connecticut time on the date payment is due in United States dollars and in immediately available funds. If any such date is not a Business Day, then payment shall be due on the next succeeding Business Day and if paid on such Business Day by 11:00 A.M. Hartford, Connecticut time, such payment shall be without interest or penalty. In the event of any assignment pursuant to Section 13(b) hereof, all payments or right to payments which are properly assigned thereunder, whether Fixed Rent, Supplemental Rent or otherwise, shall be paid to such address as shall be designated by Lessor and any such assignee. All payments of Rent (other than payments with respect to Excepted Rights in Collateral, which shall be paid to the Person entitled thereto) shall be paid by Lessee to Lessor at its office at First Security Bank, National Association, 79 South Main Street, Salt Lake City, Utah 84111 ABA No. 124 0000 12, Attention: Corporate Trust Department, or as Lessor may otherwise direct from time to time in writing; *provided*, that so long as the Security Agreement shall not have been discharged pursuant to Section 12.4 thereof, Lessor hereby directs, and Lessee agrees, that all payments of Rent and all other amounts payable to Lessor hereunder (other than payments with respect to Excepted Rights in Collateral, which shall be paid to the Person entitled thereto) shall be paid directly to Security Trustee at its office at 225 Asylum Street, Hartford, Connecticut 06103, ABA No. 011000028, Attention: Corporate Trust Department, or as Security Trustee may otherwise direct, at such time so as to be received by Security Trustee prior to 11:00 A.M. Hartford, Connecticut time on the date of payment.

(e) *Minimum Payments.* Notwithstanding anything to the contrary contained herein or in any other Operative Agreement, in all events and irrespective of any adjustment thereto, (i) each installment of aggregate Fixed Rent payable with respect to the Equipment on each Rent Payment Date shall be at least equal to the aggregate amount of principal and accrued interest due and payable on such date in respect of all Notes then outstanding and (ii) each payment of Stipulated Loss Value and Termination Value (when added to all other amounts required to be paid by Lessee under this Lease in respect of any Event of Loss or termination of this Lease) shall be at least equal to an amount sufficient, as of the date of payment, to pay in full the principal of and premium, if any, and interest on all Notes due under the Security Agreement on account of such Event of Loss or termination. Nothing in this Section 6(e) shall be deemed to constitute a guarantee by Lessee of the indebtedness evidenced by the Notes or a guarantee of the residual value of any Item of Equipment.

SECTION 7. NET LEASE.

This Lease is a net lease and Lessee acknowledges and agrees that Lessee's obligations hereunder shall be absolute and unconditional under any and all circumstances and all Rent shall be paid without notice or demand and without any abatement, reduction, suspension, diminution, deferral, setoff, defense, counterclaim or recoupment whatsoever, including, without limitation, any abatement, reduction, suspension, diminution, deferral, setoff.

defense, counterclaim or recoupment due or alleged to be due to, or by reason of, any past, present or future claims which Lessee may have against Guarantor, Lessor, Owner Participant, any assignee, Security Trustee, any vendor or manufacturer of the Equipment or any part or Item thereof, the holders from time to time of the Notes, or any other Person, either under this Lease or otherwise, for any reason whatsoever; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the obligations of Lessee be otherwise affected for any reason whatsoever, including any defect in or damage to or loss of possession or loss of use or destruction of the Equipment or any part or Item thereof, the condition, design, airworthiness, eligibility for registration under the Federal Aviation Act, operation or fitness for use thereof, any Liens or rights of others with respect to the Equipment or any part or Item thereof, any prohibition or interruption of or other restriction against Lessee's use, operation or possession of the Equipment or any part or Item thereof, or any interference with such use, operation or possession by any Person or entity (including without limitation confiscation, requisition or other taking by any governmental authority, any person acting under governmental authority or otherwise, or action of any public or private person, whether by eviction by paramount title or for any other reason whatsoever), the invalidity or unenforceability or lack of due authorization of this Lease, or any other Operative Agreement, any defect in the title to, compliance with plans or specifications for condition, design or fitness for use of all or any of the Items of Equipment, any insolvency of or any bankruptcy, reorganization or other proceeding against Lessee, Lessor or any other Person or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention and agreement of the parties hereto, and the basis of the bargain, that Fixed Rent, Supplemental Rent and other amounts payable by Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless and until the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease (in the case of any return of the Equipment to Lessor, any Item of Equipment shall not be deemed to have been returned to the Lessor's possession until all of Lessee's obligations with respect to the return thereof have been performed). To the extent permitted by Applicable Law, Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease of any of the Items of Equipment except in accordance with the express terms hereof. Each Fixed Rent, Supplemental Rent or other payment made by Lessee hereunder shall be final and Lessee shall not seek to recover all or any part of such payment (except for any excess payment made in error) from Lessor, Owner Participant, Security Trustee, or any holder or former holder of a Note for any reason whatsoever.

Without limiting the generality of the foregoing, Lessee covenants that it will remain obligated under this Lease in accordance with its terms, and will not take any action to terminate (except in accordance with the express provisions hereof), rescind or avoid this Lease for any reason, notwithstanding any insolvency, bankruptcy, reorganization or other proceeding affecting Lessor or Owner Participant, or any property of Lessor or Owner Participant, or any action which may be taken by any receiver, trustee or liquidator (or other similar official) or by any court.

Nothing in this Section or in any other provision of this Lease shall preclude any separate, independent claim (not by way of abatement or reduction of any amount at any time payable by Lessee hereunder) by Lessee for the breach of any representation, covenant, undertaking or agreement made herein and in any other Operative Agreement for the benefit of Lessee by Lessor or Owner Participant.

SECTION 8. LESSOR'S TITLE; EQUIPMENT TO BE AND REMAIN PERSONAL PROPERTY.

Title to the Equipment shall at all times remain in Lessor and at no time during the Lease Term shall title become vested in Lessee. This Lease is and is intended to be a true lease and not a conditional sale agreement, a lease intended as security or a lease in the nature of a security interest. Lessee shall acquire no right, title or interest in or to the Equipment, except the right to use the same pursuant to the terms of this Lease. It is the intention and understanding of both Lessor and Lessee that the Equipment shall be and at all times remain personal property and be treated as a true lease for federal income tax purposes.

SECTION 9. USE OF EQUIPMENT; COMPLIANCE WITH LAWS.

Lessee shall pay all costs, expenses, fees and charges incurred in connection with the use and operation of the Equipment during the lease thereof. Lessee agrees that the Equipment will be used and operated at all times after delivery of the Equipment in a safe manner by properly trained personnel authorized by Lessee, in a manner consistent with manufacturer's recommendations, with safeguards no less stringent than prevailing in the industry and in compliance in all material respects with all Applicable Law, *provided* that in no event would any such non-compliance (whether material or non-material) subject the Equipment to any seizure or Lien. The Equipment will at all times during the Lease Term be and remain in the possession and control of Lessee, subject to the terms of Section 13(a) hereof. Lessee shall not use and will not permit any other person to use any Item of Equipment or allow the same to be used for any unlawful purpose. Lessee will operate and use the Equipment solely in the conduct of its business and shall not operate or use, or permit the Equipment to be operated or used, (i) for the carriage of Persons or property for hire or the transport of mail, narcotics, illegal or hazardous substances or other contraband, or (ii) in a manner, for any period, such that Lessor or a third party shall be deemed to have "operations control" of the Equipment. Lessee shall use reasonable precaution to prevent loss or damage to each Item of Equipment from fire and other hazards. Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. Lessee also agrees not to operate or locate any Item of Equipment, or to suffer any Item of Equipment to be operated or located, (i) in any area excluded from coverage by any insurance policy required by the terms of Section 16 hereof or to operate or locate any Item of Equipment in such a manner as to violate the terms of any insurance policy required by the terms of said Section 16, except in the case of a requisition for use by the United States Government where Lessee (or any sublessee) has obtained, prior to the operation or location of the Item of Equipment in such area, indemnification or insurance in lieu of such indemnification from the United

States Government against the risks and in the amounts required by, and in compliance with, Section 16 hereof covering such area, (ii) in any war zone or recognized or, in Lessor's reasonable judgment, threatened area of hostilities unless covered by war risk insurance or unless such Item of Equipment is operated or used under contract with the United States Government under which contract the United States Government assumes liability for injury to persons or damage to property (including the Equipment as well as property of others) or (iii) in any country which does not maintain normal diplomatic relations with the United States. Lessee will not use the Equipment to train crew members other than Lessee's crew members.

Lessee shall procure and maintain in effect all licenses, registrations, certificates, permits, approvals and consents required by Applicable Law in connection with the use and operation of each Item of Equipment, including any such instruments required by the FAA. Notwithstanding the foregoing sentence, however, Lessee will cause this Lease and the Security Agreement to be filed and recorded with the FAA in accordance with the Federal Aviation Act, and will do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) this Lease and any and all amendments or supplements to this Lease, or otherwise with respect to or including any other Operative Agreement, in connection with any assignment or sublease pursuant to Section 13(a) or otherwise, any financing statements or similar instruments, and any and all further instruments required by Applicable Law or reasonably requested by Lessor, for the purpose of protecting Lessor's title to and interest in any Item of Equipment to the reasonable satisfaction of Lessor and Lessor's counsel or for the purpose of carrying out the intention of this Lease, including, without limitation, any such filings and recordings as shall be necessary to evidence any change in name of Lessee or Lessor, or any merger or consolidation thereof. Lessee will pay all reasonable costs, charges and expenses incident to any such filing, refiling, recording and re-recording or depositing and re-depositing of any such instruments or incident to the taking of such action, other than the fees and expenses of Owner Participant and Lessor in connection with any such instruments requested by Owner Participant solely for the benefit of Owner Participant and not otherwise required under or anticipated by the Operative Agreements. Lessor shall reimburse Lessee for all costs, charges and expenses incurred by Lessee resulting from a name change of Lessor or a merger or consolidation involving Lessor.

Lessee will pay promptly when due all enroute navigation charges, navigation service charges and all other charges payable by Lessee for the use of or for services provided at any airport, in respect of the Equipment and will indemnify and hold Lessor harmless in respect of the same. With respect to any other aircraft which are owned, operated or maintained by Lessee, Lessee will pay all such charges if the failure to do so would entitle any airport, airport authority, aviation authority or other agency or organization to put a lien on or detain or seize the Equipment. This indemnity, as it pertains to the Equipment, will continue in full force and effect until the first anniversary of such termination or expiration and return of the Equipment as required under this Lease.

SECTION 10. MAINTENANCE AND REPAIR OF EQUIPMENT.

Lessee shall, at its own expense, (i) maintain, service, repair, overhaul and test each Item of Equipment in accordance with manufacturer's recommended maintenance program (as approved by the FAA) (including, without limitation, all maintenance manuals initially furnished with the Equipment and any amendments or supplements thereto issued by the manufacturer) for Cessna Citation VII aircraft and in accordance with all applicable mandatory service bulletins, air modification kits issued, supplied or made available by or through the manufacturer and airworthiness directives so as to keep such Item of Equipment in good condition, and otherwise in as good operating condition as when delivered to Lessee hereunder, ordinary wear and tear excepted, and in such condition as may be necessary to enable the airworthiness certification of the Equipment to be maintained in good standing at all times under the Federal Aviation Act and to maintain a license under Part 91 of the FARs and, to that end without limiting the foregoing, in accordance with good corporate aircraft industry practice and in all respects in the same manner and with the same care used by Lessee with respect to comparable aircraft and engines owned, leased and operated by it, if any, and; (ii) maintain, in the English language, all records, logs and other materials required by the FAA to be maintained in respect of the Equipment. Such records shall provide a complete historical record of the Equipment, including, without limitation, the use, operation, servicing and maintenance of the Equipment, and all airworthiness alerts and directives and service bulletins that may be issued relative to the Equipment. Such logs shall include a complete record of the number of hours and cycles completed by the Equipment. Lessee agrees that the Equipment will not be maintained, used or operated in violation of any Applicable Law or any mandatory rule, regulation or order of any government or governmental authority having jurisdiction in any country in or over which the Equipment is flown, or in violation of any airworthiness certificate, license or registration relating to any Item of Equipment issued by the FAA or any such authority, *provided that* Lessee may in good faith contest the validity or application of any such law, rule, regulation or order in any reasonable manner so long as such good faith contest does not involve any danger of the sale, forfeiture or loss of any Item of Equipment or any interest therein. Pursuant to the Purchase Agreement, Lessee will enroll the Equipment into the CESCO Maintenance Program and the Allied Signal Aerospace Maintenance Service Plan (MSP) and comply with all terms and provisions set forth therein.

Whenever maintenance and repair work on the Airframe or Engines will be performed by a Person, such Person will be an FAA-authorized repair station or an FAA certified mechanic. Lessee will inform such person that the Equipment is leased from Lessor and request that no liens be placed on the Equipment to secure Lessee's payment for such work.

SECTION 11. REPLACEMENTS; ALTERATIONS; MODIFICATIONS.

Lessee shall, at its sole expense, make all alterations, modifications, additions or attachments required by Applicable Law for the continued usefulness of the Equipment, including those required to meet the standards of the FAA (including, without limitation, any directives, service bulletins and modifications published or issued by the FAA which are

required by the FAA to be complied with at or before the date on which the Equipment is returned by Lessee), and by any other governmental authority having jurisdiction over the Equipment in any country in or over which the Equipment is flown. Lessee may, at its sole expense, make other alterations, modifications, additions or attachments to the Equipment as it may deem desirable in the conduct of its business; *provided* that no such alteration, modification, addition or attachment individually or in the aggregate shall diminish the value, utility or remaining useful life of such Equipment at the end of the Lease Term, or impair the condition or airworthiness thereof below the actual value, remaining useful life, utility, condition and airworthiness thereof immediately prior to such alteration, modification, addition or attachment, but no worse than the value, remaining useful life, utility, condition and airworthiness required to be maintained by the terms of this Lease. Title to such alteration, modification, addition or attachment shall, without further act, vest in Lessor, free and clear of all Liens (other than Permitted Encumbrances). Notwithstanding the foregoing, Lessee may, at the end of the Lease Term, remove any alteration, modification, addition or attachment; *provided* that (i) such alteration, modification, addition or attachment is in addition to, and not in replacement of or substitution for, any part originally incorporated or installed in or attached to such Equipment at the time of the initial delivery thereof or any part in replacement of, or substitution for, any such part, (ii) such alteration, modification, addition or attachment is not required with respect to such Equipment pursuant to the first sentence of this Section 11, and (iii) such alteration, modification, addition or attachment can be removed from such Equipment without diminishing or impairing the value, remaining useful life or utility or impair the condition or airworthiness, in each case which is required to be maintained by the terms of this Lease which such Equipment would have had at such time had such removal not occurred. Upon the removal by Lessee of any alteration, modification, addition or attachment as provided in the immediately preceding sentence, title thereto shall, without further act, vest in Lessee, free and clear of all rights of Lessor, and of Lessor's Liens, and such alteration, modification, addition or attachment shall no longer be deemed part of the Equipment from which it was removed. Title to any alteration, modification, addition or attachment not removed by Lessee as provided in the second preceding sentence prior to the return of such Equipment to Lessor hereunder shall remain in Lessor.

SECTION 12. INSIGNIA; REGISTRATION; INSPECTION.

Lessee agrees to affix as promptly as practicable after the Acceptance Date and thereafter to maintain in the cockpit of the Airframe adjacent to the airworthiness certificate therein and on each Engine a plainly visible metal nameplate bearing an inscription in upper case letters identifying "First Security Bank, National Association, as Owner Trustee" and, for so long as the Airframe or such Engine shall be subject to the lien and security interest of the Security Agreement, "State Street Bank and Trust Company, as Security Trustee and Mortgagee". Except as above provided, Lessee will not allow the name of any Person to be placed on any Item of Equipment as a designation that might be interpreted as a claim of ownership; *provided*, that nothing herein contained shall prohibit Lessee (or any permitted sublessee) from placing its customary colors and insignia on such Item.

Lessee, at its own expense, upon the Acceptance Date for the Equipment shall cause the Equipment to be duly registered in the name of the Lessor under the Federal Aviation Act and at all times thereafter during the Term to remain so registered.

Upon the reasonable request of Lessor, Security Trustee, the Note Purchaser or their respective authorized representatives, Lessee, upon reasonable notice, shall make the Equipment available to such party at any reasonable time (and as often as such party may reasonably request and which may include any regularly scheduled maintenance checks) at a place reasonably designated by Lessee during normal business hours for inspection, *provided* that such inspection by Lessor does not unreasonably interfere with Lessee's use of the Equipment and any inspection or inspections by any one or more of the parties (other than Lessor) does not, in the aggregate, unreasonably interfere with Lessee's use of the Equipment, and shall also make Lessee's books and records pertaining to the Equipment and this Lease (including, without limitation, records, logs and materials required to be maintained pursuant to clause (ii) of the first sentence of Section 10) available to such party at any reasonable time (and as often as such party may reasonably request) during normal business hours for inspection, it being understood and agreed that Lessor, Security Trustee, the Note Purchaser and their and its authorized representatives shall have no obligation to make such inspection and shall incur no liability for failure to do so, and Lessor, Security Trustee, the Note Purchaser and their respective authorized representatives shall have the right to make copies of (or require Lessee to make copies of, and send the same to such party) any such books and records. During the continuance of a Default or an Event of Default hereunder, such inspection shall be at Lessee's expense.

SECTION 13. ASSIGNMENTS AND SUBLEASES.

(a) *By Lessee.* Lessee will not, without the prior written consent of Lessor and Security Trustee, assign its lease of any Item of Equipment, or transfer, sublease or encumber its rights or obligations hereunder or any Item of Equipment, and any attempted assignment, transfer, sublease or encumbering by Lessee shall be null and void; *provided* that Lessee may, so long as no Default or Event of Default shall have occurred and be continuing, assign its lease of the Equipment to an Affiliate of Lessee without the prior written consent of Lessor or Security Trustee if (i) Lessee gives written notice and a copy of the assignment agreement to Lessor and Security Trustee at least 30 days prior to such assignment, (ii) Lessee shall cause such assignment agreement and such other documents as Security Trustee or any Participant may reasonably request to be duly filed, recorded and deposited in such places within the United States as Security Trustee or any Participant may reasonably request for the protection of the title of the Owner Trustee to, and the security interest of Security Trustee in, the Equipment and will furnish Security Trustee, Owner Trustee and each Participant proof thereof, (iii) Lessor and Security Trustee shall have received reasonable confirmation that the Letter of Credit remains in full force and effect notwithstanding such assignment or a new Letter of Credit shall be issued from a Letter of Credit Provider and (iv) the Guarantor shall have executed such documents as the Owner Trustee, the Security Trustee and each Participant shall reasonably require to evidence the Guarantor's continued obligations under the Guaranty Agreement and shall have specifically reaffirmed that its obligations under the Guaranty Agreement shall continue in full force and

effect after any such transaction. Any such assignment shall be subject to all terms and conditions of this Lease and Lessee's obligations hereunder shall continue in full force and effect as the obligations of a principal.

(b) *Transfers by Lessor or Owner Participant.* Lessor and Owner Participant shall not be entitled to transfer their respective interests in this Lease and the Trust Estate other than the assignment of this Lease by Lessor to Security Trustee pursuant to the Security Agreement except in compliance with Section 3.11 of the Trust Agreement as in effect on the date hereof, with respect to Lessor, and Section 3.6(d) of the Participation Agreement as in effect on the date hereof, with respect to Owner Participant. No such transfer by Lessor or Owner Participant shall interfere with Lessee's rights under this Lease with respect to Lessee's use of the Items of Equipment. Lessee shall provide such information concerning the location of the Equipment as Lessor may reasonably request in connection with any such transfer.

Upon written notice by Lessor to Lessee of any such transfer, Lessee shall thereafter make payments of all Fixed Rent and other sums due hereunder to the party specified in such notice and such payments shall discharge the obligation of Lessee to Lessor hereunder to the extent of such payments. Lessee shall be under no obligation to any assignee of Lessor, except upon written notice of such transfer to Lessee. Upon any such transfer under this Section 13(b), Lessee shall not be required to execute any documents in connection therewith except a form of acknowledgment, any required Uniform Commercial Code Financing Statements, and any filings required by Applicable Law in connection with the registration of the Equipment. Any expenses incurred in connection with any such sale or assignment shall be borne solely by Lessee if an Event of Default has occurred and is continuing, otherwise solely by Lessor. Lessee shall not be required to prepare any documents in connection with any such sale or assignment.

Lessee hereby acknowledges and consents to the security interest and other rights and interests granted to Security Trustee pursuant to the Security Agreement. Such notice is hereby given of the assignment of this Lease and all Rent and other payments to be made to Lessor hereunder (other than Excepted Rights in Collateral) to Security Trustee under and pursuant to the Security Agreement, and Lessee agrees to make all payments of Rent in accordance with the provisions of Section 6(d). Unless and until Lessee shall have received written notice from Security Trustee that the Security Agreement has been discharged, except as otherwise provided in Security Agreement regarding certain rights that have been retained by, or are shared with, the Lessor, Security Trustee shall have the right to exercise the rights of the Lessor under the Lease to give consents, approvals, waivers, notices or the like, to make elections, demands or the like and to take any other discretionary action under this Lease as though named as Lessor herein and no amendment or modification of, or waiver by or consent of Lessor in respect of, any of the provisions of this Lease shall be effective unless Security Trustee shall have joined in such amendment, modification, waiver or consent or shall have given its prior written consent thereto.

SECTION 14. LIENS.

Lessee represents and warrants to Lessor that at the time the Equipment is accepted by it under this Lease, each Item will be free and clear of all Liens except Permitted Encumbrances described in clauses (i) and (iv) of the definition thereof. Lessee will not create, incur, assume or suffer to exist any Lien on or with respect to the Equipment or any part or Item thereof, Lessor's title thereto, or any interest therein, except Permitted Encumbrances. Lessee, at its own expense, will pay, satisfy and otherwise take such actions as may be necessary to keep the Equipment free and clear of, and to duly discharge or eliminate or bond in a manner satisfactory to Lessor, any such Lien other than Permitted Encumbrances if the same shall arise at any time during the Lease Term. Lessee will notify Lessor upon becoming aware of any tax or other Lien (other than any Permitted Encumbrance excepted above) that shall attach to the Equipment or any Item of Equipment.

SECTION 15. LOSS, DAMAGE OR DESTRUCTION.

(a) *Risk of Loss, Damage or Destruction.* Lessee hereby assumes all risk of loss, damage, theft, taking, destruction, confiscation or requisition, partial or complete, of or to each Item of Equipment, however caused or occasioned, such risk to be borne by Lessee with respect to each Item of Equipment from the Acceptance Date, and continuing until the expiration or early termination of the Lease Term. Lessee shall promptly (and in any event within ten (10) Business Days of such occurrence) notify Lessor of any loss or casualty damage (other than any such loss or damage which constitutes an Event of Loss) to any Item or Items of Equipment where such loss or damage is in excess of \$200,000. Lessee shall, within 90 days of notifying Lessor of such loss or casualty damage, notify Lessor that Lessee intends to repair such Item or Items of Equipment and provide Lessor with an estimated cost and time frame with respect to such repairs.

(b) *Event of Loss with Respect to the Airframe.* If an Event of Loss occurs with respect to the Airframe during the Lease Term, Lessee shall, promptly and in any event within ten (10) Business Days after the occurrence of such Event of Loss, inform Lessor and Owner Participant in regard thereto and Lessee, within thirty-five (35) calendar days after such notice of such occurrence, shall give notice to Lessor and Owner Participant of its election to perform one of the following options (it being agreed that if Lessee shall not have given notice of such election within thirty-five (35) calendar days after such notice of such occurrence or if a Default or an Event of Default then exists, Lessee shall be obligated to perform the option set forth in the following paragraph (ii)), provided that Lessee shall not have the right to select the option set forth in clause (i), if a Default or Event of Default shall have occurred and be continuing:

(i) as promptly as practicable, and in any event within 90 days following the occurrence of such Event of Loss but in no event later than the last day of the Lease Term, in replacement for such Airframe, Lessee shall comply with Section 15(d) hereof and shall convey or cause to be conveyed to Lessor a Replacement Airframe (together with the same number of Replacement Engines as the Engines, if any, installed on such Airframe at the time such Event of Loss occurred) to be leased to

Lessee hereunder, such Replacement Airframe and Replacement Engines, if any, to be free and clear of all Liens (other than Permitted Encumbrances referred to in clauses (i) and (iv) of the definition of such term), to be of the same type and a similar make and model to the Airframe and the Engines, if any, so replaced to have a fair market value, utility and remaining useful economic life at least equal to, and to be in the actual condition and repair as, the Airframe and the Engines, if any, so replaced (assuming such Airframe and such Engines were in no worse condition than that required by the terms of this Lease and had suffered no Event of Loss) and to be otherwise satisfactory to Lessor; *provided* that, if Lessee shall not perform its obligation to effect such replacement under this clause (i) during the period of time provided herein, then Lessee shall promptly give notice to Lessor, and shall be deemed (whether or not Lessee shall have so given such notice) to have elected to perform the option set forth in clause (ii) below by the date and pursuant to the terms specified in said clause; or

(ii) on the Rent Payment Date next following such notice of such Event of Loss which is at least 90 days after the occurrence of such Event of Loss but in no event later than the last day of the Lease Term, Lessee shall pay (A) the Stipulated Loss Value for all the Equipment (computed as of such Rent Payment Date), *plus* (B) the Fixed Rent and any Supplemental Rent due for the Equipment on such Rent Payment Date, *plus* (C) all accrued and unpaid Fixed Rent and any Supplemental Rent owing for the Equipment through any prior Rent Payment Date.

Lessee agrees to pay all legal and other expenses in connection with the replacement of any Item pursuant to this Section 15.

Upon the payment of all sums required to be paid pursuant to Section 15(b)(ii) hereof in respect of the Equipment which Lessee has elected to pay (or has been deemed to have elected to pay pursuant to the proviso to Section 15(b)(i)), the Lease Term with respect to the Equipment and the obligation to pay Rent for the Equipment accruing subsequent to the date of payment of the Stipulated Loss Value for the Equipment pursuant to Section 15(b)(ii) shall terminate; *provided* that Lessee shall be obligated to pay all Rent in respect of the Equipment which has accrued up to and including the date of payment of such Stipulated Loss Value pursuant to Section 15(b)(ii). Upon such payment, Lessor, at Lessee's cost, will convey to Lessee all right, title and interest of Lessor in and to the Equipment, "as is", "where is", without recourse or warranty, except for a warranty against Lessor's Liens, and, at Lessee's cost, shall execute and deliver to Lessee bills of sale to evidence such conveyance. So long as no Default or Event of Default shall have occurred and be continuing, any payments received by Lessor or by Lessee from any insurer or other party (except Lessee) as a result of the occurrence of such Event of Loss will be applied in reduction of Lessee's obligation to pay the amounts described in Section 15(b)(ii)(A), if not already paid by Lessee, or, if already paid by Lessee, will be applied to reimburse Lessee for its payment of such amount, and any such payments in excess of the amounts described in Section 15(b)(ii)(A) shall be paid to or retained by Lessor, and after the occurrence and continuance of a Default or an Event of Default such payments shall be paid to Security

Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to Lessor.

(c) *Event of Loss with Respect to an Engine.* Upon the occurrence during the Term of an Event of Loss with respect to an Engine not involving an Event of Loss with respect to the Airframe, Lessee shall replace such Engine as soon as reasonably practicable under the circumstances but in no event later than the earlier of (i) 60 days following the occurrence of such Event of Loss and (ii) the last day of the Lease Term, by duly conveying to Lessor as a replacement for said Engine, title to another engine which meets the requirements of Section 15(b)(i) and which is of the same or a comparable or improved model and suitable for installation and use on the Airframe and compatible for use with the other Engine, which engine shall be free and clear of all Liens (other than Permitted Encumbrances referred to in clauses (i) and (iv) of the definition of such term) shall have a fair market value, utility and remaining economic useful life at least equal to, and be in the actual condition and repair as, the Engine with respect to which such Event of Loss occurred, assuming such Engine was of the value, utility and remaining economic useful life and in no worse condition and repair than that required by the terms hereof immediately prior to the occurrence of such Event of Loss, and shall otherwise be satisfactory to Lessor. Lessee agrees to take the following action with respect to such Replacement Engine at Lessee's sole cost and expense:

On the date that the Replacement Engine is delivered the following documents shall have been duly authorized, executed and delivered by the respective party or parties thereto and shall be in full force and effect, and Lessee shall deliver or cause to be delivered an executed counterpart of each thereof (or, in the case of the bill of sale referred to below, a photocopy thereof) to Lessor and Security Trustee:

- (A) a Lease Supplement covering the Replacement Engine;
- (B) a Security Agreement Supplement covering the Replacement Engine; and
- (C) a full warranty bill of sale (as to title), in form and substance satisfactory to Security Trustee and Lessor, covering the Replacement Engine naming Lessor as "buyer";

and to deliver an Officer's Certificate of Lessee certifying that such Replacement Engine complies with this Section 15(c). Lessee agrees to take such further action as Lessor may reasonably request with respect to such Replacement Engine including, without limitation, (A) the actions required to be taken by it under Sections 3.3 and 3.5 of the Security Agreement, (B) providing either (x) an acknowledgment by Lessee to Lessor to the effect that Lessee will indemnify Lessor, in accordance with Section 6 of the Participation Agreement, the Tax Indemnification Agreement, or otherwise, for any adverse tax consequences resulting from the Replacement Engine, or (y) an opinion of Lessor's counsel (but at Lessee's expense provided such expenses are reasonable), which counsel shall be reasonably acceptable to Lessee, that there are no adverse tax consequences resulting from the Replacement Engine, (C) any actions (including, without limitation, any actions with

respect to all necessary filings with appropriate governmental authorities) required to establish, perfect and protect the interest of Lessor and Security Trustee in such Replacement Engine, and (D) providing such evidence of compliance with the insurance provisions of Section 16 with respect to such Replacement Engine, as such party may reasonably request. Such Replacement Engine, upon being titled in the name of Lessor free of all Liens except Permitted Encumbrances referred to in clauses (i) and (iv) of the definition of such term shall be deemed an "Engine", as defined herein for all purposes hereof. Upon full compliance with this Section 15(c), Lessor, at Lessee's expense, shall convey to Lessee all right, title and interest of Lessor in and to the Engine so replaced, "as is", "where is", without recourse or warranty, except for a warranty against Lessor's Liens, and, at Lessee's expense, shall execute and deliver to Lessee bills of sale to evidence such conveyance. No Event of Loss with respect to an Engine under the circumstances contemplated by the terms of this Section 15(c) shall result in any reduction in Rent or Lessee's obligation to pay Fixed Rent hereunder. Lessee agrees that it shall at all times during the term of this Lease maintain on the Airframe two Engines or other engines suitable for use on such Airframe.

(d) *Conveyance of Replacement Airframe.* Prior to or at the time of any conveyance of a Replacement Airframe and Replacement Engines (if any) pursuant to Section 15(b)(i), Lessee, at its own expense, will furnish Lessor and Security Trustee with the following documents which shall have been duly authorized, executed and delivered by the respective parties thereto and shall be in full force and effect on the date of such conveyance:

(i) a full warranty bill of sale, in form and substance satisfactory to such parties, and an AC Form 8050-2 Bill of Sale (or such other form of bill of sale as may be approved by the FAA on said date), in each case covering such Replacement Airframe and such Replacement Engines, if any, and executed by the owner thereof in favor of Lessor, and recorded pursuant to the Federal Aviation Act;

(ii) a supplement to this Lease, in form and substance satisfactory to such parties covering such Replacement Airframe and such Replacement Engines, if any, duly executed by Lessee and recorded pursuant to the Federal Aviation Act;

(iii) a Security Agreement Supplement (and financing statements or other notices with respect thereto) covering such Replacement Airframe and such Replacement Engines, if any, duly executed by Lessor and Security Trustee and filed and/or recorded in all places wherein such filing and/or recordation is necessary to protect the interests of Security Trustee;

(iv) such evidence of compliance with the insurance provisions of Section 16 with respect to such Replacement Airframe and such Replacement Engines, if any, as such party may reasonably request;

(v) an opinion of Lessee's counsel (and such other opinions or evidence of title as such party or its counsel may reasonably request) to the effect that, upon such conveyance, Lessor will acquire good and marketable title to such Replacement

Airframe and such Replacement Engines, if any, free and clear of all Liens other than Permitted Encumbrances referred to in clauses (i) and (iv) of the definition of such term, and that such Replacement Airframe and such Replacement Engines, if any, will be leased hereunder and be subjected to the Lien of the Security Agreement to the same extent as the Airframe and Engines, if any, replaced thereby, *provided* that such opinion may contain exceptions and qualifications normally found in such opinions:

(vi) a certificate signed by a duly authorized financial officer or executive of Lessee certifying that the representations and warranties made by Lessee contained in the Participation Agreement are true and accurate on and as of said date as though made on and as of said date and that, upon consummation of such replacement, no Default or Event of Default will exist hereunder;

(vii) such documents and evidence with respect to Lessee as Lessor or Security Trustee, or their respective counsel, may reasonably request in order to establish the consummation of the transactions contemplated by this Section 15(d), the taking of all corporate proceedings in connection with and compliance with the conditions set forth in this Section 15(d), in each case in form and substance reasonably satisfactory to such party, including evidence that the replacement Equipment has been duly certificated by the FAA as to type and airworthiness in accordance with the terms of this Lease and application for registration of the replacement Equipment in the name of Lessor has been duly made with the FAA and Lessee has temporary or permanent authority to operate the replacement Equipment;

(viii) evidence that all amounts payable by Lessee on or prior to said date pursuant to the provisions of this Lease shall have been paid in full;

(ix) either (x) an acknowledgment by Lessee to Lessor to the effect that Lessee will indemnify Lessor, in accordance with Section 6 of the Participation Agreement, the Tax Indemnification Agreement, or otherwise, for any adverse tax consequences resulting from replacing the Airframe and the Engines, if any, or (y) an opinion of Lessor's counsel (but at Lessee's expense provided such expenses are reasonable), which counsel shall be reasonably acceptable to Lessee, that there are no adverse tax consequences resulting from replacing the Airframe and the Engines, if any; and

(x) an appraisal from an independent appraiser reasonably satisfactory to Lessor concluding that the fair market value, utility, operating condition and remaining economic useful life of such Replacement Airframe and such Replacement Engines, if any, in each case, equals or exceeds the fair market value, utility, actual operating condition and remaining economic useful life of the Airframe and the Engines, if any, so replaced, assuming that the Airframe and the Engines, if any, were of the value, utility and remaining economic useful life and in no worse condition and repair than that required by the terms of this Lease and had suffered no Event of Loss;

Lessee further agrees to take such further action as Lessor or Security Trustee may reasonably request with respect to such Replacement Airframe and such Replacement Engines, if any, including, without limitation, the actions required to be taken by Lessor under Sections 3.3 and 3.5 of the Security Agreement and any actions required to establish, perfect and protect the interest of Lessor and Security Trustee in such Replacement Airframe and such Replacement Engines, if any. Such Replacement Airframe and Replacement Engines, if any, upon being titled in the name of Lessor free of all Liens except Permitted Encumbrances referred to in clauses (i) and (iv) of the definition of such term and full compliance by Lessee with the terms of this Section 15(d), shall be deemed the Airframe and an "Engine" as defined herein for all purposes hereof. Upon full compliance by Lessee with the terms of this Section 15(d), Lessor shall convey to Lessee all right, title and interest of Lessor in and to the Airframe and the Engines, if any, so replaced, "as is", "where is", without recourse or warranty, except for a warranty against Lessor's Liens, and shall execute and deliver to Lessee bills of sale to evidence such conveyance. No Event of Loss with respect to the Airframe or any Engine under the circumstances contemplated by the terms of this Section 15(d) shall result in any reduction in Rent or Lessee's obligation to pay Fixed Rent hereunder.

(e) *Application of Payments Not Relating to an Event of Loss.* So long as no Default or Event of Default shall have occurred and be continuing, any payments (including, without limitation, insurance proceeds) received at any time by Lessor or Lessee from any governmental authority or other party with respect to any loss, damage, requisition or taking to any Item or Items of Equipment not constituting an Event of Loss will be applied directly in payment of repairs or for replacement of property in accordance with the provisions of Sections 10, 11 and 16 hereof, if not already paid by Lessee, or if already paid by Lessee, shall be applied to reimburse Lessee for such payment, and any balance remaining after compliance with said Sections with respect to such loss or damage shall be paid to Lessee, and after the occurrence and continuance of a Default or an Event of Default such payments shall be paid to Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to Lessor. Lessee's obligation to pay all installments of Rent and other sums shall continue for the duration of such requisitioning or taking unless and until the same shall become an Event of Loss.

SECTION 16. INSURANCE.

Lessee will carry, or cause to be carried, at no expense to Lessor, Security Trustee, Owner Participant or any holder of a Note, at all times during the Lease Term and at all times while the Equipment is being stored pursuant to Section 5(c) or 19(a), (a) public liability (including, without limitation, contractual liability and passenger legal liability) and property damage liability insurance (including, without limitation, cargo liability, but excluding manufacturer's product liability insurance) with respect to each Item of Equipment, and (b) all-risk aircraft hull insurance covering the Equipment, and all-risk coverage with respect to any Engines or parts while removed from the Equipment (including, without limitation, war risk and allied perils insurance, and governmental certification and expropriation and hijacking insurance), *provided* that such liability insurance shall not be less than \$100,000,000 (or such greater amount as Lessee maintains

for other similar equipment or as is consistent with prudent industry practice) per occurrence and such hull insurance shall not be less than the then Stipulated Loss Value. Such insurance shall be maintained in effect with insurers reasonably acceptable to Lessor.

Any such insurance policies shall: (i) name and insure Lessor, in its individual and trust capacities, Owner Participant, Security Trustee and each holder of a Note as additional insureds under the comprehensive public liability insurance, and under the property insurance to the extent of their interest in the Equipment, (ii) insure Security Trustee or, in the event the Lien of the Security Agreement has been discharged, Lessor, as sole loss payee under a standard loss payee clause satisfactory to Security Trustee or Lessor, as the case may be, under the property insurance, (iii) with respect to property insurance, provide insurer's waiver of its right of subrogation, whether by attachment or otherwise, in respect of any liability against any additional insured except for claims as shall arise from the willful misconduct or gross negligence of such additional insured, (iv) provide that such insurance as to the interest of Lessor, Owner Participant, Security Trustee and each holder of a Note shall not be invalidated by any action or inaction of Lessee or any other Person (other than such claimant), regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Lessee or any other Person (other than such claimant), (v) provide that all such insurance is primary without right of contribution from any other insurance which might otherwise be maintained by Lessor or any assignee under Section 13(b) and shall expressly provide that all provisions, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each such additional insured, (vi) provide therein or by endorsement that thirty (30) days prior written notice of expiration, cancellation or material modification affecting the Equipment or any of the insurance required hereunder shall be given to Lessor, Owner Participant, Security Trustee and each holder of a Note and shall provide that such cancellation, expiration or modification shall not be effective during such 30 day period as to any of Lessor, Owner Participant, Security Trustee and each holder of a Note, and (vii) provide that no additional insured or loss payee shall have any obligation or liability for premiums in connection with such insurance. Any insurance required hereunder may be in the form of blanket policies covering other assets owned or leased by Lessee, *provided* that (a) such policies otherwise comply with the provisions of this Section 16 and (b) if any such blanket policies are subject to aggregate annual claim limitations, Lessee shall notify Lessor and Security Trustee at the end of each fiscal quarter of Lessee of the amount of any such limitations and the amounts of claims which reduce the available policy limits.

Lessee shall furnish Lessor, Owner Participant, Security Trustee and each holder of a Note with certificates or other satisfactory evidence of maintenance of the insurance so required and shall furnish written confirmation from the Lessee reasonably acceptable to Lessor evidencing renewals thereof as soon as practicable but in no event later than the effective date of such renewal and certificates of insurance within twenty (20) days after such renewal is effected or the expiration date of the original policy or policies, as the case may be. Upon the execution and delivery of this Lease, certificates of the insurance coverage required by this Section 16 shall be delivered by Lessee to Lessor. Lessee shall furnish written notice to Lessor, Owner Participant, Security Trustee and each holder of a Note of any notice of cancellation, material modification, affecting the Equipment or any of

the insurance required hereunder, termination or lapse for non-payment of premiums with respect to any of the liability insurance provided pursuant to this Section 16 within 5 Business Days after the earlier of (i) the date on which Lessee receives such notice from the insurance company providing such insurance, and (ii) the date on which Lessee has actual knowledge of any such cancellation, material modification affecting the Equipment or any of the insurance required hereunder, termination or lapse for non-payment of premiums.

If the loss (or losses from a single incident or cause) to the Equipment covered by said physical damage insurance is less than \$500,000, the proceeds of such insurance shall be payable to and adjusted by Lessee, *provided* that no Default or Event of Default shall have occurred and be continuing, and after the occurrence and continuance of a Default or an Event of Default such proceeds shall be paid to Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to Lessor. If such loss equals or exceeds \$500,000, the applicable proceeds of such insurance shall be payable to Security Trustee or, in the event that the Lien of the Security Agreement has been discharged, Lessor, *provided* that Security Trustee or Lessor, as the case may be, shall, so long as no Default or Event of Default has occurred or is continuing, remit all such insurance proceeds to Lessee at such time as Lessee either (i) provides Lessor evidence that the damage has been repaired and the Equipment has been restored to good working order and condition or (ii) has paid to Lessor or Security Trustee, as the case may be, the amounts otherwise due to Lessor on loss of such Equipment pursuant to Section 15(b) hereof. If Lessee shall fail to cause the insurance required under this Section 16 to be carried and maintained, Lessor may provide such insurance and Lessee shall reimburse Lessor upon demand for the cost thereof as Supplemental Rent hereunder.

Nothing in this Section 16 shall prohibit Lessor, Owner Participant, Security Trustee or a holder of a Note from obtaining property insurance for any amount in excess of any insurance maintained by Lessee or contingent public liability insurance, in each case for its own account, and any proceeds payable thereunder shall be as provided in the insurance policy relating thereto; *provided* that no such insurance may be obtained that would limit or otherwise adversely affect the coverage of any insurance to be obtained or maintained by Lessee pursuant to this Section 16. Nothing herein shall be construed to permit double recovery for the same loss.

Lessee covenants that it will not use or operate or permit the use or operation of any Item of Equipment at any time when the insurance required by this Section 16 is not in full force with respect to such Item of Equipment and Lessee will forthwith ground the Equipment and keep the Equipment grounded until such time as such insurance is in full force and effect again. Lessee will not use the Equipment in a manner which would violate the terms and provisions of such insurance policies.

SECTION 17. NO WARRANTIES.

LESSEE LEASES THE EQUIPMENT AS-IS, WHERE-IS WITH ALL FAULTS, AND IN WHATEVER CONDITION IT MAY BE. NEITHER LESSOR, NOT BEING THE MANUFACTURER OR VENDOR OF THE EQUIPMENT, NOR ANY PARTICIPANT NOR SECURITY TRUSTEE MAKES OR

HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE, ANY REPRESENTATION OR WARRANTY, EITHER EXPRESSED OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN, OPERATION OR CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY, VALUE, DURABILITY, SUITABILITY, AIRWORTHINESS OR ITS FITNESS FOR ANY PARTICULAR USE OR PURPOSE, LESSOR'S TITLE THERETO, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE EQUIPMENT, OR THE CONFORMITY OF THE EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE CONTRACT OR ORDERS RELATING THERETO, AND EACH OF LESSOR, THE PARTICIPANTS AND SECURITY TRUSTEE HEREBY DISCLAIMS ANY SUCH REPRESENTATION OR WARRANTY (WHICH DISCLAIMER LESSEE HEREBY ACKNOWLEDGES), WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, NEITHER LESSOR NOR ANY PARTICIPANT NOR SECURITY TRUSTEE SHALL BE LIABLE OR RESPONSIBLE FOR ANY DEFECTS, EITHER PATENT OR LATENT (WHETHER OR NOT DISCOVERABLE BY LESSEE), IN THE EQUIPMENT, OR FOR ANY INTERRUPTION IN LESSEE'S BUSINESS CAUSED BY LESSEE'S INABILITY TO USE THE EQUIPMENT FOR ANY REASON WHATSOEVER, ALL OF WHICH ITEMS OF EQUIPMENT WERE SELECTED BY LESSEE ON THE BASIS OF ITS OWN JUDGMENT WITHOUT RELIANCE UPON ANY STATEMENTS, REPRESENTATIONS OR WARRANTIES MADE BY LESSOR, ANY PARTICIPANT OR SECURITY TRUSTEE, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN LESSOR, WHETHER IN ITS INDIVIDUAL CAPACITY OR AS TRUSTEE, ANY PARTICIPANT, SECURITY TRUSTEE AND THE HOLDER OF ANY NOTE ON THE ONE HAND AND LESSEE ON THE OTHER HAND, ARE TO BE BORNE BY LESSEE.

Neither Lessor, any Participant nor Security Trustee shall have any responsibility or liability to Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation, airworthiness or performance of any Item of Equipment or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Item of Equipment. Lessee's delivery of a Lease Supplement relating to the Equipment shall be conclusive evidence as between Lessee and Lessor that such the Equipment is in all respects satisfactory to Lessee, and Lessee will not assert any claim of any nature whatsoever against Lessor, any Participant or Security Trustee based on any of the foregoing matters.

So long as an Event of Default shall not have occurred and be continuing, and so long as the Equipment shall be subject to this Lease and Lessee shall be entitled to possession of the Equipment hereunder, Lessor authorizes Lessee, at Lessee's expense, to assert for Lessor's account, all rights and powers of Lessor under any manufacturer's, vendor's or dealer's warranty on the Equipment or any part thereof; *provided, however,* that Lessee shall indemnify, protect, save, defend and hold harmless Lessor from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by Lessor in connection therewith, as a result of, or incident to, any action by Lessee pursuant to the foregoing authorization, and that Lessee shall provide Lessor with prior written notice of any action Lessee proposes to take on Lessor's behalf pursuant to the foregoing authorization. Any payments made by any such vendor or manufacturer pursuant to such

warranty for any Item of Equipment shall be payable to Lessee so long as no Default or Event of Default shall have occurred and be continuing and after the occurrence and continuance of a Default or an Event of Default shall be paid to Security Trustee so long as the Lien of the Security Agreement shall not have been discharged and thereafter shall be paid to Lessor. Such payment is to be used to repair or replace damaged components in accordance with Section 11 hereof, if feasible, and if not used, such amount shall be paid promptly to Lessor.

SECTION 18. EVENTS OF DEFAULT.

Any of the following events shall constitute an Event of Default:

(a) Lessee shall fail to make any payment of Fixed Rent, Stipulated Loss Value, Termination Value or Make-Whole Premium within ten (10) days after the same is due and payable or any Supplemental Rent (other than Stipulated Loss Value or Termination Value or Make-Whole Premium) within thirty (30) days after receipt by Lessee of written notice from Lessor; or

(b) Lessee shall fail to observe or perform any of the covenants or agreements of Lessee set forth in the first, second, third or sixth paragraph of Section 16 hereof or Section 9.2 of the Participation Agreement; or

(c) Lessee shall fail to perform or observe any other covenant, condition, or agreement to be performed or observed by it under any Lessee Agreement including this Lease Agreement, or in any agreement or certificate furnished in connection herewith and therewith, and such failure shall continue unremedied for thirty (30) days after receipt by Lessee of written notice from Lessor specifying such failure and demanding the same to be remedied; or

(d) any representation or warranty made by Lessee herein or in any Lessee Agreement (other than the Tax Indemnification Agreement) or by Guarantor in the Guaranty Agreement or by Lessee or Guarantor in any certificate furnished in connection herewith or therewith shall prove to have been incorrect in any material respect when such was made and, if curable, shall not have been cured within thirty (30) days after the first to occur of (i) knowledge of such incorrectness by a corporate officer of Lessee or Guarantor, as the case may be, who, in the normal and diligent performance of such officer's operational responsibilities, would have knowledge of such incorrectness, and (ii) receipt by Lessee or Guarantor, as the case may be, of written notice from Lessor specifying such incorrectness; or

(e) Lessee or Guarantor becomes insolvent (however such insolvency may be evidenced) or admits insolvency or bankruptcy or its inability to pay its debts as they mature, makes an assignment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for Lessee or Guarantor, or for the major part of its property or commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or

(f) a proceeding shall have been instituted in a court having jurisdiction in the premises, seeking a decree or order (i) for relief in respect of Lessee or Guarantor in an involuntary case under any applicable bankruptcy, reorganization, insolvency or other similar law now or hereafter in effect or (ii) for the appointment of a custodian, receiver, trustee or similar official of Lessee or Guarantor or of the property of either Lessor or Guarantor, or (iii) for the winding up or liquidation of the affairs of Lessee or Guarantor, and either (I) any such proceeding shall remain undismissed or unstayed and in effect for a period of 60 consecutive days or (II) such court shall enter a decree or order granting the relief sought in such proceeding or Lessee or Guarantor shall consent to such entry; or

(g) the Letter of Credit shall for any reason whatsoever cease to be in full force and effect or Letter of Credit Provider (or any party on behalf of Letter of Credit Provider) shall contest the obligation to pay under the Letter of Credit in accordance with its terms; or

(h) Guarantor shall fail to perform or comply in any respect with any of the provisions of the Guaranty Agreement and, except for payment obligations, such failure to perform or lack of compliance shall continue unremedied for thirty (30) days after receipt by Guarantor of written notice from Lessor or Security Trustee specifying such failure and demanding the same to be remedied; or

(i) the Guaranty Agreement shall for any reason whatsoever cease to be in full force and effect or Guarantor (or any party on behalf of Guarantor) shall contest the validity or enforceability thereof against the Guarantor.

SECTION 19. REMEDIES UPON DEFAULT.

Upon the occurrence of any Event of Default, and at any time thereafter so long as such Event of Default shall not have been remedied, Lessor may, at its option, by written notice to Lessee exercise any one or more of the following remedies as Lessor in its sole discretion shall elect (*provided* that this Lease shall automatically be deemed to be declared in default without the necessity of such written notice upon the occurrence of any Event of Default described in Section 18(e) or (f)):

(a) Lessor may terminate or cancel this Lease, without prejudice to any other remedies of Lessor hereunder, with respect to all or any Item of Equipment, and may enter the premises of Lessee to take immediate possession of the Equipment and remove all or any Item of Equipment by summary proceedings or otherwise, or may cause Lessee, at Lessee's expense, to surrender and deliver possession of the Equipment or such Item in the same manner as provided in Section 5 hereof as if the Equipment was being returned at the end of the Term, except that, upon written request from the Lessor, Lessee will provide free storage for the Equipment for a period not exceeding 60 days after Lessor shall have so declared this Lease to be in default and Lessee shall bear the entire expense and risk of such storage (including, without limitation, all necessary ground/storage insurance) and preparation of the

Equipment for redelivery and the delivery of the Equipment to the location provided in Section 5 hereof, *provided, however*, that Lessor shall bear the expense and risk of such storage from and after the time that the Lessor obtains physical possession or physical control of the Equipment;

(b) Lessor may hold, keep idle or lease to others the Equipment or any Item of Equipment, as Lessor in its sole discretion may determine, free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto, except that Lessee's obligation to pay Fixed Rent payable after Lessee shall have been deprived of possession pursuant to this Section 19 shall be reduced by the net proceeds, if any, received by Lessor from leasing the Equipment or such Item to any Person other than Lessee after Lessee shall have been so deprived of possession;

(c) Unless Lessor has exercised its remedies with respect to such Item of Equipment specified in Section 19(d) hereof, Lessor may sell any Item of Equipment at public or private sale as Lessor may determine, free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such sale or for the proceeds thereof, and, unless Lessor has exercised its remedies with respect to such Item of Equipment specified in Section 19(d) hereof, Lessee shall pay to Lessor all unpaid Fixed Rent payable up to and including the date on which such sale occurs (computed on a daily equivalent basis for the period from and including the Rent Payment Date immediately preceding the date of such sale on which Fixed Rent was paid to and including the date of such sale), plus, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Fixed Rent for such Item sold payable after the date on which such sale occurs), an amount equal to the excess, if any, of (i) the Stipulated Loss Value of such Item so sold, computed as of the Rent Payment Date coincident with or immediately preceding the date of such sale, over (ii) the net proceeds of such sale;

(d) Unless Lessor has exercised its remedies with respect to such Item of Equipment specified in Section 19(c) hereof, Lessor, by written notice to Lessee, may demand that Lessee pay to Lessor, and Lessee shall pay to Lessor all unpaid Fixed Rent payable therefor up to and including the date of such notice plus, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Fixed Rent for any Item of Equipment payable after the date of such notice and in lieu of the exercise by Lessor of its rights under such subsection (c) above with respect to such Item of Equipment), whichever of the following amounts Lessor, in its sole discretion, shall specify in such notice: (i) an amount, with respect to such Item of Equipment, equal to the excess, if any, of the Fixed Rent payable for such Item of Equipment for the remainder of the then current Lease Term, over the Fair Market Rental Value of such Item of Equipment for the remainder of the then current Lease Term, after discounting such excess to present worth as of the payment date specified in such notice at the lower of (I) the Prime Rate and (II) the interest rate of the Notes; or (ii) an amount, with respect to each Item of Equipment, equal to the excess, if any, of the Stipulated Loss Value of such Item of Equipment computed as of the Rent Payment

Date coincident with or next following the Event of Default, over the Fair Market Sales Value of the Equipment as of the said date:

(e) Lessor may proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof or to rescind this Lease; and

(f) Lessor may exercise any other right or remedy which may be available to it under Applicable Law.

For the purposes of this Section 19, "*Fair Market Rental Value*" and "*Fair Market Sales Value*" shall be determined on the basis of an appraisal, as-is, where-is, of an independent appraiser or appraisers selected in accordance with the procedures set forth in Section 25(c), *provided, however*, that the fees and expenses of any such appraisal shall be borne by Lessee.

No remedy referred to in this Section 19 is intended to be exclusive, but each shall be cumulative and may be exercised concurrently or consecutively and shall be in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity, and the exercise in whole or in part by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all such other remedies. Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is effective under Applicable Law. Lessee hereby waives any and all existing or future claims to any offset against the Rent payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by Lessee or on its behalf. Except as otherwise provided in this Lease, Lessee, to the full extent effective under Applicable Law, hereby waives all statutory or other legal requirements for any notice of any kind, any other requirements with respect to the enforcement of Lessor's rights under this Lease and any and all rights of redemption. No waiver by Lessor of any Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default.

In addition, Lessee shall be liable for any and all unpaid Rent due hereunder before or during the exercise of any of the foregoing remedies, including during the appeal or enforcement of any judgment, and for all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any Default or Event of Default or the exercise of Lessor's remedies with respect thereto, including without limitation, the repayment in full of any costs and expenses necessary to be expended in repairing or modifying any Item in order to cause it to be in compliance with all maintenance and regulatory standards imposed by this Lease.

Upon the date of termination of this Lease by Lessor pursuant to Section 19(a), Lessee shall, without expense to Lessor, promptly redeliver the Items of Equipment or cause the Items of Equipment to be redelivered, to Lessor with all reasonable dispatch, in the same manner and in the same condition as if such Items of Equipment were being redelivered on the last day of the Lease Term in accordance with the provisions of Section 5, and all

obligations of Lessee under Section 5 shall apply to such redelivery. Lessor, without further notice, may, but shall be under no obligation to, retake such Items of Equipment wherever found, without Lessor incurring any liability by reason of such retaking, whether for the restoration of damage to property caused by such retaking or otherwise.

Without in any way limiting the obligation of Lessee under the foregoing provisions of this Section, Lessee hereby irrevocably appoints Lessor as the agent and attorney of Lessee with full power and authority to, upon the occurrence and continuance of an Event of Default hereunder, exercise Lessor's rights under this Section, at any time while Lessee is obligated to deliver possession of any Item of Equipment to Lessor, to demand and take possession of such Item of Equipment in the name and on behalf of Lessee from whomever shall then be in possession of such Item.

SECTION 20. LESSOR'S RIGHT TO PERFORM FOR LESSEE.

If Lessee fails to perform or comply with any of its agreements or covenants contained herein, Lessor may (but shall not be obligated to) itself, after notice to Lessee, perform or comply with such agreement or covenant or make advances to perform the same, and the amount of the reasonable expenses of Lessor incurred in connection with the performance of or compliance with such agreement or covenants, shall, if not paid by Lessee to Lessor on demand, be payable as Supplemental Rent hereunder.

SECTION 21. LATE CHARGES.

Lessee shall pay to Lessor as Supplemental Rent, to the extent permitted by Applicable Law, interest on any amount of Fixed Rent and any Supplemental Rent which is not paid when due, for any period for which the same is overdue (without regard to any grace period) at a rate equal to the Late Rate.

SECTION 22. COVENANT OF QUIET ENJOYMENT.

During the Lease Term of any Item of Equipment hereunder and so long as no Default or Event of Default has occurred and is continuing, Lessor covenants and agrees that Lessee shall have the right to uninterrupted possession, use and enjoyment of such Item on the terms and conditions provided herein without any interference from Lessor or Owner Participant or those lawfully claiming through or against Lessor, including, but not limited to any assignee or lender or mortgagee of Lessor or Owner Participant. For purposes of this Section 22, the delivery of notices of default or nonperformance delivered under and pursuant to Section 18 shall not be deemed to constitute a violation of this Section 22.

SECTION 23. OTHER DOCUMENTS.

Except as otherwise provided herein, Lessee will, at Lessee's expense, execute and deliver to Lessor such other documents as may be reasonably required by Lessor to carry out the intent and purpose of this Lease, including, without limitation, such amendments to

this Lease, and Uniform Commercial Code financing statements and continuation statements and any filings required by the FAA.

SECTION 24. NOTICES AND REQUESTS.

Unless otherwise expressly specified or permitted by the terms hereof, all communications and notices provided for herein shall be in writing or by a telecommunications device capable of creating a written record, and any such notice shall become effective upon receipt by the addressee at its address set forth below or, in the case of any such party hereto, at such other address as such party may from time to time designate by written notice to the other parties hereto:

If to Lessee: WESTAR AVIATION, INC.
818 S. Kansas Avenue
Topeka, Kansas 66612
Attention: President
Fax No.: (785) 575-1771

If to Lessor: FIRST SECURITY BANK, NATIONAL ASSOCIATION
as Trustee under Westar Trust No. 98-1
79 South Main Street
Salt Lake City, Utah 84111
Attention: Corporate Trust Department
Fax No.: (801) 246-5053

All notices required to be delivered under this Lease to Lessor shall, so long as the Lien of the Security Agreement shall not have been discharged, also be delivered to Security Trustee.

SECTION 25. LESSEE'S RENEWAL AND PURCHASE OPTIONS.

(a) *Lessee's Renewal Option.* If no Default or Event of Default shall have occurred and be continuing as of the last day of the Basic Term, and this Lease shall not have been earlier terminated, at the expiration of the Basic Term, Lessee shall have the option, upon Lessee's written notice to Lessor as hereinafter provided, to renew this Lease with respect to all (but not less than all) the Equipment for a period of at least one year (which period shall be in integral six month periods), as selected by Lessee, and the Fixed Rent payable during such Renewal Term for the Equipment shall be at a rate equal to the Equipment's Fair Market Rental Value ("*Fair Market Renewal Rent Rate*") determined in the manner described in Section 25(c). Except as stated in the preceding sentence, all of the provisions of this Lease (other than Section 27) shall be applicable during the Renewal Term. Stipulated Loss Values and Termination Values for the Equipment on any Rent Payment Date during the Renewal Term shall be an amount equal to Stipulated Loss Value or the Termination Value, as the case may be, for the Equipment determined as of the last Rent Payment Date of the Basic Term. If Lessee will exercise the renewal option provided

herein, Lessee shall give irrevocable written notice to Lessor to such effect at least one hundred twenty (120) days prior to the expiration of the Basic Term.

(b) *Lessee's Purchase Option.* If (i) no Default or Event of Default shall have occurred and be continuing as of the last day of the Basic Term, and (ii) this Lease shall not have been earlier terminated, Lessee shall be entitled, at its option, upon irrevocable written notice to Lessor as hereinafter provided, to purchase all (but not less than all) the Equipment, on the date immediately following the date of the expiration of the Basic Term, for an amount payable in immediately available funds, equal to the greater of (i) the Fair Market Sales Value thereof determined in accordance with Section 25(c) hereof and (ii) the Stipulated Loss Value (computed as of the last day of the Basic Term), plus any applicable sales, use, transfer, documentary, recording excise or other taxes imposed as a result of such sale (other than net income taxes attributable to such sale). Lessee shall pay all reasonable out of pocket fees and expenses of Lessor and Owner Participant (including without limitation, the reasonable fees and expenses of legal counsel and all filing and recordation fees and expenses in connection with Lessee's exercise of any such purchase option).

If Lessee intends to exercise said purchase option, Lessee shall give irrevocable written notice to Lessor to such effect at least one hundred twenty (120) days prior to the expiration of the Basic Term of the Equipment. In the event that Lessee exercises its purchase options under this Section 25(b), Lessor shall execute and deliver to Lessee a bill of sale, in which Lessor transfers the Equipment to Lessee "as is" without any representation or warranty except that it is transferring whatever title was transferred to it, free and clear of all liens in favor of any person lawfully claiming by, through or under Lessor, upon payment of the sale price by Lessee.

(c) *Determination of Fair Market Sales Value and Fair Market Rental Value; Appraisal Procedure.* If Lessee gives notice of its election to exercise the renewal option set forth in Section 25(a) or the purchase option set forth in Section 25(b), Lessor and Lessee shall consult for the purpose of determining (i) Fair Market Rental Value of the Equipment for the Renewal Term, as specified in Section 25(a), commencing upon the expiration of such Basic Term in connection with the renewal option or (ii) the Fair Market Sales Value of the Equipment as of the end of the Basic Term in connection with the purchase option, and any values agreed upon in writing shall constitute such Fair Market Sales Value or Fair Market Rental Value. If Lessor and Lessee fail to agree upon the Fair Market Sales Value or Fair Market Rental Value within 30 days after Lessee's notice pursuant to the first sentence of this paragraph, then Lessor shall, within 10 days after the expiration of such 30 day period, select a proposed qualified independent appraiser (the "Lessor's Appraiser") to conduct an appraisal in order to determine such Fair Market Sales Value or Fair Market Rental Value, as the case may be. If upon selection by Lessor, Lessee shall be unwilling to rely solely upon Lessor's Appraiser, Lessee shall select a qualified independent appraiser within 10 days of Lessor's selection. If Lessee fails to appoint an appraiser within the applicable time limit, Lessor's Appraiser shall conduct the appraisal. If both parties appoint appraisers, the two appraisers so appointed shall, within 10 days after such notice is given, appoint a third qualified independent appraiser. If no such third appraiser is appointed within 10 days after such notice is given, either party may apply to the American

Arbitration Association to make such appointment, and both parties shall be bound by any such appointment.

Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Sales Value or the Fair Market Rental Value, as the case may be, of such Item(s) of Equipment within 10 days after the appointment of such appraiser(s). Such determination shall be in accordance with the terms of this Lease and, to the extent not set forth herein, pursuant to the specific instructions and assumptions given to such appraiser or appraisers as mutually agreed upon by Lessor and Lessee. If the parties shall have appointed a single appraiser, such appraiser's determination of such values shall be final. If three appraisers shall be appointed, the values determined by the three appraisers shall be averaged, the determination which differs most from such average shall be excluded, the remaining two determinations shall be averaged and such average shall be final and binding upon both Lessor and Lessee. The fees and expenses of any appraisers pursuant to this Section 25 shall be shared equally by the Lessor and the Lessee.

SECTION 26. FINANCIAL INFORMATION; REPORTS.

Lessee agrees to furnish Lessor, Owner Participant, Security Trustee and each holder of a Note (1) within 100 days after the close of its fiscal year, an annual report of Lessee, consisting of its unaudited financial statements including its balance sheet as of the end of such fiscal year, statements of income and cash flows for the year then ended in each case, with the exception of the absence of disclosure notes thereto, prepared in accordance with generally accepted accounting principles and certified by a financial officer of Lessee, *provided* that if the financial statements of the Lessee as of the end of any fiscal year are audited, Lessee shall furnish Lessor, Owner Participant, Security Trustee and each holder of a Note audited financial statements as specified in this clause (1) certified as true and correct by the auditor thereof accompanied by a report thereon containing an opinion unqualified as to scope limitations imposed by Lessee and otherwise without qualification except as therein noted by its independent auditors; (2) within 45 days after the close of each of the first three quarterly periods of Lessee's fiscal year, a balance sheet of Lessee as of the end of such quarter, and comparative statements of income and cash flows for such quarter in each case, with the exception of the absence of disclosure notes thereto, prepared in accordance with generally accepted accounting principles and certified by a financial officer of Lessee; (3) promptly upon Lessee obtaining knowledge that there has occurred and is continuing any condition, event, act or omission which constitutes a Default or an Event of Default or a Lien (other than Permitted Encumbrances) on the Equipment, notice of such condition, event, act or omission and the steps which Lessee has taken or is taking to remedy the same; and (4) such additional information concerning the location, condition, use and operation of the Equipment and with respect to the condition (financial or otherwise) or business of Lessee as Owner Participant or any such holder may from time to time reasonably request.

SECTION 27. VOLUNTARY TERMINATION.

So long as no Default or Event of Default shall have occurred and be continuing hereunder, Lessee may, at its sole option, request that Owner Participant agree to terminate this Lease with respect to the Equipment and enter into a new lease of another upgraded aircraft of equal or greater value, utility and remaining economic useful life with Lessee, such new lease containing terms substantially similar to those contained in this Lease. Owner Participant shall consider such request and shall discuss the terms of such request and such new lease with Lessee. Owner Participant may, at its sole option, accept or reject for any reason Lessee's request. If Owner Participant rejects such request or Lessee and Owner Participant are unable to agree to the terms of the new lease, this Lease shall continue with respect to the Equipment. If Owner Participant agrees to Lessee's request and Lessee and Owner Participant agree to the terms of the new lease, Owner Participant and Lessee shall give Security Trustee sixty (60) days prior written notice of the termination of this Lease with respect to all (but not less than all) the Equipment. Such termination shall be effective on the Rent Payment Date specified in such notice (for purposes of this Section 27, called the "*termination date*"), upon payment by Lessee to Lessor of the sum of (i) the installment of Fixed Rent due on such termination date, (ii) any other Rent or other sums due and owing on or in respect of the Equipment, (iii) an amount equal to the Termination Value of such Equipment as of the termination date, and (iv) an amount equal to the Make Whole Premium then due and payable by Lessor on the Notes under and pursuant to Section 6.2 of the Security Agreement. If Lessee shall fail to pay all amounts due under and pursuant to this Section 27(a), this Lease shall continue in full force and effect and it shall be deemed that Lessee and Owner Participant have rescinded their notice of termination.

SECTION 28. [INTENTIONALLY LEFT BLANK].

SECTION 29. MISCELLANEOUS.

Each party agrees that the other party shall not by act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder unless such waiver is given in writing. A waiver on one occasion shall not be construed to be a waiver on any other occasion. The captions in this Lease are for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating or diminishing Lessor's or Lessee's rights under 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. No term or provision of this Lease may be amended, altered, waived, discharged or terminated orally, but may be amended, altered, waived, discharged or terminated only by an instrument in writing signed by a duly authorized officer of the party against which the enforcement of the amendment, alteration, waiver, discharge or termination is sought, subject to the provisions of Section 13(b). All of the covenants, conditions and obligations contained in this Lease shall be binding upon and shall inure to the benefit of the respective permitted successors and

permitted assigns of Lessor and Lessee. This Lease, each Lease Supplement and each related instrument, document, agreement and certificate, collectively constitute the entire agreement of Lessor and Lessee with respect to the acquisition and leasing of the Equipment, and cancel and supersede any and all prior oral or written understandings with respect thereto. This Lease shall in all respects be governed by, and construed in accordance with, the laws of the State of New York (without regard to the conflicts of law principles of such state), including all matters of construction, validity and performance.

SECTION 30. THIRD-PARTY BENEFICIARIES.

Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than Owner Participant, Security Trustee and each holder from time to time of a Note and the permitted successors and permitted assigns of any such person and any party hereto) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

SECTION 31. LIABILITY OF LESSOR LIMITED.

It is expressly agreed, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, covenants, undertakings and agreements herein made on the part of Lessor are made and intended not as personal representations, warranties, covenants, undertakings and agreements by First Security Bank, National Association or for the purpose or with the intention of binding First Security Bank, National Association personally, but are made and intended for the purpose of binding only the Trust Estate, and this Lease is executed and delivered by First Security Bank, National Association not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or personal responsibility, except, as to First Security Bank, National Association, in the case of willful misconduct or gross negligence (other than with respect to the handling of funds, in which case Lessor shall be accountable for its failure to exercise ordinary care), is assumed by or shall at any time be asserted or enforceable against First Security Bank, National Association on account of this Lease or on account of any representation, warranty, covenant, undertaking or agreement of Lessor, either expressed or implied herein, all such personal liability, if any, being expressly waived and released by Lessee and by all persons claiming by, through or under it, and that all recourse against First Security Bank, National Association under this Lease shall be limited to the Trust Estate, *provided, however*, that nothing herein shall be interpreted to relieve First Security Bank, National Association from any personal liability expressly assumed in any Operative Agreement.

SECTION 32. EXECUTION.

This Lease may be executed in any number of counterparts and by the different parties hereto on separate counterparts (or upon separate signature pages bound together into one or more counterparts), each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

To the extent, if any, that this Lease or any Lease Supplement constitutes chattel paper or other collateral within the meaning of the Uniform Commercial Code (or other law respecting security interests) as in effect in any applicable jurisdiction, no security interest in Lessor's interest under this Lease or any such Lease Supplement may be created through the transfer or possession of any counterpart of this Lease or such Supplement other than the original executed Counterpart No. 1 hereof or thereof which shall be identified on the cover, the receipt of which is acknowledged by Security Trustee.

SECTION 33. RETURN OF CERTAIN FUNDS.

All amounts held by or due from Lessor or Security Trustee which, but for the existence of a Default or an Event of Default under the Lease, would have been paid or credited to the Lessee pursuant to the terms of this Lease, upon termination or expiration of this Lease as to all Items of Equipment, the return of the Equipment in the manner provided hereby, the payment by Lessee of all amounts then due and owing pursuant to the Operative Agreements to Security Trustee, the Owner Participant, any holder of the Notes and the Lessor (including with limitation all Indebtedness Hereby Secured) and the termination of the Security Agreement, shall be promptly paid to Lessee even though the Default or Event of Default shall continue.

SECTION 34. TRUTH IN LEASING.

THE EQUIPMENT BECAME SUBJECT TO THE MAINTENANCE REQUIREMENTS OF PART 91 OF THE FEDERAL AVIATION REGULATIONS ("FARS") UPON THE REGISTRATION OF THE EQUIPMENT WITH THE FAA. LESSEE CERTIFIES THAT SO LONG AS THE EQUIPMENT HAS BEEN SUBJECT TO U.S. REGISTRATION, THE EQUIPMENT HAS BEEN MAINTAINED AND INSPECTED UNDER PART 91 OF THE FARS. LESSEE CERTIFIES THAT THE EQUIPMENT WILL BE MAINTAINED AND INSPECTED UNDER PART 91 OF THE FARS FOR OPERATIONS TO BE CONDUCTED UNDER THE LEASE. UPON EXECUTION OF THIS LEASE AND DURING THE TERM HEREOF, LESSEE, WHOSE NAME AND ADDRESS ARE WESTAR AVIATION, INC., 818 S. KANSAS AVENUE, TOPEKA, KANSAS 66612, AND THE SIGNATURE AND TITLE OF THE PERSON BY AND THROUGH WHICH LESSEE WILL BE RESPONSIBLE FOR THE OPERATIONAL CONTROL OF THE EQUIPMENT IS AS SET FORTH IN THE SIGNATURE BLOCKS ON PAGE ____ HEREOF, SHALL BE RESPONSIBLE FOR THE OPERATIONAL CONTROL OF THE EQUIPMENT UNDER THE LEASE. LESSEE FURTHER CERTIFIES THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FARS. AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FARS CAN BE OBTAINED FROM THE NEAREST FEDERAL AVIATION FLIGHT STANDARD DISTRICT OFFICE.

IN WITNESS WHEREOF, Lessor and Lessee have caused this instrument to be executed, all as of the day and year first above written.

WESTAR AVIATION, INC.,
a Kansas corporation

By _____
Its

FIRST SECURITY BANK, NATIONAL
ASSOCIATION, not individually but solely
as Owner Trustee under Westar Trust No.
98-1 created under a Trust Agreement
dated as of June 1, 1998

By _____
Its

Receipt of this original counterpart of the foregoing Lease is hereby acknowledged
this _____ day of _____, 1998.

STATE STREET BANK AND TRUST COMPANY,
not in its individual capacity, but solely as
Security Trustee

By _____
Its

LEASE SUPPLEMENT NO. _____

THIS LEASE SUPPLEMENT NO. _____ dated _____, 1998 between FIRST SECURITY BANK, NATIONAL ASSOCIATION, not individually but solely as Owner Trustee ("Lessor") under a Trust Agreement dated as of June 1, 1998 with Connell Finance Company, Inc., and WESTAR AVIATION, INC., a Kansas corporation ("Lessee").

WITNESSETH:

WHEREAS, Lessor and Lessee have heretofore entered into that certain Lease Agreement, dated as of June 1, 1998 (the "Lease", the terms defined therein being herein used with the same meaning), which Lease provides for the execution and delivery of a Lease Supplement in substantially the form hereof for the purpose of leasing each Airframe and Engine under the Lease when delivered by Lessor to Lessee in accordance with the terms thereof; and

*WHEREAS, the Lease, a counterpart of which is attached hereto and made a part hereof, relates to the Airframe and Engines described in Schedule I hereto, and this Lease Supplement, together with such attachment, is being filed for recordation on the date hereof with the Federal Aviation Administration as one document.

**WHEREAS, the Lease relates to the Airframe and Engines described below and a counterpart of the Lease attached to and made a part of Lease Supplement No. I dated _____, 1998 to the Lease, has been recorded by the Federal Aviation Administration on _____, 19____, as one document and assigned Conveyance No. _____.

NOW THEREFORE, in consideration of the premises and other good and sufficient consideration, and pursuant to Section 3 of the Lease, Lessor and Lessee hereby agree as follows:

1. Lessee hereby acknowledges and confirms that on the date hereof, the Airframe and Engines described in Schedule I attached hereto have been delivered and accepted by Lessee. Lessee represents that such Airframe and Engines are free and clear of all Liens (except Permitted Encumbrances) and in a condition which in all respects is satisfactory to Lessee and in compliance with the Lease.

-
- " Language for first Lease Supplement.
 - ** Language for subsequent Lease Supplements.

EXHIBIT A
(to Lease Agreement)

2. Lessee hereby certifies that the date of acceptance of such Airframe and Engines and commencement of the Lease Term with respect thereto is the date of this Lease Supplement No. ____.

3. Lessee hereby certifies that such Purchase Price for such Airframe and Engines is \$10,916,500.00.

Counterpart No. _____ of _____

IN WITNESS WHEREOF, Lessor and Lessee have caused this instrument to be executed, all as of the day and year first above written.

WESTAR AVIATION, INC.,
a Kansas corporation

By _____
Its

FIRST SECURITY BANK, NATIONAL
ASSOCIATION, not individually but solely
as Owner Trustee under Westar Trust No.
98-1 created under a Trust Agreement
dated as of June 1, 1998

By _____
Its

Receipt of this original counterpart of the foregoing Lease Supplement is hereby acknowledged this _____ day of _____, 1998.

STATE STREET BANK AND TRUST COMPANY,
not in its individual capacity, but solely as
Security Trustee

By _____
Its

DESCRIPTION OF EQUIPMENT

AIRFRAME

MANUFACTURER	MODEL	F.A.A. REGISTRATION NO.	MANUFACTURER'S SERIAL NO.
Cessna	650 Citation VII		

RELATED ENGINES

MANUFACTURER	MODEL	MANUFACTURER'S SERIAL NO.
Garrett	TFE-731-4R-2S	
Garrett	TFE-731-4R-2S	

(Each of said Engines is of 750 or more "rated take-off horsepower" or the equivalent of such horsepower.)

SCHEDULE OF FIXED RENT

<u>RENT</u> <u>PAYMENT DATE</u>	<u>RENT FACTOR</u>
Each Rent Payment Date during the Basic Term	0.74177602%

EXHIBIT B
(to Lease Agreement)

Westar Capital, Inc., Citation VII
Stipulated Loss Schedule
(expressed as a percentage of the Purchase Price of the Equipment)

<u>Date</u>	<u>Amount</u>
6/19/98	103.03124
7/19/98	103.10997
8/19/98	103.21863
9/19/98	103.33463
10/19/98	103.29320
11/19/98	103.27442
12/19/98	103.28776
1/19/99	103.09120
2/19/99	102.94204
3/19/99	102.78932
4/19/99	102.64440
5/19/99	102.46188
6/19/99	102.30732
7/19/99	102.10560
8/19/99	101.91890
9/19/99	101.75570
10/19/99	101.52617
11/19/99	101.32104
12/19/99	101.16776
1/19/00	100.89101
2/19/00	100.66701
3/19/00	100.43872
4/19/00	100.21803
5/19/00	99.96216
6/19/00	99.73607
7/19/00	99.46531
8/19/00	99.21269
9/19/00	98.96779
10/19/00	98.70052
11/19/00	98.44127
12/19/00	98.23948
1/19/01	97.91573
2/19/01	97.64972
3/19/01	97.38199
4/19/01	97.12602
5/19/01	96.83987
6/19/01	96.58689
7/19/01	96.29372
8/19/01	96.01882
9/19/01	95.77235
10/19/01	95.46556
11/19/01	95.18707

EXHIBIT C
(to Lease Agreement)

Westar Capital, Inc., Citation VII
 Stipulated Loss Schedule
 (expressed as a percentage of the Purchase Price of the Equipment)

<u>Date</u>	<u>Amount</u>
12/19/01	94.96721
1/19/02	94.62659
2/19/02	94.34447
3/19/02	94.06064
4/19/02	93.78935
5/19/02	93.48907
6/19/02	93.22214
7/19/02	92.91620
8/19/02	92.62850
9/19/02	92.36946
10/19/02	92.05119
11/19/02	91.76126
12/19/02	91.53032
1/19/03	91.17947
2/19/03	90.88730
3/19/03	90.59348
4/19/03	90.31289
5/19/03	90.00659
6/19/03	89.73330
7/19/03	89.42449
8/19/03	89.13351
9/19/03	88.87100
10/19/03	88.55317
11/19/03	88.26310
12/19/03	88.03133
1/19/04	87.68464
2/19/04	87.39555
3/19/04	87.10499
4/19/04	86.82812
5/19/04	86.52911
6/19/04	86.26216
7/19/04	85.96363
8/19/04	85.68227
9/19/04	85.42873
10/19/04	85.12451
11/19/04	84.84707
12/19/04	84.62629
1/19/05	84.29730
2/19/05	84.02392
3/19/05	83.74931
4/19/05	83.48843
5/19/05	83.20734

Westar Capital, Inc., Citation VII
Stipulated Loss Schedule
(expressed as a percentage of the Purchase Price of the Equipment)

<u>Date</u>	<u>Amount</u>
6/19/05	82.95725
7/19/05	82.67786
8/19/05	82.41509
9/19/05	82.17936
10/19/05	81.89586
11/19/05	81.63830
12/19/05	81.43569
1/19/06	81.12966
2/19/06	80.87747
3/19/06	80.62428
4/19/06	80.38464
5/19/06	80.12574
6/19/06	79.89892
7/19/06	79.64408
8/19/06	79.40539
9/19/06	79.19311
10/19/06	78.93390
11/19/06	78.70390
12/19/06	78.52540
1/19/07	78.24799
2/19/07	78.02288
3/19/07	77.79705
4/19/07	77.58470
5/19/07	77.35506
6/19/07	77.15674
7/19/07	76.93264
8/19/07	76.72436
9/19/07	76.54202
10/19/07	76.31747
11/19/07	76.11757
12/19/07	75.97003
1/19/08	75.72770
2/19/08	75.53644
3/19/08	75.34478
4/19/08	75.15667
5/19/08	75.07657
6/19/08	75.00000

DEFINITIONS

Re: Westar Trust No. 98-1

GENERAL PROVISIONS

The following terms shall have the following meanings for all purposes of the Operative Agreements referred to below, unless otherwise defined in an Operative Agreement or the context thereof shall otherwise require. In the case of any conflict between the provisions of this Definition Annex and the provisions of the main body of any Operative Agreement, the provisions of the main body of such Operative Agreement shall control the construction of such Operative Agreement.

Unless the context otherwise requires, (i) references to agreements shall be deemed to mean and include such agreements as the same may be amended and supplemented from time to time, and (ii) references to parties to agreements shall be deemed to include the successors and permitted assigns of such parties.

DEFINED TERMS

"*Acceptance Date*" for each Item of Equipment means the date on which Lessee has accepted such Item for lease under the Lease, as evidenced by Lessee's execution and delivery of a Lease Supplement for such Item dated such date.

"*Acquisition Agreements*" shall mean (i) the Purchase Agreement, as assigned by the Purchase Agreement Assignment, (ii) the Purchase Agreement Assignment and (iii) the Bills of Sale dated the Closing Date.

"*Affiliate*" shall mean any person, firm or corporation who or which, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, another person, firm or corporation. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, firm or corporation, whether through the ownership of voting securities, by contract or otherwise.

"*After-Tax Basis*" means on a basis such that any payment to be received or deemed to be received shall be supplemented by a further payment so that the sum of the two payments, after deducting from such payments the amount of all taxes resulting from receipt or accrual of such payments (net of any current credits or deductions or other tax benefits arising therefrom, to the extent actually realized), assuming that the Person receiving such payments is subject to taxes at the highest marginal rates applicable to corporations, shall be equal to the payments to be received or deemed to have been received.

"*Airframe*" shall mean and include: (i) the airframe to be sold by the Seller to the Lessor pursuant to the Purchase Agreement, which airframe, together with the two Engines,

is to be leased by the Lessor to the Lessee under the Lease and will have the Federal Aviation Administration Registration Number and manufacturer's serial number specified in the Lease Supplement to be executed by Lessee on the Acceptance Date; and (ii) any and all appliances, parts, instruments, appurtenances, accessories, furnishings or other equipment of whatever nature (except Engines or engines) so long as the same shall be incorporated or installed in or attached to such airframe, or, so long as title thereto shall remain vested in the Lessor in accordance with the terms of Section 11 of the Lease, after removal from such airframe. The term "Airframe" shall also include any Replacement Airframe conveyed to the Lessor pursuant to Section 15(d) of the Lease in replacement for the Airframe leased thereunder.

"*Applicable Law*" means all applicable laws, treaties, judgments, decrees, injunctions, writs and orders of any court, governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any governmental body, instrumentality, agency or authority.

"*Assigned Agreement*" shall mean the Lease and all of the other agreements referred to in Division III of the Granting Clauses of the Security Agreement.

"*Bankruptcy Code*" shall mean the Federal Bankruptcy Code as amended from time to time, 11 U.S.C. §101 *et seq.*

"*Basic Term*" shall have the meaning specified in Section 4 of the Lease.

"*Beneficial Interest*" shall mean the interest of the Owner Participant under the Trust Agreement.

"*Bills of Sale*" shall mean the FAA Bill of Sale and the Warranty Bill of Sale.

"*Business Day*" shall mean any day other than a Saturday, Sunday or other day on which banking institutions in the State of Connecticut, Kansas, Massachusetts, New York or Utah are authorized or required to be closed.

"*Closing Date*" shall have the meaning specified in Section 2.3(a) of the Participation Agreement.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended, and any successor code.

"*Collateral*" shall have the meaning specified in the Granting Clauses of the Security Agreement.

"*Collateral Account*" is defined in Section 10.2 of the Participation Agreement.

"*Debtor*" shall mean the Owner Trustee, as debtor under the Security Agreement.

"*Default*" under the Lease shall mean any event which would constitute an Event of Default under the Lease if any requirement in connection therewith for the giving of notice or the lapse of time, or both, had been satisfied.

"*Default*" under the Security Agreement shall mean any event which would constitute an Event of Default under the Security Agreement if any requirement in connection therewith for the giving of notice, or the lapse of time, or both, had been satisfied.

"*Drawing Event*" means a condition or event entitling the beneficiary of the Letter of Credit to draw thereon.

"*Enforcement Date*" shall have the meaning specified in Section 7.3 of the Security Agreement.

"*Enforcement Notice*" shall have the meaning specified in Section 7.3 of the Security Agreement.

"*Engine*" shall mean and include: (i) each of the two engines for the Airframe listed by manufacturer's serial number in a Lease Supplement, whether or not from time to time installed on an Airframe or installed on any other airframe; (ii) any Replacement Engine; and (iii) any and all appliances, parts, instruments, appurtenances, accessories or other equipment of whatever nature, so long as the same shall be incorporated or installed in or attached to any Engine subject to the Lease, or, so long as title thereto shall remain vested in the Lessor in accordance with the terms of Section 11 of the Lease, after removal from such Engine.

"*Engines*" shall mean collectively every Engine.

"*Equipment*" shall mean each Item of Equipment.

"*Equipment Lease*" — See "Lease".

"*ERISA*" shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor law.

"*ERISA Affiliate*" shall mean any trade or business (whether or not incorporated) that is treated as a single employer together with the Lessee pursuant to Sections 414(b) and 414(c), respectively, of the Code or Section 4001 of ERISA.

"*Event of Default*" under the Lease is defined in Section 18 thereof.

"*Event of Default*" under the Security Agreement is defined in Section 7.1 thereof.

"*Event of Loss*" with respect to any property means any of the following events with respect to such property: (i) the actual or constructive total loss of such property as determined by a Senior Financial Officer of the Lessee, (ii) loss of such property or the use

thereof due to theft, disappearance or hijacking (which theft, disappearance or hijacking continues for a period of at least 180 days) or, in the reasonable judgment of a Senior Financial Officer of the Lessee, destruction, damage beyond repair or rendition of such property permanently unfit for normal use for any reason whatsoever; (iii) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss; (iv) the condemnation, confiscation or seizure of, or requisition of title to the property by any Governmental Authority, (v) the condemnation, confiscation or seizure of, or requisition of use of, such property (a) by the United States Government for a period in excess of the lesser of one year or the then remaining Lease Term, or (b) by any Governmental Authority (other than the United States Government) for a period of the lesser of 180 days or the then remaining Lease Term; or (vi) as a result of any rule, regulation, order or other action by the FAA, the Department of Transportation or the United States Government having jurisdiction, the use of such property in the normal course of air transportation shall have been prohibited for a period of six consecutive months, unless Lessee, prior to the expiration of such six-month period, shall have undertaken and shall be diligently carrying forward all steps which in its judgment are necessary or desirable to permit the normal use of such property by Lessee or, in any event, if such use shall have been prohibited for a period of twelve consecutive months. An Event of Loss with respect to the Airframe shall automatically result in an Event of Loss for each Engine.

"*Excepted Payments*" shall mean the properties, rights, interests and privileges set forth in clauses (a) through (g) of the definition of Excepted Rights in Collateral.

"*Excepted Rights in Collateral*" shall mean the following described properties, rights, interests and privileges:

(a) all payments of any indemnity under Sections 6 and 7 of the Participation Agreement or under the Tax Indemnification Agreement, which by the terms thereof are payable to the Debtor or the Owner Participant for its own account;

(b) any insurance proceeds payable under general public liability policies maintained by the Lessee pursuant to Section 16 of the Lease which by the terms of such policies are payable directly to the Debtor or the Owner Participant for its own account;

(c) any insurance proceeds payable to the Debtor or the Owner Participant under insurance maintained by the Debtor or the Owner Participant that shall be in addition to the insurance required to be maintained by the Lessee pursuant to the Lease;

(d) any amounts payable to the Owner Participant by a transferee as the purchase price for all or any portion of its interest in the Trust Estate permitted by the Operative Agreements;

(e) all proceeds of amounts payable under, and interest at the Late Rate in respect of any amount payable under, clause (a) above;

(f) any amounts payable under the Guaranty Agreement in respect solely of amounts payable under clauses (a) and (e) above;

(g) all rights of the Debtor or the Owner Participant to demand, collect, sue for or otherwise obtain all amounts from the Lessee or the Guarantor due the Debtor or the Owner Participant on account of the indemnities, amounts or other payments referred to in clauses (a) and (e) above, and all rights, powers, privileges and remedies with respect thereto otherwise held by the Debtor or the Owner Participant, including, without limitation, the right to demand, collect, sue for or otherwise obtain all such amounts from the Lessee, the Guarantor or other obligor; provided that the rights referred to in this clause (g) shall not be deemed to include the exercise of any remedies provided for in Section 19 of the Lease other than the right to proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee, the Guarantor or other obligor of the applicable covenants and terms set forth above or to recover damages for the breach thereof;

(h) so long as no Event of Default shall have occurred and be continuing under the Lease or the Security Agreement, (1) the Debtor shall have the right, to the exclusion of the Security Trustee (i) to take any action allowable by it pursuant to Section 5 of the Lease, and to otherwise exercise all rights of the Debtor upon the return of the Equipment under the Lease, (ii) to amend any of the Operative Agreements to increase the Lessee's obligations and (iii) to determine Fair Market Sales Value or Fair Market Rental Value under Section 25 of the Lease and otherwise exercise any rights of the Debtor under Section 25 of the Lease and (2) the Debtor shall have the right, together with the Security Trustee, to enter into, execute and deliver amendments, modifications, waivers or consents in respect of any of the provisions of the Assigned Agreements;

(i) at all times the Debtor shall have the right (1) together with the Security Trustee, (i) to inspect the Equipment and all records relating thereto, (ii) to receive copies of all notices, financial statements, opinions of counsel and other documents and information to be furnished to the Debtor or the Owner Participant under any of the Operative Agreements, (iii) to retain all rights with respect to the insurance maintained for its or the Owner Participant's own account pursuant to the penultimate paragraph of Section 16 of the Lease, (iv) to exercise, to the extent necessary to enable it to exercise its rights under Section 7.3 of the Security Agreement, the Debtor's rights under Section 20 of the Lease, (v) to exercise the rights with respect to the Lessee's use and operation, modification or maintenance of the Equipment which the Operative Agreements confer to the Debtor and to preserve and maintain any insurance policies necessary to protect the Equipment from loss and damage, and (2) to the exclusion of the Security Trustee, (i) to exercise any election or option or make any decision or determination or to give or receive any notice, consent, waiver or approval in respect of any Excepted Payment and (ii) to demand, collect, sue (at law or in equity) for or otherwise receive and enforce the payment of Excepted Payments due and payable to it or the Owner Participant; and

(j) notwithstanding anything contained in the Security Agreement, upon the occurrence of an Event of Default under the Lease, the Security Trustee shall not amend any Operative Agreement in a manner so as to impose additional obligations on the part of the Debtor or the Owner Participant or otherwise adversely affect the Debtor, the Owner Participant or the Collateral without the Debtor's consent.

"*Exchange Act*" shall mean the Securities Exchange Act of 1934, as amended.

"*FAA Bill of Sale*" shall mean with respect to the Equipment, the bill of sale (FAA Form 8050-2) executed by The Cessna Aircraft Company in favor of the Owner Trustee.

"*Fair Market Renewal Rent Rate*" shall have the meaning set forth in Section 25(a) of the Lease.

"*Fair Market Rental Value*" shall be determined on the basis of, and shall equal in value, the amount which would be obtained in an arm's-length transaction between an informed and willing lessee (other than a lessee or user currently in possession) and an informed and willing lessor under no compulsion to lease, and in such determination, costs of removal from the location of current use shall not be a deduction from such value. Any such determination made (i) under Section 19 of the Lease shall be made on the assumption that the Equipment is leased on an "as-is, where-is" basis, and (ii) at any other time shall be based on the actual condition of the Equipment but no worse condition and state of repair than that required by the terms and provisions of the Lease.

"*Fair Market Sales Value*" shall be determined on the basis of, and shall equal in value, the retail amount (as opposed to the wholesale amount) which would be obtained in an arm's-length transaction between an informed and willing buyer-user (other than a lessee or user currently in possession) and an informed and willing seller under no compulsion to sell, and in such determination, costs of removal from the location of current use shall not be a deduction from such value. Any such determination made (i) under Section 19 of the Lease shall be made on the assumption that the Equipment is sold on an "as-is, where-is" basis, and (ii) at any other time shall be based on the actual condition of the Equipment but no worse condition and state of repair than that required by the terms and provisions of the Lease.

"*FARS*" shall have the meaning specified in Section 33 of the Lease.

"*Federal Aviation Act*" shall mean Subtitle VII of Title 49 of the United States Code, or any successor law.

"*Federal Aviation Administration*" or "*FAA*" shall mean the Federal Aviation Administration and any successor agency.

"*Federal Funds Rate*" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Wall Street Journal on the

Business Day next succeeding such day; *provided that*, if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the immediately preceding Business Day as so published on the next succeeding Business Day.

"*Fixed Rent*" shall mean all rent payable pursuant to Section 6(b) of the Lease for the Basic Term and all Rent payable pursuant to Section 25(a) of the Lease for the Renewal Term, if any.

"*Governmental Authority*;" shall mean

- (a) the government of
 - (i) the United States of America or any State or other political subdivision thereof, or
 - (ii) any jurisdiction in which the Lessee conducts all or any part of its business, or which asserts jurisdiction over any properties of the Lessee, or
- (b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"*Guarantor*" shall mean Westar Capital, Inc., a Kansas corporation.

"*Guaranty Agreement*" shall mean the Guaranty Agreement dated as of June 1, 1998 of the Guarantor for the benefit of Lessor, Security Trustee and the Participants.

"*Guidelines*" shall mean the guidelines set forth in Revenue Procedure 75-21, 1975-1 C.B. 715, as further set forth in Revenue Procedure 75-28, 1975-1 C.B. 752, and as modified in Revenue Procedure 76-30, 1976-2 C.B. 647 and Revenue Procedure 79-48, 1979-2 C.B. 529 that are applied by the Internal Revenue Service in determining, for advance ruling purposes, whether leveraged lease transactions (other than transactions which were formerly described in Section 168(f)(8) of the Internal Revenue Code of 1954) are leases for Federal income tax purposes.

"*Indebtedness Hereby Secured*" shall mean the outstanding Notes and all principal thereof (and premium, if any) and interest thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Owner Trustee under the terms of the outstanding Notes, the Security Agreement or the Participation Agreement.

"*Indemnified Parties*" shall mean the Participants, the Owner Trustee (in its individual and trust capacities), the Trust Estate and the Security Trustee (in its individual and trust capacities), and successors, assigns, agents, servants, officers, directors, stockholders, affiliates and employees of each of the foregoing.

"*Indemnitors*" shall have the meaning specified in Section 8 of the Participation Agreement.

"*Institutional Investor*" shall mean (i) any investment company registered under the Investment Company Act of 1940, as amended; (ii) any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees; (iii) any dealer registered pursuant to Section 15 of the Exchange Act, acting for its own account; (iv) any bank as defined in Section 3(a)(2) of the Securities Act of 1933, any savings and loan association or other institution as referenced in Section 3(a)(5)(A) of the Securities Act, or any foreign bank or savings and loan association or equivalent institution, acting for its own account; or (v) any insurance company, whether for itself or for any account or plan assets managed by such insurance company.

"*Interest*" shall mean the Beneficial Interest or a Note, individually, and "*Interests*" shall mean the Beneficial Interest and the Notes, collectively.

"*IRS*" shall mean the Internal Revenue Service or any successor agency.

"*Item of Equipment*" or "*Item*" shall mean the Airframe or any Engine.

"*Late Rate*" shall mean interest at the lesser of the maximum rate permitted by Applicable Law and the annual rate equal to the higher of (i) 9.61%, and (ii) the Prime Rate plus 2%.

"*Lease*" or "*Lease Agreement*" shall mean the Lease Agreement dated as of June 1, 1998 between the Lessor, as lessor, and the Lessee, as lessee, as amended or supplemented from time to time.

"*Lease Supplement*" shall mean a Lease Supplement, substantially in the form of Exhibit A to the Lease, entered into on the Closing Date or, as the case may be, on the date of the conveyance of any Replacement Airframe or Replacement Engine pursuant to the Lease, between the Lessor and the Lessee, covering the Airframe and Engines or such Replacement Airframe or Replacement Engine or Engines, as the case may be. Each Lease Supplement shall confirm that the Equipment has been accepted by the Lessee and shall set forth a summary of the Purchase Price of the Equipment. Each reference to "the Lease" shall include the Lease and the Lease Supplements.

"*Lease Term*" shall mean the Basic Term and, if applicable, the Renewal Term.

"*Lessee*" shall mean Westar Aviation, Inc., a Kansas corporation.

"*Lessee Agreements*" shall mean the Operative Agreements to which the Lessee is a party.

"*Lessor*" shall mean the Owner Trustee, as lessor under the Lease.

"*Lessor's Liens*" shall mean Liens arising as a result of (i) claims against Lessor, in its individual capacity or as Owner Trustee or Owner Participant not related to the transactions

contemplated by the Participation Agreement, (ii) acts of Lessor in its individual capacity or as Owner Trustee, and in the case of Lessor arising out of its gross negligence or willful misconduct either not related to the transactions contemplated by the Participation Agreement or expressly prohibited under the Lease or under the Participation Agreement, (iii) "Taxes" as defined in Section 6(a) of the Participation Agreement imposed against Lessor, in its individual capacity or as Owner Trustee, Owner Participant, the Trust or the Trust Estate which are not indemnified against by Lessee pursuant to Section 6 of the Participation Agreement other than Liens which are not due and payable or the amount or validity of which are being contested in good faith by appropriate legal proceedings which will not result in the forfeiture or sale of the Equipment or materially and adversely affect Owner Trustee's title thereto or interfere with the due payment by the Lessee to the Security Trustee, the Owner Trustee or the Owner Participant of any Rent or the due application by the Security Trustee of any such Rent pursuant to the Security Agreement and which do not otherwise materially and adversely affect the interest and rights of the Security Trustee in the Collateral or (iv) claims against Lessor arising out of the voluntary transfer by Lessor or Owner Participant of its interest in the Equipment other than a transfer of the Equipment pursuant to Sections 15, 25 or 27 of the Lease and other than a transfer made while an Event of Default under the Lease has occurred and is continuing.

"*Letter of Credit*" shall mean a letter of credit substantially in the form of Exhibit E to the Participation Agreement.

"*Letter of Credit Provider*" shall mean a domestic United States financial institution with a credit rating of at least A1 by Moody's Investors Service, Inc. (or upon modification, or replacement, of such financial rating system, its then equivalent rating) and otherwise acceptable to the Lessor and the Security Trustee.

"*Lien*" shall mean any mortgage, pledge, security interest, lien, encumbrance or other charge of any kind on property.

"*Make Whole Premium*" shall mean, with respect to the termination of the Lease pursuant to Section 27 of the Lease and the prepayment of the Notes under Section 6.2 of the Security Agreement, the excess of (a) the present value of the principal and interest payments on and in respect of the Notes being prepaid or paid, as the case may be, that would otherwise become due and payable (without giving effect to such prepayment or payment) (including the final payment on the maturity date of the Notes), all determined by discounting such payments and prepayments monthly at a rate which is equal to the Treasury Rate over (b) the aggregate principal amount of the Notes then to be paid or prepaid. To the extent that the Treasury Rate at the time of such payment is equal to or higher than 7.61%, the Make Whole Premium is zero.

"*Multiemployer Plan*" shall mean any Plan that is a "multiemployer plan" (as such term is defined in Section 4601(a)(3) of ERISA).

"*Net Economic Return*" means the Owner Participant's anticipated nominal after-tax yield, utilizing the multiple investment sinking fund method of analysis as described in FASB

Statement No. 13, and aggregate after-tax cash flow computed on the basis of the same methodology, assumptions and constraints as were utilized by the Owner Participant in determining Fixed Rent, Stipulated Loss Values and Termination Values as of the Closing Date without considering the Owner Participant's cost of capital or any other factor.

"*Note*" shall mean any of, and "*Notes*" shall mean all of, the then outstanding Notes, and "outstanding", when used with reference to Notes shall mean, as of any particular time, all Notes delivered by the Debtor and secured by the Security Agreement, except:

(a) Notes theretofore cancelled by the Security Trustee or delivered to the Security Trustee for cancellation;

(b) Notes for the payment or prepayment of which moneys in the necessary amount shall have been deposited in trust with the Security Trustee; provided that if such Notes are to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given as provided in Section 6.4 of the Security Agreement, or provision satisfactory to the Security Trustee shall have been made for giving such notice; and

(c) Notes in lieu of or in substitution for which other Notes shall have been delivered pursuant to the terms of Section 2.4 of the Security Agreement.

"*Noteholder*" shall mean the holder of any Note issued and outstanding under the Security Agreement.

"*Note Purchaser*" shall mean the Note Purchaser named in Schedule 2 to the Participation Agreement and its successors and assigns, including successive holders of the Notes.

"*Officer's Certificate*" shall mean a certificate signed in the case of a corporation by the Chairman of the Board, the President or any Vice President, the Treasurer or an Assistant Treasurer of such corporation, in the case of a partnership by the Chairman of the Board, the President or any Vice President, the Treasurer or an Assistant Treasurer of a corporate general partner, and in the case of a commercial bank or trust company, the Chairman or Vice Chairman of the Executive Committee, or the Treasurer, any Trust Officer, any Vice President, any Executive or Senior or Second or Assistant Vice President, Secretary or Assistant Secretary, or any other officer or assistant officer customarily performing the functions similar to those performed by the Persons who at the time shall be such officers, or to whom any corporate trust matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"*Operative Agreements*" shall mean and include the Participation Agreement, the Acquisition Agreements, the Trust Agreement, the Lease, the Lease Supplements, the Notes outstanding at the time of reference, the Security Agreement, the Security Agreement Supplements, the Guaranty Agreement and the Tax Indemnification Agreement.

"*Owner Participant*" shall mean Connell Finance Company, Inc., a New Jersey corporation, and its successors and permitted assigns of its Beneficial Interest.

"*Owner Participant Agreements*" shall mean the Operative Agreements to which the Owner Participant is a party.

"*Owner Trustee*" shall mean First Security Bank, National Association not in its individual capacity but solely in its capacity as trustee under the Trust Agreement and its successors in trust thereunder.

"*Owner Trustee Agreements*" shall mean the Operative Agreements to which First Security Bank, National Association, either in its individual or trust capacity, is a party.

"*Participants*" shall mean the Note Purchaser and the Owner Participant.

"*Participation Agreement*" shall mean the Participation Agreement dated as of June 1, 1998, among the Lessee, the Participants, the Owner Trustee and the Security Trustee, as amended or supplemented from time to time.

"*Permitted Contest*" shall mean a good-faith contest conducted in a manner which each Indemnified Party determines will be conducted so as to prevent the imposition of any criminal penalty on, or adverse effect on the title, property or right of, such Indemnified Party, of the legality or validity of any of the taxes, assessments, levies, fees or other governmental charges, or other claims, Liens or impositions which, under the terms of the Lease or the Participation Agreement, are required to be paid or discharged by the Lessee, the Lessor or the Owner Participant, as the case may be, but for such contest.

"*Permitted Encumbrances*" with respect to the Equipment and each Item thereof, shall mean (i) the interest of the Lessee and the Owner Trustee, respectively, under the Lease; (ii) any Liens thereon for taxes, assessments, levies, fees and other governmental and similar charges not due and payable or the amount or validity of which is being contested by a Permitted Contest so long as such contest or proceedings do not involve any material danger of the sale, forfeiture or loss of any Item of Equipment; (iii) any Liens of mechanics, suppliers, materialmen and laborers for work or services performed or materials furnished in connection with the Equipment or any Item thereof which are either not yet delinquent or the amount or validity of which are being contested by a Permitted Contest (and for the payment of which adequate reserves have been provided), and so long as such contest or proceedings do not involve a material danger of the sale, forfeiture or loss of any Item of Equipment; and (iv) the Lien and security interest granted to the Security Trustee under and pursuant to the Security Agreement.

"*Person*" shall mean an individual, partnership, corporation, limited liability company, firm, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"*Plan*" means an "employee benefit plan" (as defined in Section 3(3) of ERISA), that is or, within the preceding five years, has been established or maintained, or to which contributions are or within the preceding five years, have been made or required to be made by the Lessee or any ERISA Affiliate or with respect to which the Lessee or any ERISA Affiliate may have any liability.

"*Prime Rate*"-shall mean for any day the rate announced by The Bank of New York, from time to time at its principal office in New York, New York, as its prime rate for domestic (United States) commercial loans in effect on such day (such Prime Rate is not necessarily intended to be the lowest rate of interest charged by The Bank of New York in connection with the extensions of credit).

"*Property*" or "*properties*" shall mean, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"*Purchase Agreement*" shall mean the written agreement between the Guarantor and the Seller with respect to the Equipment, as amended or modified.

"*Purchase Agreement Assignment*" shall mean the Purchase Agreement Assignment dated as of June 1, 1998 between the Owner Trustee, as assignee, and the Guarantor, as assignor, including the Consent and Agreement of Seller dated as of the Closing Date.

"*Purchase Price*" shall mean \$10,916,500.00.

"*Register*" shall mean the register caused to be kept by the Owner Trustee at the principal office of the Security Trustee for the purpose of recording the registration and transfer of the Notes.

"*Regulations*" shall mean the income tax regulations issued, published or promulgated under the Code.

"*Renewal Term*" shall mean the term in respect of which the Lessee shall have exercised its option to renew the Lease pursuant to Section 25(a) thereof.

"*Rent*" shall mean Fixed Rent and Supplemental Rent.

"*Rent Payments Dates*" shall mean for each Item of Equipment (i) for the Basic Term thereof, June 19, 1998 and the nineteenth day of each month thereafter throughout, to and including May 19, 2008, and (ii) for each Renewal Term thereof, each date on which a payment of Fixed Rent is due and payable for such Item as provided in Section 25(a) of the Lease.

"*Replacement Airframe*" shall mean a Cessna Citation VII aircraft (except Engines or engines from time to time installed thereon) the cockpit configuration of which is substantially the same as the Airframe which is being replaced, and which shall have been

conveyed to the Lessor pursuant to Section 15(d) of the Lease in replacement of the Airframe leased thereunder.

"*Replacement Engine*" under the Lease shall mean any engine conveyed to the Lessor pursuant to Section 15(c) of the Lease in replacement of an Engine leased thereunder.

"*Reportable Event*" shall have the same meaning as in ERISA.

"*Responsible Officer*" of the Owner Trustee shall mean any Officer in the Corporate Trust Administration department of the Owner Trustee.

"*Responsible Officer*" of the Security Trustee shall mean the President, any Vice President, Trust Officer, Corporate Trust Officer or any other Officer of the Corporate Trust Administration department of the Security Trustee.

"*Responsible Officer*" of the Owner Participant shall mean any corporate officer of the Owner Participant.

"*Securities Act*" shall mean the Securities Act of 1933, as amended.

"*Security*" shall have the same meaning as in Section 2(a)(1) of the Securities Act of 1933, as amended.

"*Security Agreement*" shall mean the Security Agreement - Trust Deed dated as of June 1, 1998 between the Owner Trustee, as debtor, and the Security Trustee, as secured party, as amended or supplemented from time to time.

"*Security Agreement Supplement*" shall mean a Security Agreement-Trust Deed Supplement, substantially in the form of Exhibit B to the Security Agreement, entered into on the Closing Date or, as the case may be, on the date of the conveyance of any Replacement Airframe or Replacement Engine pursuant to the Lease, between the Lessor and the Security Trustee, covering the Airframe and Engines or such Replacement Airframe or Replacement Engine or Engines, as the case may be. Each reference to "the Security Agreement" shall include the Security Agreement and the Security Agreement Supplements.

"*Security Trustee*" shall mean State Street Bank and Trust Company and its successors in trust not in its individual capacity but solely as security trustee under the Security Agreement.

"*Seller*" shall mean The Cessna Aircraft Company, a Kansas corporation.

"*Senior Financial Officer*" shall mean the chief financial officer, principal accounting officer, treasurer or comptroller of the Lessee.

"*Stipulated Loss Value*" of an Item of Equipment as of any Rent Payment Date shall mean the amount determined in accordance with Exhibit C of the Lease. Notwithstanding

any other provision of the Lease, the Participation Agreement or the Security Agreement, each Stipulated Loss Value for the Equipment shall be, under any circumstances and in any event, an amount, together with Fixed Rent due and owing through the date of such Stipulated Loss Value, at least equal to the aggregate unpaid principal amount of and accrued interest on the Notes outstanding on such date.

"*Subsidiary*" shall mean, with respect to any person, any corporation, trust or association of which more than 50% (by number of votes) of the Voting Stock at the time outstanding shall at the time be owned, directly or indirectly, by the person or by any other corporation, association or trust which is itself a Subsidiary within the meaning of this definition, or collectively by such person and any one or more such Subsidiaries.

"*Supplemental Rent*" shall mean all amounts, liabilities and obligations (other than Fixed Rent) which the Lessee is obligated to pay under the Lease or the Participation Agreement, including, but not limited to, Stipulated Loss Value and Termination Value payments, any payment of the Make Whole Premium, and amounts, if any, payable, under Section 2.6 of the Participation Agreement by the Lessee.

"*Tax Indemnification Agreement*" shall mean the Tax Indemnity Agreement dated as of June 1, 1998 between the Lessee and the Owner Participant.

"*Term*" shall mean the Lease Term.

"*Termination Value*" of an Item of Equipment as of any Rent Payment Date shall mean with respect to such Item of Equipment an amount determined in accordance with Exhibit C of the Lease. Notwithstanding any other provision of the Lease, the Participation Agreement or the Security Agreement, each Termination Value for the Equipment shall be, under any circumstances and in any event, an amount, together with Fixed Rent due and owing through the date of such Termination Value, at least equal to the aggregate unpaid principal amount of and accrued interest on the Notes outstanding on such date of payment.

"*Transaction Costs*" shall have the meaning set forth in Section 2.6 of the Participation Agreement.

"*Treasury Rate*" shall mean at any time with respect to the Notes being prepaid the sum of (i) 0.50%, plus (ii) the weekly average of the yield to maturity on the United States Treasury obligations with a constant maturity (as compiled by and published in the most recently published issue of the United States Federal Reserve Statistical Release designated H.15(519) or its successor publication) most nearly equal to (by rounding to the nearest month) the Weighted Average Life to Maturity of the Notes then being prepaid. If no maturity exactly corresponding to such Weighted Average Life to Maturity of the Notes shall appear therein, the weekly average yields for the two most closely corresponding published maturities shall be calculated pursuant to the foregoing sentence and the Treasury Rate shall be interpolated from such yields on a straight-line basis (rounding, in the case of relevant periods, to the nearest month).

"*Trust*" shall have the meaning specified in the Trust Agreement.

"*Trust Agreement*" shall mean the Trust Agreement dated as of June 1, 1998 between the Owner Participant and First Security Bank, National Association.

"*Trust Estate*" shall have the meaning specified in Section 1.2 of the Trust Agreement.

"*United States*" shall mean the United States of America.

"*United States Government*" shall mean the government of the United States and any instrumentality or agency thereof.

"*Voting Stock*" shall mean Securities of any class or classes of a corporation, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or persons performing similar functions).

"*Warranty Bill of Sale*" shall mean with respect to the Equipment, the full warranty bill of sale executed by the Seller in favor of the Owner Trustee.

"*Weighted Average Life to Maturity*" with respect to the Notes shall mean, as at the time of determination, the number of years obtained by dividing the then Remaining Dollar-years of the Notes by the sum of the remaining scheduled principal payments on such Notes. The term "Remaining Dollar-years" of the Notes means the product obtained by (1) multiplying (A) the amount of each then scheduled required principal payment (including payment at final maturity), by (B) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination of the Weighted Average Life to Maturity of the Notes and the date such required payment is due, and (2) totaling all the products obtained in (1).