

LEASE INVESTMENT FLIGHT TRUST

Supplemental Indenture

This Supplemental Indenture, dated as of November 18, 2011 (this “**Supplemental Indenture**”), is entered into among Lease Investment Flight Trust, a Delaware statutory trust (the “**Issuer**”), Phoenix American Financial Services, Inc., a California corporation (the “**Administrative Agent**”), and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), as trustee (the “**Trustee**”).

Recitals:

WHEREAS, under a Trust Indenture, dated as of June 26, 2001 (the “**Indenture**”), among the Issuer, LIFT Trust-Sub 1, as the bridge note issuer, the Administrative Agent and the Trustee, the Issuer has issued its Subclass A-1 Notes, Subclass A-2 Notes, Subclass A-3 Notes, Subclass B-1 Notes, Subclass B-2 Notes, Subclass C-1 Notes, Subclass C-2 Notes, Subclass D-1 Notes and Subclass D-2 Notes (collectively the “**Notes**”);

WHEREAS, the Issuer has solicited the consents (the “**Consents**”) of Holders of the Notes to amend the Indenture to remove certain limitations on aircraft dispositions and portfolio management, reduce insurance related expenses and permit the Issuer to more effectively reserve for anticipated operating, hedging and other expenses (the “**Proposed Amendments**”), pursuant to a Consent Solicitation Statement, dated September 15, 2011 as supplemented by the Supplemental Consent Solicitation Statement, dated November 3, 2011;

WHEREAS, the Holders of at least a majority of the Outstanding Principal Balance (voting as a single class) of the Notes have delivered valid Consents to the Proposed Amendments;

WHEREAS, the execution and delivery of this Supplemental Indenture have been duly authorized and all conditions and requirements necessary to make this Supplemental Indenture a valid and binding agreement of the Issuer have been duly performed and complied with;

WHEREAS, pursuant to Sections 9.01 and 9.04 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, the Issuer, pursuant to the foregoing authority, proposes in and by this Supplemental Indenture to amend the Indenture and has requested that the Administrative Agent and the Trustee join in the execution of this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Issuer, the Administrative Agent and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

Section 1. Definitions.

(a) As used in this Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof and “hereby” and other words of similar import used in this Supplemental Indenture refer to this Supplemental Indenture as a whole and not to any particular Section hereof.

(b) The definitions of the following terms defined in Section 1.01 of the Indenture are hereby amended to read as set forth below:

“Concentration Default” means an Event of Default under Section 5.03(a) hereof which would arise if effect were given to any sale, transfer or other disposition or any purchase or other acquisition pursuant to an Aircraft Agreement as of the date of such Aircraft Agreement regardless of whether such sale, transfer or other disposition or purchase or other acquisition is scheduled or expected to occur after the date of such Aircraft Agreement.

“Rating Agency” means each of Moody’s, Standard & Poor’s and any other nationally recognized rating agency designated by the Issuer; provided that such organizations shall only be deemed to be a Rating Agency for purposes of this Indenture with respect to the Notes they are then rating.

“Required Expense Amount” means, with respect to each Payment Date, the amount of Expenses of the Issuer Group due and payable on the Calculation Date relating to such Payment Date (such Payment Date, the “Related Payment Date”) or reasonably anticipated to become due and payable before the third succeeding Payment Date to the extent such Expenses consist of (a) Primary Expenses and (b) any Modification Payments or Refinancing Expenses in respect of which a Permitted Accrual was previously effected by a deposit in the Expense Account (whether or not any such deposit has been previously used to pay any other Primary Expense but excluding any portion of such deposit previously used to pay any Modification Payments or Refinancing Expenses) in each case after giving effect to any withdrawal from any Lessee Funded Account or any drawing upon a Related Collateral Document that is then available for the payment of any such Expense; provided that, for any Payment Date after November 18, 2011 and before the later of December 31, 2024 and the date of sale of the last Aircraft, the Required Expense Amount shall be no less than \$5.0 million; provided further that if, in the reasonable judgment of the Administrative Agent on any Calculation Date, maintaining all or any portion of the three-month reserve for anticipated Expenses would have a material adverse effect on the ability of the Issuer to make payments of accrued and unpaid interest on the Senior Class then Outstanding on the Payment Date following such Calculation Date in accordance with Sections 3.08(a)(ii)(A) or 3.08(b)(iii)(A) hereof, all or a portion of such reserve in excess of the Expenses that are anticipated to become due and payable prior to the second Payment Date following such Calculation Date shall be released and transferred to the Collections Account to the extent necessary to make such payments on the Senior Class. Notwithstanding the foregoing, expenses of the Issuer Group anticipated to become due and payable after the Payment Date immediately

succeeding the Related Payment Date and before the third succeeding Payment Date following the Related Payment Date shall not exceed \$5.0 million.

“Senior Note Blockage Amount” means, as of any Payment Date, \$28.0 million, until the Payment Date prior to the later of (i) the date of the sale of the last Aircraft, and (ii) December 31, 2024, after which the Senior Note Blockage Amount shall be zero.

“Specified Aircraft” has the meaning given to such term in Section 5.02(g) hereof.

“Standard & Poor’s” means Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc.

Section 2. Amendment of Certain Provisions of the Indenture.

(a) Section 3.04(c) of the Indenture is hereby amended to read as set forth below:

(c) transfer from the Collections Account from time to time (but in no event on less than one Business Day’s prior written notice to the Trustee (unless such one Business Day’s notice requirement is waived by the Trustee)), other amounts, including amounts constituting the Reserved Cash, (1) to the Expense Account, in each case only to the extent that such funds are to be applied to Primary Expenses that become due and payable during such Interest Accrual Period and for the payment of which there are insufficient funds in the Expense Account and (2) to the appropriate payees, to pay any upfront hedging costs payable with respect to interest rate caps or similar derivatives ; provided that no such transfer from the Collections Account in respect of Primary Expenses or payment of upfront hedging costs shall be made prior to the next succeeding Payment Date if, in the reasonable judgment of the Administrative Agent, such transfer or payment would have a material adverse effect on the ability of the Issuer to make payments of accrued and unpaid interest on the Senior Class then Outstanding on the next Payment Date therefor in accordance with Section 3.08 hereof;

(b) Section 5.02(g) of the Indenture is hereby amended to read as set forth below:

(g) Limitation on Aircraft Dispositions. The Issuer shall not, and shall not permit any Issuer Subsidiary to, sell, transfer or otherwise dispose of any Aircraft or any interest therein other than as provided in Section 4(e) of Schedule 2.02(a) of the Servicing Agreement.

Notwithstanding anything herein to the contrary, the Issuer and any Issuer Subsidiary shall, after the Effective Time, be permitted to sell, transfer or otherwise dispose of, directly or indirectly, (a)(i) any Engine or Part purchased on the date such Aircraft is acquired, or (ii) any Engine or Part in connection with the replacement of such Engine or Part in accordance with a Lease, or (b) one or more Aircraft or an interest therein (i) within or among the Issuer and the Issuer Subsidiaries without limitation, (ii) with respect to any Aircraft (other than Specified Aircraft), pursuant to any Aircraft Agreement; provided that the net present value of the cash Net Sale Proceeds is not less than the Note Target Price, (iii) pursuant to any Aircraft Agreement; provided that the Portfolio includes eight or fewer aircraft, (iv) pursuant to receipt of insurance proceeds in

connection with an event of loss, (v) pursuant to an Aircraft Agreement (1) provided that such sale is of a Specified Aircraft, or (2) with respect to any Aircraft other than any Specified Aircraft, the net present value of the cash Net Sale Proceeds of which is less than the Note Target Price; provided that (with respect to this clause (v(2)), in any one calendar year such sales do not exceed the greater of (A) two Aircraft and (B) 15% of the Adjusted Portfolio Value of the Aircraft (other than Specified Aircraft) as determined by the most recent Appraisal obtained for such calendar year, (vi) in connection with a transfer of title or another interest in an Aircraft (A) to or in favor of a trust or another entity for the purposes of registering the Aircraft under the laws of an applicable jurisdiction where the Issuer or an Issuer Subsidiary retains the beneficial or economic ownership of the Aircraft or (B) from such trust or entity to the Issuer or an Issuer Subsidiary, or (vii) pursuant to a Leveraged Lease Transaction as permitted under Section 5.02(e)(vii) hereof. A Controlling Trustees' Resolution shall be delivered to the Trustee for any sale pursuant to clause (b)(i), (ii), (iii) or (v), confirming that such sales would not materially adversely affect the Holders. Written notification shall be given promptly to each Rating Agency of the adoption of a Controlling Trustees' Resolution pursuant to this Section 5.02(g) and following any such sale, transfer or disposition.

For the purpose of this Section 5.02(g), the net present value of the cash Net Sale Proceeds of any sale, transfer or other disposition of any Aircraft means the present value of all payments received or to be received by the Issuer or any Issuer Subsidiary from the date of execution or option granting date, as the case may be, of the relevant Aircraft Agreement through and including the date of transfer of title to such Aircraft, discounted back to the date of execution or option granting date, as the case may be, of such Aircraft Agreement at the weighted average cost of funds of the Issuer (based on the cost of funds represented by the Notes and taking into account any Swap Agreements).

The "Note Target Price" means, in respect of any Aircraft, an amount equal to 103% of the aggregate Outstanding Principal Balance of the Notes, together with any accrued but unpaid interest thereon and any related Swap Breakage Costs, allocable to such Aircraft on the date of the sale agreement or Purchase Option granting date, as the case may be. On any date, the Outstanding Principal Balance of Notes allocable to an Aircraft shall equal the product of (i) (A) the Adjusted Base Value of such Aircraft divided by (B) the Adjusted Portfolio Value and (ii) the aggregate Outstanding Principal Balance of Notes, in each case on the most recent Payment Date.

"Aircraft Agreement" means any lease, sublease, conditional sale agreement, finance leases, hire purchase agreement or other agreement (other than an agreement relating to maintenance, modification or repairs) or any purchase option granted to a Person (other than a Purchase Option granted to an Issuer Group Member) to purchase an Aircraft, in each case pursuant to which any Person acquires or is entitled to acquire legal title, or the economic benefits of ownership of, such Aircraft.

"Net Sale Proceeds" means, with respect to any sale or other disposition of any assets, the aggregate amount of cash received or to be received from time to time (whether as initial or deferred consideration) by or on behalf of the seller in connection with such transaction after deducting therefrom (without duplication) (a) reasonable and

customary brokerage commissions and other similar fees and commissions (including fees received by the Servicer under the Servicing Agreement) and (b) the amount of taxes payable in connection with or as a result of such transaction, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate of the seller and are properly attributable to such transaction or to the asset that is the subject thereof.

“Specified Aircraft” means the B737-300, B737-400, B737-500 and MD-82 aircraft and any aircraft that is at least 20 years old from its date of manufacture.

(c) Section 5.03(a) of the Indenture is hereby amended to read as set forth below:

(a) Concentration Limits. Without a Controlling Trustees’ Resolution approving such, the Issuer shall not permit any Issuer Subsidiary to lease or re-lease any Aircraft if entering into such proposed Lease would cause the Portfolio to exceed any of the Concentration Limits set forth in Exhibit E hereto (as such limits may be adjusted by the Issuer from time to time, by Controlling Trustees’ Resolution, the “Concentration Limits”); *provided* that the Issuer, any Issuer Subsidiary or Leveraged Lease Lessee shall be entitled to renew or extend any Lease to the existing Lessee thereunder irrespective of the effect of such renewal or extension on the Concentration Limits. The Issuer shall not permit any Issuer Subsidiary or Leveraged Lease Lessee to lease or re-lease any Aircraft to any Lessee located in, or as a result of which such Aircraft would be or would be permitted to be habitually operated in, a jurisdiction set forth as “Prohibited Countries” in clause (a) of the Repossession Guidelines as set forth on Exhibit E hereto (as may be amended from time to time (the “Repossession Guidelines”) by Controlling Trustees’ Resolution). Written notice of any Controlling Trustees’ Resolution adopted pursuant to this Section 5.03(a) shall be promptly given to the Rating Agencies and the Trustee.

(d) Section 5.03(h) of the Indenture is hereby amended to read as set forth below:

(h) Insurance. The Issuer shall maintain or cause, directly or indirectly through the Issuer Subsidiaries or Leveraged Lease Lessee, to be maintained with reputable and responsible insurers or with insurers that maintain relevant reinsurance with reputable and responsible reinsurers (i) airline hull insurance for each Aircraft in an amount at least equal to 100% of the Adjusted Base Value for such Aircraft (or the equivalent thereof from time to time if such insurance is denominated in a currency other than U.S. dollars) and (ii) airline liability insurance for each Aircraft and occurrence in an amount at least equal to the relevant amount set forth on Exhibit F hereto for each model of aircraft and as amended from time to time by Controlling Trustees’ Resolution and (iii) airline repossession insurance (“Repossession Insurance”) for each Aircraft subject to a Lease and habitually based in a jurisdiction determined in accordance with clause (b) of the Repossession Guidelines, which may be amended from time to time by Controlling Trustees’ Resolution, in an amount at least equal to 100% of the Adjusted Base Value for such Aircraft (or the equivalent thereof from time to time if such insurance is denominated in a currency other than U.S. dollars); *provided* that with respect to any such insurance for any Aircraft subject to a Lease, such insurance may be subject to commercially reasonable deductible and self-insurance arrangements (taking into account, inter alia, the creditworthiness and experience of the Lessee, if any, the type of

aircraft and market practices in the aircraft insurance industry generally). The coverage and terms (including endorsements, deductibles and self-insurance arrangements) of any insurance maintained with respect to any Aircraft not subject to a Lease shall be substantially consistent with the commercial practices of leading international aircraft operating lessors regarding similar aircraft. Written notice of any Controlling Trustees' Resolution adopted pursuant to this Section 5.03(h) shall be promptly given to the Rating Agencies and the Trustee.

In determining the amount of insurance required to be maintained by this Section 5.03(h), the Issuer may take into account any indemnification from, or insurance provided by, any governmental, supranational or inter-governmental authority or agency (other than, with respect to Repossession Insurance, any governmental authority or agency of any jurisdiction for which Repossession Insurance must be obtained), the sovereign foreign currency debt of which is rated at least AA, or the equivalent, by at least one of the Rating Agencies, against any risk with respect to an Aircraft at least in an amount which, when added to the amount of insurance against such risk maintained by the Issuer (or which the Issuer has caused to be maintained), shall be at least equal to the amount of insurance against such risk otherwise required by this Section 5.03(h) (taking into account self-insurance permitted by this Section 5.03(h)). Any such indemnification or insurance provided by such government shall provide substantially similar protection as the insurance required by this Section 5.03(h). The Issuer shall not be required to maintain (or to cause to be maintained) any insurance otherwise required hereunder to the extent that such insurance is not generally available in the relevant insurance market at commercially reasonable rates from time to time.

Section 3. Choice of Law.

This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

Section 4. Jurisdiction, Venue and Waiver of Jury Trial.

(a) ANY ACTION OR PROCEEDING RELATING IN ANY WAY TO THIS SUPPLEMENTAL INDENTURE MAY BE BROUGHT AND ENFORCED IN THE COURTS OF THE STATE OF NEW YORK OR, TO THE EXTENT SUBJECT MATTER JURISDICTION EXISTS THEREFORE, OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND THE PARTIES IRREVOCABLY SUBMIT TO THE JURISDICTION OF SUCH COURTS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING.

(b) THE PARTIES IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH ACTION OR PROCEEDING IN THE COURTS OF THE STATE OF NEW YORK OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY CLAIM THAT SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING RELATING IN ANY WAY TO THIS SUPPLEMENTAL INDENTURE.

Section 5. Multiple Counterparts.

The parties hereto may each sign multiple counterparts of this Supplemental Indenture. Each signed counterpart shall be deemed an original, but all of them together shall represent one and the same Supplemental Indenture.

Section 6. Severability.

Each provision of this Supplemental Indenture shall be considered separable and if for any reason any provision which is not essential to the effectuation of the basic purpose of this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and a Holder shall have no claim therefor against any party hereto.

Section 7. Relation to Indenture.

This Supplemental Indenture constitutes a part of the Indenture, the provisions of which (as modified by this Supplemental Indenture) shall modify, amend or otherwise affect the Indenture insofar as it relates to any series of Notes and modify, amend or otherwise affect in any manner the terms and conditions of any series of Notes.

Section 8. Effectiveness.

The Trustee having previously been furnished with an Officer's Certificate and Opinion of Counsel as contemplated by Sections 1.03 and 9.04 of the Indenture, the provisions of this Supplemental Indenture shall become effective immediately upon execution by all of the parties hereto.

Section 9. Ratification.

The Indenture, as supplemented and amended by this Supplemental Indenture, is in all respects ratified and confirmed. The Indenture and this Supplemental Indenture shall be read, taken and construed as one and the same instrument.

Section 10. Trustee Not Responsible for Recitals or Guarantee.

The recitals contained herein shall be taken as the statements of the Issuer, and the Trustee shall have no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Supplemental Indenture.


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IN WITNESS WHEREOF, the parties have caused this Supplemental Indenture to be duly executed as of the date first above written.

**LEASE INVESTMENT FLIGHT TRUST**

Date: November 18, 2011

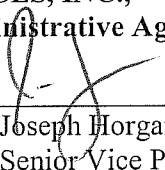
By:   
Name: Joseph Horgan  
Title: Senior Vice President of Phoenix American  
Financial Services, Inc., as Administrative  
Agent on behalf of Lease Investment Flight  
Trust

[SIGNATURE PAGE TO SUPPLEMENTAL INDENTURE]



**PHOENIX AMERICAN FINANCIAL  
SERVICES, INC.,  
as Administrative Agent**

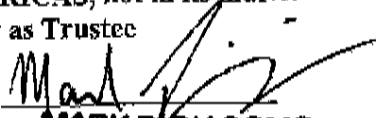
Date: November 18, 2011

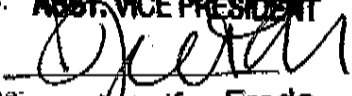
By:   
Name: Joseph Horgan  
Title: Senior Vice President

[SIGNATURE PAGE TO SUPPLEMENTAL INDENTURE]

Deutsche Bank National Trust Company for  
**DEUTSCHE BANK TRUST COMPANY**  
AMERICAS, not in its individual capacity but  
solely as Trustee

Date: November 18, 2011

By:   
Name: **MARK DIGIACOMO**  
Title: **ASST. VICE PRESIDENT**

By:   
Name: **Jennifer Frede**  
Title: **Associate**

[SIGNATURE PAGE TO SUPPLEMENTAL INDENTURE]

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