



Policy of Title Insurance

ISSUED BY

FIRST AMERICAN TRANSPORTATION TITLE INSURANCE COMPANY *EAGLE Protection® Aircraft Loan Policy of Title Insurance with Cape Town Protection*

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE CONDITIONS AND THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, FIRST AMERICAN TRANSPORTATION TITLE INSURANCE COMPANY, a Louisiana corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A (or, to the extent expressly stated below, after Date of Policy), against actual monetary loss or damage, not exceeding (a) one hundred twenty-five percent (125%) of the Amount of Insurance stated in Schedule A as to Covered Risks 1 - 19 and 22 - 27 and (b) \$250,000 and \$25,000, respectively, as to Covered Risks 20 and 21, sustained or incurred by the Insured by reason of:

COVERED RISKS

1. Title to the Aircraft being vested other than as stated herein.
2. Any defect in or lien or encumbrance on the Title including Registered Interests, International Interests, Title Reservation Agreements, Contracts of Sale and Prospective International Interests as defined in the Cape Town Convention.
3. Unmarketable Title.
4. Forgery, fraud, undue influence, duress, incompetency, incapacity or impersonation affecting the Title.
5. Unauthorized transfers or conveyances of the Title by any person, corporation, partnership, trust, limited liability company or other legal entity.
6. The invalidity of any document upon which the Title is based because it was not properly executed, sealed, acknowledged, notarized, delivered, filed or recorded in the Public Records or Registered in the Cape Town Records.
7. The invalidity of any document upon which the Title is based because it was executed under a falsified, expired or otherwise invalid power of attorney.
8. The invalidity of any conveyance or transfer of the Title because it was derived through a defective judicial or administrative proceeding.
9. The invalidity of any conveyance or transfer of the Title derived through a decedent's estate.
10. Estate or inheritance tax liens on the Title.
11. Others having rights affecting Title to the Aircraft arising out of leases, contracts or options.
12. The invalidity or unenforceability of the lien of the Insured Mortgage upon the Title for any reason including:
 - (a) Invalid execution of the Insured Mortgage because of forgery, fraud, undue influence, duress, incompetency, incapacity or impersonation; and
 - (b) Unauthorized execution of the Insured Mortgage by any person, corporation, partnership, trust, limited liability company or other legal entity or under a falsified, expired or otherwise invalid power of attorney.
13. The priority of any lien, encumbrance or any Registered interest or right over the lien of the Insured Mortgage.
14. Failure of the Insured Mortgage to be recorded in the Public Records.
15. Failure of the Insured Mortgage to be Registered.
16. The invalidity or unenforceability of any assignment of the Insured Mortgage, provided the assignment is shown in Schedule A.
17. The failure of any assignment shown in Schedule A to vest title to the Insured Mortgage in the named Insured assignee free and clear of all liens.
18. The failure to cancel the national registration of the Aircraft on any Foreign Registry.
19. Liens or encumbrances filed and recorded in the Public Records or the Cape Town Records against the Engines and Propellers.
20. United States federal tax liens on the Title other than those covered by Covered Risk 10. Your insurance under this Covered Risk is limited to a maximum dollar limit of liability of \$250,000.
21. State or local tax liens on the Title other than those covered by Covered Risk 10, that are not

- filed in the Public Records or Registered in the Cape Town Records. Your insurance under this Covered Risk is limited to a maximum dollar limit of liability of \$25,000.
22. Lack of priority of the lien of the Insured Mortgage over any Non-Possessory Lien or Non-Consensual Right or Interest for services, labor, material, or use of facilities arising from an improvement, accommodation, service or work provided to the Aircraft whether:
 - (a) the Non-Possessory Lien or Non-Consensual Right or Interest arises prior to or after Date of Policy; or
 - (b) the improvement, accommodation, service or work is contracted for or commenced prior to or after Date of Policy.
23. The invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage upon any right, title or interest of the debtor in the Engines and Propellers for any reason, including:
 - (a) forgery, fraud, undue influence, duress, incompetency, incapacity or impersonation;
 - (b) unauthorized execution of the Insured Mortgage by any person, corporation, partnership, trust, limited liability company or other legal entity or under a falsified, expired or otherwise invalid power of attorney;
 - (c) forgery, after Date of Policy, of:
 - (i) any instrument purporting to subordinate, assign, release, terminate, discharge or satisfy the Insured Mortgage; and
 - (ii) any instrument purporting to convey or encumber the Engines and Propellers acquired by the Insured in the manner described in Section 2(a) of the Conditions.
24. Any defect, lien, encumbrance, adverse claim or other matter first appearing in the Public Records after the filing but before the recording in the Public Records of the Insured Mortgage.
25. Any defect, lien, encumbrance, adverse claim or other matter affecting the Title first appearing in the Cape Town Records after the consent of all necessary parties to the registration and the registration of the Insured Mortgage but before the Insured Mortgage is searchable in the Cape Town Records.
26. Forgery, after Date of Policy, of:
 - (a) any instrument purporting to subordinate, assign, release, terminate, discharge or satisfy the Insured Mortgage; or
 - (b) any instrument purporting to convey or encumber Title acquired by the Insured in the manner described in Section 2(a) of the Conditions.
27. Loss of priority of the lien of the Insured Mortgage to any lien, encumbrance, interest or right Registered after Date of Policy.

DEFENSE OF ACTIONS

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the Title or the lien of the Insured Mortgage, as insured, but only to the extent provided in the Conditions.



EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses that arise by reason of:

1. The existence or violation of any Law relating to: (a) use or operation of the Aircraft or (b) environmental protection.
2. Any governmental police power or power of confiscation, forfeiture, expropriation, requisition or eminent domain.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the Insured Claimant;
 - (b) not Known to the Company and either not recorded in the Public Records or not Registered in the Cape Town Records at Date of Policy, but Known to the Insured Claimant, not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy and against which the Insured Claimant's Title is not protected by the provisions of Chapter VIII, Article 29 of the Cape Town Convention;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy, except that this Exclusion 3(d) does not limit the coverage provided in Covered Risks 22, 23(c), 24, 25, 26 and 27;
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage;
 - (f) arising or created as a non-consensual lien, interest or right or a Non-Consensual Right or Interest as defined under the Cape Town Convention at a time when the Aircraft was under any Foreign Registry;
 - (g) filed or asserted in any court outside of any state of the United States of America, the District of Columbia or the Commonwealth of Puerto Rico;
 - (h) based on the Laws of any country other than the United States of America, except that this Exclusion 3(h) does not limit the coverage provided in Covered Risks 2, 6, 18, 19 and 25;
 - (i) liens perfected without registration as provided in a declaration of a contracting state pursuant to Chapter X, Article 39 of the Cape Town Convention;
 - (j) based upon a change in the Law subsequent to Date of Policy; or
 - (k) attaching to the Aircraft after any change in the Aircraft's type certification by the Federal Aviation Administration or the aviation authority of another country subsequent to Date of Policy that, for the first time, qualifies the Aircraft to then be Registered.
4. United States federal tax liens, except that this Exclusion 4 does not limit the coverage provided in Covered Risks 10 and 20.
5. State or local tax liens not filed in the Public Records or Registered in the Cape Town Records, except that this Exclusion 5 does not limit the coverage provided in Covered Risk 21.
6. Invalidity or unenforceability of the lien of the Insured Mortgage or claim thereof based upon usury, consumer protection, or any state "doing business" Law.
7. Rights or claims of the party or parties in possession, custody or control of the Aircraft at Date of Policy.
8. Any claim of lien for services, labor, material, or use of facilities arising from an improvement, accommodation, service or work provided to the Aircraft in the states of Kansas, Maine or New Jersey.
9. Invalidity or unenforceability of the lien of the Insured Mortgage as to Engines or Propellers because the party executing the Insured Mortgage did not have title to or ownership of the Engines or Propellers.

CONDITIONS

1. DEFINITION OF TERMS.

The following terms when used in capitalized form in this policy mean:

- (a) Aircraft - the structure and body of the airframe identified by the make, model, serial number(s) and, if applicable, the U.S. registration number set forth in Schedule A or, in the alternative if applicable, the airframe to which is fraudulently attached on Date of Policy the data plates bearing the make, model and serial number(s) set forth in Schedule A, including the hull, cockpit, wings, vertical and horizontal tail section, together with engine or engines affixed to the airframe at Date of Policy having less than 550 rated takeoff horsepower and propeller or propellers affixed to the airframe at Date of Policy having a capacity less than 750 rated takeoff shaft horsepower but excluding Engines or Propellers and appliances and spare parts as those terms are defined in 49 U.S.C. section 40102 (a) (11) and (38) as amended but excluding all data, manuals, records or logs.
- (b) Amount of Insurance - the amount of insurance specified in Schedule A.
- (c) Cape Town Convention - Convention on International Interests on Mobile Equipment and Protocol Thereto on Matters Specific to Aircraft Equipment as ratified and adopted by the United States of America on October 28, 2004.
- (d) Cape Town Records - records available to the public established in accordance with the Cape Town Convention.
- (e) Date of Policy - the date specified in Schedule A.
- (f) Engine(s) - the Engine(s) identified by the make, model and serial number(s) shown in Schedule A.
- (g) Federal Tax Lien Liability Limit - the maximum dollar limit of liability set forth in Covered Risk 20.
- (h) Foreign Registry - any aircraft registry other than the aircraft registry of the United States and the registry created by the Cape Town Convention.
- (i) Insured - the party or parties named in Schedule A. The term Insured also includes:
 - (i) the owner of the indebtedness secured by the Insured Mortgage and each successor in ownership of the indebtedness except a successor who is an obligor under the provisions of Section 11(c) of these Conditions (reserving, however, all rights and defenses as to any successor that the Company would have had against any pre-

decessor Insured, unless the successor acquired the indebtedness as a purchaser for value without Knowledge of the asserted defect, lien, encumbrance, adverse claim or other matter insured against by this policy as affecting the Title); and

- (ii) the parties designated in Section 2(a) of these Conditions.
- (j) Insured Claimant - an Insured claiming loss or damage.
- (k) Insured Mortgage - the Mortgage shown in paragraph 3 of Schedule A.
- (l) International Interests - those interests defined in Article 1, Section (a) and Article 2 of the Cape Town Convention.
- (m) Knowledge or Known - actual knowledge, not constructive, imputed or implied knowledge or notice to an Insured by reason of the Public Records, the Cape Town Records or any other records that impart notice of matters affecting the Title.
- (n) Law or Laws - law(s), by-law(s), ordinance(s), order(s), code(s), rule(s), decree(s) or governmental regulation(s).
- (o) Mortgage - chattel mortgage, lien, security agreement or other security instrument encumbering the Aircraft.
- (p) Non-Consensual Right or Interest - those rights or interests created under Chapter X, Article 40 of the Cape Town Convention.
- (q) Non-Possessory Liens - liens, claims, charges or interests arising or created pursuant to Law or contract under which the claimant does not have or retain possession of the Aircraft at the time enforcement of the lien, claim, charge or interest is being attempted.
- (r) Propeller(s) - the Propeller(s) identified by the make, model and serial number(s) shown in Schedule A.
- (s) Public Records - records available to the public established in accordance with 49 U.S.C. § 44101, et. seq., and the rules and regulations of the Federal Aviation Administration, Oklahoma City, Oklahoma.
- (t) Registered - registered in accordance with the Cape Town Convention.
- (u) State Tax Lien Liability Limit - the maximum dollar limit of liability set forth in Covered Risk 21.
- (v) Title - title to or ownership of the Aircraft.
- (w) Unmarketable Title - Title that is subject to an alleged or apparent matter, not excluded or excepted from coverage, against which no duly licensed aircraft title insurance company, including the Company, would be willing to provide coverage to a new purchaser, lessee and/or lender.

2. CONTINUATION OF INSURANCE.

(a) After Acquisition of Title.

The coverage of this policy shall continue in force as of Date of Policy in favor of (i) an Insured who acquires all or any fractional interest in the Title by foreclosure, sheriff's sale, conveyance in lieu of foreclosure, or other legal manner that discharges the lien of the Insured Mortgage; and (ii) a transferee of the Aircraft so acquired from an Insured corporation (provided the transferee is the parent or wholly-owned subsidiary of the Insured corporation) and their corporate successors by operation of law and not by purchase, subject to any rights or defenses the Company may have against any predecessor Insured.

(b) After Conveyance of Title.

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured only so long as the Insured (i) retains an interest in the Title, (ii) holds an indebtedness secured by a purchase money Mortgage given by a purchaser from the Insured, or (iii) shall have liability by reason of covenants of warranty made by the Insured in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either an interest in the Title, or an indebtedness secured by a purchase money Mortgage given to the Insured other than the Insured Mortgage.

(c) Amount of Insurance.

The amount of insurance after the acquisition or after the conveyance shall in neither event exceed the lesser of:

- (i) the Amount of Insurance stated in Schedule A; or
- (ii) the amount determined as follows: (A) the sum of the following to the extent secured by the Insured Mortgage: (1) amount of the principal of the indebtedness at the time of acquisition of the Title, (2) interest thereon, (3) late charges, (4) expenses incurred by reason of foreclosure, conveyance in lieu of foreclosure or other legal manner that discharges the lien of the Insured Mortgage, (5) amounts advanced pursuant to the Insured Mortgage to assure compliance with Laws, or to protect the lien of the Insured Mortgage prior to the time of the acquisition of the Title, and (6) reasonable amounts expended to prevent deterioration of the Aircraft, reduced by (B) the amount of all payments made.

(d) Tax Lien Amount of Insurance.

The amount of tax lien liability after the acquisition or after the conveyance shall not exceed \$250,000 as to Covered Risk 20 and \$25,000 as to Covered Risk 21.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT.

The Insured shall notify the Company promptly in writing in the event (a) of any litigation as set forth in Section 4(a) below, (b) Knowledge shall come to an Insured hereunder of any claim of title or interest that is adverse to the Title or the lien of the Insured Mortgage, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (c) the Title or the lien of the Insured Mortgage, as insured, is rejected as Unmarketable. Time is of the essence in relation to this Section. If prompt notice shall not be given to the Company, then all liability of the Company as to the Insured shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any Insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

4. DEFENSE AND PROSECUTION OF ACTIONS; DUTY OF INSURED CLAIMANT TO COOPERATE.

- (a) Upon written request by the Insured and subject to the options contained in Section 6 below, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim adverse to the Title or the lien of the Insured Mortgage, as insured, but only as to those stated causes of action alleging a defect, lien, encumbrance or other matter insured against by this policy. The Company shall have the right to select legal counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other legal counsel. The Company will not pay any fees, costs or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.
- (b) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title or the lien of the Insured Mortgage, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.
- (c) Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.
- (d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals related thereto, and permit the Company to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title or the lien of the Insured Mortgage, as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

5. PROOF OF LOSS OR DAMAGE.

In addition to and after the notices required under Section 3 of these Conditions have been provided the Company, a proof of loss or damage signed and sworn to, or otherwise verified under oath, by the Insured Claimant shall be furnished to the Company within 90 days after the Insured Claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the Insured Claimant to timely provide the required proof of loss or damage, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the Insured Claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all documents, instruments, writings, policies of insurance, records, books, ledgers, checks, correspondence, e-mails, disks, tapes, memoranda, and other evidence whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant permission, in writing, for any authorized representative of the Company to examine, inspect and copy all documents, instruments, writings, policies of insurance, records, books, ledgers, checks, correspondence, e-mails, disks, tapes, memoranda and other evidence in the custody or control of a third party, that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim including any liability or obligation to defend, prosecute or continue any litigation or proceeding.

6. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY.

In case of a claim under this policy, the Company shall have the options set forth in paragraphs 6(a) and (b) below:

(a) To Pay or Tender Payment of the Amount of Insurance, to Purchase the Indebtedness, to Pay the Federal Tax Lien Liability Limit or to Pay the State Tax Lien Liability Limit.

- (i) To pay or tender payment of the amount of insurance then remaining available under this policy, together with any costs, attorneys' fees and expenses incurred by the Insured Claimant that were authorized by the Company

up to the time of payment or tender of payment and that the Company is obligated to pay;

- (ii) To purchase the indebtedness secured by the Insured Mortgage for the amount owing thereon together with any costs, attorneys' fees and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of purchase and that the Company is obligated to pay.

If the Company offers to purchase the indebtedness as herein provided, the owner of the indebtedness shall transfer, assign, and convey the indebtedness and the Insured Mortgage, together with any other collateral security, to the Company upon payment therefore;

- (iii) To pay or tender payment of the Federal Tax Lien Liability Limit; or
(iv) To pay or tender payment of the State Tax Lien Liability Limit.

Upon the exercise by the Company of any of the options provided for in (a)(i), or (ii), all liability and obligations to the Insured under this policy, other than to make the payment required in those paragraphs, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation and the policy shall be surrendered to the Company for cancellation.

Upon the exercise of the options provided for in (a)(iii) or (a)(iv), all liability of the Company under Covered Risk 18 or 19, as applicable, shall terminate.

(b) To Pay or Otherwise Settle With Parties Other than the Insured or With the Insured Claimant.

- (i) To pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or
(ii) To pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

7. DETERMINATION AND EXTENT OF LIABILITY.

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

- (a) The liability of the Company under this policy shall not exceed the least of:
- (i) one hundred twenty-five percent (125%) of the Amount of Insurance stated in Schedule A, or, if applicable, the amount of insurance as defined in Section 2(c) of these Conditions; or
 - (ii) the amount of the unpaid principal indebtedness secured by the Insured Mortgage as limited or provided under Section 8 of these Conditions or as reduced under Section 9 of these Conditions, at the time the loss or damage insured against by this policy occurs, together with interest thereon; or
 - (iii) the difference between the value of the Title as insured and the value of the Title subject to the defect, lien or encumbrance insured against by this policy; provided, however, that this Section 7(a)(iii) shall not apply when the defect, lien, encumbrance or other matter insured against by this policy results in a total failure of the lien of the Insured Mortgage to attach to the Title.
- (b) The amount of tax lien liability shall not exceed \$250,000 as to Covered Risk 20 and \$25,000 as to Covered Risk 21.
- (c) In the event the Insured has acquired the Title in the manner described in Section 2(a) of these Conditions or has conveyed the Title, then the liability of the Company shall continue as set forth in Section 7(a) of these Conditions.
- (d) The Company will pay only those costs, attorneys' fees and expenses incurred in accordance with Section 4 of these Conditions.

8. LIMITATION OF LIABILITY.

- (a) If the Company establishes the Title, or removes the alleged defect, lien or encumbrance, or cures the claim of Unmarketable Title, or otherwise establishes the lien of the Insured Mortgage, all as insured, in a reasonably diligent manner by any method, including settlement or litigation and the completion of any appeals related thereto, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.
- (b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals related thereto, adverse to the Title or the lien of the Insured Mortgage, as insured.
- (c) The Company shall not be liable for loss or damage to any Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.
- (d) The Company shall not be liable for any indebtedness created subsequent to Date of Policy except for advances made to protect the lien of the Insured Mortgage and secured thereby and reasonable amounts expended to prevent deterioration of the Aircraft.

9. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY.

- (a) All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the amount of insurance then remaining available pro tanto. However, any payments made prior to the acquisition of the Title as provided in Section 2(a) of these Conditions shall not reduce pro tanto the amount of insurance then remaining available under this policy except to the extent that the payments reduce the amount of the indebtedness secured by the Insured Mortgage.
- (b) All payments under this Policy for coverage provided by Covered Risk 20 and Covered Risk 21 shall reduce, as applicable, the Federal Tax Lien Liability Limit and the State Tax Lien Liability Limit pro tanto.
- (c) Payment in part by any person of the principal of the indebtedness, or any other obligation secured by the Insured Mortgage, or any voluntary partial satisfaction of the Insured Mortgage, to the extent of the payment or satisfaction, shall reduce the amount of insurance then remaining available pro tanto. The amount of insurance then remaining available may thereafter be increased by accruing interest and advances made to protect the lien of the Insured Mortgage and secured thereby, with interest thereon, provided in no event shall the amount of insurance then remaining available exceed one hundred twenty-five percent (125%) of the Amount of Insurance.
- (d) Payment in full by any person or the voluntary satisfaction of the Insured Mortgage shall terminate all liability of the Company except as provided in Section 2(a) and Section 9(b) of these Conditions.

10. PAYMENT OF LOSS.

When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions, the loss or damage shall be payable within 30 days.

11. SUBROGATION UPON PAYMENT OR SETTLEMENT.

(a) The Company's Right of Subrogation.

Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the Insured Claimant.

The Company shall be subrogated to and be entitled to all rights and remedies that the Insured Claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the Insured Claimant shall transfer to the Company, in a form satisfactory to the Company, all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The Insured Claimant shall permit the Company to sue, compromise or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights or remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall be subrogated to all rights and remedies of the Insured Claimant after the Insured Claimant shall have recovered its principal, interest, and costs of collection.

(b) The Insured's Rights and Limitations.

Notwithstanding the foregoing, and provided the priority of the lien of the Insured Mortgage or its enforceability is not affected, the owner of the indebtedness secured by the Insured Mortgage may release or substitute the personal liability of any debtor or guarantor, or extend or otherwise modify the terms of payment, or release a portion of the Aircraft from the lien of the Insured Mortgage, or release any other collateral security for the indebtedness.

When the permitted acts of the Insured Claimant occur and the Insured has Knowledge of any claim of title or interest adverse to the Title or the priority or enforceability of the lien of the Insured Mortgage, as insured, the Company shall be required to pay only that part of any loss insured against by this policy that shall exceed the amount, if any,

lost to the Company by reason of the impairment by the Insured Claimant of the Company's right of subrogation.

(c) The Company's Rights Against Non-Insured Obligors.

The Company's right of subrogation against non-insured obligors shall include, without limitation, the rights of the Insured to indemnities, guarantees, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments that provide for subrogation rights by reason of this policy.

The Company's right of subrogation shall not be avoided by acquisition of the Insured Mortgage by an obligor who acquires the Insured Mortgage as a result of an obligation contained in an indemnity, guarantee, other policy of insurance, or bond and the acquiring obligor will not be an Insured under this policy, notwithstanding Section 1(b)(i) of these Conditions.

12. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT.

- (a) This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract between the Insured and the Company. Without limiting the foregoing, all prior or contemporaneous oral agreements, understandings, representations and statements are merged herein and shall be of no further force or effect. In interpreting any provision of this policy, this policy shall be construed as a whole.
- (b) Any claim of loss or damage, whether or not based on negligence that arises out of the status of the Title or the lien of the Insured Mortgage or of any other matters insured against by this policy or by any action asserting such claim, shall be restricted to this policy.
- (c) Any modification, amendment or alteration of the terms of this policy shall be effective only if made by a written endorsement attached to this policy and signed by any President, Vice President, Secretary, Assistant Secretary, validating officer or other authorized signatory of the Company.
- (d) Each endorsement attached to this policy at any time is made a part of this policy and is subject to all of the terms and provisions hereof. Unless otherwise expressly set forth in the endorsement, it shall not (i) modify any of the terms and provisions of this policy or other endorsements (ii) extend the Date of Policy or the date of any endorsements, or (iii) increase the amount of insurance.

13. NO JURY TRIAL.

In any lawsuit filed against the Company concerning any aspect of coverage under this policy, the Insured Claimant is permitted only to have the case heard by a judge and not by a jury.

14. CHOICE OF LAW.

Except when the federal law of the United States of America must be applied, resolution of any dispute under this Policy shall be determined by the application of the Law of the state in which this policy was issued.

15. CHOICE OF FORUM.

Any lawsuit filed against the Company seeking to enforce rights against the Company under this policy must be filed in a proper court located within the state of Louisiana, which state is the domicile of the Company, or the state in which this Policy was issued if other than Louisiana.

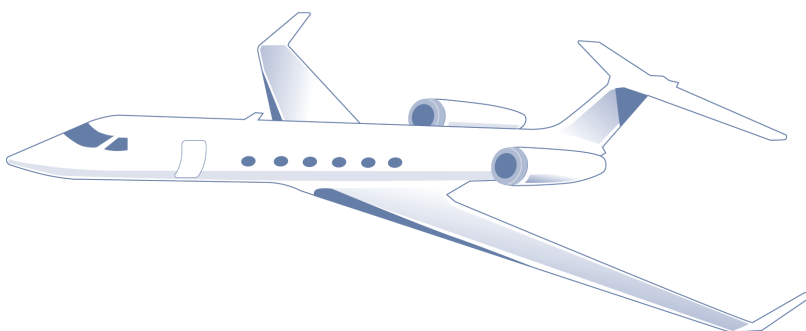
16. SEVERABILITY.

In the event any provision of this policy is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

17. NOTICES, WHERE SENT.

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to First American Transportation Title Insurance Company, c/o First American Title Insurance Company, 1 First American Way, Santa Ana, California 92707, Attention: Claims Department, Phone: 800-854-3643 or to the office that issued this policy.

EAGLE Protection Policy



FIRST AMERICAN TRANSPORTATION
TITLE INSURANCE COMPANY
a Louisiana Corporation

BY

PRESIDENT
John N. Casbon

ATTEST

SECRETARY
Peter C. Keenan