

EXHIBIT C

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ORIGINALS

MASTER EQUIPMENT LEASE AGREEMENT

by and between

ALLIANCEAIRPORT AUTHORITY, INC.,
as Lessor

and

AMERICAN AIRLINES, INC.,
as Lessee

Dated: April 1, 1991

TABLE OF CONTENTS

Page

ARTICLE 1. DEFINITIONS

1.1 Definitions 1

ARTICLE 2. EQUIPMENT LEASED

2.1 Property to be Leased 3
2.2 Certificate of Economic Life 3
2.3 Delivery 3
2.4 Use 3

ARTICLE 3. TERM, RENT AND OTHER PAYMENTS

3.1 Term 4
3.2 Basic Rent 4
3.3 Taxes and Other Charges 4

ARTICLE 4. COVENANTS WITH RESPECT TO THE EQUIPMENT

4.1 Ownership of the Equipment 4
4.2 Compliance with Laws 5

ARTICLE 5. TAX ELECTION AND INDEMNITY

5.1 Assumption 5
5.2 Reporting Requirements 6

ARTICLE 6. WARRANTIES BY LESSOR OR VENDOR

6.1 No Warranty 6
6.2 Assignment of Warranties 6

ARTICLE 7. RISK OF LOSS; INSURANCE

7.1 Risk of Loss 6
7.2 Insurance 6
7.3 Loss, Damage, and Destruction 6

ARTICLE 8. EQUIPMENT OBSOLETE OR SURPLUS;
REPLACEMENT OF EQUIPMENT

8.1 Equipment Obsolete or Surplus 7
8.2 Replacement of Equipment 7

	<u>Page</u>
ARTICLE 9. DISPOSITION OF EQUIPMENT FOLLOWING EXPIRATION	
9.1 <u>Redelivery</u>	7
ARTICLE 10. LEASING; ASSIGNMENTS; LEASEHOLD MORTGAGES	
10.1 <u>Leases and Operating Contracts.</u>	8
10.2 <u>Assignment.</u>	8
10.3 <u>Leasehold Mortgages.</u>	8
ARTICLE 11. DEFAULT AND REMEDIES	
11.1 <u>Default</u>	9
11.2 <u>Remedies</u>	9
ARTICLE 12. LESSEE'S FAIR MARKET VALUE PURCHASE OPTION	
12.1 <u>Grant of Option</u>	10
12.2 <u>Method of Exercise of Option.</u>	10
12.3 <u>Determination of Fair Market Value</u>	10
12.4 <u>Transfer of Title to City</u>	11
12.5 <u>Terms and Conditions of Purchase</u>	11
ARTICLE 13. MISCELLANEOUS	
13.1 <u>Notices.</u>	11
13.2 <u>Consents</u>	12
13.3 <u>Invalid Provisions</u>	12
13.4 <u>Successors and Assigns.</u>	12
13.5 <u>Multiple Counterparts.</u>	12
13.6 <u>Governing Law</u>	12
13.7 <u>Separate Leases</u>	12
13.8 <u>Entirety and Amendments</u>	12
13.9 <u>Venue.</u>	12

MASTER EQUIPMENT LEASE AGREEMENT

This Master Equipment Lease Agreement (this "Agreement") made and entered into as of April 1, 1991, by and between **Alliance Airport Authority, Inc.**, a nonstock, nonprofit industrial development corporation created by the City of Fort Worth, Texas (the "City"), pursuant to the laws of the State of Texas, including particularly the Development Corporation Act of 1979, Article 5190.6, V.A.T.C.S., as amended ("Lessor"), and **American Airlines, Inc.**, a corporation organized and existing under the laws of the State of Delaware, with its principal office in Fort Worth, Texas ("Lessee").

ARTICLE 1. DEFINITIONS

1.1 Definitions.

"Acquisition Closing Date" is defined in Section 12.5.

"Affiliate" shall mean (a) any Person directly or indirectly owning, controlling or holding with power to vote 10% or more of the outstanding voting securities of the first Person, (b) any Person, 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by the first Person, (c) any Person directly or indirectly controlling, controlled by or under common control with the first Person, (d) if the first Person is a partnership or a joint venture, any general partner or venturer of such partnership or joint venture, or (e) if the first Person is an employee, officer, director or general partner, any Person for which the first Person acts in such capacity; as used herein, 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, whether through ownership of voting securities, by contract or otherwise.

"Appraisal Date" is defined in Section 12.3.

"Basic Rent" is defined in Section 3.2.

"Certificate of Economic Life" is defined in Section 2.2.

"Code" means the Internal Revenue Code of 1986, as amended.

"Debtor Relief Laws" means any and all applicable liquidation, conservatorship, bankruptcy, insolvency, rearrangement, moratorium, reorganization or similar debtor relief Laws affecting the Rights of creditors generally, from time to time in effect.

"Default" is defined in Section 11.1.

"Equipment" is defined in Section 2.1.

"Equipment Cost" means, with respect to an item of Equipment, the price actually paid for such item of Equipment by Lessor or by Lessee on behalf of Lessor, including, without limitation, the purchase price of such item (or any portion thereof, however designated), any sales taxes paid with respect thereto, and any other costs reasonably incurred by Lessor in connection with the purchase (including without limitation, transportation and other pre-delivery costs and expenses, and costs and expenses of installation, set-up and testing and other similar costs and expenses required to put such Equipment into its intended useful capacity). The Equipment Cost in respect of any item of Equipment will be reduced by the amount of any refunds received by Lessor from the seller thereof, if, as and when received by Lessor.

"Equipment Schedule" is defined in Section 2.1.

"Fair Market Value" is defined in Section 12.3.

"Ground Lease" is defined in Section 2.3.

"Independent Appraiser" means a person or firm experienced in appraising or knowledgeable regarding the value of property similar to the Equipment in question, which individual or firm shall not be a member, director, officer or employee of Lessor or Lessee and, in the case of a firm, shall not have a partner, member, director, officer or employee who is a member, director, officer or employee of Lessor or Lessee.

"Initial Facilities Agreement" and "Facilities Agreement" are defined in Section 2.1.

"Laws" means all statutes, laws, ordinances, regulations, orders, writs, injunctions and/or decrees of the United States, any state or territory of the United States, the District of Columbia, any foreign country, any Tribunal and/or any country, city or other subdivision of any State.

"Lien" means any lien, security interest, pledge, mortgage, chattel mortgage or other encumbrance of any name or nature whether arising by contract or under Laws.

"Master Agreement" means that certain Master Agreement for American Airlines Maintenance Base, dated August 10, 1989, by and among the City, Lessor, Lessee, and the other parties named therein.

"Mortgage" is defined in Section 10.3(a).

"Notice of Intent" is defined in Section 12.2.

"Option" is defined in Section 12.1.

"Permitted Liens" means (a) any Lien for Taxes not yet due and payable, (b) mechanics' and materialmen's Liens for services or materials for which payment is not yet due, (c) the following, if the validity or amount thereof is being contested in good faith and by appropriate and lawful proceedings and so long as levy and execution thereon have been stayed and continue to be stayed, and the same do not materially impair the Rights of Lessor in the Equipment: claims and Liens for Taxes due and payable and claims and Liens of mechanics, materialmen and other like Liens, (d) the Master Agreement, and (e) any Mortgage permitted by Article 10.

"Person" means any individual, corporation, business trust, unincorporated association, company, firm, partnership, joint venture, Tribunal, trust or other entity.

"Residual Interest Possession Date" means, with respect to an item of Equipment, the final day of that period which commences on the date on which such item of Equipment is or is expected to be placed in service and which is of a duration equal to 80% of the reasonably expected economic life of such Equipment, computed as provided in ANNEX II of Exhibit A.

"Rights" means rights, powers, remedies or privileges.

"Taxes" means any and all gross income, gross receipts, net income, franchise, sales, use, value added, excise, personal property, stamp, interest equalization and other taxes or fees imposed by Laws or by any Tribunal, together with any penalties, fines, additions to tax or interest thereon.

"Term," with respect to each item of Equipment, means the term of this Agreement with respect to such item of Equipment pursuant to Section 3.1.

"Tribunal" means any local, state, federal, foreign or other court, legislature, or other governmental body, department, commission, board, bureau, agency or instrumentality.

ARTICLE 2. EQUIPMENT LEASED

2.1 **Property to be Leased.** In consideration of the covenant of Lessee to pay rent as provided herein, and the other covenants contained herein, and subject to and upon the terms, covenants and conditions herein, Lessor agrees to purchase and lease to Lessee, and Lessee agrees to lease from Lessor, the equipment and other personal property (the "Equipment") described in the one or more equipment schedules, in the form of Exhibit A (each, an "Equipment Schedule"), to be executed by Lessor and Lessee from time to time within 60 days after the whole of an item of Equipment is accepted by Lessee, and each Equipment Schedule will thereupon be attached to and made a part of this Agreement for all purposes; provided, however, that Lessor shall have no pecuniary obligation in respect of the purchase and lease of the Equipment beyond the making available to Lessee for such purpose the proceeds of Alliance Airport Authority, Inc. Special Facilities Revenue Bonds, Series 1990 (American Airlines, Inc. Project) in the original aggregate principal amount of \$350,000,000 issued pursuant to that certain Facilities Agreement dated as of March 1, 1990, by and between Lessor and Lessee (the "Initial Facilities Agreement"), or the proceeds of bonds issued pursuant to any similar facilities agreements entered into by Lessor and Lessee relating to such Equipment (the Initial Facilities Agreement and any similar facilities agreements are herein referred to collectively as "Facilities Agreements" and singularly as a "Facilities Agreement"). Nothing in the preceding sentence shall be construed as modifying Lessor's obligations under the Facilities Agreements or under the Master Agreement.

2.2 **Certificate of Economic Life.** Upon execution and delivery of each Equipment Schedule, Lessee shall attach thereto a certificate (the "Certificate of Economic Life") on which shall be described in general terms each item of Equipment set forth on such Equipment Schedule that is to be financed in whole or in part with proceeds of bonds issued by or on behalf of a governmental unit, which bonds are intended to be obligations described in section 103(a) of the Code, the interest on which is excludable from the gross income of the owner thereof for purposes of federal income taxation.

The Certificate of Economic Life shall set forth:

- (i) the reasonably expected economic life of such Equipment (determined in accordance with the provisions of section 142(b)(1)(B)(ii) of the Code),
 - (ii) the date on which the such Equipment is or is expected to be placed in service,
- and
- (iii) the Residual Interest Possession Date applicable to such Equipment.

On or before the date on which any such Equipment is placed in service, the Certificate of Economic Life with respect thereto shall be amended by Lessee to the extent necessary to reflect actual facts and revised expectations of Lessee with respect either to such in-service date or the reasonably expected economic life of such Equipment. A copy of any amendatory or supplementary Certificate of Economic Life shall be promptly provided to Lessor.

2.3 **Delivery.** Lessor hereby appoints Lessee as its agent for inspection and acceptance of the Equipment. Each item of Equipment will be delivered to Lessee, and thereafter located on the Land described in that certain Lease Agreement dated as of March 1, 1990 by and between Lessor and Lessee (the "Ground Lease"). Upon such delivery, Lessee will inspect the same, and if such Equipment is found to be acceptable in Lessee's judgment, accept delivery of such Equipment on behalf of Lessor and Lessee.

2.4 **Use.** Lessee is granted and shall have the right during the Term (as defined herein) with respect to each item of Equipment to possess and use such Equipment for any lawful purpose and in any lawful manner, subject to all Laws applicable to such Equipment, and further subject to the Permitted Liens.

ARTICLE 3. TERM, RENT AND OTHER PAYMENTS

3.1 Term. The obligations of Lessor and Lessee under this Agreement will commence upon the execution hereof by Lessor and Lessee and will end upon full performance and observance of each and every term, condition and covenant herein and in any renewals or extensions hereof. Subject to the provisions of Article 8, the Term of this Agreement for each item of Equipment will begin and end on the dates specified in the relevant Equipment Schedule for such item of Equipment; provided, that no Term with respect to any Equipment financed under any Facilities Agreement shall extend beyond the Residual Interest Possession Date established in the Certificate of Economic Life with respect to such Equipment as described in Section 2.2.

3.2 Basic Rent. The aggregate base rental (the "Basic Rent") payable by Lessee to Lessor for the use of all Equipment from time to time leased hereunder is One Dollar (\$1.00). Lessor hereby acknowledges receipt in full of the entire amount of the Basic Rent.

3.3 Taxes and Other Charges. Lessee agrees to pay, in addition to the payment of the Basic Rent, prior to the delinquency thereof, each and every lawful cost, expense and obligation of every kind and nature, foreseen or unforeseen, for the payment of which Lessee is or shall become liable by reason of its estate or interest in the Equipment, or any portion thereof or by reason of or in any manner connected with or arising out of the possession, operation, maintenance, alteration, repair, rebuilding, use or occupancy of the Equipment, or any part thereof. Lessee shall pay and discharge, prior to the delinquency thereof, all lawful Taxes imposed on the Equipment which at any time during the Term in respect of such Equipment shall be or become due and payable by Lessee because of its Rights or obligations under this Agreement and which shall be lawfully levied, assessed or imposed in respect of such Equipment under or by virtue of any Laws, provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Lessee shall be obligated to pay only such installments as are required to be paid during such Term. Lessee, upon written notice thereof to Lessor, may contest in good faith any such Taxes, and in such event may permit such Taxes to remain unsatisfied during the period of such contest and any appeal therefrom. Lessee also agrees to pay or cause to be paid all lawful charges for utilities and services used, rendered or supplied to, upon or in connection with the Equipment.

The parties hereto acknowledge that the City and other governmental units having taxing jurisdiction over the Equipment have granted certain abatements of ad valorem taxes with respect to the Equipment. Lessor acknowledges that Lessee shall be entitled to the benefits of such tax abatement arrangements and non-payment of ad valorem taxes by reason of abatement shall not constitute a default or breach of this Agreement.

ARTICLE 4. COVENANTS WITH RESPECT TO THE EQUIPMENT

4.1 Ownership of the Equipment.

(a) Lessee covenants and agrees that except for this Agreement, encumbrances to secure indebtedness as expressly permitted by this Agreement, and Permitted Liens (but subject always to the provisions of Article 12 hereof), Lessee will not create or suffer to be created any Lien upon the Equipment, or any part thereof, and that it will satisfy or cause to be discharged, or will make adequate provision to satisfy and discharge, within 60 days after the same shall occur, all claims and demands for labor, materials, supplies or other items which, if not satisfied, might by law become a Lien upon the Equipment, or any part thereof; provided that Liens for labor and materials arising by operation of statutory law shall not be within the purview of this paragraph if, when such liens shall be perfected, Lessee shall cause them to be promptly discharged, or if Lessee is diligently contesting the validity of such lien, Lessee may utilize the provisions of the next succeeding sentence. If any such Lien shall be filed or asserted against Lessee or the Equipment by reason of work, labor, services or materials supplied or claimed to have been supplied on or to Lessee or the Equipment, at the request or with the permission of Lessee or of anyone claiming under it, Lessee shall, within

60 days after it receives notice of the filing thereof or the assertion thereof against the Equipment cause the same to be discharged of record, or effectively prevent the enforcement or foreclosure thereof, by contest, payment, deposit, bond, order of court or otherwise. Nothing in this Article shall require Lessee to satisfy or discharge any such claim or demand so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings without cost or expense to Lessor.

(b) Each item of Equipment is and shall remain personal property and shall not be deemed to be affixed to or a part of the real estate on which it may be situated, notwithstanding that such item or any part thereof may be or hereafter become in any manner physically affixed or attached to real estate or any building thereon. No Right, title or interest in any item of Equipment shall pass to, or be owned, held or claimed by Lessee, except the Right to maintain possession and use of such item during the term of this Agreement so long as no Default, or event which, with notice or lapse of time, or both, would become a Default, has occurred and is continuing hereunder, and except such Right, title and interest which may pass to Lessee by reason of its option to purchase such of the Equipment pursuant to Article 12 hereof.

(c) Upon Lessor's request, Lessee shall, at Lessor's expense, affix and keep affixed in or on any item of Equipment, labels, plates or other markings, acceptable in design, placement and content to Lessor, including that Lessor is the "owner-lessor" of such item of Equipment; provided, however, that Lessee shall not be required to affix any such materials if in the reasonable judgment of Lessee such affixation would interfere with the use of such Equipment for its intended application.

4.2 Compliance with Laws.

(a) Lessee will, throughout the Term of this Agreement with respect to an item of Equipment, and at no expense to Lessor, promptly comply or cause compliance with all Laws which may be applicable to such Equipment and the repair and alteration thereof. With regard to Lessor, acceptance by Lessee of Equipment shall constitute acceptance of such Equipment in its condition on the date of such acceptance, and an assumption by Lessee of all risks, if any, resulting from any present or future, latent or patent defects therein or from the failure of such Equipment to comply with all legal requirements thereto, reserving however, any and all Rights of Lessee with respect to parties other than Lessor.

(b) Lessee shall not be required to comply or cause compliance with such Laws so long as Lessee shall, after prior written notice to Lessor, at Lessee's expense, contest the same or the validity thereof in good faith, by appropriate proceedings. Such contest may be made by Lessee in the name of Lessor or Lessee, or both, as Lessee shall determine, and Lessor agrees that it will, at Lessee's expense, cooperate with Lessee in any such contest to such extent as Lessee may reasonably request. It is understood, however, that Lessor shall not be subject to any liability for the payment of any costs or expenses in connection with any such proceedings brought by Lessee, and Lessee covenants to pay, and to indemnify and save Lessor from, any such costs or expenses.

(c) Lessee shall, at its sole cost and expense, keep and maintain the Equipment to the extent necessary to comply with any applicable Laws. Lessee covenants that it will not use or permit the use of the Equipment for any unlawful purpose.

(d) Nothing contained in this Section shall be deemed a waiver of any of the Rights of Lessee granted pursuant to the Master Agreement, including without limitation, Article VI thereof.

ARTICLE 5. TAX ELECTION AND INDEMNITY

5.1 Assumption. This Agreement is being entered into on the assumption that for Federal income tax purposes, Lessor will be treated as the owner and lessor of the Equipment, and Lessee (and any successors thereto hereunder) understand and agree that Lessee (and any successors thereto hereunder) will

not claim any deduction or credit for federal income tax purposes for depreciation or investment tax credit with respect to the Equipment.

5.2 **Reporting Requirements.** The parties hereto hereby agree that neither Lessor, Lessee, nor any Person controlled by, in control of, or under common control with Lessor or Lessee, directly or indirectly, will at any time take any action or file any return or other document which is inconsistent with the assumption described in Section 5.1. Any successors to the Lessee shall also agree not to take at any time any action or file any return or other document which is inconsistent with the assumption described in Section 5.1.

ARTICLE 6. WARRANTIES BY LESSOR OR VENDOR

6.1 **No Warranty.** LESSOR HAS NOT MADE, AND DOES NOT HEREBY MAKE, ANY REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION, QUALITY, DURABILITY, TITLE, DESIGN, OPERATION, FITNESS FOR USE OR SUITABILITY OF THE EQUIPMENT OR ANY COMPONENT THEREOF IN ANY RESPECT WHATSOEVER OR IN CONNECTION WITH OR FOR THE PURPOSES AND USES OF LESSEE, OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT OF ANY KIND AND CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT THERETO, AND LESSEE IS LEASING THE EQUIPMENT "AS IS, AND WITH ALL FAULTS," AND LESSOR SHALL NOT BE LIABLE FOR ANY ACTUAL, INCIDENTAL, CONSEQUENTIAL OR OTHER DAMAGES OF OR TO ANY PERSON WHATSOEVER WITH RESPECT THERETO.

6.2 **Assignment of Warranties.** Lessor hereby assigns to Lessee, for and during the term of this Agreement, and thereafter in the event that Lessee shall acquire any item of Equipment as provided herein, applicable factory, installer, supplier or other vendor warranties, if any, express or implied, issued with respect to such Equipment, and hereby authorizes Lessee, during the Term with respect to such Equipment, to obtain the customary service furnished in connection therewith by the seller or manufacturer thereof, at Lessee's sole expense; provided, however, that in the event any such warranties are not assignable, Lessor will, at Lessee's sole cost and expense, co-operate with Lessee to the end that Lessee shall have the benefit of such warranties.

ARTICLE 7. RISK OF LOSS; INSURANCE

7.1 **Risk of Loss.** Lessor shall not be liable to Lessee for any risk of loss of or damage to any item of Equipment or for the use, operation and storage thereof.

7.2 **Insurance.** Lessee shall, at Lessee's expense, obtain and maintain at all times during the term of this Agreement, or cause to be obtained and maintained, or provide through a self insurance program, fire and extended coverage, public liability and property damage insurance with respect to the Equipment in such amounts, with such reasonable deductibles, and covering such risks, as are customarily insured against in connection with the ownership or operation of equipment of comparable type and size. Subject to the right of Lessee to self insure, each insurance policy will name Lessee as an insured, and Lessor as an additional insured as its interests may appear, and will contain a clause requiring the insurer to give Lessor at least 30 days prior written notice of any alteration in the terms of such policy or the cancellation thereof, and shall provide that losses shall be adjusted with and paid to Lessee and shall be applied as provided in Section 7.3.

7.3 **Loss, Damage, and Destruction.** In case any damage to or destruction of any part of the Equipment occurs, the settlement and compromise of any insurance claims shall be negotiated solely by Lessee, and so long as Lessee either repairs and restores such Equipment to its fully operational condition just prior to such casualty or replaces such Equipment with other Equipment of a like kind, character, quality and condition as such Equipment just prior to such casualty, all insurance proceeds shall be paid to and shall be the property of Lessee. In the event any item of Equipment, or any portion thereof, is taken by eminent

domain, the total amount of any condemnation awards paid or payable to Lessor or Lessee shall be reasonably apportioned between Lessor and Lessee, taking into consideration the remaining duration of the Term with respect to such Equipment and Lessor's residual interest therein. Notwithstanding any provision in this Agreement to the contrary, no settlement of any insurance claim or condemnation award with respect to the Equipment shall be made by Lessor without the prior written approval of Lessee. Lessee may, in its sole discretion, use such insurance or condemnation proceeds received by Lessee for the repair or restoration of the Equipment, but Lessee shall have no obligation to do so, and in the event that Lessee elects not to repair or replace such Equipment, the total amount of the insurance proceeds paid or payable to Lessor or Lessee shall be reasonably apportioned between Lessor and Lessee, taking into consideration the remaining duration of the Term with respect to such Equipment and Lessor's residual interest therein.

ARTICLE 8. EQUIPMENT OBSOLETE OR SURPLUS; REPLACEMENT OF EQUIPMENT

8.1 Equipment Obsolete or Surplus. Notwithstanding any provision contained herein to the contrary, in the event that Lessee shall, from time to time, in good faith determine that an item of Equipment has become obsolete or surplus to Lessee's requirements or that repair or use of an item of Equipment has become uneconomical to Lessee, Lessee shall have the Right, at Lessee's option, at any time during the Term with respect to such Equipment, on at least 30 days' prior written notice to Lessor, to terminate this Agreement with respect to such Equipment on the date specified in such notice. Such item of Equipment shall be disposed of as provided in Section 9.1.

8.2 Replacement of Equipment. Notwithstanding any provision contained herein to the contrary, in the event that Lessee shall, from time to time, determine that it is the best interest of its operations to utilize an item of Equipment at a location other than the location specified in Section 2.2, Lessee shall have the Right, at Lessee's option, at any time during the Term with respect to such Equipment, on at least 30 days' prior written notice to Lessor, to replace such item of Equipment with other property of equivalent value (the "Replacement Equipment"), provided, however, that any item of Replacement Equipment shall consist of property which qualifies for financing with the proceeds of "exempt facility bonds", as defined in section 142(a) of the Code, at least 95 percent of the proceeds of which are used to provide "airports" (within the meaning of said section 142(a) of the Code) or property functionally related and subordinate to such facilities. In such event, Lessee shall deliver to Lessor an Equipment Schedule which shall identify the Equipment being replaced (the "Replaced Equipment") and the Replacement Equipment being offered in replacement thereof. The Replacement Equipment may have a different remaining useful life than the remaining useful life of the Replaced Equipment provided that the termination date of this Agreement with respect to such Replaced Equipment as shown on the Equipment Schedule with respect thereto satisfies the requirements of Section 3.1 hereof. Upon delivery of such Equipment Schedule, the Replacement Equipment shall become the property of Lessor leased to Lessee hereunder, and the Replaced Equipment shall become the property of Lessee.

ARTICLE 9. DISPOSITION OF EQUIPMENT FOLLOWING EXPIRATION

9.1 Redelivery. Upon the expiration of the Term with respect to each item of Equipment or any prior termination of this Agreement for any reason, unless Lessee has elected to exercise its option to purchase such item pursuant to Article 12, Lessee shall return such item of Equipment to Lessor. The return of any item of Equipment shall be evidenced by a written notice prepared by Lessee and delivered to Lessor, which notice shall identify the item of Equipment and its location. In the event that Lessor shall not, at its own expense, remove such item of Equipment from the premises identified in Section 2.2 within 60 days following the return of such Equipment by Lessee pursuant to the foregoing sentence, Lessee may, at its option, remove and store or dispose of such Equipment in such manner as Lessee deems appropriate in its sole discretion, and Lessor shall pay for the reasonable costs of such removal and storage or disposal. In exercising its option to remove and dispose of Equipment pursuant to the foregoing sentence, Lessee shall not

be required to sell such Equipment; provided, however, that in the event that Lessee elects to dispose of such Equipment by sale, Lessee shall deliver any proceeds of such sale to Lessor less an amount equal to Lessee's reasonable costs of removing and disposing of such Equipment.

Any item of Equipment not delivered to Lessor in accordance with this Section shall continue to be subject to all of the Rights and duties of the parties set forth in this Agreement.

ARTICLE 10. LEASING; ASSIGNMENTS; LEASEHOLD MORTGAGES

10.1 Leases and Operating Contracts. Lessee may sublease any part of the Equipment or contract for the performance by others of operations or services of or in connection with the Equipment or any part thereof, for any lawful purpose, provided that (a) each such sublease or contract shall not be inconsistent with the provisions of this Agreement or the Master Agreement, and (b) Lessee shall remain fully obligated and responsible under the provisions of this Agreement to the same extent as if such sublease or contract had not been executed.

10.2 Assignment. Lessee shall not assign its interest in this Agreement or any of its Rights or obligations hereunder except as specifically provided in this Agreement. Lessee may assign its interest in this Agreement to another party, including without limitation an Affiliate of Lessee, provided that Lessee, under the terms of any such assignment, shall remain and be primarily responsible and liable for all of its obligations hereunder, including particularly the making of all payments required hereunder when due. Lessee may assign its interest in this Agreement to another party in connection with a merger or consolidation of Lessee, or in connection with the transfer of all or substantially all of its assets. If Lessee should transfer all or substantially all of its assets, the transferee of such assets shall succeed to and be substituted for Lessee under this Agreement with the same effect as if such transferee had been named as a party herein. However, no such assignment or transfer shall be effective unless the surviving corporation, successor corporation or transferee of such assets shall have irrevocably and unconditionally assumed, in an instrument delivered to Lessor, the due and prompt performance of the obligations of the assignor or transferor under this Agreement. Lessee shall notify Lessor in writing within 90 days after any such assignment or transfer of this Agreement is consummated.

In the event this Agreement is assigned or subleased by Lessee at a time when not all bonds issued in connection with each Facilities Agreement have been retired, then as a condition to the effectiveness of the assignment or subletting in question the assignee or sublessee shall agree, in writing, with Lessee (which agreement shall be binding upon the assignee or sublessee and shall be for the joint benefit of Lessee and Lessor) that the sublessee or assignee, as applicable, shall not claim depreciation or an investment tax credit with respect to any portion of the Equipment for purposes of federal income taxation. It is expressly agreed that any violation of any such agreement by the assignee or sublessee shall not, under any circumstances, be treated as a Default requiring or permitting a termination of this Agreement; provided, that the foregoing shall not limit or restrict any other Rights which may be available against the assignee or sublessee in question arising out of the violation of such agreement.

10.3 Leasehold Mortgages.

(a) Right to Mortgage.

Lessee shall from time to time and at any time have the right to encumber by security agreement or other instrument in the nature thereof (collectively, a "Mortgage"), as security for any indebtedness or obligation, its right to use all or any part of the Equipment, the leasehold estate created hereby, and all right, title, and interest in and to any and all Equipment. Any Mortgage from Lessee shall be subject and subordinate to all terms and provisions of this Agreement and the Rights of Lessor hereunder. Lessee shall

have no right by Mortgage or otherwise to encumber or affect in any way the Rights, titles, interests, or estates of Lessor in or to the Equipment.

(b) Notice to Mortgagees.

If at any time after execution of any Mortgage, the mortgagee or trustee therein shall notify Lessor in writing that any such Mortgage has been given and executed by Lessee, and furnish Lessor with the address to which it desires copies of notices to be mailed (or designates some person or corporation as its agent and representative for the purpose of receiving copies of notices), Lessor hereby agrees that it will thereafter mail, or cause to be mailed, to such mortgagee or agent thereof, at the address so given, duplicate copies of any and all material notices in writing which Lessor may from time to time give or serve upon Lessee under and pursuant to the terms and provisions of this Agreement.

(c) Additional Mortgagee Protective Provisions.

Lessor and Lessee agree to modify this Agreement from time to time for the purpose of incorporating herein such additional mortgagee protective provisions as may be reasonably requested by any such mortgagee or trustee, provided such modifications are reasonably satisfactory to Lessor and not inconsistent with any of the terms and conditions of this Agreement, the Master Agreement, or any then applicable Facilities Agreements.

ARTICLE 11. DEFAULT AND REMEDIES

11.1 Default. The term "Default" means the occurrence of either of the following events:

(a) Lessee fails to make any payment of Basic Rent within 30 days of the date on which Lessor notifies Lessee that such Basic Rent has not been paid as and when the same became due and payable.

(b) Lessee fails to perform or observe any other covenant, condition, or agreement to be performed or observed by Lessee under this Agreement, and such breach shall not have been cured within 60 days of delivery of notice of such breach to Lessee by Lessor, unless such breach, by its nature, cannot be cured within such 60 day period, in which case so long as Lessee is diligently proceeding to cure such breach, it shall not be deemed a Default.

11.2 Remedies. Upon the occurrence of a Default, Lessor may exercise either or both of the following Remedies, unless otherwise limited by a written agreement executed by Lessor:

(a) Terminate this Agreement, in which event Lessee shall immediately surrender the Equipment to Lessor; or

(b) Pursue any other remedy now or hereafter available to Lessor under the Laws of the State of Texas.

Each Right of Lessor provided for in this Agreement shall be exercised only upon a Default and shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise, in any jurisdiction where such Rights are sought to be enforced, and the exercise or beginning of the exercise by Lessor of any one or more of the Rights provided for in this Agreement as now or hereafter existing at law or in equity or by statute, or otherwise shall not preclude the simultaneous or later exercise by Lessor of any or all such other Rights.

ARTICLE 12. LESSEE'S FAIR MARKET VALUE PURCHASE OPTION

12.1 Grant of Option. In accordance with the terms of the Master Agreement, Lessee is hereby granted an option (the "Option"), pursuant to and subject to the conditions of this Section, to acquire any item of the Equipment from Lessor for its Fair Market Value (as hereinafter defined). The Option may be exercised at any time, or from time to time with respect to any or all items of Equipment. The determination of the Fair Market Value of one or more items of Equipment shall occur in the manner described hereinbelow. Lessee may assign its Rights to such Option to an Affiliate of Lessee, or Lessee may designate an Affiliate of Lessee as the purchaser of the Equipment in the event Lessee exercises such Option.

12.2 Method of Exercise of Option. If Lessee desires to exercise the Option with respect to any item of Equipment, it shall give to Lessor a notice of intent, specifying the items of Equipment to be purchased (a "Notice of Intent"). The giving of a Notice of Intent shall constitute Lessee's request for determination of Fair Market Value (as hereinafter defined) of the Equipment identified in the Notice of Intent pursuant to Section 12.3 below. If Lessee has given a Notice of Intent, then Lessee shall have the right to exercise the Option by giving written notice of such exercise to Lessor within 180 days after the date of the determination of the Fair Market Value (i.e., any determination of Fair Market Value shall remain effective for 180 days). Lessee shall not be obligated to exercise the Option under this Section after the date of the determination of the Fair Market Value, nor shall it have any liability for failure to close after such exercise. Failure to exercise the Option by Lessee shall not prevent Lessee from giving a Notice of Intent at a later date; provided, however, that in the event that Lessee fails to exercise the Option within 180 days after the determination of Fair Market Value with respect to an item of Equipment and Lessor shall thereafter sell or enter into a contract to sell such item of Equipment prior to receipt of another Notice of Intent from Lessee with respect to that item of Equipment, Lessee shall not have the Right to require Lessor to cancel or revoke such sale or contract for sale. If Lessee fails to purchase the Equipment after a Notice of Intent with respect thereto is given by Lessee pursuant to this paragraph, then Lessee shall pay, or reimburse Lessor for, all costs and expenses incurred by Lessor in connection with the determination of the Fair Market Value of such Equipment.

12.3 Determination of Fair Market Value.

(a) The giving of a Notice of Intent under Section 12.2 above shall constitute a request for a determination of the fair market value of the Equipment identified therein as of the date of the giving of the Notice of Intent (the "Fair Market Value"). The date of the giving of the Notice of Intent is the "Appraisal Date." Lessor and Lessee shall attempt to agree in writing on the Fair Market Value, but if they do not do so within 30 days after the Appraisal Date, each of such parties shall appoint an Independent Appraiser within ten days after the end of such 30-day period. If either party fails to appoint an Independent Appraiser as provided above, the Independent Appraiser timely appointed by the other party shall make his determination of Fair Market Value within 75 days after the Appraisal Date.

(b) If only one Independent Appraiser is timely appointed as provided above, that Independent Appraiser shall determine the Fair Market Value within 75 days after the Appraisal Date.

(c) If two Independent Appraisers are timely appointed as provided above, and if they fail to agree on the Fair Market Value within 75 days after the Appraisal Date:

(i) if the difference between the appraisals is 3% or less of the amount of the higher appraisal, the Fair Market Value shall be the average of the two appraisals; or

(ii) if the difference between the appraisals is greater than 3% of the amount of the higher appraisal, the two Independent Appraisers shall appoint a third Independent Appraiser, who shall make his determination of Fair Market Value within 120 days after the Appraisal Date, and

the Fair Market Value shall be (A) the appraisal that is neither the highest nor the lowest of the three appraisals, or (B) if two of the appraisals are the same, the amount of such identical appraisals.

(d) The Fair Market Value determined in accordance with the provisions of this Section shall be deemed to be the Fair Market Value as of the date of the closing of the acquisition under Section 12.5 below.

(e) The Independent Appraisers shall give written notice to Lessor and Lessee of the determination of the Fair Market Value at the same time. The date of the giving of such written notice shall be the "date of the determination of the Fair Market Value" as used in this Article.

(f) Subject to the provisions of Section 12.2 hereof which require that Lessee pay or reimburse Lessor for its costs under certain circumstances, each party shall bear the costs and expenses of the Independent Appraiser appointed by that party. In the event a third Independent Appraiser is appointed as provided in Section 12.3(c)(ii) above, the costs and expenses of such appraiser shall be borne equally by Lessor and Lessee.

12.4 Transfer of Title to City. Provided that the conditions contained therein have been complied with, Lessor agrees to comply with the requirements of the Master Agreement regarding the transfer of the Equipment to the City. Any such transfer of the Equipment by Lessor to the City shall be expressly subject to the leasehold estate of Lessee created hereby. Further, Lessee acknowledges that upon expiration of the Term with respect to an item of Equipment, if Lessee fails to exercise the Option with respect to such Equipment, Lessor intends to transfer such Equipment to the City.

12.5 Terms and Conditions of Purchase. In the event that any item or items of Equipment are to be acquired by Lessee, or an Affiliate of Lessee, (a) the closing of such acquisition shall occur in such place as Lessor and such purchaser shall mutually determine, (b) the closing shall occur on a date designated by such purchaser (by at least ten days' advance written notice thereof to Lessor) not later than 60 days after such purchaser exercises the Option (the "Acquisition Closing Date"), (c) the purchase price shall be paid in cash unless otherwise agreed by Lessor and the purchaser, (d) the items of Equipment shall be conveyed to such purchaser pursuant to a bill of sale, certificate of title, or other appropriate document for such item, subject only to the Permitted Liens and (e) Lessor shall execute and deliver such other documentation as shall be necessary to vest title to the items of Equipment in such purchaser. Notwithstanding any other provision of this Agreement, the expiration or termination of this Agreement for any reason after the date that a Notice of Intent has been given shall not affect the Rights of Lessee under this Article to complete the process of the determination of Fair Market Value and to exercise and close under the Option, all of which Rights shall survive any such expiration or termination.

ARTICLE 13. MISCELLANEOUS

13.1 Notices. Whenever any notice, approval, consent or demand is required or permitted hereunder, it must be in writing, and shall be deemed to be delivered if sent by United States certified or registered mail, postage prepaid,

(a) if to Lessee, addressed to Lessee at P.O. Box 619616, DFW Airport, Texas 75261-9616, Attention: Vice President, Corporate Real Estate, with copies to: Johnson & Gibbs, P.C., 900 Jackson Street, Suite 100, Dallas, Texas 75202-4499, Attention: H. Edward Toles III, or at such other address as Lessee as from time to time may have designated by written notice to Lessor, or such other counsel's address as Lessee may from time to time designate in writing to Lessor, and

(b) if to Lessor, addressed to Lessor at 1000 Throckmorton, Fort Worth, Texas 76102, Attention: City Manager, or at such address as Lessor may have designated, from time to time, by written notice to Lessee.

Any notice, certificate, demand, request, consent, approval or other similar instrument shall be effective when actually delivered in writing without regard to the method of delivery.

13.2 Consents. The consent or approval by either party to or of any act by the other party requiring such consent or approval shall not be deemed to waive or render unnecessary consent to or approval of any subsequent similar act. No custom or practice of the parties shall constitute a waiver of any party's Right to insist upon strict compliance with the terms of this Agreement.

13.3 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future Laws, such provision shall be fully severable; this Agreement shall be construed and enforced as if such provision had never comprised a part thereof; and the remaining portions of this Agreement shall remain in full force and effect and shall not be affected by such provision or by its severance. Furthermore, in lieu of each such provision there shall be added automatically to this Agreement a provision as similar in terms as may be possible and be legal, valid and enforceable.

13.4 Successors and Assigns. The terms and conditions contained in this Agreement shall apply to, inure to the benefit of, and be binding upon the parties hereto and their respective successors and assigns.

13.5 Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original for all purposes, and all of which shall constitute, collectively, one agreement.

13.6 Governing Law. THE SUBSTANTIVE LAWS OF THE STATE OF TEXAS SHALL GOVERN THE VALIDITY, CONSTRUCTION, ENFORCEMENT AND INTERPRETATION OF THIS AGREEMENT, THE RIGHTS OF THE PARTIES HEREUNDER, AND THE OWNERSHIP RIGHTS IN AND TO THE EQUIPMENT.

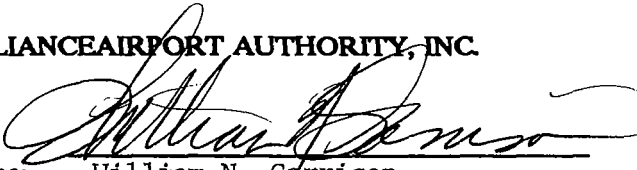
13.7 Separate Leases. Each item of Equipment shall be deemed for all purposes to be the subject of a separate lease from each other item, each such separate lease to be identical to this Agreement.

13.8 Entirety and Amendments. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. This Agreement embodies the entire written agreement between the parties with respect to the subject matter hereof, supersedes all prior written agreements and understandings, if any, relating to the subject matter hereof, and may be amended only by an instrument executed jointly by authorized officers of Lessor and Lessee and supplemented only by documents delivered in accordance with the express terms hereof; provided, however, that nothing herein shall be construed as modifying the agreements of the parties under the Facilities Agreements or the Master Agreement.

13.9 Venue. Venue on any suit brought hereunder shall lie exclusively in Tarrant County, Texas.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Agreement to be executed by their duly authorized representatives as of the day and year first above written.

ALLIANCEAIRPORT AUTHORITY, INC.

By 
Name: William N. Garrison
Title: President

AMERICAN AIRLINES, INC.


By 
Name: Vice President
Title: Corporate Real Estate

Exhibit A

EQUIPMENT SCHEDULE NO. _____

EQUIPMENT SCHEDULE dated as of _____, 19____ between AllianceAirport Authority, Inc., as "Lessor," and American Airlines, Inc., as "Lessee."

Lessor and Lessee have heretofore entered into that certain Master Equipment Lease Agreement dated as of April 1, 1991 (the "Agreement"). The Agreement provides for the execution and delivery of Equipment Schedules substantially in the form hereof for the purpose of delivering Equipment under and pursuant to, and subjecting Equipment to, the terms of the Agreement. All defined terms used herein shall have the same respective meanings as given such terms in the Agreement, unless otherwise indicated herein.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

1. Lessor hereby delivers and leases to Lessee under and pursuant to the Agreement, and Lessee hereby accepts and leases from Lessor under and pursuant to the Agreement, the Equipment described in Annex I hereto.

2. Lessee confirms each of the representations and warranties set forth in Article 4 of the Agreement and acknowledges the applicability of the Agreement to the Equipment described in Annex I hereto.

3. This Equipment Schedule shall be deemed a supplement to, and shall be made a part of, the Agreement for all purposes.

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

IN WITNESS WHEREOF, Lessor and Lessee have caused this Equipment Schedule to be executed by their duly authorized representatives as of the date and year first above written.

ALLIANCEAIRPORT AUTHORITY, INC.

By _____
Name: _____
Title: _____

AMERICAN AIRLINES, INC.

By _____
Name: _____
Title: _____

ANNEX I

TO

EQUIPMENT SCHEDULE NO. ____

Description of Equipment

Initial Location:

Acceptance Date (commencement of Term):

Termination Date (end of Term):

ANNEX II
TO
EQUIPMENT SCHEDULE NO. ____

Certificate of Economic Life

1. General. This Certificate of Economic Life (this "Certificate") dated as of _____, 19__ is delivered pursuant to that certain Master Equipment Lease Agreement dated as of April 1, 1991 (the "Agreement") between Alliance Airport Authority, Inc., (the "Lessor") and American Airlines, Inc. (the "Lessee").

2. Definitions. All terms used in this Certificate which are defined in the Agreement have the same meanings in this Certificate which are assigned to such terms in the Agreement.

3. Initial Calculation of Residual Interest Possession Date.

<u>General Description of Equipment⁽¹⁾</u>	<u>Reasonably Expected Economic Life⁽²⁾</u>	<u>Expected In-Service Date⁽³⁾</u>	<u>Residual Interest Possession Date⁽⁴⁾</u>
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4. Amendment of Certificate of Economic Life of Equipment. Pursuant to Section 2.2 of the Agreement, this Certificate of Economic Life shall be amended by Lessee to the extent necessary to reflect applicable facts and revised expectations of Lessee with respect to either the In-Service Date or the reasonably expected economic life of any item of Equipment.

⁽¹⁾ This Certificate pertains only to Equipment financed with proceeds of bonds issued by or on behalf of a governmental unit, which bonds are intended to be obligations described in section 103(a) of the Code, the interest on which is excludable from the gross income of the owner thereof for purposes of federal income taxation.

⁽²⁾ The "reasonably expected economic life" is either (i) the economic life of the equipment, determined on the basis of the prior experience of Lessee in using similar property, or (ii) as the midpoint life under the ADR system of depreciation.

⁽³⁾ The term "In-Service Date" means the date property would be eligible for the investment tax credit and accelerated cost recovery deductions under the Code were such provisions applicable to such property.

⁽⁴⁾ Residual Interest Possession Date is the final day of the period beginning on the In-Service Date and continuing for 80% of the Reasonably Expected Economic Life.