FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
SEC Accession No. 0000950147-94-000050

(HTML Version on secdatabase.com)

FILER

AMERICA WEST AIRLINES INC

CIK:**706270**| IRS No.: **860418245** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-10140** | Film No.: **94527902**
SIC: **4512** Air transportation, scheduled

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

X Quarterly report pursuant to Section 13 or 15(d) of the
====== Securities Exchange Act of 1934

For the quarterly period ended March 31, 1994 or

Transition report pursuant to Section 13 or 15(d) of the
====== Securities Exchange Act of 1934

For the transition period from to

Commission file number 1-10140

AMERICA WEST AIRLINES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	86-0418245
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4000 EAST SKY HARBOR BLVD, PHOENIX, ARIZONA	85034
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (602) 693-0800

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes XX No
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APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No (Not Applicable)
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APPLICABLE ONLY TO CORPORATE ISSUERS:

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

The number of shares of the Company's common stock outstanding as of April 30, 1994 was 25,294,870 shares.

AMERICA WEST AIRLINES, INC., D.I.P.
CONDENSED BALANCE SHEETS

Part I - FINANCIAL INFORMATION
Item 1. Financial Statements

(in thousands of dollars)

ASSETS	March 31, 1994 (Unaudited)	December 31, 1993
CURRENT ASSETS		
Cash and cash equivalents	$ 151,452	$ 99,631
Accounts receivable, less allowance for doubtful accounts of $3,209,000 in 1994 and $3,030,000 in 1993	88,542	65,744
Expendable spare parts and supplies, less allowance for obsolescence of $7,466,000 in 1994 and $7,231,000 in 1993	29,303	28,111
Prepaid expenses	40,118	34,939
Total current assets	309,415	228,425

PROPERTY AND EQUIPMENT		
Flight equipment	881,478	872,104
Other property and equipment	182,313	180,607
	1,063,791	1,052,711
Less accumulated depreciation and amortization	404,947	385,776
	658,844	666,935
Equipment purchase deposits	51,836	51,836
	710,680	718,771
RESTRICTED CASH	39,425	46,296
OTHER ASSETS	23,641	23,251
	$ 1,083,161	$ 1,016,743

See accompanying notes to condensed financial statements.

AMERICA WEST AIRLINES, INC., D.I.P.
CONDENSED BALANCE SHEETS

Part I - FINANCIAL INFORMATION
Item 1. Financial Statements

LIABILITIES AND STOCKHOLDERS' DEFICIENCY	March 31, 1994 (in thousands of dollars)	December 31, 1993 (in thousands of dollars)
	(Unaudited)	
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 119,727	$ 125,271
Accounts payable	67,402	62,957
Air traffic liability	165,022	118,479
Accrued compensation and vacation benefits	12,390	11,704
Accrued interest	7,107	8,295
Accrued taxes	24,870	14,114
Other accrued liabilities	15,242	11,980
Total current liabilities	411,760	352,800
ESTIMATED LIABILITIES SUBJECT TO		

CHAPTER 11 PROCEEDINGS	383,914	381,114
LONG-TERM DEBT, LESS CURRENT MATURITIES	390,358	396,350
MANUFACTURERS' AND DEFERRED CREDITS	72,478	73,592
OTHER LIABILITIES	63,486	67,149
Commitments contingencies and subsequent events		
STOCKHOLDERS' DEFICIENCY		
Preferred stock, $.25 par value. Authorized 50,000,000 shares: Series C 9.75 percent convertible preferred stock, issued and outstanding 73,099 shares; $1.33 per share cumulative dividend (liquidation preference $1,000,000)	18	18
Common stock, $.25 par value. Authorized 90,000,000 shares; issued and outstanding 25,289,270 shares in 1994 and 25,291,102 in 1993	6,323	6,323
Additional paid-in capital	196,986	197,010
Accumulated deficit	(423,451)	(438,626)
	(220,124)	(235,275)
Less deferred compensation and notes receivable - employee stock purchase plans	18,711	18,987
Total stockholders' deficiency	(238,835)	(254,262)
	$ 1,083,161	$ 1,016,743

See accompanying notes to condensed financial statements.

AMERICA WEST AIRLINES, INC., D.I.P.
CONDENSED STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT
(in thousands of dollars except per share amounts)
(unaudited)

	Three Months Ended March 31,	
	1994	1993
OPERATING REVENUES		
Passenger	$ 324,427	$ 297,661
Cargo	10,491	9,595
Other	10,346	9,349
Total operating revenues	345,264	316,605

OPERATING EXPENSES		
Salaries and related costs	79,471	74,160
Rentals and landing fees	66,259	72,490
Aircraft fuel	37,932	42,406
Agency commissions	29,111	25,464
Aircraft maintenance materials and repairs	7,929	7,194
Depreciation and amortization	21,153	19,723
Other	65,659	58,000
Total operating expenses	307,514	299,437
Operating income	37,750	17,168
NONOPERATING INCOME (EXPENSES)		
Interest income	161	237
Interest expense	(13,175)	(13,897)
Loss on disposition of property and equipment	(542)	(198)
Reorganization expense, net	(8,396)	(1,086)
Other, net	9	(46)
Total nonoperating expenses, net	(21,943)	(14,990)
INCOME BEFORE INCOME TAXES	15,807	2,178
INCOME TAXES	632	44
NET INCOME	15,175	2,134
ACCUMULATED DEFICIT AT BEGINNING OF PERIOD	(438,626)	(475,791)
ACCUMULATED DEFICIT AT END OF PERIOD	$ (423,451)	$ (473,657)
PRIMARY EARNINGS PER COMMON SHARE	$ 0.56	$ 0.09
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING DURING PERIOD	29,152,729	24,020,266
FULLY DILUTED EARNINGS PER COMMON SHARES	$ 0.40	$ 0.09
WEIGHTED AVERAGE NUMBER OF F. D. SHARES OUTSTANDING DURING PERIOD	41,055,183	42,864,353

See accompanying notes to condensed financial statements.

AMERICA WEST AIRLINES, INC., D.I.P.
CONDENSED STATEMENTS OF CASH FLOWS
(in thousands of dollars)
(unaudited)

	Three Months Ended March 31,	
	1994	1993
Cash flows from operating activities:		
Net income	$ 15,175	$ 2,134
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	21,153	19,723
Amortization of manufacturers' and deferred credits	(1,114)	(1,152)
Loss on disposition of property and equipment	542	198
Reorganization items	3,703	-
Other	(187)	(122)
Changes in operating assets and liabilities:		
Increase in accounts receivable, net	(22,798)	(8,059)
Decrease (increase) in spare parts and supplies, net	(1,192)	3,429
Increase in prepaid expenses	(5,179)	(1,269)
Decrease in other assets and restricted cash	6,481	6,375
Increase (decrease) in accounts payable	4,823	(2,859)
Increase in air traffic liability	45,325	14,216
Increase (decrease) in accrued compensation and vacation benefits	686	(358)
Increase in accrued interest	1,530	1,572
Increase in accrued taxes	10,756	3,813
Increase in other accrued liabilities	3,139	2,295
Decrease in other liabilities	(3,209)	(2,792)
Net cash provided by operating activities	79,634	37,144
Cash flows from investing activities:		
Purchases of property and equipment	(13,665)	(8,893)
Proceeds from disposition of property	172	223
Net cash used in investing activities	(13,493)	(8,670)
Cash flows from financing activities:		
Repayment of debt	(14,320)	(14,730)
Net cash used in financing activities	(14,320)	(14,730)
Net increase in cash and cash equivalents	51,821	13,744
Cash and cash equivalents at beginning of period	99,631	74,383

Cash and cash equivalents at end of period .	$ 151,452	$ 88,127

See accompanying notes to condensed financial statements.

AMERICA WEST AIRLINES, INC., D.I.P.
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 1994

1. REORGANIZATION UNDER CHAPTER 11, LIQUIDITY AND FINANCIAL CONDITION

On June 27, 1991, the Company filed a voluntary petition in the United States Bankruptcy Court for the District of Arizona (the "Bankruptcy Court") to reorganize under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). The Company is currently operating as a debtor-in-possession ("D.I.P.") under the supervision of the Bankruptcy Court. As a debtor-in-possession, the Company is authorized to operate its business but may not engage in transactions outside its ordinary course of business without the approval of the Bankruptcy Court.

Subject to certain exceptions under the Bankruptcy Code, the Company's filing for reorganization automatically enjoined the continuation of any judicial or administrative proceedings against the Company. Any creditor actions to obtain possession of property from the Company or to create, perfect or enforce any lien against the property of the Company are also enjoined. As a result, the creditors of the Company are precluded from collecting pre-petition debts without the approval of the Bankruptcy Court.

The Company had the exclusive right for 120 days after the Chapter 11 filing on June 27, 1991 to file a plan of reorganization and 60 additional days to obtain necessary acceptances of such plan. Such periods may be extended at the discretion of the Bankruptcy Court, but only on a showing of good cause, and extensions have been obtained such that the Company has until June 10, 1994 to file its plan of reorganization with the Court or obtain an additional extension. Subject to certain exceptions set forth in the Bankruptcy Code, acceptance of a plan of reorganization requires approval of the Bankruptcy Court and the affirmative vote (i.e. 50 percent of the number and 66-2/3 percent of the dollar amount) of each class of creditors and equity holders whose claims are impaired by the plan.

Certain pre-petition liabilities have been paid after obtaining the approval of the Bankruptcy Court, including certain wages and benefits of employees, insurance costs, obligations to foreign vendors and governmental agencies, travel agent commissions and ticket refunds. The Company has also been allowed to honor all tickets sold prior to the date it filed for reorganization. In addition, the Company is

authorized to pay pre-petition liabilities to essential suppliers of fuel, food and beverages and to other vendors providing critical goods and services. Subsequent to filing and with the approval of the Bankruptcy Court, the Company assumed certain executory contracts of essential suppliers.

Parties to executory contracts may, under certain circumstances, file motions with the Bankruptcy Court to require the Company to assume or reject such contracts. Unless otherwise agreed, the assumption of a contract will require the Company to cure all prior defaults under the related contract, including all pre-petition liabilities. Unless otherwise agreed, the rejection of a contract is deemed to constitute a breach of the agreement as of the moment immediately preceding the Chapter 11 filing, giving the other party to the contract a right to assert a general unsecured claim for damages arising out of the breach.

February 28, 1992 was set as the last date for the filing of proofs of claim under the Bankruptcy Code and the Company's creditors have submitted claims for liabilities not paid and for damages incurred. There may be differences between the amounts at which any such liabilities are recorded in the financial statements and the amount claimed by the Company's creditors. Significant litigation may be required to resolve any such disputes.

The Company has incurred and will continue to incur significant costs associated with the reorganization. The amount of these costs, which are being expensed as incurred, is expected to significantly affect the results of operations.

As a result of its filing for protection under Chapter 11 of the Bankruptcy Code, the Company is in default of substantially all of its debt agreements. All outstanding pre-petition unsecured debt of the Company has been presented in these financial statements within the caption Estimated Liabilities Subject to Chapter 11 Proceedings.

Additional liabilities subject to the proceedings may arise in the future as a result of the rejection of executory contracts, including leases, and from the determination by the Bankruptcy Court (or agreement by parties in interest) of allowed claims for contingencies and other disputed amounts. Conversely, the assumption of executory contracts and unexpired leases may convert liabilities shown as subject to Chapter 11 proceedings to post-petition liabilities.

Substantially all of the aircraft, engines and spare parts in the Company's fleet are subject to lease or secured financing agreements that entitle the Company's aircraft lessors and secured creditors to rights under Section 1110 of the Bankruptcy Code. Pursuant to Section 1110, the Company had 60 days from the date of its Chapter 11 filing, or until August 26, 1991, to bring its obligations to these aircraft lessors and secured creditors current and/or reach other mutually satisfactory negotiated arrangements. In September 1991, as a

condition to the borrowings under the initial $55 million D.I.P. facility, the Company arranged for rent, principal and interest payment deferrals from a majority of its aircraft providers as a condition to the assumption of the related lease or secured borrowing by the Company. As a result of these arrangements, the Company was able to assume the executory contracts associated with 83 aircraft in its fleet without having to bring its obligations to these aircraft providers current. In addition, as part of the initial D.I.P. facility, the Company assumed and brought current lease agreements for 16 Airbus A320 aircraft, three CFM engines, a Boeing 757-200 and a Boeing 737-300.

Twenty-two aircraft were deemed surplus to the Company's needs and the associated executory contracts were rejected. Included in 1991 reorganization costs was $35.2 million in write-offs of leasehold improvements, security deposits, accrued maintenance, accrued rents and other costs to return the aircraft which were subject to the rejected aircraft agreements. In certain cases, final agreements were reached with such aircraft providers and no further claims by such providers will be pursued as a result of the rejections. In other instances, the aircraft providers have filed claims in the normal course of the bankruptcy and as of March 31, 1994, significant claims for rejected aircraft have not yet been settled.

Due to the uncertain nature of many of the potential claims, the Company is unable to project the magnitude of such claims with any degree of certainty. However, the claims (pre-petition claims and administrative claims) that have been filed against the Company are in excess of $2 billion. Such aggregate amount includes claims of all character, including, but not limited to, unsecured claims, secured claims, claims that have been scheduled but not filed, duplicative claims, tax claims, claims for leases that were assumed, and claims which the Company believes to be without merit; however, claims filed for which an amount was not stated, are not reflected in such amount. The Company is unable to estimate the potential amount of such unstated claims; however, the amount of such claims could be material.

The Company is in the process of reviewing the general unsecured claims asserted against the Company. In many instances, such review process will include the commencement of Bankruptcy Court proceedings in order to determine the amount at which such claims should be allowed. The Company has accrued its estimate of claims that will be allowed or the minimum amount at which it believes the asserted general unsecured claims will be allowed if there is no better estimate within the range of possible outcomes. However, the ultimate amount of allowed claims will be different and such differences could be material. The Company is unable to estimate the amount of such differences with any reasonable degree of certainty at this time.

The Bankruptcy Code requires that all administrative claims be paid on the effective date of a plan of reorganization unless the respective

claimants agreed to different treatment. Consequently, depending on the ultimate amount of administrative claims allowed by the Bankruptcy Court, the Company may be unable to obtain confirmation of a plan of reorganization. The Company is actively negotiating with claimants to achieve mutually acceptable dispositions of these claims. Since the commencement of the bankruptcy proceeding, claims alleging administrative expense priority totaling more than $153 million have been filed and an additional claim of $14 million has been alleged. As of March 31, 1994, $115 million of the filed claims have been allowed and settled for $50.2 million in the aggregate. The Company is currently negotiating the resolution of the remaining $38 million filed administrative expense claim (which relates to a rejected lease of a Boeing 737-300 aircraft) and the alleged $14 million administrative claim (which relates to a rejected lease of a Boeing 757-200 aircraft). Claims have been or may be asserted against the Company for alleged administrative rent and/or breach of return conditions (i.e. maintenance standards), guarantees and tax indemnity agreements related to aircraft or engines abandoned or rejected during the bankruptcy proceedings. Additional claims may be asserted against the Company and allowed by the Bankruptcy Court. The amount of such unidentified administrative claims may be material.

Plan of Reorganization
- - -------------------------

Under the Bankruptcy Code, the Company's pre-petition liabilities are subject to settlement under a plan of reorganization. Pursuant to an extension granted by the Bankruptcy Court on February 2, 1994, the Company has the partially exclusive right, until June 10, 1994 (unless extended by the Bankruptcy Court), to file a plan of reorganization. Each of the official committees has also been approved to submit a plan of reorganization. The Company has agreed not to seek additional extensions of the exclusivity period without the advance consent of the Creditors' Committee and the Equity Committee.

On December 8, 1993 and February 16, 1994, the Bankruptcy Court entered certain orders which provided for a procedure to which interested parties could submit proposals to participate in a plan of reorganization for America West. The Bankruptcy Court also set February 24, 1994 as the date for America West to select a "Lead Plan Proposal" from the proposals submitted.

On February 24, 1994, America West selected as its Lead Plan Proposal an investment proposal submitted by AmWest Partners, L.P., a limited partnership ("AmWest"), which includes Air Partners II, L.P., Continental Airlines, Inc., Mesa Airlines, Inc. and funds managed or advised by Fidelity Management & Research Company and its affiliates. On March 11, 1994, the Company and AmWest entered into an Investment Agreement which was filed with the Bankruptcy Court on March 11, 1994 (the "Original Investment Agreement"). The Original Investment Agreement was superseded by a Revised Investment Agreement dated as of

March 11, 1994 and filed with the Bankruptcy Court on March 28,1994 (the "Revised Investment Agreement"). The Revised Investment Agreement was superseded by a Second Revised Investment Agreement dated as of April 7, 1994 and filed with the Bankruptcy Court on April 8, 1994 (the "Second Revised Investment Agreement"). The Second Revised Investment Agreement was superseded by a Third Revised Investment Agreement dated as of April 21, 1994 and filed with the Bankruptcy Court on April 26, 1994 (the "Third Revised Investment Agreement"). The Third Revised Investment Agreement is substantially identical to the Second Revised Investment Agreement except for a change in the configuration of the expanded 15-member board of directors of the Company. The Third Revised Investment Agreement substantially incorporates the terms of the AmWest investment proposal. It provides that AmWest will purchase from America West equity securities representing a 33.5 percent ownership interest in the Company for $114.8 million and $100 million in new senior unsecured debt securities which can be increased to $130 million by the Company depending upon certain other events, prior to the date fixed for voting by the Bankruptcy Court. The Third Revised Investment Agreement also provides that, in addition to the 33.5 percent ownership interest in the Company, AmWest would also obtain 71.2 percent of the total voting interest in America West after the Company is reorganized. The terms of the Third Revised Investment Agreement will be incorporated into a plan of reorganization to be filed with the Bankruptcy Court; however, modifications to the Third Revised Investment Agreement may occur prior to the submission of a plan of reorganization and such modifications may be material. There can be no assurance that a Plan of Reorganization based upon the Third Revised Investment Agreement will be accepted by the parties entitled to vote thereon or confirmed by the Bankruptcy Court. Moreover, consummation of a Plan of Reorganization based on the Third Revised Investment Agreement is subject to satisfaction of the closing conditions specified therein, including (among others) the accuracy of certain representations and warranties of the Company and the absence of any material adverse change in the Company's condition (financial or otherwise), business, assets, properties, operations or relations with employees or labor unions since December 31, 1993.

In addition to the interest in the reorganized America West that would be acquired by AmWest pursuant to the Third Revised Investment Agreement, the Third Revised Investment Agreement also provides for the following:

1. The D.I.P. financing would be repaid in full with cash on the date a Plan of Reorganization is confirmed ("Reorganization Date").

2. On the Reorganization Date, unsecured creditors would receive 59.5 percent of the new common equity in the reorganized Company. In addition, unsecured creditors would have the right to elect to receive cash at $8.889 per share up to an aggregate maximum amount of $100 million, through a repurchase by AmWest of a portion of the shares to be issued to unsecured creditors under a plan of

reorganization.

3. Holders of equity interests would receive 5 percent of the new common equity of the Company. In addition, holders of equity interests would have the right to purchase up to $14.4 million of the new common equity in the Company for $8.889 per share from AmWest, and would also receive warrants entitling them to purchase 6,230,769 shares of the reorganized Company's common stock. With respect to establishing the price of warrants, the Bankruptcy Court will be requested to fix the total amount of allowed unsecured claims as well as the total amount of disputed claims that may become allowed claims. In turn, the aggregate amount established by the Bankruptcy Court would be multiplied by 1.1 and the resultant product divided by the number of shares of new common equity to be issued to unsecured creditors (26,775,000 shares) to establish the price.

4. In exchange for certain concessions principally arising from cancellation of the right of Guiness Peat Aviation ("GPA") affiliates to put to America West 10 Airbus A320 aircraft at fixed rates, GPA, or certain affiliates thereof, would receive (i) 2.0 percent of the new common equity in the reorganized Company, (ii) warrants to purchase up to 1,384,615 shares of the reorganized Company's common stock on the same terms as the AmWest warrants, (iii) $30.5 million in new unsecured debt securities or an equivalent amount in cash, and (iv) the right to require the Company to lease up to eight aircraft of types operated by the Company from GPA prior to June 30, 1999 on terms which the Company believes to be more favorable than those currently applicable to the put aircraft.

5. Continental Airlines, Inc., Mesa Airlines, Inc. and America West would enter into certain alliance agreements which would include code-sharing, schedule coordination and certain other relationships and agreements. A condition to proceeding with a plan of reorganization based upon the Third Revised Investment Agreement would be that these agreements be in form and substance satisfactory to America West, including the Company's reasonable satisfaction that such alliance agreements when fully implemented will result in an increase in pre-tax income of not less that $40 million per year.

6. The expansion of the Company's board of directors to 15 members for a period not less than three years following Reorganization date. Nine members would be designated by AmWest and other members reasonably acceptable to AmWest would include three members designated by the Creditors' Committee, one member designated by the Equity Committee, one member designated by the Company's current board of directors and one member designated by GPA.

7. The Third Revised Investment Agreement also provides for many other matters, including the disposition of the various types of claims asserted against the Company, the adherence to the Company's aircraft lease agreements, the amendment of the Company's aircraft purchase agreements and release of the Company's employees from all currently existing obligations arising under the Company's stock purchase plan in consideration for the cancellation of the shares of Company stock securing such obligations.

On March 11, 1994, the Company and AmWest also entered into an Interim Procedures Agreement which was filed with the Bankruptcy Court on March 11, 1994 (the "Original Procedures Agreement"). The Original Procedures Agreement was superseded by a Revised Interim Procedures Agreement dated as of March 11, 1994 and filed with the Bankruptcy Court on March 28, 1994 (the "Revised Procedures Agreement"). The Revised Procedures Agreement was superseded by a Second Revised Interim Procedures Agreement dated as of April 7, 1994 and filed with the Bankruptcy Court on April 8, 1994 (the "Second Revised Procedures Agreement"). The Second Revised Procedures Agreement was superseded by a Third Revised Interim Procedures Agreement dated as of April 21, 1994 and filed with the Bankruptcy Court on April 26, 1994 (the "Third Revised Procedures Agreement"). The Procedures Agreement sets forth terms and conditions upon which the Company must operate prior to the effective date of a confirmed plan of reorganization based upon the terms of the Investment Agreement.

The Third Revised Procedures Agreement is substantially identical to the Second Revised Procedures Agreement except for the following principal modifications:

1. All provisions of the Second Revised Procedures Agreement providing for the payment to AmWest of a termination or break-up fee were deleted. In lieu thereof, AmWest would be entitled, in the event the Third Revised Investment Agreement is terminated on account of the Company's acceptance of a qualified overbid or the confirmation of a competing Plan of Reorganization, to seek Bankruptcy Court approval of a special payment (not to exceed $4 million) to AmWest based on the "substantial contribution" principle set forth in Section 503(b) of the Bankruptcy Code. The Company is committed to cooperate in good faith as reasonably requested by AmWest in obtaining Bankruptcy Court approval of any special payment requested by AmWest and, should such approval be granted, to make the special payment to AmWest without offset.

2. Under the Second Revised Procedures Agreement, the Company was entitled to consider unsolicited competing bids regardless of when received by the Company. The Third Revised Procedures Agreement prohibits the Company from considering any unsolicited competing bid received by the Company after the entry by the Bankruptcy Court of an order approving a disclosure statement relating to

AmWest proposal. Should the Company breach the Procedures Agreement at any time, AmWest has agreed that any damages it may be entitled to seek shall be limited to an amount not to exceed $4 million.

3. The Third Revised Procedures Agreement grants to AmWest the right to terminate the Third Revised Procedures Agreement and the Third Revised Investment Agreement for any reason prior to the entry by the Bankruptcy Court of an order approving a disclosure statement relating to AmWest proposal. Should AmWest exercise such right, it would become obligated to refund to the Company all expenses incurred by AmWest after March 1, 1994 and previously reimbursed or paid by the Company.

4. The Second Revised Procedures Agreement obligated the Company to reimburse AmWest for all reasonable out-of-pocket or third-party expenses incurred by AmWest in connection with the AmWest investment proposal subject to certain limitations, including with respect to expenses incurred after March 1, 1994 (i) a $250,000 monthly cap and (ii) a $3 million overall cap. The Third Revised Procedures Agreement increased the monthly cap to $300,000 and eliminated the $3 million overall cap.

The Third Revised Procedures Agreement was approved by the Bankruptcy Court on May 4, 1994.

The Company is currently developing with AmWest a plan of reorganization based upon the Third Revised Investment Agreement and the Third Revised Procedures Agreement.

Any plan of reorganization must be approved by the Bankruptcy Court and by specified majorities of each class of creditors and equity holders whose claims are impaired by the plan. Alternatively, absent the requisite approvals, the Company may seek Bankruptcy Court approval of its reorganization plan under Section 1129(b) of the Bankruptcy Code, assuming certain tests are met. The Company cannot predict whether any plan submitted by it would be approved.

The Company is currently unable to predict when it may file a plan of reorganization based upon the Third Revised Investment Agreement, but intends to do so as soon as practicable. Once a plan with a disclosure statement is filed by any party, the Bankruptcy Court will hold a hearing to determine the adequacy of the information contained in such disclosure statement. Only upon receiving an order from the Bankruptcy Court providing that the disclosure statement accompanying any such plan contains adequate information as required by Section 1125 of the Bankruptcy Code, may a party solicit acceptances or rejections of any such plan of reorganization. Following entry of an order approving the disclosure statement, the plan will be sent to creditors and holders of equity interests for voting, and the Bankruptcy Court will hold a hearing to consider confirmation of the plan pursuant to Section 1129

of the Bankruptcy Code. Although the Bankruptcy Code provides for certain minimum time periods for these events, the Company is unable to reasonably estimate when a plan based on the Third Revised Investment Agreement might be submitted for voting and confirmation.

If at any time the Creditor's Committee, the Equity Committee or any creditor of the Company or equity holder of the Company believes that the Company is or will not be in a position to sustain operations, such party can move in the Bankruptcy Court to compel a liquidation of the Company's estate by conversion to Chapter 7 bankruptcy proceedings or otherwise. In the event that the Company is forced to sell its assets and liquidate, it is unlikely that unsecured creditors or equity holders will receive any value for their claims or interests.

The Company anticipates that the reorganization process will result in the restructuring, cancellation and/or replacement of the interest of its existing common and preferred stockholders. Because of the "absolute priority rule" of Section 1129 of the Bankruptcy Code, which requires that the Company's creditors be paid in full (or otherwise consent) before equity holders can receive any value under a plan of reorganization, the Company previously disclosed that it anticipated that the reorganization process would result in the elimination of the Company's existing equity interests. Due to recent events, including sustained improvement in the Company's operating results as well as general improvement in the condition of the United States' economy and airline industry, existing holders of equity interests are anticipated to receive 5 percent of the new common equity under the proposed plan. The plan to be based upon the Investment Agreement provides for a substantial distribution to holders of equity interests, as noted above. However, there can be no assurances that this plan will be confirmed as currently configured.

The accompanying financial statements have been prepared on a going concern basis which assumes continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. As a result of the reorganization proceedings, there are significant uncertainties relating to the ability of the Company to continue as a going concern. The financial statements do not include any adjustments that might be necessary as a result of the outcome of the uncertainties discussed herein including the effects of any plan of reorganization.

(2) Estimated Liabilities Subject to Chapter 11 Proceedings and Reorganization Expense

Under Chapter 11, certain claims against the Company in existence prior to the filing of the petitions for relief under the Code are stayed while the Company continues business operations as debtor-in-possession. These pre-petition liabilities are expected to be settled as part of the plan of reorganization and are classified as "Estimated

liabilities subject to Chapter 11 proceedings".

Estimated liabilities subject to Chapter 11 proceedings as of March 31, 1994 consisted of the following (in thousands):

	March 31, 1994
	(in thousands)
Long-term debt (including convertible subordinated debentures of $138.9 million	$223,609
Accounts payable and accrued liabilities	117,161
Accrued interest	17,425
Accrued taxes	25,719
	$383,914

The debt balance included above consists of unsecured and secured obligations and other obligations that have not been affirmed by the Company through the Bankruptcy Court.

Reorganization expense is comprised of items of income, expense, gain or loss that were realized or incurred by the Company as a result of reorganization under Chapter 11 of the Federal Bankruptcy Code. Such items consisted of the following:

	March 31, 1994	1993
	(in thousands)	
Provisions for pre-petition and administrative claims	$ 4,180	$ -
Professional fees	5,268	1,521
D.I.P. financing issuance costs	209	-
Interest income	(848)	(468)
Other	(413)	33
	$ 8,396	$ 1,086

2. PER SHARE DATA

Primary earnings per share is based upon the weighted average number of shares of common stock outstanding and dilutive common stock equivalents (stock options and warrants). Primary earnings per share reflects net income adjusted for interest on borrowings effectively reduced by the proceeds from the assumed conversion of common stock equivalents.

Fully diluted earnings per share in 1994 and 1993 is based on the

average number of shares of common stock and dilutive common stock equivalents outstanding adjusted for conversion of outstanding convertible preferred stock and convertible debentures. Fully diluted earnings per share reflect net income adjusted for interest on borrowings effectively reduced by the proceeds from the assumed conversion of common stock equivalents.

3. LONG-TERM DEBT

On March 31, 1994, the Company made a principal payment of $5 million as required under the amended D.I.P. loan agreement. Under the amended terms of the D.I.P. financing, the Company also is required to notify the D.I.P. lenders if the unrestricted cash balance of the Company exceeds $125 million. Upon receipt of such notice, the D.I.P. lenders may require the Company to prepay the D.I.P. financing by the amount of such excess. Subsequent to March 31, 1994, the Company notified the D.I.P. lenders that the Company's unrestricted cash exceeded $125 million; however, the D.I.P. lenders have not exercised their prepayment right. The D.I.P. financing contains a minimum unencumbered cash balance requirement of $55 million at March 31, 1994 and other financial covenants. At March 31, 1994, the Company was in compliance with these covenants.

At March 31, 1994, the outstanding balance of the D.I.P. loan was $78.6 million with a maturity date of June 30,1994. Presently, the Company does not possess the liquidity to satisfy its D.I.P. loan obligation and still maintain a sufficient level of working capital or does it appear that a Plan of Reorganization could be confirmed prior to June 30,1994. Consequently, the Company is in negotiations with its current D.I.P. lenders to obtain alternative repayment terms. Although there can be no assurances that such alternative repayment terms will be agreed to by the D.I.P. lenders, the Company is confident that such revise terms will be granted based on its recent operating performance and the progress it has achieved with respect to the reorganization process.

4. EMPLOYEE STOCK PURCHASE PLANS

As of March 31, 1994, 7,486,427 shares of common stock had been sold under the plans. No shares were sold during the first quarter of 1994. At March 31, 1994, the unamortized deferred compensation and outstanding receivable balance relating to such plans amounted to $1,083,000 and $17,624,000, respectively.

5. SUPPLEMENTAL INFORMATION TO STATEMENTS OF CASH FLOWS

Cash paid for interest and income taxes during the three months ended March 31, 1994 and 1993 was as follows:

	1994	1993
Interest (net of amounts capitalized)	$11,362,000	$12,291,000
Income taxes	$ 221,000	$ -

In addition, during the three months ended March, 1994 and 1993, the Company had the following non-cash financing and investing activities:

	1994	1993
Equipment acquired through capital leases	$ 111,000	$ -
Conversion of long-term debt to common stock	$ -	$ 636,000
Accrued interest reclassified to long-term debt	$ 2,101,000	$ 8,831

6. INCOME TAX

For the quarter ended March 31, 1994, the Company recorded income tax expense as follows:

Current taxes	
Federal	$450
State	182
	$632
Deferred taxes	$ -

For the quarter ended March 31, 1994, income tax expense is solely attributable to income from continuing operations. The difference in income taxes at the federal statutory rate ("expected taxes") to those reflected in the financial statements (the "effective rate") primarily results from the benefit of net operating loss carryforwards for an effective tax rate of 4 percent.

As of March 31, 1994, to the best of the Company's knowledge, it has not undergone a statutory "ownership change" (as defined in Section 382 of the Internal Revenue Code) that would result in any material limitation of the Company's ability to use its net operating loss and business tax credit carryforwards in future tax years. Should an "ownership change" occur prior to confirmation of a plan of reorganization, the Company's ability to utilize said carryforwards would be significantly restricted. Further, the net operating loss and business tax credit carryforwards may be limited as a result of the Company's reorganization under the United States Bankruptcy Code.

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" (SFAS 109). Since there was no cumulative effect of this change in accounting method, prior year financial statements have not been restated.

7. COMMITMENTS AND CONTINGENCIES

(a) LEASES

During 1991, the Company restructured its lease commitment for Airbus A320 aircraft with the lessors. As a result of the restructuring, the Company's obligation to lease ten A320 aircraft was canceled and the basic rental rate for twelve aircraft was revised to provide for the repayment to the lessor over a ten-year period of certain advanced credits received by the Company which relate to the ten canceled aircraft.

In the third quarter of 1991, the Company requested a deferral of rent and other periodic payments from its aircraft providers. The deferral was requested in an effort to conserve cash and improve the Company's liquidity position. As a condition of securing the $78 million D.I.P. financing, the Company was required to obtain from most aircraft providers rent, principal and interest payment deferrals in excess of $100 million covering the six-month period of June through November 1991. These deferrals will generally be repaid with interest at 10.5 percent over the remaining term of the lease or secured borrowing with repayment commencing December 1991. At March 31, 1994 and December 31, 1993, the remaining unpaid deferrals are reported as follows:

	March 31, 1994	December 31, 1993
	(in thousands)	
Accounts payable	$ 5,520	$ 5,744
Other liabilities	21,382	22,912
Long-term debt	18,196	18,671
	$45,098	$47,327

In the third quarter of 1992, the Company requested an additional deferral of rent and other periodic payments from its aircraft providers. The deferral was requested to assure sufficient liquidity to sustain operations while additional debtor-in-possession financing was obtained. The 1992 deferrals are generally scheduled to be repaid either without interest during the first quarter of 1993 or with interest over a period of seven

years. At March 31, 1994 and December 31, 1993, the remaining unpaid deferrals are reported as follows:

	March 31, 1994	December 31, 1993
	(in thousands)	
Accounts payable	$ 1,823	$ 1,823
Other liabilities	8,058	8,513
Long-term debt	20,971	21,539
	$30,852	$31,875

As of March 31, 1994, the Company had 66 aircraft under operating leases with remaining terms ranging from one year to 25 years. The Company has options to purchase most of the aircraft at fair market value at the end of the lease term. Certain of the agreements require security deposits and maintenance reserve payments. The Company also lease certain terminal space, ground facilities and computer and other equipment under noncancelable operating leases.

In the first quarter of 1994, the Company entered into a lease agreement for a B757 aircraft for a term of three years with monthly payments in advance.

Future minimum rental payments for years ending December 31 under noncancelable operating leases with initial terms of more that one years are as follows:

	(in thousands)
1994	$ 194,379
1995	186,978
1996	184,152
1997	171,357
1998	160,759
Thereafter	1,333,187
	$2,230,812

Rent expense (excluding landing fees) was approximately $59 million and $65 million for the three months ended March 31, 1994 and 1993, respectively.

Collectively, the operating lease agreements require security deposits with lessors of $8.1 million and bank letters of credit of $17.7 million. The letters of credit are collateralized by certain spare rotable parts with a net book value of $35.8 million

and $17.6 million in restricted cash.

(b) Revenue Bonds

Special facility revenue bonds have been issued by a municipality used for leasehold improvements at the airport which have been leased by the Company. Under the operating lease agreements, which commenced in 1990, the Company is required to make rental payments sufficient to pay principal and interest when due on the bonds. The Company ceased rental payments in June 1991. The principal amount of such bonds outstanding at December 31, 1992 and 1991 was $40.7 million. In October 1993, the Company and the bondholder agreed to reduce the outstanding balance of the bonds to $22.5 million and adjust the related operating lease payments sufficient to pay principal and interest on the reduced amount effective upon the confirmation of a plan of reorganization. The remaining principal balance of $18.2 million will be accorded the same treatment under the plan of reorganization as a pre-petition unsecured claim. The Company also agreed to make adequate protection payments in the amount of $150,000 per month from August 1993 to plan confirmation.

(c) Aircraft Acquisitions

At March 31, 1994, the Company had on order a total of 93 aircraft of the types currently comprising the Company's fleet, of which 51 are firm and 42 are options. The table below details such deliveries.

	Firm Orders							
	1994	1995	1996	1997	Thereafter	Total	Option Orders	Total
Boeing: 737-300	-	-	4	2	-	6	10	16
757-200	-	4	3	-	-	7	10	17
Airbus: A320-200	9	5	2	8	14	38	22	60
	-	-	-	--	--	--	--	--
Total	9	9	9	10	14	51	42	93
	=	=	=	==	==	==	==	==

The current estimated aggregate cost for these firm commitments and options is approximately $5.2 billion. Future aircraft deliveries are planned in some instances for incremental additions to the Company's existing aircraft fleet and in other instances as replacements for aircraft with lease terminations occurring during this period. The purchase agreements to acquire 24 Boeing 737-300 aircraft had been affirmed in the Company's bankruptcy proceeding.

With timely notice to the manufacturer, all or some of these deliveries may be converted to Boeing 737-400 aircraft. As of March 31, 1994, eight Boeing 737 delivery positions had been eliminated due to the lack of a required reconfirmation notice by the Company to Boeing leaving 16 delivery positions as reflected above. The failure to reconfirm such delivery positions exposes the Company to loss of pre-delivery deposits and other claims which may be asserted by Boeing in the bankruptcy proceeding. The purchase agreements for the remaining aircraft types have not been assumed, and the Company has not yet determined which of the other aircraft purchase agreements, if any, will be affirmed or rejected.

(d) Concentration of Credit Risk

The Company does not believe it is subject to any significant concentration of credit risk. At March 31, 1994, approximately 82 percent of the Company's receivables related to tickets sold to individual passengers through the use of major credit cards or to tickets sold by other airlines and used by passengers on America West. These receivables are short-term, generally being settled shortly after sale or in the month following usage. Bad debt losses, which have been minimal in the past, have been considered in establishing allowances for doubtful accounts.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

On June 27, 1991 the Company filed a voluntary petition in the United States Bankruptcy Court for the District of Arizona (the "Bankruptcy Court") to reorganize under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). The Company is currently operating as a debtor-in-possession ("D.I.P.") under the supervision of the Bankruptcy Court. As a debtor-in-possession, the Company is authorized to operate its business but may not engage in transactions outside its ordinary course of business without approval of the Bankruptcy Court.

The accompanying financial statements have been prepared on a going concern basis which assumes continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. As a result of the reorganization proceedings, there are uncertainties relating to the ability of the Company to continue as a going concern. The financial statements do not include any adjustments that might be necessary as a result of the outcome of the uncertainties discussed herein including the effects of any plan of reorganization.

Due to the bankruptcy proceedings, current economic conditions and the competitive nature of the airline industry, no measure of comparability can be drawn from past results in order to measure those that may occur in the future. Among the uncertainties which might adversely impact the Company's future operations are: economic recession; changes in the cost of fuel, labor, capital and other operating items; increased level of competition resulting in significant discounting of fares; changes in capacity, load factors and yields; or reduced levels of passenger traffic due to war or terrorist activities.

During the first quarter of 1994, the following significant bankruptcy related events occurred.

PLAN PROPOSALS. On December 8, 1993 and February 16, 1994, the Bankruptcy Court entered certain orders which provided for a procedure pursuant to which interested parties could submit proposals to participate in a plan of reorganization for America West. The Bankruptcy Court also set February 14, 1994 as the date for America West to select a "Lead Plan Proposal" from among the proposals submitted. This date was extended to February 24, 1994.

On February 24, 1994, America West selected as its Lead Plan Proposal an investment proposal submitted by AmWest Partners, L.P., a limited partnership ("AmWest"), which includes Air Partners II, L.P., Continental Airlines, Inc., Mesa Airlines, Inc. and Fidelity Management Trust Company. On April 21, 1994 the Company and AmWest entered into the Third Revised Investment Agreement (the "Investment Agreement") which substantially incorporates the terms of the AmWest Investment Proposal. The Investment Agreement provides that AmWest will purchase from America West equity securities representing a 33.5 percent ownership interest in the Company. AmWest would also obtain 71.2 percent of the total voting interest in America West after the Company is reorganized. The terms of the Third Revised Investment Agreement will be incorporated into a Plan of Reorganization to be filed with the Bankruptcy Court. There can be no assurance that such Plan of Reorganization will be accepted by the parties entitled to vote thereon or confirmed by the Bankruptcy Court.

In addition to the interest in the reorganized America West that would be acquired by AmWest pursuant to the Third Revised Investment Agreement, the Investment Agreement also provides for the following:

1. The D.I.P. financing would be repaid in full with cash on the date a Plan of Reorganization is confirmed ("Reorganization Date").

2. On the Reorganization Date, unsecured creditors would receive 59.5 percent of the new common equity in the reorganized Company. In addition, unsecured creditors would have the right to elect to receive cash at $8.889 per share up to an aggregate maximum amount of $100 million, through a repurchase by AmWest of a portion of the shares to be issued to unsecured creditors under the Plan of

Reorganization.

3. Holders of equity interest would receive 5 percent of the new common equity of the Company. In addition, holders of equity interests would have the right to purchase up to $14.4 million of the new common equity (3.6 percent of the outstanding shares) in the Company for $8.889 per share from AmWest, and would also receive warrants entitling them to purchase up to 6,230,769 shares of the reorganized Company's common stock, at a price to be set by the Bankruptcy Court.

4. In exchange for certain concessions principally arising from cancellation of the right of GPA affiliates to "put" to America West 10 Airbus A320 aircraft at fixed rates, GPA, or certain affiliates thereof, would receive (i) 2 percent of the new common equity in the reorganized Company, (ii) warrants to purchase up to 1,384,615 shares of the reorganized Company's common stock on the same terms as the AmWest warrants, (iii) $30.5 million in new unsecured debt securities or an equivalent amount in cash, and (iv) the right to require the Company to lease up to eight aircraft of types operated by the Company from GPA prior to June 30, 1999 on terms which the Company believes to be more favorable than those currently applicable to the "put" aircraft.

5. Continental Airlines, Inc., Mesa Airlines, Inc. and America West would enter into certain alliance agreements which would include code-sharing, schedule coordination and certain other relationships and agreements. A condition to proceeding with the Plan of Reorganization based upon the Third Revised Investment Agreement would be that these agreements be in form and substance satisfactory to America West, including the Company's reasonable satisfaction that such alliance agreements, when fully implemented, will result in an increase in pre-tax income to the Company of not less than $40 million per year.

6. The expansion of the Company's Board of Directors to 15 members for a period of not less than three years following the Reorganization Date. Nine members would be designated by AmWest and other members reasonably acceptable to AmWest would include three members designated by the Creditors' Committee, and one member each designated by the Equity Committee, the Company's current Board of Directors and GPA.

7. The Third Revised Investment Agreement also provides for many other matters, including the disposition of the various types of claims asserted against the Company, the adherence to the Company's aircraft lease agreements, the amendment of the Company's aircraft purchase agreements and re-lease of the Company's employees from all currently exiting obligations arising under the Company's stock purchase plans in consideration for the cancellation of the shares of the Company stock securing such

obligations.

The Company has also entered into a Third Revised Procedures Agreement (the "Procedures Agreement") with AmWest dated April 21, 1994. The Procedures Agreement sets forth terms and conditions upon which the Company must operate prior to the effective date of a confirmed Plan of Reorganization based upon the terms of the Third Revised Investment Agreement. The Procedures Agreement provides for the reimbursement of expenses up to $550,000 for the period prior to March 1, 1994 and up to $300,000 per month subsequent to March 31, 1994. The Third Revised Procedures Agreement was approved by the Bankruptcy Court on May 4, 1994.

EXCLUSIVITY PERIOD. On February 2, 1994, the Bankruptcy Court approved the Company's request to extend its exclusivity period to file a Plan of Reorganization through June 10, 1994. In its motion, the Bankruptcy Court confirmed the Official Committees' (Creditors' and Equity) right to also file a Plan of Reorganization during this period of exclusivity. Such period may be extended at the discretion of the Bankruptcy Court, but only on a showing of good cause.

POSSIBLE LIMITATION ON NOL AND BUSINESS TAX CREDIT CARRYFORWARDS. As of December 31, 1993, the Company has net operating loss ("NOL") and general business tax credit carryforwards of approximately $530 million and $12.7 million, respectively. Under Section 382 of the Internal Revenue Code of 1986, if a loss corporation has an "ownership change" within a designated testing period, its ability to use its NOL and credit carryforwards are subject to certain limitations. The Company is a loss corporation within the meaning of Section 382. To the best of the Company's knowledge, the Company has not undergone an "ownership change" that would result in any material limitation of the Company's ability to use its NOL and business credit carryforwards in future tax years as of March 31, 1994. However, should an "ownership change" occur prior to the effective date of a Plan of Reorganization, the Company's ability to utilize such carryforwards would be significantly restricted. Further, any "ownership change" as a result of the Company's reorganization under the Bankruptcy Code may result in carry forward usage limitations.

In this regard, the Company filed a motion with the Bankruptcy Court on February 10, 1994 to prohibit the sale or other transfers of any general unsecured claims, the convertible subordinated debentures or shares of any class of stock. The motion attempted to preserve the Company's tax assets as such sales and transfers in sufficient numbers and amounts could, under current tax laws, jeopardize the preservation of the Company's net operating loss and general business tax credit carryforwards. At the request of the official committees, the Company withdrew its motion without prejudice on February 16, 1994. On March 11, 1994, the Company again filed a motion with the Bankruptcy Court to prohibit the sale or other transfer of shares of any class of the Company's stock to or from five percent or more shareholders. This

option was more limited in scope than the motion filed on February 10, 1994 in that it sought only to restrict transfers of stock which most likely could have an adverse effect on the Company's ability to fully utilize its NOL carryforwards. On March 15, 1994, the Bankruptcy Court ordered that this motion be converted to an adversary proceeding under the Bankruptcy rules. As of March 29, 1994, no hearing on such proceeding had been held. Recently issued Treasury Regulations indicate that the risk of net operating loss imitations is less than before. There can be no assurance that the Company will continue to pursue this matter and, if the Company continues to pursue this matter, that it will be successful.

RESULTS OF OPERATIONS
- - ---------------------

The Company realized net income of $15.2 million ($.56 per common share) for the first quarter of 1994, the Company's fifth consecutive quarter of profitability. The continuation of the positive trend in operating results, which commenced during the fourth quarter of 1992, is attributable to several factors which include improved economic and competitive fare conditions, the stabilization of fuel prices as well as the benefits derived from the reduction in fleet size from 104 aircraft to 85 aircraft, the implementation of numerous cost reduction and revenue enhancement programs, the elimination of the Company's commuter operation and the introduction of three code sharing agreements. During first quarter of 1994, the Company incurred $8.4 million of reorganization expenses. For the first quarter of 1993, the Company reported net income of $2.1 million ($.09 per common share) which included reorganization expenses of $1.1 million.

Passenger revenues for the first three months of 1994 increased 9 percent to $324.4 million compared to the corresponding period of 1993. The impact resulting from a 4.5 percent decline in average passenger yield was more than offset by the 14.1 percent increase in the level of traffic (RPMs). In addition, available seat miles (ASMs) increased 1.1 percent to 4.302 billion miles compared to the first quarter of 1993 in spite of having one less aircraft in the fleet due to increased utilization.

Revenues from sources other than passenger fares increased during the 1994 quarter to $20.8 million compared to $18.9 million for 1993. This improvement of 10 percent was primarily due to increases in freight and mail revenues.

The following table details certain key operating statistics for the three month periods ended March 31, 1994 and 1993.

	FIRST QUARTER		
	1994	1993	Pos.(Neg.) Percent Change
Number of Aircraft	85	86	(1.2)

ASMs (000,000)	4,302	4,254	1.1
RPMs (000,000)	2,917	2,558	14.1
Load Factor (percent)	67.8	60.1	12.8
Yield (cents)	11.12	11.64	(4.5)
Revenue Per ASM (cents):			
Passenger	7.54	7.00	7.7
Total	8.03	7.44	7.9

Operating expense per available seat mile increased 1.6 percent to 7.15 cents for the first quarter of 1994 compared to the same period of the prior year. The table below sets forth the major categories of operating expense per available seat mile for the first quarter of 1994 and 1993.

	FIRST QUARTER		
	(in cents)		Pos.(Neg.)
	1994	1993	Percent Change
Salaries and Related Costs	1.85	1.74	(6.3)
Rentals and Landing Fees	1.54	1.70	9.4
Aircraft Fuel	.88	1.00	12.0
Agency Commissions	.68	.60	(13.3)
Aircraft Maintenance Materials and Repairs	.18	.17	(5.9)
Depreciation & Amortization	.49	.46	(6.5)
Other	1.53	1.37	(11.7)
	7.15	7.04	(1.6)

The changes in the components of operating expense per available seat mile between 1994 and 1993 are explained as follows:

* Approximately $3.3 million of the $5.3 million increase in salaries and related costs is due to the performance and employment award distributions under the transition pay program which was instituted in the second quarter of 1993. The remaining balance is attributable to increased costs associated with medical claims and a higher staffing level.

* Rentals and landing fees decreased due to the return of a wet leased aircraft which was used to service the Hawaii market through March 31, 1993, the reduction in airport rent expense at New York's JFK and Phoenix's Sky Harbor International and the return of certain administrative office space, as part of the Company's facilities consolidation program.

* Aircraft fuel expense decreased due to the decline in the average price per gallon to 54.71 cents from 63.34 cents for 1993.

* The increase in the level of agency commission expense is primarily due

to the significant increase in passenger revenue per available seat mile from 7.00 cents for 1993 to 7.54 cents for 1994.

* The level of aircraft maintenance materials and repairs expense remained relatively unchanged.

* The increase in depreciation and amortization expense is primarily attributable to increased heavy engine overhauls on a scheduled basis.

* The increase in other operating expenses of 11.7 percent is primarily due to increased media advertising costs as well as expenses related to increased traffic such as credit card discount fees, booking fees, telephone charges, catering expenses and single/multiple use supplies.

Non-operating expenses (net of non-operating income) amounted to $21.9 million and $15.0 million for the first quarter of 1994 and 1993, respectively. Net interest expense for the first quarter of 1994 was $13.2 million, slightly below the $13.9 million for the same period of 1993. In conformity with Statement of Position 90-7, "Financial Reporting by Entities In Reorganization Under the Bankruptcy Code", issued by the American Institute of Certified Public Accountants, the Company has ceased accruing and paying interest on unsecured pre-petition long-term debt. Interest expense for the first quarter of 1994 would have been $16.4 million, if the Company had continued to accrue interest on such debt. The increase in the loss on disposition of property and equipment from $200,000 for the first quarter of 1993 to $500,000 for the first quarter of 1994 is primarily attributable to the sale of spare parts and equipment rendered surplus as a result of the downsizing of the aircraft fleet that occurred in the Fall of 1992.

During the first quarter, the Company incurred expenses of $8.4 million in 1994 and $1.1 million in 1993 in connection with its effort to reorganize under Chapter 11. Such expenses for 1994 include charges of $4.2 million related to the proposed settlement of an administrative claim. Reorganization related expenses are expected to significantly affect future results and to continue until such time as the Company has obtained approval for its Plan of Reorganization.

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes", (SFAS 109). Since there was no cumulative effect of this change in accounting method, prior year financial statements have not been restated.

Additionally, Statements of Financial Accounting Standards No. 106 "Post Retirement Benefits Other Than Pensions", (SFAS 106) became effective January 1, 1993. The Company does not provide any post retirement benefits, thus, the standard has no impact. Statement of Financial Accounting Standard No. 112, "Employer's Accounting for Post Employment Benefits", (SFAS 112) becomes effective January 1, 1994. This statement requires that post employment benefits be treated as part of compensation provided to an employee in exchange for service. Previously, most employers expensed the

cost of these benefits as the benefits were provided. The Company is still reviewing the impact of SFAS 112, but does not believe it will have a material effect.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital deficiency of $102.3 million and $124.4 million at March 31, 1994 and December 31, 1993, respectively. The decline in the deficiency is primarily due to the increase in its cash position and receivable balances at March 31, 1994 resulting from improved operating results.

Cash and cash equivalents increased to $151.5 million at March 31, 1994 from $99.6 million at December 31, 1993. Cash generated from operating activities for the three months ended March 31, 1994 and 1993 amounted to $79.6 million and $37.1 million, respectively. During the first quarter of 1994, the Company incurred capital expenditures of $13.7 million compared to $8.9 million in 1993. The capital expenditures for 1994 consisted largely of aircraft spare parts and heavy engine overhauls.

The Company's transition pay program which was implemented in the second quarter of 1993 is scheduled to terminate in the second quarter of 1994. The Company announced certain amendments to its compensation program on March 24, 1994. Effective April 1, 1994, employee base wages were increased between two percent to eight percent depending on the employee's length of service with the Company. Generally, each employee whose anniversary date occurs between April and December 1994 will also receive an additional increase on such date approximating 4 percent with certain exceptions. The Chairman of the Board and the President will not participate in the salary increase program. Due to the current collective bargaining process with the representatives of the pilots, increase in pilots' salaries will not be paid but will be accrued. The distribution of such amounts will be determined through the collective bargaining discussions. The Company is currently in the process of revising its entire compensation program with the assistance of a consulting firm and anticipates implementing such program effective January 1, 1995.

The Company has also announced that, effective April 1, 1994, matching contributions by the Company under the America West 401(k) plan will be increased from 25 percent to 50 percent of the first six percent contributed by the employees, subject to certain limitations. This change restores the Company's matching contribution to the level that existed prior to the Chapter 11 filing.

The Company estimates that the implementation of the increases in pay and the 401(k) matching contributions will result in increased costs of approximately $18 million during the last nine months of 1994.

On March 31, 1994, the Company made a principal payment of $5 million as required under the amended D.I.P. loan agreement. Under the amended terms

of the D.I.P. financing the Company is also required to notify the D.I.P. lenders if the unrestricted cash balance of the Company exceeds $125 million. Upon receipt of such notice, the D.I.P. lenders may require the Company to prepay the D.I.P. financing by the amount of such excess. Subsequent to March 31, 1994, the Company notified the D.I.P. lenders that the Company's unrestricted cash exceeded $125 million; however, the D.I.P. lenders have not exercised their prepayment right. The D.I.P. financing contains a minimum unencumbered cash balance requirement of $55 million at March 31, 1994 and other financial covenants. At March 31, 1994, the Company was in compliance with these covenants.

At March 31, 1994, the outstanding balance of the D.I.P. loan was $78.6 million with a maturity date of June 30, 1994. Presently, the Company does not possess the liquidity to satisfy its D.I.P. loan obligation and still maintain a sufficient level of working capital nor does it appear that a Plan of Reorganization could be confirmed prior to June 30, 1994. Consequently, the Company is in negotiations with its current D.I.P. lenders to obtain alternative repayment terms. Although there can be no assurances that such alternative repayment terms will be agreed to by the D.I.P. lenders, the Company is confident that such revised terms will be granted based on its recent operating performance and the progress it has achieved with respect to the reorganization process.

The reorganization process is expected to result in the cancellation and/or restructuring of substantial debt obligations of the Company. Under the Bankruptcy Code, the Company's pre-petition liabilities are subject to settlement under a Plan of Reorganization. The Bankruptcy Code also requires that all administrative claims be paid on the effective date of a Plan of Reorganization unless the respective claimants agree to different treatment. There are differences between the amounts at which claims liabilities are recorded in the financial statements and the amounts claimed by the Company's creditors and such differences are material. Significant litigation may be required to resolve any disputes.

Due to the uncertain nature of many of the potential claims, America West is unable to project the magnitude of such claims with any degree of certainty. However, the claims (pre-petition claims and administrative claims) that have been filed against the Company are in excess of $2 billion. Such aggregate amount, includes claims of all character, including, but not limited to, unsecured claims, secured claims, claims that have been scheduled but not filed, duplicative claims, tax claims, claims for leases that were assumed, and claims which the Company believes to be without merit; however, claims filed for which an amount was not stated are not reflected in such amount. The Company is unable to estimate the potential amount of such unstated claims; however, the amount of such claims could be material.

The Company is in the process of reviewing the general unsecured claims asserted against the Company. In many instances, such review process will include the commencement of Bankruptcy Court proceedings in order to determine the amount at which such claims should be allowed. The Company

has accrued its estimate of claims that will be allowed or the minimum amount at which it believes the asserted general unsecured claims will be allowed if there is no better estimate within the range of possible outcome. However, the ultimate amount of allowed claims will be different and such differences could be material. The Company is unable to estimate the amount of such difference with any reasonable degree of certainty at this time.

The Bankruptcy Code requires that all administrative claims be paid on the effective date of a Plan of Reorganization unless the respective claimants agree to different treatment. Consequently, depending on the ultimate amount of administrative claims allowed by the Bankruptcy Court, the Company may be unable to obtain confirmation of a Plan of Reorganization. The Company is actively negotiating with the claimants to achieve mutually acceptable dispositions of these claims. Since the commencement of the bankruptcy proceeding, claims alleging administrative expense priority totaling more than $153 million have been filed. As of March 31, 1994, $115 million of the filed claims have been allowed and settled for $50.2 million in the aggregate. The Company is currently negotiating the resolution of a $38 million filed administrative expense claim (which relates to a rejected lease of a Boeing 737-300 aircraft). Other such claims have been or may be asserted against the Company, subject to allowance by the Bankruptcy Court. The amount of such unidentified administrative claims may be material.

As part of its claims administration procedure, the Company is reviewing potential claims that could arise as a result of the Company's rejection of executory contracts. The Company's Plan of Reorganization will provide for the status of any executory contract not theretofore assumed by either assuming or rejecting such contracts. The assumption or rejection of certain executory contracts could result in additional claims against the Company.

At March 31, 1994, the Company had a total of 93 aircraft on order, of which 51 are firm and 42 are options. The current estimated aggregate cost for these firm commitments and options is approximately $5.2 billion. Future aircraft deliveries are planned in some instances for incremental additions to the Company's existing aircraft fleet and in other instances as replacements for aircraft with lease terminations occurring during this period. The purchase agreement to acquire 24 Boeing 737-300 aircraft was previously assumed in the Company's bankruptcy proceeding. With timely notice to the manufacturer, all or some of these deliveries may be converted to Boeing 737-400 aircraft. As of March 31, 1994, eight Boeing 737 delivery positions had been eliminated due to the lack of a required reconfirmation notice by the Company to Boeing. The failure to reconfirm these delivery positions exposes the Company to loss of pre-delivery deposits and other claims which may be asserted by Boeing in the Bankruptcy proceeding. The purchase agreements for the remaining aircraft types have not been assumed, and the Company has not yet determined which of the other aircraft purchase agreements, if any, will be assumed or rejected. The Company also has a pre-petition executory contract under which the Company holds delivery positions for four Boeing 747-400 aircraft under firm orders and another four under options. The contract allows the Company, with the giving of

adequate notice, to substitute other Boeing aircraft types for the Boeing 747-400 in these delivery positions As a result, the Company is still evaluating its future fleet needs and is currently unable to determine if it will substitute other aircraft types or reject this agreement. The Company believes it will be successful in negotiating new aircraft purchase agreements that will meet its needs. However, there can be no assurances that the Company will enter into such agreements. As of March 31, 1994, the Company had deposits on aircraft orders of approximately $52 million of which approximately $21 million were financed.

During 1994, leases relating to four Boeing 737-200 aircraft, two Airbus A320 aircraft and two Boeing 757 aircraft are scheduled to expire. The Company has negotiated extensions of the leases of all but one of the Airbus A320 aircraft for terms ranging from one to three years. The Airbus A320 aircraft to be returned to the lessor will be replaced by a Boeing 757 aircraft which has been leased for a term of three years. In addition, up to nine Airbus A320 aircraft may be put to the Company should GPA and/or Kawasaki elect to exercise its put options in 1994. As of March 31, 1994, none of the put options have been exercised. Lease agreements have been arranged for such put aircraft for terms of five to eighteen years at specified monthly lease rate factors. In addition, the put agreement with GPA is anticipated to be cancelled in exchange for certain concessions on the part of the Company as outlined in the Third Revised Investment Agreement.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

On June 27, 1991, the Company filed a voluntary petition in the United States Bankruptcy Court for the District of Arizona to reorganize under Chapter 11 of Title 11 of the United States Bankruptcy Code. See: Notes to Financial Statement under Item 1 and Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

In August 1991, the Securities and Exchange Commission ("SEC") informally requested that the Company provide the SEC with certain information and documentation underlying disclosures made by the Company in annual and quarterly reports filed with the SEC by the Company in 1991. The Company has cooperated with the SEC's informal inquiry. On March 29, 1994, the Company submitted an offer of settlement for the purpose of resolving the inquiry through the entry of a consent decree pursuant to which the Company would, while neither admitting nor denying any violation of the securities laws, agree to comply with its future reporting obligations under Section 13 of the Securities Exchange Act of 1934. On May 6, 1994, the Securities and Exchange Commission accepted the Company's offer of settlement. In order to implement the settlement, the SEC will issue an "Order Instituting

Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934 and Opinion and Order of the Commission" finding that the Company's Form 10-K for the year ending December 31, 1990, violated Section 13(a) of the Exchange Act and Rule 13a-1 thereunder, and that the Company's Form 10-Q for the first quarter 1991 violated Section 13(a) of the Exchange Act and Rule 13a-13 thereunder, and ordering that the Company cease and desist from future violations of such provisions. The Order does not contain any findings of intentional wrongdoing and expressly provides that the Company neither admits or denies any violation of the securities laws.

Item 2. CHANGES IN SECURITIES

None.

Item 3. DEFAULT UPON SENIOR SECURITIES

As a result of the Chapter 11 filing, the Company is in default of substantially all of its debt and lease agreements. In addition, the Company has not made scheduled dividend payments on its outstanding preferred stock. Aggregate dividends, accrued and unpaid at March 31, 1994, were $3,203,000.

Item 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None.

Item 5. OTHER INFORMATION

During the second quarter of 1994, the Company's Board of Directors approved the acquisition by certain entities of shares of the Company's Common Stock and Preferred Stock. Absent such approval, such acquisitions may have resulted in a Triggering Event under the terms of the Company's Amended and Restated Rights Agreement. Such approval was also necessary in order to avoid having the acquisition deemed a "business combination" (as such term is defined under the General Corporation Law of the State of Delaware) between the purchasers and the Corporation.

On October 26, 1993, the Air Line Pilots Association (ALPA) was certified by the NMB as the collective bargaining representative of America West's pilots. Negotiations with ALPA pursuant to the Railway Labor Act as amended commenced on April 19, 1994 and opening proposals covering certain provisions of a collective bargaining agreement have been exchanged.

On April 15, 1994, the NMB advised the Company that it had instituted an investigation in case number R-6277 to determine whether the Company's Fleet Service employees should be represented for collective bargaining purposes by the Transport Workers Union of America. The NMB has not yet determined which employees would be eligible as members of the class or craft of Fleet Service employees, or whether there had been a sufficient showing of interest to warrant an election.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

EXHIBIT NUMBER	DESCRIPTION AND METHOD OF FILING
10.A	Form of Third Revised Investment Agreement dated April 21, 1994 (Filed herewith).
10.B	Form of Third Revised Procedures Agreement dated April 21, 1994 (Filed herewith).
10.C	Form of Employment Agreement between America West Airlines, Inc. and A. Maurice Myers effective as of January 1, 1994 (Filed herewith).

b. Reports on Form 8-K

1. The Company filed with the Securities and Exchange Commission a Form 8-K dated February 10, 1994 reporting that it had filed a motion with the U.S. Bankruptcy Court to prohibit the sale or other transfer of any general unsecured claims, debentures or shares of any class of stock.

2. The Company filed with the Securities and Exchange Commission a Form 8K dated February 24, 1994, reporting that it had selected a lead plan proposal.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICA WEST AIRLINES, INC.

By /s/ A.E. Frei

A. E. Frei
Senior Vice President and Chief
Financial Officer

DATED: May 12, 1994

FORM OF THIRD REVISED INTERIM PROCEDURES AGREEMENT

THIS THIRD REVISED INTERIM PROCEDURES AGREEMENT, entered into and dated as of April 21, 1994 (this "Agreement"), between America West Airlines, Inc., a Delaware corporation (including, on or after the effective date of the Plan, as hereinafter defined, its successors, as reorganized pursuant to Chapter 11 of the Bankruptcy Code, as hereinafter defined) (hereinafter, the "Company"), operating as debtor-in-possession under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. Sections 101-1330 (the "Bankruptcy Code") and AmWest Partners, L.P., a Texas limited partnership (hereinafter the "Investor"). All capitalized terms used in this Agreement without definition shall have the meanings assigned to them in the Third Revised Investment Agreement between the Company and Investor dated as of the date hereof (the "Investment Agreement").

W I T N E S S E T H:

WHEREAS, the Company has filed a case seeking relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Arizona (the "Bankruptcy Court"), and is operating its business as debtor-in-possession;

WHEREAS, on December 8, 1993, the Bankruptcy Court entered an Order on Motion to Establish Procedures for Submission of Investment Proposals (the "Procedures Order");

WHEREAS, in accordance with the Procedures Order, Investor submitted on February 22, 1994 a proposal for making an investment in the Company (the "Investment") which, subject to certain changes approved by the Company, Investor, the Creditors Committee and the Equity Committee, is set forth in the Investment Agreement;

WHEREAS, pursuant to the Procedures Order, the Company has selected the Investment Agreement as the Lead Plan Proposal (as defined in the Procedures Order) and has provided appropriate notification of such selection to all persons entitled to receive such notification; and

WHEREAS, the Investment Agreement contemplates, among other things, the consummation of a plan of reorganization (the "Plan") that would, subject to the terms and conditions set forth in the Investment Agreement, provide for (i) a recapitalization of the Company, (ii) the execution and delivery of the Alliance Agreements, the intended effect of which would be to improve the financial performance of the Company and (iii) the execution and delivery of the Governance Agreements;

NOW, THEREFORE, in consideration of the premises, and for other good and

valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company hereby agrees with Investor as follows:

SECTION 1. No Solicitation, etc. (a) Prior to the termination of this Agreement, the Company shall not directly, or indirectly through any of its officers, directors, employees, agents or otherwise, initiate or solicit any offer or proposal providing for or in furtherance of any Prohibited Transaction. The term "Prohibited Transaction" shall mean (i) any transaction or transactions (A) similar to or in substitution for the Investment contemplated by the Investment Agreement or (B) similar to or in substitution for the issuance and sale by the Company of any of the Contemplated Securities (as defined below); (ii) the designation as a Lead Plan Proposal of any other proposal made by a party other than Investor; or (iii) the execution of a contract with another airline or affiliate thereof which would interfere with full implementation of the Alliance Agreements, it being understood that normal course of business arrangements between and among carriers that are either terminable on not more than 60 days notice or entered into or continued with the consent of Investor (which consent shall not be unreasonably withheld) shall not constitute Prohibited Transactions. The "Prohibited Transactions," as defined above, shall also include, without limitation, (1) any merger or consolidation of the Company, (2) any issuance or sale of equity or debt securities of the Company, and (3) any sale, encumbrance, lease or other disposition of material assets of the Company or interest therein outside the ordinary and normal course of the Company's business. Notwithstanding the foregoing, "Prohibited Transactions" shall not include any Permitted Transaction (as hereinafter defined).

(b) Nothing in this Agreement shall be construed to prohibit the Company from soliciting proposals or entering negotiations for a Prohibited Transaction if, at any time after the date hereof and prior to the Effective Date, Investor or any of its partners shall (1) initiate proceedings in bankruptcy or receivership or, voluntarily or involuntarily, be or become subject to proceedings for protection from its creditors or (2) shall suffer an adverse change in its condition (financial or otherwise), business, assets, properties or prospects that, in the reasonable judgment of the Company's board of directors, materially impairs (A) the ability of Investor or such partner, as the case may be, to perform its obligations under this Agreement, the Investment Agreement or the Related Agreements or (B) the Company's ability to realize (1) the intended benefits and value of this Agreement, the Investment Agreement or, the Related Agreements (other than the Alliance Agreements) and (2) an increase in the Company's pretax income of not less than 40 million per year from the Alliance Agreements as contemplated by Section 9(g) of the Investment Agreement; provided, however, that in no event shall the Company be entitled under this paragraph (b) to solicit proposals for a Prohibited Transaction until after the Company shall have given Investor not less than one business day s advance written notice of the Company's intention to do so.

(c) If both of the following conditions are satisfied:

(i) the Company receives either (A) a proposal for a Prohibited Transaction prior to the date (the "Cut-off Date") on which the Bankruptcy Court enters an order approving a disclosure statement with respect to the Plan (the "Disclosure Statement Order") or (B) a proposal for a Prohibited Transaction after the Cut-off Date under the circumstances contemplated by paragraph (b) above; and

(ii) the Company s board of directors (A) determines in good faith, based on advice from the Company s independent financial advisor, that such proposal (the "Alternate Proposal") satisfies the criteria for qualification as an Overbid (as set forth below) and (B) desires to accept the Alternate Proposal as being in the best interests of the Company and its constituents,

then the Company shall promptly disclose the Alternate Proposal to Investor and within two business days submit to Investor copies of all documents or written information received by the Company from or on behalf of the party making such proposal setting forth the terms of such Alternate Proposal (the "Related Documentation"). In making the determination required in clause (ii)(B) above, the Company's board of directors shall consider all relevant considerations and factors, including, without limitation, the form and value of consideration, the extent to which the economic benefits of the Alternate Proposal, taken as a whole, differ from the economic benefits to the Company contemplated to be provided by the Investment Agreement, taken as a whole, the likelihood that the party making the Alternate Proposal is able to obtain financing to consummate the Alternate Proposal, the proposed closing date, the certainty of consummation, competitive issues and closing conditions. If within seven business days of receipt by Investor of all Related Documentation and notice that the Company deems such seven-day period to have started, Investor offers amendments to the Investment Agreement and/or the Alliance Agreements that, taken as a whole, satisfy the criteria for qualification as a Matching Bid in respect of the Alternate Proposal, then Investor s offer will continue as the Lead Plan Proposal and all the terms of this Agreement and the Investment Agreement, as so amended, will continue in full force and effect. If (A) Investor offers no such amendments within such seven business days or (B) in the event the Company disagrees with Investor s characterization of its offer as a Matching Bid and the Bankruptcy Court determines, upon petition by the Company, that Investor s amended offer does not qualify as Matching Bid or (C) in the event Investor disagrees with the Company's determination referred to in clause (ii) above and the Bankruptcy Court determines, upon petition by Investor, that the Alternate Proposal does qualify as an Overbid, then the Company may terminate this Agreement in accordance with Section 20(a)(v), provided that the Expenses have been paid to Investor as provided in Section 2.

(d) For purposes of paragraph (c) above, the term "Overbid" shall mean a proposal or offer that is presented to the Company entirely in writing from one or more parties reasonably believed by the Company to be

financially capable of performing in full the provisions of its proposal, which proposal:

(A) must provide overall economic benefits to the Company and its constituents which are materially greater, in the Company's reasonable judgment, than the overall economic benefits to be provided under this Agreement, the Investment Agreement and the Related Agreements, taken as a whole;

(B) is otherwise on terms and conditions that, taken as a whole, are more favorable to the Company than those contained in this Agreement, the Investment Agreement and the Related Agreements, taken as a whole; and

(C) is not subject to any due diligence, litigation, environmental or regulatory approval condition that is more favorable to the proponent than those contained in this Agreement, the Investment Agreement and the Related Agreements, taken as a whole.

(e) For purposes of paragraph (c) above, the term "Matching Bid" shall mean an offer by Investor to amend the Investment Agreement and/or the Related Agreements such that, after giving effect to such amendments, the Investment Agreement and the Related Agreements, taken as a whole, will:

(A) provide overall economic benefits to the Company and its constituents which are not less, in the Company's reasonable judgment, than the overall economic benefits to be provided under the Alternate Proposal;

(B) contain terms and conditions that, taken as a whole, are at least as favorable to the Company as those contained in the Alternate Proposal; and

(C) not be subject to any due diligence, litigation, environmental or regulatory approval condition that is more favorable to Investor than those contained in the Alternate Proposal.

Such offer shall be in writing and shall specify, in reasonable detail, the amendments referred to therein.

(f) After the Cut-off Date and prior to the termination of this Agreement in accordance with its terms, the Company shall not consider, entertain or negotiate, or enter into or consummate any agreement in furtherance of, any Prohibited Transaction except as expressly permitted by paragraph (b) above.

(g) Nothing in this Agreement shall prohibit the Company from consummating any Permitted Transaction (as defined in Section 4.2).

SECTION 2. Expenses. (a) Following the entry of the order referred to in Section 16, the Company shall, immediately upon request and

upon receipt of an accounting reasonably acceptable to the Company, reimburse Investor for all reasonable out-of-pocket or third-party expenses actually paid by Investor or its partners in connection with efforts to consummate the Investment, including the negotiation and preparation of documents necessary or appropriate to consummate the Investment, and including, without limitation, legal, investment banking, appraisal, accounting and other similar professional fees (collectively, the "Expenses"). Notwithstanding the preceding sentence, the aggregate of the Expenses reimbursable in full to Investor and its partners pursuant to this Agreement shall not exceed (i) $550,000 for the period prior to March 1, 1994 or (ii) $300,000 for any calendar month commencing on or after March 1, 1994; provided, that any unused portion of such $300,000 amount for any month shall accumulate and be carried forward and be available in any subsequent month to reimburse any Expenses. No inference shall be drawn that the limitations set forth in the preceding sentence are indicative of a reasonable level of expenses.

(b) In the event this Agreement is terminated pursuant to Section 20(a) (other than pursuant to clause (iv)(B) thereof) or pursuant to Section 20(c) for any reason, the Company shall pay to Investor, within 15 days of such termination but subject to paragraph (f) below, all Expenses not previously reimbursed under paragraph (a) above without regard to the limitations set forth in the second sentence of such paragraph (a).

(c) Upon the Effective Date, the Company shall pay to Investor all Expenses not previously reimbursed under paragraph (a) above subject only to the limitation set forth in clause (i) of the second sentence of such paragraph (a).

(d) Except to the extent otherwise provided herein, the Expenses payable under this Agreement by the Company shall not be subject to any offset, return, recoupment or counterclaim and shall be an allowed administrative expense under Section 507(a)(1) of the Bankruptcy Code.

(e) The Company and Investor agree that the Expenses payable hereunder are commercially reasonable and necessary to induce Investor to continue pursuing and to attempt to consummate the transactions contemplated by the Investment Agreement. The Company shall use all commercially reasonable efforts, and endeavor in good faith and without unreasonable delay, to obtain Bankruptcy Court approval of all Expenses payable to Investor in accordance with paragraph (a), (b) or (c) above.

(f) Notwithstanding any provision of this Agreement to the contrary, the Company shall have no obligation under this Agreement to pay, or reimburse Investor or any other Person for, any Expenses unless specifically approved by the Bankruptcy Court.

SECTION 3. Additional Payments. If (i) this Agreement is terminated in accordance with the provisions of Section 20(a)(v) or (ii) a competing plan of reorganization proposed by another party in interest (excluding any Affiliate of Investor) is confirmed by the Bankruptcy Court

and Investor has not previously terminated this Agreement or breached any of its obligations hereunder or under the Investment Agreement in any material respect, then Investor shall be entitled, on a substantial contribution basis consistent with 11 U.S.C. Section 503(b), to seek recovery of an additional amount (not to exceed $4,000,000) as reasonable compensation for Investor s actions in connection with the Investment and the benefits it provided to the Company and its constituents in connection therewith and with the Company's bankruptcy proceedings; provided, however, that making the proposed Investment will not, in and of itself, entitle Investor to any additional payment. Notwithstanding the termination of this Agreement as aforesaid, the Company agrees (i) to cooperate in good faith as reasonably requested by Investor in obtaining Bankruptcy Court approval of any additional amount sought by Investor as contemplated by the preceding sentence and (ii) in the event such approval is obtained, to promptly pay the amount so approved by the Bankruptcy Court to Investor without offset. Any such additional amount so approved by the Bankruptcy Court shall be an allowed administrative expense under Section 507(a)(1) of the Bankruptcy Code.

SECTION 4. Interim Period. The Company covenants as follows with respect to the period prior to the earlier of (a) the Effective Date and (b) the termination of this Agreement:

4.1. The Company shall use all commercially reasonable efforts and shall take all actions reasonably necessary or appropriate to preserve the value of the business, assets and goodwill of the Company and to operate the business of the Company in the ordinary and normal course consistent in all material respects with prior practices.

4.2. Except as expressly permitted hereunder or with the written consent of Investor (which consent shall not be unreasonably withheld or delayed), the Company (a) shall not implement any material changes to the operation of its business (such as material route deletions, transfers of international route authorities, material changes in marketing or advertising, or abandoning material franchises); (b) shall not enter into any new material contracts (such as labor union contracts and employment contracts) or amend, modify or terminate any such contracts, or waive any of its material rights thereunder; and (c) shall not modify its business plans or budgets in any material respect; provided, however, that nothing in this Agreement shall be construed to prohibit the Company from taking any of the following actions (collectively, the "Permitted Transactions"), none of which will be deemed to be a Prohibited Transaction:

(i) entering into any material modification of any existing leases, loan agreements and/or security agreements provided that the Company will obtain the approval of Investor (which approval shall not be unreasonably withheld or delayed) before entering into any such modification;

(ii) renewing or extending existing contracts for products and services, or entering into replacement contracts for such products and

services, in the ordinary course of business and upon terms and conditions available in the market place in arms -length transactions with non-affiliates;

(iii) entering into agreements with respect to 11 leased aircraft which provide in August 1994 for reset of lease rentals (as heretofore stipulated in the Bankruptcy Court and as described in Plan R-2) to the higher of the current rate and fair market rental value;

(iv) entering into a 3-year lease agreement, on terms currently available, for a Boeing 757-200 aircraft in replacement of an A-320 aircraft to be returned in April 1994;

(v) selling to AVSA, S.A.R.L. or its affiliates surplus A-320 parts for approximately $1.3 million, with the proceeds thereof to be applied against amounts due to AVSA, S.A.R.L. or its affiliates under existing spare parts agreements with the Company;

(vi) entering into a $12.8 million settlement with the Internal Revenue Service relating to certain priority tax claims for pre-petition transportation taxes, with approximately $1 million of the settlement amount payable prior to the Effective Date and the balance payable after the Effective Date in accordance with the provisions of the Bankruptcy Code;

(vii) entering into one or more settlement agreements with taxing authorities relating to certain priority tax claims for prepetition ad valorem taxes as contemplated by Plan R-2, provided that the Company will not be permitted to enter into settlement agreements pursuant to this clause (vii) for more than $11.5 million without the prior consent of Investor;

(viii) extending the Company's existing approximately $83.6 debtor-in-possession loan ("Present DIP Financing") through December 31, 1994, provided that at no time will the principal amount of the Present DIP Financing, together with any other loan for similar purposes, including any renewal, extension, modification or replacement thereof, exceed $83.6 million;

(ix) extending the terms of the existing leases between the Company and Canadian Airlines covering three Boeing 737-200 aircraft as contemplated by Plan R-2 but in no event at rentals greater than as currently provided for in such leases;

(x) entering into an employment contract with the individual to be hired by the Company to fill the vacancy created by the resignation of the Company's Senior Vice President - Operations;

(xi) entering into a settlement agreement or stipulation with International Aero Engines relating to the terms under which the Company will exercise its existing purchase option for one aircraft

engine currently held by the Company under lease, provided that the Company will consult with Investor before entering into any such settlement agreement or stipulation;

(xii) consummating the "Real Property Consolidation Project" initiated in 1993 with the approval of the Bankruptcy Court;

(xiii) making the capital expenditures contemplated by Plan R-2, provided that the Company shall consult with Investor before making any such capital expenditure in excess of $250,000;

(xiv) selling or otherwise disposing of surplus assets within the limits specified in the Present DIP Financing;

(xv) implementing increases in employee compensation through 1995 as contemplated by Plan R-2, provided that the Company will consult with Investor before implementing any such increases;

(xvi) issuing common stock of the Company upon the exercise of options or conversion rights under securities of the Company currently outstanding;

(xvii) paying and/or compromising administrative claims as contemplated by Plan R-2; or

(xviii) negotiating a collective bargaining agreement with the International Air Line Pilots Association on behalf of the Company's flight deck crew members prusuant to the Railway Labor Act, as amended, provided that the terms, conditions and provisions of such collective bargaining agreement shall be subject to the approval of Investor (which approval shall not be unreasonably withheld or delayed). It is understood and agreed that Investor s approval of the matters set forth in this clause (xviii) is without prejudice to the position of any party regarding whether such approval is or is not in conformity with the provisions of the Railway Labor Act, as amended.

4.3. The Company shall provide Investor and its Representatives (as hereinafter defined) with full access to all the Company data reasonably requested by them, with reasonable access to the Company officers and with full opportunity to complete an investigation of the Company's business and assets and shall keep Investor fully informed in reasonable detail and with all reasonable promptness regarding (i) negotiations with its creditors, employees, labor unions and other interested parties in the Company's bankruptcy case; (ii) the nature of, and any material changes to, its condition (financial or other), business, assets, liabilities (including contingencies), properties, prospects (including forecasts and projections), net worth, working capital, results of operations and cash flows; and (iii) the nature of any material actions to be taken or omitted by the Company with respect to any environmental claim or threatened claim, proceedings or notifications and all known material instances of noncompliance with environmental laws.

4.4. The Company shall provide Investor with reports that include a comparison of actual operating performance with the Projections and Monthly Targets, in form and substance reasonably satisfactory to Investor, on a monthly basis no later than 30 days after the end of each month or daily basis not less than the end of the business day following each day, as appropriate.

4.5. The Company will promptly advise Investor, and (other than with respect to actions respecting environmental concerns and actions which are disclosed in Plan R-2) will afford Investor with reasonable and timely opportunities to consult (as deemed appropriate by Investor), regarding any material actions to be taken or omitted by the Company with respect to the proceedings in the Bankruptcy Court or with respect to any material changes in its charter or bylaws, material capital commitments, material capital expenditures, material financing transactions (including renegotiations or other modifications to existing material debt, credit or lease liabilities or arrangements, material purchases or sales of assets, material contracts or material litigation); provided, however, that, notwithstanding anything else in this Agreement, ultimate control of the business of the Company shall remain exclusively with the Company until the Effective Date.

4.6. As soon as practicable, the Company and Investor will make, and cooperate in making, all filings, applications, requests for consents or similar authorizations for Regulatory Approvals; provided that the Company and Investor each agrees to make such filings and request any such Regulatory Approvals required on its part by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or from the United States Department of Transportation no later than May 15, 1994.

SECTION 5. Cooperation. (a) The Company shall use all commercially reasonable efforts and endeavor in good faith and without unreasonable delay (i) to develop with Investor and jointly file a Plan consistent with the provisions of the Investment Agreement, (ii) to obtain the order described in Section 16, (iii) to obtain the Disclosure Statement Order, (iv) to obtain the Confirmation Order and (v) subject to the entry of the Confirmation Order, to consummate the transactions contemplated by the Investment Agreement and the Related Agreements, all within the respective time periods set forth in the Investment Agreement. Investor agrees to cooperate in good faith as reasonably requested by the Company in performing the obligations in the preceding sentence.

(b) The Company shall consult and coordinate with Investor with respect to all material filings, hearings and other proceedings in the Bankruptcy Court, including, without limitation, those that are pertinent (i) to the Company's performance of its obligations under the Investment Agreement, this Agreement and the Related Agreements, or to the satisfaction of the conditions to the consummation of the transactions contemplated hereby or thereby or (ii) to the entry of the orders described above. Such consultation and coordination shall include providing Investor with reasonable opportunity to review and comment on all significant drafts of

the Plan and the disclosure statement accompanying the Plan (the "Disclosure Statement").

(c) Anything in this Agreement or elsewhere to the contrary notwithstanding, neither the refusal or failure of the Bankruptcy Court to enter the Disclosure Statement Order or the Confirmation Order nor the confirmation of a plan of reorganization relating to the Company (other than the Plan) shall consitute a breach of this Agreement or the Investment Agreement by either party except to the extent that such refusal or failure resulted primarily from the breach by such party of one or more of its obligations under this Agreement.

SECTION 6. Public Announcements. Unless otherwise mutually agreed, neither party hereto shall make or authorize any public release of information regarding the matters contemplated by this Agreement, the Investment Agreement and any Related Agreement except (i) that a press release or press releases in mutually agreed-upon form shall be issued by the parties as promptly as is practicable following the execution of this Agreement, (ii) that the parties may communicate with employees, creditors and other parties in interest in the Company's bankruptcy case, customers, suppliers, stockholders, bondholders, lenders, lessors, regulatory authorities, analysts, stock exchanges and other particular groups including prospective lenders and investor groups, as may be necessary or appropriate and not inconsistent with the provisions of Section 1 and the prompt consummation of the transactions contemplated by this Agreement, the Investment Agreement and any Related Agreement, it being understood that each party hereto will keep the other reasonably informed with respect to such communications which are material and not confidential and (iii) as either party on advice of legal counsel shall reasonably deem necessary in complying with applicable law.

SECTION 7. Confidentiality. (a) Neither party (the "Recipient") will in any manner, directly or indirectly, disclose in whole or in part, any confidential or proprietary information (including, without limitation, information concerning the Alliance Agreements) of the other party (the "Protected Party") that comes, or has come, into the possession of the Recipient in connection with the transactions contemplated hereby (the "Confidential Information") to any Person or use such Confidential Information for commercial gain or competitive advantages or in any way detrimental to the Protected Party; provided, however, that Confidential Information may be disclosed to Representatives (as defined below) of the Recipient, to any prospective investor in the Contemplated Securities or to any prospective lender to Investor or the Company who needs to know the Confidential Information for purposes of participating in or financing the transactions contemplated hereby, it being understood that all such Representatives will be advised by the Recipient of the confidential nature of such Confidential Information and that, by receiving such Confidential Information, they are agreeing to be bound by this Section. The Company and Investor shall use their commercially reasonable efforts to assure that their respective Representatives adhere to the terms of this Section.

(b) As used herein with respect to any Person, the term "Representative" shall include (i) any and all officers, directors, employees, affiliates, agents, partners and representatives of such Person, (ii) all lawyers, financial advisers, appraisers, accountants, other professionals or consultants (and their respective officers, directors, employees, affiliates, agents, partners and representatives) engaged by such Person and (iii) any prospective purchaser of any Contemplated Securities and any prospective lender that is considering making a loan to the Company or Investor to assist in the consummation of the transactions contemplated hereby, by the Investment Agreement or by the Related Agreements and their respective lawyers, financial advisers, appraisers, accountants, other professionals or consultants (and their respective officers, directors, employees, affiliates, agents, partners and representatives) engaged by such prospective purchaser or lender.

(c) The Recipient shall not be obligated to maintain any Confidential Information in confidence to the extent that (i) the Confidential Information is or becomes public knowledge other than through the breach by the Recipient of this Section or any other similar agreement binding on the Recipient, (ii) the Confidential Information is or becomes available on an unrestricted basis to the Recipient from a source other than the Protected Party (or its Representatives), or (iii) the Confidential Information is required to be disclosed pursuant to court order or government action.

(d) Upon termination of this Agreement (i) if requested by the Company, and if no dispute between Investor and the Company or any other Person is pending or in the reasonable judgment of Investor foreseeable, Investor will destroy all Confidential Information (including any analyses or reports that incorporate any Confidential Information) in its possession relating to the Company and shall certify such destruction and (ii) if requested by Investor, and if no dispute between Investor or any other Person and the Company is pending or in the reasonable judgment of the Company foreseeable, the Company will destroy all Confidential Information (including any analyses or reports that incorporate any Confidential Information) in its possession relating to Investor and shall certify such destruction.

(e) The foregoing provisions of this Section shall not apply to any partner of Investor if and to the extent such provisions are inconsistent with any written agreement relating to the subject matter of this Section between the Company and such partner.

(f) The Company shall, upon the request of the Creditors Committee or Equity Committee, provide such Committee with copies of the Confidential Information which is provided to and/or by Investor pursuant to the provisions of this Agreement, the Investment Agreement and the Related Agreements following receipt from such Committee and each of its Representatives who will have access to such Confidential Information of a written confidentiality agreement which contains provisions which provide the Company and Investor protection for such Confidential Information at

least equivalent, in all material respects, to that provided pursuant to this Section 7 and which contains other terms and conditions which are reasonably required by the Company and Investor.

(g) This Section shall survive termination of this Agreement.

SECTION 8. Liability. Notwithstanding any provision hereof or in the Investment Agreement (or any implication of such provision) to the contrary, it is expressly agreed that:

8.1. Investor and its permitted assigns (including any affiliate, partner, agent, advisor or Representative thereof) shall not have nor be under any liability of any nature whatsoever to the Company, the estate of the Company, any trustee, any committee of creditors or of equity security holders or any party in interest in the bankruptcy case concerning the Company, nor to any other Person whatsoever, arising out of or in any manner connected with this Agreement, the Investment Agreement or any Related Agreement, or any actions, inactions or omissions in any manner relating hereto or thereto or to any actions or transactions contemplated hereby or thereby, whether occurring prior to or after the date hereof, except to the extent that Investor is liable to the Company for damages which are found in a final judgment by a court of competent jurisdiction to have resulted from (i) any material breach by Investor of an express obligation or undertaking contained in this Agreement, the Investment Agreement or any Related Agreement or any material breach (as of the date made) by Investor of an express representation or warranty contained in this Agreement, the Investment Agreement or any Related Agreement or for any act of bad faith or willful or deliberate wrongdoing by Investor, which bad faith, breach or wrongdoing is not discontinued or remedied promptly (and in any event within seven days) after written notice thereof specifying the same in reasonable detail from the Company or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Disclosure Statement or in any offering document pursuant to which any or all of the securities of the Company in connection with and as part of the transactions contemplated by the Agreements (the "Contemplated Securities") may be placed or offered or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in such offering document in reliance upon and in conformity with written information furnished by Investor or any of its partners specifically for inclusion therein or (iii) any action or inaction in respect of which the Company is entitled to indemnification under Section 9.

8.2. The Company and its permitted assigns (including any affiliate, stockholder, director, officer, agent, advisor or Representative thereof) shall not have nor be under any liability of any nature whatsoever to Investor or any of its partners or affiliates,

nor to any other Person whatsoever, arising out of or in any manner connected with this Agreement, the Investment Agreement or any Related Agreement, or any actions, inactions or omissions in any manner relating hereto or thereto or to any actions or transactions contemplated hereby or thereby, whether occurring prior to or after the date hereof, except to the extent that the Company is liable to Investor for damages which are found in a final judgment by a court of competent jurisdiction to have resulted from (i) any material breach by the Company of an express obligation or undertaking contained in this Agreement, the Investment Agreement or any Related Agreement or any material breach (as of the date made) by the Company of an express representation or warranty contained in this Agreement, the Investment Agreement or any Related Agreement or for any act of bad faith or willful or deliberate wrongdoing by the Company, which bad faith, breach or wrongdoing is not discontinued or remedied promptly (and in any event within seven days) after written notice thereof specifying the same in reasonable detail from Investor or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Disclosure Statement or in any offering document pursuant to which any or all of the Contemplated Securities may be placed or offered or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in such offering document in reliance upon and in conformity with written information furnished by Investor or any of its partners specifically for inclusion therein or (iii) any action or inaction in respect of which Investor is entitled to indemnification under Section 9.

8.3. No partner or assignee of the Investor shall have or be under any liability by reason of any negligence or asserted negligence or any material breach or willful or deliberate wrongdoing of any other partner or assignee of Investor.

8.4. No consequential, exemplary or punitive damages shall under any circumstances be recoverable against Investor, the Company or any other Indemnified Party (as defined in Section 9) in respect of any claim relating to this Agreement or the Investment Agreement or in connection with the consummation of or any failure to consummate the transactions contemplated hereby or thereby.

8.5. If Investor seeks Bankruptcy Court approval of an additional amount as contemplated by Section 3 and if such additional amount is approved by the Bankruptcy Court and paid to Investor by the Company, such payment shall be in full satisfaction of any and all claims (other than for Expense reimbursement under Section 2 and for indemnification under Section 9) that Investor shall have against the Company.

8.6. In no event will Investor seek to recover damages against

the Company, nor will the Company be liable under any circumstances for, more than $4,000,000 (less any amount paid to Investor pursuant to Section 3) in damages on account of any breach, misconduct or bad faith on the part of the Company or any other Person relating to this Agreement or the Investment Agreement or any of the transactions contemplated hereby or thereby. Nothing in this Agreement or elsewhere shall be construed to be an admission by the Company that Investor is or shall be entitled under any circumstances to recover any amount of damages from the Company.

SECTION 9. Indemnity.

9.1. As used herein:

(a) "Losses" means (i) in the case of any Investor Indemnified Party, any and all losses, claims, damages, liabilities, fines, fees, penalties, deficiencies and expenses (including, but not limited to, interest, court costs, fees and expenses of attorneys, accountants, and other experts or other expenses of litigation or other proceedings or of any claim, default or assessment) incurred by such Investor Indemnified Party as a result of any third party claim asserted against such Investor Indemnified Party on account of any breach of any representation or warranty of the Company contained in this Agreement, the Investment Agreement or any Related Agreement, or any breach or alleged breach of any of the Company's covenants or obligations contained herein or therein and (ii) in the case of any Company Indemnified Party, any and all losses, claims, damages, liabilities, fines, fees, penalties, deficiencies and expenses (including, but not limited to, interest, court costs, fees and expenses of attorneys, accountants, and other experts or other expenses of litigation or other proceedings or of any claim, default or assessment) incurred by such Company Indemnified Party as a result of any third party claim asserted against such Company Indemnified Party on account of any any breach or alleged breach of any representation or warranty of Investor contained in this Agreement, the Investment Agreement or any Related Agreement, or any breach or alleged breach of any of Investor s covenants or obligations contained herein or therein.

(b) "Investor Indemnified Party" means Investor or any of its partners, assignees, affiliates, controlling persons or employees.

(c) "Company Indemnified Party" means the Company or any of its partners, assignees, affiliates, controlling persons, directors or employees.

(d) "Indemnified Party" means a Company Indemnified Party or an Investor Indemnified Party, as the case may be.

(e) "Indemnifying Party" means the Company or Investor, as the case may be.

9.2. Subject to Section 9.4 and to Section 3(e), the Company agrees to indemnify each Investor Indemnified Party from and against any and all Losses incurred by such Investor Indemnified Party, whether prior to or after the date hereof.

9.3.Subject to Section 9.5, Investor agrees to indemnify each Company Indemnified Party from and against any and all Losses incurred by such Company Indemnified Party, whether prior to or after the date hereof.

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9.4. The Company will not be liable under this Section 9 for Losses which consist of Expenses covered by Section 2 (which Expenses shall only be payable in the manner and subject to the limitations set forth in Sections 2 and 3), nor shall the Company be liable to any Investor Indemnified Party to the extent that any Loss is found in a final judgment by a court of competent jurisdiction to have resulted from (i) any breach by such Investor Indemnified Party of an express obligation or undertaking pursuant to this Agreement, the Investment Agreement or any of the Related Agreements or any act of bad faith or willful or deliberate wrongdoing by such Investor Indemnified Party, which bad faith, breach or wrongdoing is not discontinued or remedied promptly (and in any event within seven days) after written notice thereof specifying the same in reasonable detail from the Company or (ii) any untrue statement or alleged untrue statement of a material fact contained in any offering document pursuant to which any or all of the Contemplated Securities may be placed or offered or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading if, and to the extent that, such untrue statement or alleged untrue statement or omission or alleged omission was made in such offering document in reliance upon and in strict conformity with written information furnished by such Investor Indemnified Party specifically for inclusion therein, or (iii) investment losses in respect of the Contemplated Securities incurred by such Investor Indemnified Party.

9.5. Investor will not be liable under this Section 9 to any Company Indemnified Party to the extent that any Loss is found in a final judgment by a court of competent jurisdiction to have resulted from (i) any breach by such Company Indemnified Party of an express obligation or undertaking pursuant to this Agreement, the Investment Agreement or any of the Related Agreements or any act of bad faith or willful or deliberate wrongdoing by such Company Indemnified Party, which bad faith, breach or wrongdoing is not discontinued or remedied promptly (and in any event within seven days) after written notice thereof specifying the same in reasonable detail from Investor or (ii) any untrue statement or alleged untrue statement of a material fact contained in any offering document pursuant to which any or all of the Contemplated Securities may be placed or offered or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading,

except to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in such offering document in reliance upon and in strict conformity with written information furnished by such Investor Indemnified Party specifically for inclusion therein or (iii) investment losses in respect of the Contemplated Securities incurred by such Company Indemnified Party.

9.6. If the indemnification of an Indemnified Party provided for in this Section 9 is for any reason held unenforceable, the Indemnifying Party agrees to contribute to the Losses for which such indemnification is held unenforceable (x) in such proportion as is appropriate to reflect the relative benefits or proposed benefits to the Indemnifying Party, on the one hand, and such Indemnified Party, on the other hand, of the Agreements (whether or not the Agreements are entered into and whether or not any transaction or action pursuant thereto is consummated) or (y) if (but only if) the allocation provided for in clause (x) is for any reason held unenforceable, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (x) but also the relative fault of the Indemnifying Party, on the one hand, and such Indemnified Party, on the other hand, as well as any other relevant equitable considerations. The Indemnifying Party agrees that for the purposes of this paragraph, the relative benefits or proposed benefits to the Indemnifying Party and such Indemnified Party of the Agreements shall be deemed to be in the same proportion that the total value paid or issued to, or to be paid or issued to, the Indemnifying Party, its creditors or its security holders, as the case may be, as a result of or in connection with the Agreements bears to the amount received by such Indemnified Party pursuant to the Agreements (whether in the form of fees paid to such Indemnified Party or the reimbursement of expenses provided by the Indemnified Party to such Party).

9.7. Without the Indemnified Party s prior written consent (which consent shall not be unreasonably withheld), no Indemnifying Party will settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification could reasonably be expected to be sought against such Indemnifying Party by such Indemnified Party under this Section 9 (whether or not such Indemnified Party is an actual party to such claims, action or proceeding), unless such settlement, compromise or consent includes an unconditional release of such Indemnified Party from all liability arising out of such claim, action or proceeding.

9.8. The provisions herein in respect of any Indemnified Party shall not be affected, or the obligations of the Indemnifying Party hereunder as to any Indemnified Party in any manner reduced or limited, by any action, inaction, omission, breach or default of any Person (other than of such Indemnified Party and its officers, directors, employees, agents, advisors, Representatives and controlling Persons), but then only to the extent provided hereby.

9.9. Without the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld), no Indemnified Party shall settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification from the Indemnifying Party could reasonably be expected to be sought by such Indemnified Party under this Section 9 unless such Indemnified Party unconditionally releases the Indemnifying Party from any and all indemnification obligations to it arising out of such claim, action or proceeding.

9.10. Promptly after any Indemnified Party becomes aware of the existence of facts or other information which could reasonably be expected to give rise to a claim by such Indemnified Party for indemnification under this Section 9, such Indemnified Party will provide written notice thereof to the Indemnifying Party describing such facts and other information in reasonable detail. The failure of an Indemnified Party to give notice in the manner and at the time provided herein shall not relieve the Indemnifying Party of its obligations under this Section 9, except to the extent that the Indemnifying Party actually is prejudiced in any material respect by such failure to give notice. Any notice given the Indemnifying Party pursuant to this Section 9.10 shall contain a statement to the effect that the Indemnified Party giving such notice is making or may in the future make a claim pursuant to and a formal demand for indemnification under this Section 9.

9.11. Upon the commencement of any claim, action or proceeding in respect of which indemnification could be sought by an Indemnified Party under this Section 9, the Indemnifying Party shall have the right, with counsel selected by it (which counsel shall be reasonably satisfactory to the Indemnified Party), to assume the defense of such claim, action or proceeding and the Indemnified Party shall cooperate with the Indemnifying Party, at the sole cost and expense of the Indemnifying Party, in connection with such defense. In the event that the Indemnifying Party selects counsel to defend any claim, action or proceeding in respect of which indemnification could be sought by any Indemnified Party under this Section 9 and such counsel determines (or such Indemnified Party reasonably determines) that issues exist with respect to such claim, action or proceeding which give rise to a conflict between the interests of the Indemnifying Party and such Indemnified Party, then such Indemnified Party shall be entitled, at the Company's expense, to retain separate counsel regarding such issues.

SECTION 10. Assignment of this Agreement. This Agreement shall be binding upon and shall inure to the benefit of the parties to this Agreement and their successors and permitted assigns without limitation. Neither this Agreement nor any of the rights and obligations of any party to this Agreement may be assigned without the consent of the other party hereto; provided, however, that Investor may assign any or all of its rights

under this Agreement to any partner, affiliate, related party, or representative of Investor or to any fund or account managed or advised by Fidelity Management Trust Company or any of its affiliates. No such assignment shall relieve either party hereto of any obligations hereunder, under the Investment Agreement or under any Related Agreement.

SECTION 11. Notices. All notices required to be given under this Agreement shall be in writing (including telecommunication transmission), shall be effective when received and shall be addressed as follows:

If to the Company:

America West Airlines, Inc.
4000 East Sky Harbor Boulevard
Phoenix, Arizona 85034
Attention: W. A. Franke and Martin J. Whalen
Fax Number: (602) 693-5904

with a copy to:

LeBoeuf, Lamb, Greene & MacRae
633 17th Street, Suite 2800
Denver, Colorado 80202
Attention: Carl A. Eklund
Fax Number: (303) 297-0422

and a copy to:

Andrews & Kurth, L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002
Attention: David G. Elkins
Fax Number: (713) 220-4285

and a copy to:

Lord, Bissell and Brook
115 South LaSalle Street
Chicago, Illinois 60603
Attention: Benjamin Waisbren
Fax Number: (312) 443-0336

and a copy to:

Murphy, Weir & Butler
101 California Street, 39th Floor
San Francisco, California 94111
Attention: Patrick A. Murphy
Fax Number: (415) 421-7879

If to Investor:

AmWest Partners, L.P.
201 Main Street, Suite 2420
Fort Worth, Texas 76102
Attention: James G. Coulter
Fax Number: (817) 338-2064

with a copy to:

Arnold & Porter
1200 New Hampshire Ave., N.W.
Washington, D.C. 20036
Attention: Richard P. Schifter
Fax Number: (202) 872-6720

and a copy to:

Jones, Day, Reavis & Pogue
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Attention: Lyle G. Ganske
Fax Number: (216) 586-7864

and a copy to:

Lord Bissell and Brook
115 South LaSalle Street
Chicago, IL 60603
Attention: Benjamin Waisbren
Fax Number: (312) 443-0336

and a copy to:

Murphy, Weir & Butler
101 California Street, 39th Floor
San Francisco, California 94111
Attention: Patrick A. Murphy
Fax Number: (415) 421-7879

and a copy to:

Goodwin, Procter & Hoar
Exchange Place
Boston, MA 02109
Attention: Laura Hodges Taylor, P.C.
Fax Number: (617) 523-1231

or to such other address as either party hereto may designate to the other party to this Agreement in accordance with this Section.

SECTION 12. Counterparts. This Agreement may be executed in one or more counterparts and by telecopy, each of which shall be deemed to constitute an original and all of which shall be considered one and the same instrument. With respect to signatures transmitted by telecopy, upon request by either party to the other party, an original signature of such other party shall promptly be substituted for its facsimile.

SECTION 13. Entire Agreement. This Agreement sets forth the entire agreement and understanding of the parties with respect to the subject matter of this Agreement and, except as otherwise set forth herein, supersedes all prior agreements and understandings with respect to the subject matter thereof (including, without limitation, the Expense Reimbursement Agreement previously entered into by the Company and Investor but excluding any existing confidentiality agreement between the Company and any Affiliate of Investor). This Agreement may only be amended, supplemented or modified by a written instrument signed by authorized representatives of each of the parties hereto.

SECTION 14. Governing Law, etc. Except to the extent inconsistent with the Bankruptcy Code, this Agreement shall be governed by and construed in accordance with the laws of the State of Arizona, without reference to principles of choice or conflicts of laws under which the law of any other jurisdiction would apply.

SECTION 15. Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future laws, rules or regulations, and if the rights or obligations of Investor and the Company under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms of such illegal, invalid or unenforceable provision as may be possible. If the rights and obligations of Investor or the Company will be materially and adversely affected by any such provision held to be illegal, invalid or unenforceable, then unless such provision is waived in writing by the affected party in its sole discretion, this Agreement shall be null and void.

SECTION 16. Bankruptcy Court Approval. This Agreement shall not become effective for any purpose unless and until the Bankruptcy Court shall have entered an order approving this Agreement.

SECTION 17. Jurisdiction of Bankruptcy Court. The parties agree that the Bankruptcy Court shall have and retain jurisdiction to enforce and construe the provisions of this Agreement.

SECTION 18. No Third Party Beneficiary. This Agreement and the

Investment Agreement are made solely for the benefit of the Company and Investor and their respective permitted assignees, and no other Person (including, without limitation, employees, shareholders and creditors of the Company) shall have any right, claim or cause of action under or by virtue of this Agreement or the Investment Agreement, except to the extent such Person is entitled to expense reimbursement pursuant to this Agreement or may assert a claim for indemnity pursuant to this Agreement.

SECTION 19. Interpretation. In this Agreement, unless a contrary intention appears, (i) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision and (ii) reference to any Section means such Section hereof. The Section headings herein are for convenience only and shall not affect the construction hereof. No provision of this Agreement shall be interpreted or construed against either party solely because such party or its legal representative drafted such provision. Capitalized terms used herein without definition shall have the meanings assigned to them in the Investment Agreement unless otherwise provided or the context otherwise requires.

SECTION 20. Termination. (a) Anything herein or elsewhere to the contrary notwithstanding, this Agreement and the Investment Agreement may be terminated at any time prior to the Effective Date:

(i) by mutual consent of Investor and the Company;

(ii) by either Investor or the Company if a domestic court of competent jurisdiction or a domestic Regulatory Authority of competent jurisdiction shall have issued an order, decree or ruling or taken any other action, in each case permanently restraining, enjoining or otherwise prohibiting the Investment, and such order, decree or ruling or other action shall have become final and non-appealable; provided, however, that in no event shall Investor be entitled to terminate this Agreement or the Investment Agreement pursuant to this clause (ii) on account of the issuance of any order, decree or ruling or the taking of any other action relating to antitrust laws or regulations;

(iii) by Investor if:

(A) any of the conditions specified in Section 8(a), 8(g), 8(n), 8(p), 8(r) or 8(s) of the Investment Agreement has not been satisfied by the respective deadlines (as extended from time to time) set forth with respect thereto in such clauses for any reason other than (1) a material breach by Investor of any of its representations, warranties, covenants or obligations under this Agreement, the Investment Agreement or any Related Agreement or (2) the issuance of any order, decree or ruling or the taking of any other action relating to antitrust laws or regulations;

(B) any of the other conditions precedent set forth in Section 8 of the Investment Agreement has not been or, in the reasonable

good faith determination of Investor, will not be able to be satisfied by the Outside Date for any reason other than (1) a material breach by Investor of any of its representations, warranties, covenants or obligations under this Agreement, the Investment Agreement or any Related Agreement or (2) the issuance of any order, decree or ruling or the taking of any other action relating to antitrust laws or regulations; or

(C) any of the Company's representations or warranties made herein, in the Investment Agreement or in any Related Agreement prove to have been inaccurate in any material respect when made;

provided, however, that Investor shall not be entitled to terminate this Agreement pursuant to this clause (iii) at a time when Investor (or its Affiliates) shall be in material breach of any of its representations, warranties, covenants or obligations under this Agreement, the Investment Agreement or any Related Agreement; and, provided further, however, that upon Investor becoming aware of any breach by the Company of any of its representations, warranties, covenants or obligations hereunder or under the Investment Agreement or any of the Related Agreements, or the occurrence or nonoccurrence of any other event, in any such case which would give Investor the ability to terminate this Agreement pursuant to the provisions of this clause (iii), Investor promptly shall notify the Company, the Equity Committee and the Creditors Committee of the existence of such breach and provide the Company seven business days to cure such breach or remedy such occurrence or nonoccurrence before exercising the termination right granted hereunder;

(iv) by the Company if:

(A) any of the conditions specified in Section 9 of the Investment Agreement has not been or, in the reasonable good faith determination of the Company, will not be able to be satisfied by the Outside Date for any reason other than a material breach by the Company of any of its representations, warranties, covenants or obligations under this Agreement, the Investment Agreement or any Related Agreement; or

(B) any of the Investor s representations or warranties made herein, in the Investment Agreement or in any Related Agreement prove to have been inaccurate in any material respect when made;

provided, however, that the Company shall not be entitled to terminate this Agreement pursuant to this clause (iv) at a time when the Company shall be in material breach of any of its representations, warranties, covenants or obligations under this Agreement, the Investment Agreement or any Related Agreement; and, provided further, however, that upon the Company becoming aware of any breach by Investor of any of its representations, warranties, covenants or obligations hereunder or under the Investment Agreement or any of the Related Agreements, or the

occurrence or nonoccurrence of any other event, in any such case which would give the Company the ability to terminate this Agreement pursuant to the provisions of this clause (iv), the Company promptly shall notify Investor, the Equity Committee and the Creditors Committee of the existence of such breach and provide Investor seven business days to cure such breach or remedy such occurrence or nonoccurrence before exercising the termination right granted hereunder;

(v) by the Company in the event of an Overbid as contemplated by Section 1(c);

(vi) by either the Company or the Investor if the Effective Date has not occurred by December 31, 1994; or

(vii) by Investor for any reason; provided, however, that Investor shall not be entitled to terminate this Agreement pursuant to this clause (vii) after the Cut-off Date or at any time when Investor (or its Affiliates) shall be in material breach of any of its representations, warranties, covenants or obligations under this Agreement, the Investment Agreement or any Related Agreement and, provided further, that promptly after any termination of this Agreement pursuant to this clause (vii), Investor shall refund to the Company the aggregate amount of all Expenses previously paid or reimbursed by the Company purusnat to Section 2 which were incurred by Investor after March 1, 1994. Any such termination shall constitute an unconditional waiver by Investor of all claims it may have under this Agreement or the Investment Agreement other than for Expense reimbursement under Section 2.

(b) In the event of the termination of this Agreement by either party pursuant to paragraph (a) above, written notice thereof shall be promptly given to the other party and, subject to paragraph (d) below, this Agreement and the Investment Agreement shall terminate and the transactions contemplated hereby and thereby shall be abandoned without further action by Investor or the Company.

(c) This Agreement shall automatically terminate upon confirmation of a plan of reorganization for the Company (other than the Plan) prior to the Outside Date.

(d) In the event of the termination of this Agreement as provided in paragraph (a) or (c) above, (i) this Agreement, the Investment Agreement and the Related Agreements shall forthwith become null and void, and there shall be no liability on the part of any Investor or the Company or any of their respective partners, officers, directors, employees, agents or stockholders, except for fraud or for willful breach of this Agreement, the Investment Agreement (but only if the Confirmation Order is entered) or the Related Agreements and except that the parties shall continue to be obligated as set forth in Sections 2, 3, 7, 8, 9, 17 and 18 of this Agreement and in Sections 28(b) and 30 of the Investment Agreement, all of which Sections shall survive the termination of this Agreement.

(e) The termination of this Agreement and the Investment Agreement pursuant to paragraph (a) above shall become effective when (i) in the case of a termination pursuant to clause (i) of paragraph (a) above, the required consent is executed and (ii) in the case of a termination pursuant to any other clause of paragraph (a) above, the required notice is given by the terminating party.

(f) No termination of this Agreement pursuant to this Section 20 shall constitute a breach of this Agreement. The termination of this Agreement and the Investment Agreement shall not cause or constitute a termination of any existing confidentiality agreement between the Company and one or more Affiliates of Investor.

SECTION 21. Privileged Communication. The parties hereto anticipate that, being similarly situated and having a common interest in the Company's bankruptcy case with respect to the Plan, and in anticipation of potential litigation with other constituents of the Company, they may share certain documents, information, factual materials, mental impressions, memoranda, reports, and attorney-client communications that may be privileged from disclosure to adverse or other parties as a result of the attorney-client privilege, the attorney work product privilege, or other applicable privileges. The parties hereto agree that the sharing of such information or materials shall not diminish in any way the confidentiality of such information or materials and shall not constitute a waiver of any applicable privilege.

IN WITNESS WHEREOF, the Company and Investor, by their respective officers thereunto duly authorized, have executed this Agreement as of the date first above written.

AMERICA WEST AIRLINES, INC.
as Debtor and Debtor-in-Possession

By:
Title:

AMWEST PARTNERS, L.P.

By: AmWest Genpar, Inc.,
its General Partner

By:
Title:

FORM OF THIRD REVISED INVESTMENT AGREEMENT

April 21, 1994

America West Airlines, Inc.
4000 East Sky Harbor Boulevard
Phoenix, AZ 85034

Attention: William A. Franke
Chairman of the Board

Gentlemen:

This letter agreement (this "Agreement") sets forth the agreement between America West Airlines, Inc., a Delaware corporation (including, on or after the effective date of the Plan, as defined herein, its successors, as reorganized pursuant to the Bankruptcy Code, as defined herein) (the "Company"), and AmWest Partners, L.P., a Texas limited partnership ("Investor").

The Company will issue and sell to Investor, and Investor hereby agrees and commits to purchase from the Company, a package of securities of the Company for $244,857,000 in cash (subject to adjustment as herein provided), consisting of (i) shares of Class A Common Stock of the Company ("Class A Common"), (ii) shares of Class B Common Stock of the Company ("Class B Common" and, together with the Class A Common, "Common Stock"), (iii) senior unsecured notes of the Company ("Notes") and (iv) warrants to purchase shares of Class B Common ("Warrants"), all on the terms and subject to the terms and conditions hereinafter set forth.

Investor s purchase of the securities referred to above (the "Investment") will be made in connection with and as part of the transactions to be consummated pursuant to a joint Plan of Reorganization of the Company (the "Plan") and an order (the "Confirmation Order") confirming the Plan issued by the Bankruptcy Court, as defined herein. The Plan will contain provisions called for by, or otherwise consistent with, this Agreement.

In consideration of the agreements of Investor hereunder, and as a precondition and inducement to the execution of this Agreement by Investor, the Company has entered into the Third Revised Interim Procedures Agreement with Investor, dated the date hereof (the "Procedures Agreement").

SECTION 1. Definitions. For purposes of this Agreement, except as expressly provided herein or unless the context otherwise requires, the following terms shall have the following respective meanings:

"Affiliate" shall mean (i) when used with reference to any partnership, any Person that, directly or indirectly, owns or controls 10% or more of either the capital or profit interests of such partnership or is a partner of such partnership or is a Person in which such partnership has a 10% or greater direct or indirect equity interest and (ii) when used with reference to any corporation, any Person that, directly or indirectly, owns or controls 10% or more of the outstanding voting securities of such corporation or is a Person in which such corporation has a 10% or greater direct or indirect equity interest. In addition, the term "Affiliate," when used with reference to any Person, shall also mean any other Person that, directly or indirectly, controls or is controlled by or is under common control with such Person. As used in the preceding sentence, (A) the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the entity referred to, whether through ownership of voting securities, by contract or otherwise and (B) the terms "controlling" and "controls" shall have meanings correlative to the foregoing. Notwithstanding the foregoing, the Company will be deemed not to be an Affiliate of Investor or any of its partners or assignees.

"Alliance Agreements" shall have the meaning specified in Section 5.

"Approvals" shall have the meaning specified in Section 8(b).

"Bankruptcy Code" shall mean Chapter 11 of the United States Bankruptcy Code.

"Bankruptcy Court" shall mean the United States Bankruptcy Court for the District of Arizona.

"Business Combination" means:

(i) any merger or consolidation of the Company with or into Investor or any Affiliate of Investor;

(ii) any sale, lease, exchange, transfer or other disposition of all or any substantial part of the assets of the Company to Investor or any Affiliate of Investor;

(iii) any transaction with or involving the Company as a result of which Investor or any of Investor s Affiliates will, as a result of issuances of voting securities by the Company (or any other securities convertible into or exchangeable for such voting securities) acquire an increased percentage ownership of such voting securities, except pursuant to a transaction open on a pro rata basis to all holders of Class B Common; or

(iv) any related series or combination of transactions having or which will have, directly or indirectly, the

same effect as any of the foregoing.

"Class A Common" shall have the meaning specified in the second paragraph of this Agreement.

"Class B Common" shall have the meaning specified in the second paragraph of this Agreement.

"Common Stock" shall have the meaning specified in the second paragraph of this Agreement.

"Company" shall have the meaning specified in the first paragraph of this Agreement.

"Confirmation Date" shall mean the date on which the Confirmation Order is entered by the Bankruptcy Court.

"Confirmation Order" shall have the meaning specified in the third paragraph of this Agreement.

"Continental" shall mean Continental Airlines, Inc.

"Creditors Committee" shall mean the Official Committee of the Unsecured Creditors of America West Airlines, Inc. appointed in the Company's Chapter 11 case pending in the Bankruptcy Court.

"Disclosure Statement" shall mean a disclosure statement with respect to the Plan.

"Effective Date" shall mean the effective date of the Plan; provided that in no event shall the Effective Date be (a) earlier than 11 days after the Bankruptcy Court approves and enters the Confirmation Order providing for the confirmation of the Plan or (b) before all material Approvals are obtained.

"Electing Party" shall have the meaning specified in Section 4(a)(2)(ii).

"Equity Committee" shall mean the Official Committee of Equity Holders of America West Airlines, Inc. appointed in the Company's Chapter 11 case pending in the Bankruptcy Court.

"Equity Holders" shall mean the Company's equity security holders (including holders of common stock and preferred stock) of record as of the applicable record date fixed by the Bankruptcy Court.

"Governance Agreements" shall have the meaning specified in Section 6.

"GPA" shall mean GPA Group plc or, if applicable, any direct or indirect subsidiary thereof.

"GPA Put Agreement" shall have the meaning specified in Section 7(j).

"Independent Directors" shall have the meaning specified in Section 6(a)).

"Initial Order" shall have the meaning specified in Section 8(a).

"Investment" shall have the meaning specified in the third paragraph of this Agreement.

"Investor" shall have the meaning specified in the first paragraph of this Agreement.

"Mesa" shall mean Mesa Airlines, Inc.

"Monthly Targets" shall mean the amounts specified in the Monthly Targets Schedule.

"Monthly Targets Schedule" shall mean the letter agreement between the Company and Investor dated the date hereof.

"Notes" shall have the meaning specified in the second paragraph of this Agreement. The Notes shall be subject to the terms and conditions set forth in Exhibit B hereto.

"Outside Date" shall mean August 31, 1994; provided that Investor shall have the right from time to time to irrevocably extend the Outside Date to a date not later than November 30, 1994, but only if Investor gives the Company prior written notice of its election to extend the then current Outside Date (which notice shall specify the new Outside Date) and then only if, at the time of the giving of such notice, Investor is not in breach of any of its representations, warranties, covenants or obligations under this Agreement, the Procedures Agreement or any Related Agreement (excluding any breach by Investor which is not willful or intentional and which is capable of being cured on or before the new Outside Date). Unless waived by the Company, any notice given pursuant to this definition shall be delivered to the Company not less than 15 days prior to the then current Outside Date except that, in the event the Effective Date has not occurred for any reason arising within such 15-day period not due to a breach by Investor of any of its representations, warranties, covenants or agreements hereunder, such notice shall be given as soon as practicable but in no event later than the then current Outside Date.

"Person" means a natural person, a corporation, a partnership, a trust, a joint venture, any Regulatory Authority or any other entity or organization.

"Plan" shall have the meaning specified in the third paragraph of this Agreement.

"Plan 9" means the Company's Plan Revision No. 9 which consists of the Summary Pro Forma Financial Statements: June 1993 Through December 1994, dated July 15, 1993.

"Plan R-2" shall mean the Company's Summary Pro Forma Financial Statements, 5 Year Plan: 1994 Through 1998, Plan No. R-2, dated January 13, 1994.

"Procedures Agreement" shall have the meaning specified in the fourth paragraph of this Agreement.

"Projections" shall mean the projections set forth in Plan 9 on pages 15 and 18 of Tab E and pages 7 and 8 of Tab F.

"Purchase Price" shall have the meaning specified in Section 2.

"Regulatory Approvals" shall mean all approvals, permits, authorizations, consents, licenses, rulings, exemptions and agreements required to be obtained from, or notices to or registrations or filings with, any Regulatory Authority (including the expiration of all applicable waiting periods, if any, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended) that are necessary or reasonably appropriate to permit the Investment and the other transactions contemplated hereby and by the Related Agreements and to permit the Company to carry on its business after the Investment in a manner consistent in all material respects with the manner in which it was carried on prior to the Effective Date or proposed to be carried on by the reorganized Company.

"Regulatory Authority" shall mean any authority, agency, commission, official or other instrumentality of the United States, any foreign country or any domestic or foreign state, county, city or other political subdivision.

"Related Agreements" shall have the meaning specified in Section 3.

"Securities" shall mean the securities of the Company issued to the Unsecured Parties, Investor and its assigns and GPA under this Agreement. The Securities are described in Section 4.

"Unsecured Creditors" shall mean, as of any date, the Persons holding of record as of such date the allowed or allowable prepetition unsecured claims without priority of the Company.

"Unsecured Parties" shall mean the Equity Holders and the Unsecured Creditors.

"Warrants" shall have the meaning specified in the second paragraph

of this Agreement.

SECTION 2. Commitment to Make Investment. Subject to the terms and conditions of this Agreement and the Procedures Agreement, on the Effective Date, the Company shall issue and sell and Investor shall purchase Securities in accordance with this Agreement and the Plan. Such Securities shall be issued, sold and delivered to Investor, its designees and/or one or more third party investors, and the $244,857,000 purchase price therefor, as such purchase price may be adjusted pursuant hereto (the "Purchase Price"), shall be paid by wire transfer of immediately available funds on the Effective Date.

SECTION 3. Related Agreements. The agreements necessary to effect the Investment (the "Related Agreements", such term to include the Alliance Agreements and the Governance Agreements) shall be in form and substance reasonably satisfactory to Investor and the Company, and shall contain terms and provisions, including representations, warranties, covenants, warranty termination periods, materiality exceptions, cure opportunities, conditions precedent, anti-dilution provisions (as appropriate), and indemnities, as are in form and substance reasonably satisfactory to such parties; provided, however, that the Related Agreements shall contain provisions called for by, or otherwise consistent with, this Agreement.

SECTION 4. Capitalization. (a) Upon consummation of the Plan, the capitalization of the Company shall be as follows:

(1) Class A Common. There shall be 1,200,000 shares of Class A Common, all of which shares shall, in accordance with the Plan, be issued to Investor. Investor shall pay $8,960,400 for the Class A Common. At the option of the holders thereof, shares of Class A Common shall be convertible into shares of Class B Common on a share for share basis.

(2) Class B Common. There shall be 43,800,000 shares of Class B Common, all of which shares shall, in accordance with the Plan, be issued as follows:

(i) Investor. Investor shall be issued 13,875,000 shares plus the number of shares (if any) to be acquired by Investor pursuant to clause (ii) below minus the number of shares, if any, purchased by the Equity Holders pursuant to the second sentence of clause (iii) below. For each share of Class B Common issued to it, Investor shall pay $7.467; provided that (A) for each share acquired by Investor pursuant to clause (ii) below and (B) for each share not purchased by the Equity Holders pursuant to clause (iii) below, Investor shall pay $8.889.

(ii) Unsecured Creditors. The Unsecured Creditors (or a trust created for their benefit) shall be issued 26,775,000 shares. Notwithstanding the foregoing, each Unsecured Creditor shall have

the right to elect to receive cash equal to $8.889 for each share of Class B Common otherwise allocable to it under this clause (ii). The election of each such Person (the "Electing Party") must be made on or before the date fixed by the Bankruptcy Court for voting with respect to the Plan; provided, however, that in the event that such elections of all Electing Parties aggregate to more than $100 million, then (A) the amount of cash so paid shall be limited to $100 million and (B) the Electing Parties shall each receive proportionate amounts of cash and Class B Common in accordance with the Plan. Subject to the foregoing proviso, Investor shall increase the Investment by the amount necessary to pay all Electing Parties the cash amounts payable to them under this clause (ii) in respect of the shares of Class B Common specified in their elections and, upon payment of such amounts, such shares shall be issued to Investor without further consideration. Notwithstanding the foregoing, Investor s acquisition of shares of Class B Common pursuant to this clause (ii) shall, if permitted by applicable securities and other laws, be consummated immediately after the issuance of such shares to the Electing Parties on the Effective Date. If such shares are not so acquired post-consummation of the Plan, all shares of Class B Common acquired by Investor pursuant to this clause (ii) shall, for all purposes hereof, be deemed to be part of the Securities acquired by Investor hereunder.

(iii) Equity Holders. The Equity Holders (or a trust created for their benefit) shall be issued 2,250,000 shares. In addition, the Equity Holders shall have the right to purchase up to 1,615,179 shares allocable to Investor pursuant to clause (i) above at $8.889 per share. Such election must be made by each Equity Holder on or before the date fixed by the Bankruptcy Court for voting with respect to the Plan. The Plan shall set forth the terms and conditions on which the foregoing rights may be exercised.

(iv) GPA. 900,000 shares shall be issued to GPA.

(3) Warrants. There shall be Warrants to purchase 10,384,615 shares of Class B Common at the exercise price as specified in and subject to the terms of Exhibit A hereto, and such Warrants shall, in accordance with the Plan, be issued as follows:

(i) Warrants to purchase up to 2,769,231 shares of Class B Common shall be issued to Investor; and

(ii) Warrants to purchase up to 6,230,769 shares of Class B Common shall be issued to the Equity Holders or a trust or trusts created for their benefit; and

(iii) Warrants to purchase up to 1,384,615 shares of Class B Common shall be issued to GPA.

(4) Senior Unsecured Notes. Investor shall, in accordance with the

Plan and subject to the terms of Exhibit B hereto, be issued $100 million principal amount of Notes against payment in cash of not less than 100% of the principal amount thereof to the Company; provided, however, that the Company shall have the right, exercised at any time prior to the date fixed by the Bankruptcy Court for voting with respect to the Plan, to increase the principal amount of the Notes to be so purchased by Investor to up to $130 million. GPA shall, in accordance with the Plan, be issued $30,525,000 principal amount of Notes; provided, however, that GPA shall have the right to elect to receive cash in lieu of all or any portion of the Notes otherwise issuable to it under this paragraph (4), such election to be made on or before the date fixed by the Bankruptcy Court for voting with respect to the Plan.

(b) Holders of the Class A Common shall have fifty votes per share. Holders of Class B Common shall have one vote per share. Holders of Class A Common and holders of Class B Common shall vote together as a single class except as otherwise required by law or the provisions of this Agreement. Investor may elect, with respect to any shares of Class B Common held by it, to suspend the voting rights relating to such shares by giving prior written notice to the Company, which notice shall describe such shares in reasonable detail and state whether or not the voting suspension is permanent or temporary and, if temporary, specify the period thereof.

(c) Neither Investor nor any Affiliate of Investor or of any partner of Investor will transfer or otherwise dispose of any Common Stock (other than to an Affiliate of the transferor) if, after giving effect thereto and to any concurrent transaction, the total number of shares of Class B Common beneficially owned by the transferor is less than 200% of the total number of shares of Class A Common beneficially owned by the transferor; provided, however, than nothing in this paragraph (c) shall prohibit any Person from transferring or otherwise disposing, in a single transaction or a series of concurrent transactions, of all shares of Common Stock owned by such Person.

SECTION 5. Business Alliance Agreements. Continental and the Company shall enter into mutually acceptable business alliance agreements on the Effective Date, which agreements may include, but shall not be limited to, agreements to share ticket counter space, ground handling agreements, agreements to link frequent flier programs, and combined purchasing agreements, and schedule coordination and code sharing agreements. On the Effective Date, Mesa shall enter into agreements with the Company extending the existing contractual arrangements between the Company and Mesa for five years from the Effective Date and modifying the termination provisions thereof consistent with such extension. Such agreements with Continental and Mesa are herein collectively referred to as the "Alliance Agreements".

SECTION 6. Governance Agreements. On the Effective Date, the Company, Investor and Investor s partners (other than any such partner holding shares of Class B Common the voting rights with respect to which have been suspended as contemplated by Section 4(b)) shall enter into one or more written agreements (the "Governance Agreements") effectively providing

as follows:

(a) At all times during the three-year period commencing on the Effective Date, the Company's board of directors shall consist of 15 members designated as follows:

(i) nine members (at least 8 of whom are U.S. citizens) shall be designated by Investor, with certain of the partners of Investor having the right to designate certain of Investor s designated directors;

(ii) three members (at least two of whom are U.S. citizens) shall be designated bythe Creditors Committee; provided that each such member shall be reasonably acceptable to Investor at the time of his or her initial designation;

(iii) one member shall be designated by the Equity Committee; provided that such member shall be a U.S. citizen reasonably acceptable to Investor at the time of his or her initial designation;

(iv) one member shall be designated by the Company's board of directors as constituted on the date preceding the Effective Date; provided that such member shall be a U.S. citizen reasonably acceptable to Investor at the time of his or her initial designation; and

(v) one member shall be designated by GPA for so long as GPA shall own at least 2% of the voting equity securities of the Company; provided that such member shall be reasonably acceptable to Investor at the time of his or her initial designation.

The directors (and their successors) referred to in clauses (ii), (iii) and (iv) above are hereinafter referred to collectively as the "Independent Directors".

(b) In the case of the death, resignation, removal or disability of an Independent Director after the Effective Date, his or her successor shall be designated by the Stockholder Representatives, except that if such Independent Director was initially designated by the Creditors Committee or the Equity Committee and if, at the time of such Independent Director s death, resignation, removal or disability (as the case may be), the Creditors Committee or the Equity Committee (as the case may be) remains in effect, the successor to such Independent Director shall be designated by the Creditors Committee or the Equity Committee (as the case may be). As used herein, "Stockholder Representatives" shall mean, collectively, (A) one individual who, on the date hereof, is serving as a director of the Company, (B) one individualwho, on the date hereof, is serving as a member of the Creditors Committee and (C) one individual who, on the date hereof, is serving as a member of the Equity Committee. The initial Stockholder

Representatives shall be selected on or before the Effective Date (x) by the Company's board of directors in the case of the individual referred to in clause (A) above, (y) by the Creditors Committee in the case of the individual referred to in clause (B) above and (z) by the Equity Committee in the case of the individual referred to in clause (C) above. In case of the death, resignation, removal or disability of a Stockholder Representative after the Effective Date, his or her successor shall be designated by the remaining Stockholder Representatives.

(c) Until the third anniversary of the Effective Date, Investor will vote and cause to be voted all shares of Common Stock (other than those the voting rights of which have been suspended) owned by Investor or any of its partners or by the assignees or transferees of all or substantially all of the Common Stock owned by Investor or any of its partners (other than a Person who acquires such stock pursuant to a tender or exchange offer open to all stockholders of the Company) in favor of the election as directors of any and all individuals designated for such election as contemplated by clauses (ii), (iii), (iv) and (v) of paragraph (a) above.

(d) No director nominated by Investor shall be an officer or employee of Continental. All Company directors, if any, who are selected by, or who are directors of, Continental shall recuse themselves from voting on, or otherwise receiving any confidential Company information regarding, matters in connection with negotiations between Continental and the Company (including, without limitation, those relating to the Alliance Agreements) and matters in connection with any action involving direct competition between Continental and the Company. All Company directors, if any, who are selected by, or who are directors, officers or employees of, Mesa shall recuse themselves from voting on, or otherwise receiving any confidential Company information regarding, matters in connection with negotiations between Mesa and the Company (including, without limitation, those relating to the Alliance Agreements) and matters in connection with any action involving direct competition between Mesa and the Company.

(e) During the three-year period commencing on the Effective Date, the Company will not consummate any Business Combination unless such transaction shall be approved in advance by at least three Independent Directors or by a majority of the stock voted at the meeting held to consider such transaction which is owned by stockholders of the Company other than Investor or any of its Affiliates; provided, however, that neither Mesa nor any fund or account managed or advised by Fidelity Management Trust Company or its Affiliates (or any of their non-Affiliated transferees) will be deemed an Affiliate of Investor for purposes of voting on any Business Combination involving Continental.

SECTION 7. Plan of Reorganization. The Plan shall (i) be proposed jointly by the Company and Investor, (ii) contain terms and conditions

reasonably satisfactory to Investor and the Company, and (iii) include the following provisions; provided that Investor and the Company may, by mutual agreement, modify the Plan or otherwise restructure the Investment in a manner consistent with the contemplated economic consequences to the Company, Investor, the Unsecured Parties and GPA in order to enable the Company, as reorganized, to more fully utilize its existing tax attributes:

(a) Debtor-in-Possession Financing. The Company's debtor-in-possession financing shall be repaid in full in cash on the Effective Date.

(b) Administrative Claims. All allowed administrative claims shall be paid as required pursuant to Section 1129(a) of the Bankruptcy Code, provided that such claims do not exceed the amount set forth in Plan R-2 plus $15 million, and provided further that payment of such claims in excess of those set forth in Plan R-2 would not, if payment was to be made in the month immediately preceding the Effective Date, cause the Company to fail to meet any of the Monthly Targets for such month.

(c) Tax Claims. All priority tax claims shall be paid over the maximum term permitted by the Bankruptcy Code, as determined by the Bankruptcy Court, with interest accruing at a rate determined by the Bankruptcy Court, provided that such claims do not exceed the amounts set forth in Plan R-2 plus $8.5 million, and provided further that payment of such claims in excess of those set forth in Plan R-2 would not, if payment was to be made in the month immediately preceding the Effective Date, cause the Company to fail to meet any of the Monthly Targets for such month .

(d) Nontax Priority Claims. All nontax priority claims shall be paid as required pursuant to Section 507 of the Bankruptcy Code, provided that such claims do not exceed the amounts set forth in Plan R-2.

(e) Secured Claims. Secured debt claims shall be treated as provided in Plan R-2 subject to (i) modification based on updated appraisals of collateral values to be conducted by the Company and consistent with the applicable provisions of the Bankruptcy Code, or (ii) such other terms as shall be reasonably satisfactory to the Company and Investor.

(f) Unsecured Creditors. In consideration for the shares and cash issued or paid, as the case may be, to the Unsecured Creditors pursuant to Section 4(a)(2)(ii), the unsecured claims of the Unsecured Creditors shall be cancelled as specified in the Plan.

(g) Equity Holders. In consideration for (A) the right to purchase shares pursuant to Section 4(a)(2)(iii), (B) the shares issued to the Equity Holders pursuant to Section 4(a)(2)(iii), and (C) the Warrants issued to the Equity Holders pursuant to Section 4(a)(3)(ii), the equity interests of the Equity Holders shall be cancelled as specified

in the Plan.

(h) Leases. All aircraft leases which have been assumed prior to the date hereof will be honored by the Company in accordance with their terms and without reduction of rentals thereunder, provided that with the consent of the Company, Investor and any applicable lessor, any such lease may be amended to reduce the rentals payable thereunder, it being understood that, in consideration of any such amendment and with the consent of the Creditors Committee, securities of the Company may be issued to such lessors from securities otherwise allocable to the Unsecured Parties to the extent consistent with any agreement in writing entered into by Investor and the Equity Committee on or before the date hereof.

(i) Kawasaki. The contractual right of Kawasaki Leasing International Inc. ("Kawasaki") to require the Company to lease certain aircraft and aircraft engines shall be modified on terms satisfactory to the Company, Investor and Kawasaki or, in the absence of such modification, honored.

(j) GPA. In consideration for (A) the shares issued to GPA pursuant to Section 4(a)(2)(iv), (B) the Warrants issued to GPA pursuant to Section 4(a)(3)(iii), (C) the Notes and cash issued or paid, as the case may be, to GPA pursuant to Section 4(a)(4) and (D) the granting to GPA on the Effective Date of the right (the "New GPA Put") to require the Company to lease from GPA on or prior to June 30, 1999, up to eight aircraft of types consistent with the fleet currently operated by the Company, GPA shall, as specified in the Plan, cancel and waive all rights to put any aircraft to the Company which it may have pursuant to the Put Agreement between GPA and the Company, dated as of June 25, 1991 (the "GPA Put Agreement") and/or the related Agreement Regarding Rights of First Refusal for A320 Aircraft, dated as of September 1, 1992 (the "First Refusal Agreement") and all other claims of any kind or nature arising out of or in connection with the GPA Put Agreement and/or the First Refusal Agreement (other than claims for reimbursement of expenses incurred by GPA in connection therewith). Each such lease shall provide for the payment by the Company of a fair market rental (determined at or about the time of delivery of the related aircraft to the Company on the basis of rentals then prevailing in the marketplace for comparable leases of comparable aircraft to lessees of comparable creditworthiness); and each such lease shall have such other terms and provisions and be in such form as is agreed upon by the Company and GPA with the approval of Investor (which approval shall not be unreasonably withheld or delayed) and attached to the agreement pursuant to which GPA is granted the New GPA Put.

(k) Prepetition Aircraft Purchase Contracts. The prepetition contract for the purchase of aircraft between the Company and The Boeing Company shall either be modified on terms satisfactory to Investor, the Company and The Boeing Company or, in the absence of such agreement, rejected. The Company's aircraft purchase contract with

AVSA, S.A.R.L. ("Airbus") shall be amended on terms consistent with the provisions of the AmWest - A320 Term Sheet, dated as of February 23, 1994 by and between Investor and Airbus.

(l) Employees. The Company shall have the right to release employees from all currently existing obligations to the Company in respect of shares of Company stock purchased by such employees pursuant to the Company's stock purchase plan, such release to be in consideration for the cancellation of such shares.

(m) Exculpation. The Plan will contain customary exculpation provisions for the benefit of the Creditors Committee and the Equity Committee and their respective professionals.

SECTION 8. Conditions to Investor s Obligations Relating to the Investment. The obligations of Investor to consummate the Investment and the other transactions contemplated herein shall be subject to the satisfaction, or the written waiver by Investor, of the following conditions:

(a) an initial order approving the Procedures Agreement, which order shall be in form and substance reasonably satisfactory to Investor (the "Initial Order"), shall have been entered by the Bankruptcy Court on or prior to May 6, 1994 and, once entered, shall be in effect and shall not be modified in any material respect or stayed;

(b) subject to Section 10(b), the Company and Investor, as applicable, shall have received all Regulatory Approvals, which shall have become final and nonappealable or any period of objection by Regulatory Authorities shall have expired, as applicable, and all other material approvals, permits, authorizations, consents, licenses and agreements from other third parties that are necessary or appropriate to permit the Investment and the other transactions contemplated hereby and by the Related Agreements and to permit the Company to carry on its business after the Effective Date in a manner consistent in all material respects with the manner in which it was carried on prior to the Effective Date (collectively with Regulatory Approvals, the "Approvals"), which Approvals shall not contain any condition or restriction that, in Investor s reasonable judgment, materially impairs the Company's ability to carry on its business in a manner consistent in all material respects with prior practice or as proposed to be carried on by the reorganized Company;

(c) the certificate of incorporation and bylaws of the Company shall contain the terms contemplated by this Agreement and shall otherwise be reasonably satisfactory to Investor;

(d) there shall be in effect no injunction, stay, restraining order or decree issued by any court of competent jurisdiction, whether foreign or domestic, staying the effectiveness of any of the Approvals, the Initial Order or the Confirmation Order, and there shall not be

pending any request or motion for any such injunction, stay, restraining order or decree; provided, however, that the foregoing condition shall not apply to any such injunction, stay, order or decree requested, initiated or supported by Investor or any of its partners or other Affiliates or to any such request or motion made, initiated or supported by Investor or any its partners or other Affiliates;

(e) there shall not be threatened or pending any suit, action, investigation, inquiry or other proceeding (collectively, "Proceedings") by or before any court of competent jurisdiction or Regulatory Authority (excluding the Company's bankruptcy case, but including adversary proceedings and contested matters in such bankruptcy case, and excluding any such Proceedings fully and accurately disclosed by the Company in Schedule I hereto), or any adverse development occurring since December 31, 1993 in any such Proceedings, which Proceedings or development, singly or in the aggregate, in the good faith judgment of Investor, are reasonably likely to have a material adverse effect on the Company's ability to carry on its business in a manner consistent in all material respects with prior practices or are reasonably likely to impair in any material respect Investor s ability to realize the intended benefits and value of this Agreement, the Procedures Agreement or any Related Agreement; provided, however, that the foregoing condition shall not apply to any such Proceeding or development requested, initiated or supported by Investor or any of its partners or other Affiliates;

(f) the Company shall have delivered to Investor appropriate closing documents, including the instruments evidencing the Securities being issued to Investor, certifications of the Company officers (including, but not limited to, incumbency certificates, and certificates as to the truth and correctness of statements made in the Disclosure Statement or any other offering document distributed in connection with any securities issued in respect of this Agreement or the Related Agreements) and opinions of legal counsel, all of which shall be reasonably satisfactory to Investor;

(g) by no later than March 31, 1994, the Company shall have delivered to Investor audited financial statements as of December 31, 1993, and for the year then ended, which statements shall reflect a financial performance and a financial position of the Company consistent in all material respects with the unaudited results previously announced by the Company for such year, and, if requested by Investor, the Company shall have discussed such financial statements with Investor and provided an opportunity for Investor to discuss such financial statements with the Company's auditors;

(h) since December 31, 1993, except for the matters disclosed in Schedule I hereto, no material adverse change in the Company's condition (financial or otherwise), business, assets, properties, operations or relations with employees or labor unions shall have occurred and no matter (except for the matters disclosed in Schedule I

hereto) shall have occurred or come to the attention of Investor that, in the reasonable judgment of Investor, is likely to have any such material adverse effect;

(i) the following shall be true in all material respects (in each case based on the Company's actual monthly or daily financial statements, which shall be prepared by the Company in a manner consistent in all material respects with its historical monthly and daily financial statements previously furnished to Investor): (A) the Company's actual monthly Operating Cash Flow (as defined on the Monthly Targets Schedule) shall not, in any month, be less than the minimum amount therefor established as part of the Monthly Targets, (B) the Company's actual 4 month Rolling Cash Flow (as defined on the Monthly Targets Schedule) shall not be less, as of the end of any four calendar month period, than the minimum amount therefor established as part of the Monthly Targets, (C) the Company's actual end of month Reported Cash Balance (as defined in the Monthly Targets Schedule) shall not, as of the end of any calendar month, be less than the minimum amount therefor established as part of the Monthly Targets, (D) the Company's actual five-day average Minimum Cash Balance (as defined in the Monthly Targets Schedule) shall not be, as of the end of any five day period, less than the minimum amount therefor established as part of the Monthly Targets; (E) the Company shall not have taken any actions which the Company knew or reasonably should have known would likely impair or hinder in any material respect the Company's ability to achieve the Projections; (F) the amount and nature of the obligations and liabilities (including, without limitation, tax liabilities and administrative expense claims) required to be paid by the Company on the Effective Date or to be paid by the Company following the Effective Date pursuant to obligations assumed by the Company during the course of its bankruptcy proceedings shall not be in excess of the amounts reflected in Plan R-2 plus any additional allowances provided in Section 7 (as reduced by any repayments of the existing debtor-in-possession loan made on or prior to the Effective Date) and shall not be materially different in nature than those specified in Plan R-2 (except with respect to administrative claims not known to the Company when Plan R-2 was developed); and (G) the Company shall have paid all fees and expenses due Investor under the Procedures Agreement;

(j) since the date hereof, there shall have occurred no outbreak or escalation of hostilities or other international or domestic calamity, crisis or change in political, financial or economic conditions or other adverse change in the financial markets that impairs (or could reasonably be expected to impair) in any material respect the Company's ability to carry on its business in a manner consistent in all material respects with prior practice or impairs (or could reasonably be expected to impair) in any material respect Investor s ability to realize the intended benefits and value of this Agreement or any Related Agreement;

(k) the Related Agreements, including all Alliance Agreements, to

be executed by the Company shall have been executed by the Company on or before the Effective Date and, once executed, shall not have been modified without the consent of Investor, shall be in effect and shall not have been stayed;

(l) the Company shall have performed in all material respects all obligations on its part required to be performed on or before the Effective Date under this Agreement, the Procedures Agreement and the Related Agreements and all orders of the Bankruptcy Court in respect thereof that are consistent with the provisions of such intruments;

(m) all representations and warranties of the Company under this Agreement, the Procedures Agreement and the Related Agreements shall be true in all material respects as of the Effective Date;

(n) the Plan and Disclosure Statement each shall have been filed by the Company on or prior to May 15, 1994, and, once filed, shall have been served by the Company on all appropriate parties and, once served, shall not have been modified in any material respect without the prior consent of Investor (which consent shall not be unreasonably withheld), withdrawn by the Company or dismissed;

(o) the Disclosure Statement (in the form approved by the Bankruptcy Court and as amended or supplemented, if applicable) shall have been true and correct in all material respects as of the date first mailed to Unsecured Parties and as of the date fixed by the Bankruptcy Court for voting on the Plan and such Disclosure Statement shall not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein (taken as a whole), in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing condition shall not apply to statements or other information furnished or provided by Investor or any of its Affiliates for use in the Disclosure Statement;

(p) the order approving the Disclosure Statement shall have been entered by the Bankruptcy Court on or prior to June 30, 1994, and, once entered, shall not have been modified in any material respect, shall be in effect and shall not have been stayed;

(q) the Plan (including all securities of the Company to be issued pursuant thereto and all contracts, instruments, agreements and other documents to be entered into in connection therewith), the Disclosure Statement and the Confirmation Order shall be consistent with the terms of this Agreement and otherwise reasonably satisfactory in form and substance to Investor;

(r) the Confirmation Order shall have been entered by the Bankruptcy Court in form reasonably satisfactory to Investor on or before August 15, 1994, and, once entered, shall not have been modified in any material respect, shall be in effect and shall not have been

stayed and shall not be subject to any appeal;

(s) the Effective Date shall have occurred on or prior to the Outside Date unless the reason therefor shall be attributable to the breach by Investor or its Affiliates of any of their respective representations, warranties, covenants or obligations contained herein or in the Procedures Agreement or any Related Agreement;.

(t) either pursuant to the Confirmation Order or otherwise, the Bankruptcy Court shall have established one or more bar dates for administrative expense claims pursuant to an order reasonably acceptable to Investor, which bar date or dates shall occur on or before dates reasonably acceptable to Investor; and

(u) the Securities and Exchange Commission shall have declared effective a shelf registration statement with respect to the Securities issuable to Investor.

In the event any of the conditions set forth in clause (a) (n), (p) or (r) is not satisfied by the date specified in such clause (the "Deadline"), then, on the 15th day following the then current Deadline, the Deadline shall be automatically extended on a day-to-day basis unless the Company and Investor otherwise agree in writing or unless Investor gives a notice of termination to the Company pursuant to Section 20(b) of the Procedures Agreement within such 15-day period. If any Deadline is automatically extended as aforesaid, Investor may thereafter establish a new Deadline by giving notice to the Company specifying the new Deadline, provided that the new Deadline may not be sooner than 30 days after the date of such notice.

SECTION 9. Conditions to Company's Obligations Relating to Investment. The Company's obligations to consummate or to cause the consummation of the issuance and sale of the Securities and the other transactions contemplated by this Agreement shall be subject to the satisfaction, or to the effective written waiver by the Company, of the condition described in Section 8(b) and the following additional conditions:

(a) payment of the Purchase Price;

(b) Investor shall have delivered to the Company appropriate closing documents, including, but not limited to, executed counterparts of the Related Agreements and certifications of officers, and opinions of legal counsel, all of which shall be reasonably satisfactory to the Company;

(c) there shall be in effect no injunction, stay, restraining order or decree issued by any court of competent jurisdiction, whether foreign or domestic, staying the effectiveness of any of the Approvals, the Initial Order or the Confirmation Order, and there shall not be pending any request or motion for any such injunction, stay, restraining order or decree; provided, however, that the foregoing condition shall not apply to any such injunction, stay, order or decree

requested, initiated or supported by the Company or to any such request or motion made, initiated or supported by the Company;

(d) the Related Agreements to be executed by Investor or any of its partners shall have been executed by such parties on or before the Effective Date and, once executed, shall not have been modified without the consent of the Company, shall be in effect and shall not have been stayed;

(e) Investor, Continental and Mesa shall have performed in all material respects all obligations on their part required to be performed on or before the Effective Date under this Agreement, the Procedures Agreement and the Related Agreements and all orders of the Bankruptcy Court in respect thereof that are consistent with the provisions of such instruments;

(f) all representations and warranties of Investor, Continental and Mesa under this Agreement, the Procedures Agreement and the Related Agreements shall be true and correct in all material respects as of the Effective Date;

(g) the Company shall be reasonably satisfied that the Alliance Agreements, when fully implemented, shall result in an increase to the Company's pretax income of not less than $40 million per year; provided, however, that Investor shall have no liability for any failure of the Company to achieve any such increase in net income except to the extent such failure results from a default by Investor or its partners pursuant to the terms of such Alliance Agreements;

(h) since the date hereof, there shall have occurred (A) no outbreak or escalation of hostilities or other international or domestic calamity, crisis or change in political, financial or economic conditions or other adverse change in the financial markets or (B) any adverse change in the condition (financial or otherwise), business, assets, properties or prospects of Continental or Mesa, in each case that materially impairs the ability of either Continental or Mesa to perform its obligations under the Alliance Agreements or the Company's ability to realize the intended benefits and value of this Agreement, the Alliance Agreements (as contemplated by clause (g) above) or the other Related Agreements;

(i) since the time of their initial filing by the Company, neither the Plan nor the Disclosure Statement shall have been modified in any material respect without the prior consent of the Company (which consent shall not be unreasonably withheld or delayed), withdrawn by Investor or dismissed;

(j) the certificate of incorporation and bylaws of the Company shall contain the terms contemplated by this Agreement and shall otherwise be reasonably satisfactory to the Company;

(k) the Plan (including all Securities to be issued pursuant thereto and all contracts, instruments, agreements and other documents to be entered into in connection therewith), the Disclosure Statement and the Confirmation Order shall be consistent with the terms of this Agreement and otherwise reasonably satisfactory in form and substance to the Company;

(l) the Confirmation Order shall have been entered by the Bankruptcy Court in form reasonably acceptable to the Company and, once entered, shall not have been modified in any material respect, shall be in effect and shall not have been stayed and shall not be subject to any appeal; and

(m) the Effective Date shall have occurred on or prior to the Outside Date unless the reason therefor shall be attributable to the breach by the Company of any of its representations, warranties, covenants or obligations contained herein or in the Procedures Agreement or any Related Agreement.

SECTION 10. Cooperation. (a) The Company and Investor will cooperate in a commercially reasonable manner, and will use their respective commercially reasonable efforts, to consummate the transactions contemplated hereby, including all commercially reasonable efforts to satisfy the conditions specified in this Agreement. The Company will use commercially reasonable efforts, and Investor will cooperate in a commercially reasonable manner in seeking, to obtain all Approvals.

(b) Notwithstanding anything in Section 8 or 9 to the contrary, if prior to the Outside Date, the Department of Justice or any other Regulatory Authority raises any antitrust objection to the consummation of the Investment or the implementation of any Alliance Agreement, which objection has not been resolved on or before the Outside Date, Investor nevertheless shall be required to consummate the Investment and, to that end, agrees to timely make such adjustment to the composition of its partnership and to the Alliance Agreements as required to resolve such antitrust objection; provided, however, that nothing in this paragraph (b) shall affect the rights of the Company under Section 9(g) or obligate the Company to enter into or approve any adjustment or modification of the Alliance Agreements which, in the Company's reasonable judgment, is prejudicial to the Company or the Unsecured Parties in any material respect and which, if entered into or approved, would materially impair the Company's ability to realize the reasonably anticipated benefits of such Alliance Agreements.

SECTION 11. Registration Rights Agreement. Investor and the Company will enter into a registration rights agreement on terms acceptable to Investor and the Company. The registration rights agreement will reflect the understanding of the parties with respect to their registration rights and obligations and will provide that Investor, its partners and any assignees and transferees, shall have the right to cause the Company to (i) include the Securities issuable to Investor pursuant to the Plan (including any such Securities issued or issuable in respect of the Warrants or by way

of any stock dividend or stock split or in connection with any combination of shares, merger, consolidation or similar transaction), on customary terms, in "piggyback" underwritings and registrations and (ii) to effect, on customary terms, one demand registration under the Securities Act for the public offering and sale of the Securities issued to Investor under the Plan at any time after the third anniversary of the Effective Date.

SECTION 12. Applicable Provisions of Law and Regulations. It is understood and agreed that this Agreement shall not create any obligation of, or restriction upon, the Company or Investor or the partners of Investor that would violate applicable provisions of law or regulation relating to ownership or control of a U.S. air carrier. At all times after the Effective Date, the certificate of incorporation of the Company shall provide that, in the event persons who are not U.S. citizens shall own (beneficially or of record) or have voting control over shares of Common Stock, the voting rights of such persons shall be subject to automatic suspension as required to ensure that the Company is in compliance with applicable provisions of law or regulation relating to ownership or control of a U.S. air carrier.

SECTION 13. Representations and Warranties of the Company. The Company represents and warrants to Investor as follows:

(a) The Company has complied in all material respects with the terms of all orders of the Bankruptcy Court in respect of the Investment, this Agreement and the Procedures Agreement.

(b) The Company has delivered to Investor copies of the audited balance sheets of the Company as of December 31, 1992 and the statements of income, stockholders equity and cash flows for the years then ended, together with the notes thereto. Such financial statements, and when delivered to Investor the financial statements of the Company referred to in Section 8(g) will, present fairly, in accordance with generally accepted accounting principles (applied on a consistent basis except as disclosed in the footnotes thereto), the financial position and results of operations of the Company as of the dates and for the periods therein set forth.

(c) When delivered to Investor, the unaudited financial statements of the Company referred to in Section 15(b)(ii) will (i) present fairly, in accordance with generally accepted accounting principles (applied on a consistent basis except as disclosed therein and subject to normal year-end audit adjustments), the financial position and results of operations of the Company as of the date and for the period therein set forth, it being understood and agreed, however, that the foregoing representation relating to conformity with generally accepted accounting principles is being made only to the extent such principles are applicable to interim unaudited reports and (ii) reflect a financial position and results of operations not materially worse than those set forth in the pro forma financial statements contained in Plan 9.

(d) The Projections and the Monthly Targets were prepared in good faith on a reasonable basis, and when prepared represented the Company's best judgment as to the matters set forth therein, taking into account all relevant facts and circumstances known to the Company. Nothing has come to the Company's attention since the dates on which the Projections and the Monthly Targets, respectively, were prepared which causes the Company to believe that any of the projections and other information contained therein were misleading or inaccurate in any material respect as of such dates. It is specifically understood and agreed that the delivery of the Projections and the Monthly Targets shall not be regarded as a representation, warranty or guarantee that the particular results reflected therein will in fact be achieved or are likely to be achieved.

(e) No written statement, memorandum, certificate, schedule or other written information provided (or to be provided) to Investor or any of its representatives by or on behalf of the Company in connection with the transactions contemplated hereby, when viewed together with all other written statements and information provided to Investor and its representatives by or on behalf of the Company, in light of the circumstances under which they were made, (i) contains or will contain any materially misleading statement or (ii) omits or will omit to state any material fact necessary to make the statements therein not misleading.

(f) The board of directors of the Company has approved the Investment and Investor s acquisition of Securities hereunder for purposes of, and in accordance with the provisions and requirements of, Section 203(a)(1) of the General Corporation Law of the State of Delaware and, as a consequence, Investor will not be subject to the provisions of such Section with respect to any "business combination" between Investor and the Company (as such term is defined in said Section 203).

SECTION 14. Representations and Warranties of Investor. Investor represents and warrants to the Company as follows:

(a) The general and limited partners of Investor (other than one such partner which will elect to suspend the voting rights of its Securities as contemplated by Section 4(b)) are U.S. citizens within the meaning of Section 101(16) of the Federal Aviation Act of 1958, as amended.

(b) Investor has, or has commitments for, sufficient funds to pay the Purchase Price and otherwise perform its obligations under this Agreement.

(c) No written statement, memorandum, certificate, schedule or other written information provided (or to be provided) to the Company or any of its representatives by or on behalf of Investor in connection

with the transactions contemplated by the Alliance Agreements, when viewed together with all other written statements and information provided to the Company and its representatives by or on behalf of Investor, in light of the circumstances under which they were made, (i) contains or will contain any materially misleading statement or (ii) omits or will omit to state any material fact necessary to make the statements therein not misleading.

SECTION 15. Covenants. (a) Investor covenants (i) to support, subject to management s recommendation, increases in employee compensation through 1995 at least equal to those set forth in Plan R-2 and (ii) after the Effective Date, to cause the board of directors of the Company to consider implementation of a broad based employee incentive compensation plan and a management stock incentive plan.

(b) The Company covenants (i) to use commercially reasonable efforts to cause the shelf registration statement referred to in Section 8(u) to remain effective for three years following its effective date and (ii) as soon as available, to deliver to Investor a copy of the unaudited balance sheet of the Company as of the end of each fiscal quarter of the Company prior to the Effective Date and the unaudited statements of income and cash flows for the periods then ended.

SECTION 16. Certain Taxes. The Company shall bear and pay all transfer, stamp or other similar taxes (if any are not exempted under Section 1146 of the Bankruptcy Code) imposed in connection with the issuance and sale of the Securities.

SECTION 17. Administrative Expense. All amounts owed to Investor or its assignees by the Company under this Agreement, the Related Agreements, the Procedures Agreement and all orders of the Bankruptcy Court in respect thereof shall be treated as an allowed administrative expense priority claim under Section 507(a)(1) of the Bankruptcy Code.

SECTION 18. Incorporation by Reference. The provisions set forth in the Procedures Agreement, including, but not limited to, the provisions regarding confidentiality, liability indemnity and termination, are hereby incorporated by reference and such provisions shall have the same force and effect herein as if they were expressly set forth herein in full.

SECTION 19. Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission or mailed (first class postage prepaid) or by prepaid express courier to the parties at the following addresses or facsimile numbers:

If to the Company: America West Airlines, Inc.
4000 East Sky Harbor Boulevard
Phoenix, Arizona 85034
Attention: William A. Franke and
Martin J. Whalen

Fax Number: (602) 693-5904

with a copy to: LeBoeuf, Lamb, Greene & MacRae
633 17th Street, Suite 2800
Denver, Colorado 80202
Attention: Carl A. Eklund
Fax Number: (303) 297-0422

and a copy to: Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002
Attention: David G. Elkins
Fax Number: (713) 220-4285

and a copy to: Murphy, Weir & Butler
101 California Street, 39th Floor
San Francisco, California 94111
Attention: Patrick A. Murphy
Fax Number: (415) 421-7879

and a copy to: Lord, Bissell and Brook 115 South LaSalle Street
Chicago, IL 60603
Attention: Benjamin Waisbren
Fax Number: (312) 443-0336

If to Investor: AmWest Partners, L.P.
201 Main Street, Suite 2420
Fort Worth, Texas 76102
Attention: James G. Coulter
Fax Number: (817) 871-4010

with a copy to: Arnold & Porter
1200 New Hampshire Ave., N.W.
Washington, D.C. 20036
Attention: Richard P. Schifter
Fax Number: (202) 872-6720

and a copy to: Jones, Day, Reavis & Pogue
North Point 901 Lakeside Avenue
Cleveland, Ohio 44114
Attention: Lyle G. Ganske
Fax Number: (216) 586-7864

and a copy to: Goodwin, Procter &Hoar
Exchange Place
Boston, MA 02109
Attention: Laura Hodges Taylor, P.C.
Fax Number: (617) 523-1231

and a copy to: Murphy, Weir & Butler

101 California Street, 39th Floor
San Francisco, California 94111
Attention: Patrick A. Murphy
Fax Number: (415) 421-7879

and a copy to: Lord, Bissell and Brook
115 South LaSalle Street
Chicago, IL 60603
Attention: Benjamin Waisbren
Fax Number: (312) 443-0336

All such notices, requests and other communications will (i) if delivered personally to the address as provided in this Section, be deemed given upon delivery, (ii) if delivered by facsimile transmission to the facsimile number as provided in this Section, be deemed given upon receipt, and (iii) if delivered by mail or by express courier in the manner described above to the address as provided in this Section, be deemed given upon receipt (in each case regardless of whether such notice is received by any other person to whom a copy of such notice, request or other communication is to be delivered pursuant to this Section). Either party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other party hereto.

SECTION 20. Governing Law. Except to the extent inconsistent with the Bankruptcy Code, this Agreement shall in all respects be governed by and construed in accordance with the laws of the State of Arizona, without reference to principles of conflicts or choice of law under which the law of any other jurisdiction would apply.

SECTION 21. Amendment. This Agreement may only be amended, waived, supplemented or modified by a written instrument signed by authorized representatives of Investor and the Company. Investor may extend the time for satisfaction of the conditions set forth in Section 8 (prior to or after the relevant date) by notifying the Company in writing. The Company may extend the time for satisfaction of the conditions set forth in Section 9 (prior to or after the relevant date) by notifying Investor in writing.

SECTION 22. No Third Party Beneficiary. This Agreement and the Procedures Agreement are made solely for the benefit of the Company and Investor and their respective permitted assigns, and no other Person (including, without limitation, employees, stockholders and creditors of the Company) shall have any right, claim or cause of action under or by virtue of this Agreement or the Procedures Agreement, except to the extent such Person is entitled to protection as contemplated by Section 28(b) or to expense reimbursement pursuant to the Procedures Agreement or may assert a claim for indemnity pursuant to the Procedures Agreement.

SECTION 23. Assignment. Except as otherwise provided herein, Investor may assign all or part of its rights under this Agreement to any of

its partners (each of whom may assign all or part to its Affiliates) or to any fund or account managed or advised by Fidelity Management Trust Company or any of its Affiliates and may assign any Securities (or the right to purchase any Securities) to any lawfully qualified Person or Persons, and the Company may assign this Agreement to any Person with which it may be merged or consolidated or to whom substantially all of its assets may be transferred in facilitation of the consummation of the Plan and the effectuation of the issuance and sale of the Securities as contemplated hereby or by the Related Agreements. None of such assignments shall relieve the Company or Investor of any obligations hereunder, under the Procedures Agreement or under the Related Agreements.

SECTION 24. Counterparts. This Agreement may be executed by the parties hereto in counterparts and by telecopy, each of which shall be deemed to constitute an original and all of which together shall constitute one and the same instrument. With respect to signatures transmitted by telecopy, upon request by either party to the other party, an original signature of such other party shall promptly be substituted for its facsimile.

SECTION 25. Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future laws, rules or regulations, and if the rights or obligations of Investor and the Company under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom, and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible. If the rights and obligations of Investor or the Company will be materially and adversely affected by any such provision held to be illegal, invalid or unenforceable, then unless such provision is waived in writing by the affected party in its sole discretion, this Agreement shall be null and void.

SECTION 26. Tagalong Rights. On the Effective Date, Investor shall enter into a written agreement for the benefit of all holders of Class B Common (other than Investor and its Affiliates) whereby Investor shall agree, for a period of three years after the Effective Date, not to sell, in a single transaction or related series of transactions, shares of Common Stock representing 51% or more of the combined voting power of all shares of Common Stock then outstanding unless such holders shall have been given a reasonable opportunity to participate therein on a pro rata basis and at the same price per share and on the same economic terms and conditions applicable to Investor; provided, however, that such obligation of Investor shall not apply to any sale of shares of Common Stock made by Investor (i) to any Affiliate of Investor, (ii) to any Affiliate of Investor s partners,

(iii) pursuant to a bankruptcy or insolvency proceeding, (iv) pursuant to judicial order, legal process, execution or attachment, (v) in a widespread distribution registered under the Securities Act of 1933, as amended ("Securities Act") or (vi) in compliance with the volume limitations of Rule 144 (or any successor to such Rule) under the Securities Act.

SECTION 27. Stock Legend. All securities issued to Investor pursuant to the Plan shall be conspicuously endorsed with an appropriate legend to the effect that such securities may not be sold, transferred or otherwise disposed of except in compliance with (i) Section 26 and (ii) applicable securities laws.

SECTION 28. Directors Liability and Indemnification. (a) Upon, and at all times after, consummation of the Plan, the certificate of incorporation of the Company shall contain provisions which (i) eliminate the personal liability of the Company's former, present and future directors for monetary damages resulting from breaches of their fiduciary duties to the fullest extent permitted by applicable law and (ii) require the Company, subject to appropriate procedures, to indemnify the Company's former, present and future directors and executive officers to the fullest extent permitted by applicable law. In addition, upon consummation of the Plan, the Company shall enter into written agreements with each person who is a director or executive officer of the Company on the date hereof providing for similar indemnification of such person and providing that no recourse or liability whatsoever with respect to this Agreement, the Procedures Agreement, the Related Agreements, the Plan or the consummation of the transactions contemplated hereby or thereby shall be had, directly or indirectly, by or in the right of the Company against such person. Notwithstanding anything contained herein to the contrary, the provisions of this Section 28(a) shall not be applicable to any person who ceased being a director of the Company at any time prior to March 1, 1994.

(b) Investor agrees, on behalf of itself and its partners, that no recourse or liability whatsoever (except as provided by applicable law for intentional fraud, bad faith or willful misconduct) shall be had, directly or indirectly, against any person who is a director or executive officer of the Company on the date hereof with respect to this Agreement, the Procedures Agreement, the Related Agreements, the Plan or the consummation of the transactions contemplated hereby or thereby, such recourse and liability, if any, being expressly waived and released by Investor and its partners as a condition of, and in consideration for, the execution and delivery of this Agreement.

SECTION 29. Jurisdiction of Bankruptcy Court. The parties agree that the Bankruptcy Court shall have and retain exclusive jurisdiction to enforce and construe the provisions of this Agreement.

SECTION 30. Interpretation. In this Agreement, unless a contrary intention appears, (i) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision and (ii) reference to any

Section means such Section hereof. The Section headings herein are for convenience only and shall not affect the construction hereof. No provision of this Agreement shall be interpreted or construed against either party solely because such party or its legal representative drafted such provision.

SECTION 31. Termination. This Agreement shall terminate concurrently with the termination of the Procedures Agreement.

SECTION 32. Entire Agreement. The Agreement supersedes any and all other agreements (oral or written) between the parties in respect to the subject matter hereof other than the Procedures Agreement.

AMWEST PARTNERS, L.P.

By: AmWest Genpar, Inc.,
its General Partner

By:

Title:

Accepted and Agreed to
this 21th day of April, 1994.

AMERICA WEST AIRLINES, INC.
as Debtor and Debtor-in-Possession

By:

Title:

FORM OF EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is entered into effective as of January 1, 1994 by and between America West Airlines, Inc., a Delaware corporation ("Company"), and A. Maurice Myers ("Myers").

WHEREAS, Myers is willing to serve as the President and Chief Operating Officer of the Company and the Company desires to retain Myers in such capacity on the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties, and agreements contained herein, and for other valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

Definitions and Interpretations

1.1.Definitions

For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the following respective meanings:

"Aloha" shall mean Aloha Airlines, Inc., a Hawaii corporation.

"Applicable Federal Rate" shall mean, in the case of either the House Note or the Stock Note, the applicable federal rate determined with respect to such Note in accordance with section 1274(d) of the Internal Revenue Code of 1986, as amended.

"Bankruptcy Code" shall mean Title 11 of the United States Code entitled "Bankruptcy", as from time to time amended, and any successor statute thereto.

"Bankruptcy Court" shall mean the United States Bankruptcy Court for the District of Arizona.

"Base Salary shall have the meaning specified in Section 3.1.

"Board" shall mean the Board of Directors of the Company.

"CEO" shall mean the Chief Executive Officer of the Company.

"Chairman of the Board" shall mean the Company's Chairman of the Board.

"Change in Control" shall occur if either:

(i) the individuals who, as of the date hereof, constitute the Board (the "Incumbent Board"), cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; or

(ii) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended) acquires the beneficial ownership (within the meaning of Rule 13d-3 promulgated under such Act) of 51% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors.

"Company Affiliate" shall mean any Person (other than an individual) directly or indirectly controlling, controlled by or under common control with, the Company. As used in this definition, 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.

"Confidential Information" shall have the meaning specified in Section 5.1(a).

"Confirmation Bonus" shall have the meaning specified in Section 3.3.

"Deed of Trust" shall have the meaning specified in Section 3.5(a).

"Disability" shall mean a physical or mental condition of Myers that, in the judgment of the Board, based upon certification by a licensed physician reasonably acceptable to Myers and the Board, (i) prevents Myers from being able to perform the services required under this Agreement, (ii) has continued for a period of at least six months during any period of twelve consecutive months and (iii) is expected to continue.

"Dispute" shall have the meaning specified in Section 6.1.

"Good Reason" shall mean, without Myers express written consent, any of the following:

(i) a substantial alteration in the nature or status of Myers responsibilities;

(ii) the failure of the Company to perform any of its obligations under this Agreement, but only if such failure shall

continue unremedied for more than 15 days after written notice thereof is given by Myers to the Company;

(iii) the relocation of the office of the Company where Myers is employed at the date hereof (the "Employment Location") to a location more than 50 miles away from the Employment Location or the Company's requiring Myers to be permanently based more than 50 miles away from the Employment Location; or

(iv) the failure of Myers to be elected to the Board on or before April 1, 1994.

"House Note" shall have the meaning specified in Section 3.5(a).

"Incentive Bonus" shall mean any bonus or other payment payable to Myers pursuant to any incentive plan adopted by the Board for the benefit of the Company's key employees.

"Line of Credit" shall have the meaning specified in Section 3.6(a).

"Misconduct" shall mean one or more of the following:

(i) the willful and continued failure by Myers to perform his duties hereunder (other than any such failure resulting from Myers incapacity due to physical or mental illness) after written notice of such failure has been given to Myers and Myers has had a reasonable period to correct such failure;

(ii) the willful commission by Myers of acts that are dishonest and demonstrably or materially injurious to the Company, monetarily or otherwise;

(iii) the conviction of Myers for a felony; or

(iv) a material breach by Myers of any of the covenants set forth in this Agreement.

"Notice of Termination" shall mean a notice purporting to terminate Myers employment in accordance with Section 4.2 or 4.3, which notice shall (i) indicate the specific provision in such Section being relied upon and (ii) set forth in reasonable detail the reason for such termination and the facts and circumstances claimed to provide a basis for such termination.

"Person" shall mean and include an individual, a partnership, a joint venture, a corporation, a trust and an unincorporated organization.

"Plan of Reorganization" shall mean any plan of reorganization which (i) is filed with the Bankruptcy Court under Chapter 11 of the

Bankruptcy Code and (ii) contemplates and, if confirmed and consummated, would result in the emergence of the Company from its Chapter 11 bankruptcy proceedings.

"Pledge Agreement" shall have the meaning specified in Section 3.6(a).

"Pledged Stock" shall have the meaning specified in Section 3.6(a).

"Residence" shall have the meaning specified in Section 3.5(a).

"Restricted Period" shall have the meaning specified in Section 5.2(a).

"Stock Note" shall have the meaning specified in Section 3.6(a).

"Term" shall have the meaning specified in Section 2.3.

"Termination Date" shall mean the termination date specified in a Notice of Termination delivered in accordance with Article IV, provided that in no event shall such termination date be less than 30 nor more than 60 days after the date such Notice is given.

1.2. Interpretations

(a) In this Agreement, unless a clear contrary intention appears, (i) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision, (ii) reference to any Article or Section, means such Article or Section hereof or such Schedule or Exhibit hereto, (iii) the words "including" (and with correlative meaning "include") means including, without limiting the generality of any description preceding such term, and (iv) where any provision of this Agreement refers to action to be taken by either party, or which such party is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such party.

(b) The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

(c) No provision of this Agreement shall be interpreted or construed against either party solely because that party or its legal representative drafted such provision.

ARTICLE II

Employment; Positions and Duties; Term

2.1. Employment

The Company hereby employs Myers as its President and Chief

Operating Officer and Myers hereby accepts such employment, in each case during the Term and on the other terms and conditions set forth in this Agreement.

2.2. Positions and Duties

(a) During the Term, Myers shall serve as the President and Chief Operating Officer of the Company, and shall have such duties and responsibilities as are set forth with respect to such offices in the Company's certificate of incorporation and bylaws (as from time to time in effect) and such additional duties and responsibilities as are commensurate with such offices or as may from time to time be reasonably assigned to him by the Board, the Chairman of the Board or the CEO. Myers shall at all times observe and comply with all lawful policies, directions and instructions of the Board.

(b) The Company agrees to use its reasonable best efforts to cause Myers to be elected as a director of the Company as soon as practicable after the date hereof. Myers agrees to serve as a director of the Company at all times during the Term. If requested to do so by the Board, Myers agrees to serve as a director and/or officer of any Company Affiliate during the Term. Upon the termination of his employment with the Company, Myers agrees to resign as a director of the Company.

(c) Myers agrees to devote substantially all his business time, attention, skill and efforts to the faithful and efficient performance of his duties hereunder and shall not enter into any business or accept employment with or for any Person other than with the Company during the Term; provided, however, that Myers may (i) with prior approval of the Board, serve on corporate, civic or charitable boards or committees, (ii) deliver lectures, fulfill speaking engagements or teach at educational institutions and (iii) manage his personal investments, in each case so long as such activities do not materially interfere with the performance Myers duties and responsibilities hereunder. Myers shall at all times conduct himself in such a manner as not to prejudice the reputation of the Company in the fields of business in which it is engaged or with the public at large.

2.3. Term of Employment

Subject to the provisions for earlier termination provided in the Agreement, the term of this Agreement shall commence on January 1, 1994 and shall continue through December 31, 1996; provided, however, that, commencing on March 1, 1996 and on each March 1 thereafter, the term of this Agreement shall automatically be extended one additional year unless, prior to such March 1, either party shall give written notice to the other that no further such automatic extensions shall occur, in which event Myers employment shall terminate on the December 31 next following the March 1 in respect of which such notice is given. As used in this Agreement, "Term" shall mean the original term of this Agreement as automatically extended in accordance with this Section 2.3; provided, however, that in no event shall

the Term continue beyond the termination of Myers employment hereunder.

ARTICLE III

Compensation and Benefits

3.1. Base Compensation

For services rendered by Myers under this Agreement, the Company shall pay to Myers, during the Term, a base salary ("Base Salary") of 375,000 per year, payable biweekly as earned in accordance with the Company's customary payroll practice for its senior executives and prorated for employment for less than a full calendar year. The amount of the Base Salary shall be reviewed by the Board on an annual basis and may be increased as the Board may deem appropriate. If the Base Salary is increased as aforesaid, it may not thereafter be decreased unless a similar decrease is made to the base compensation of all other senior executives of the Company; provided that in no event may the Base Salary be decreased below 375,000 per year.

3.2. Transition Allowance

Prior to February 1, 1994, the Company shall pay Myers a lump-sum transition allowance of 100,000.

3.3. Confirmation Bonus

If, during the Term, a Plan of Reorganization is filed with the Bankruptcy Court, the Company shall seek Bankruptcy Court approval to pay Myers a "reorganization success bonus" of not less than 400,000 (the "Confirmation Bonus") in the event such Plan of Reorganization is confirmed and consummated during the Term.

3.4. Relocation Expenses

(a) The Company shall pay the reasonable expenses incurred by Myers and his wife during the Relocation Period for (i) interim lodging in the Phoenix, Arizona area and (ii) traveling between Phoenix, Arizona and Honolulu, Hawaii. As used herein, "Relocation Period" means the period from the date of this Agreement to the earlier of (i) the date on which Myers relocates his principal residence in the Phoenix, Arizona area and (ii) July 1, 1994; provided that in no event shall the Company's obligation under this paragraph (a) exceed 15,000.

(b) The Company agrees to reimburse Myers promptly for all reasonable moving expenses (including packing, storage and cartage) incurred by Myers during the Term in relocating his principal residence to the Phoenix, Arizona area.

3.5. House Loan

(a) Upon the purchase by Myers during the Term of his initial principal residence in the Phoenix, Arizona area (the "Residence"), the Company will lend to Myers up to 200,000 solely for the purpose of enabling Myers to pay all or a portion of the purchase price of the Residence. Such loan shall be evidenced by, and subject to the terms and conditions of, a promissory note duly executed by Myers and his wife and payable to the order of the Company (the "House Note"). The House Note shall be in form and substance reasonably acceptable to the Company and shall be effectively secured by a valid second lien deed of trust on the Residence (the "Deed of Trust"). The Deed of Trust shall be duly executed by Myers and his wife and shall be in form and substance reasonably acceptable to the Company.

(b) The stated maturity date of the House Note shall be December 31, 2003. On the stated maturity date of the House Note, the entire unpaid amount (principal and accrued interest) of the House Note shall be and become immediately due and payable.

(c) The House Note shall bear interest, compounded monthly, at the Applicable Federal Rate. Accrued interest on the House Note shall be payable quarterly on each January 1, April 1, July 1 and October 1.

(d) Anything herein or elsewhere to the contrary notwithstanding, (i) in the event the Confirmation Bonus becomes payable to Myers as contemplated by Section 3.3, the Company shall be entitled to apply the Confirmation Bonus (to the extent thereof) to payment of the House Note, in which event only the balance (if any) of the Confirmation Bonus shall be payable to Myers, (ii) in the event any severance payment becomes payable to Myers pursuant to Section 4.2 or 4.3, the Company shall be entitled to apply such severance payment (to the extent thereof) to payment of the House Note, in which event only the balance (if any) of such severance payment shall be payable to Myers and (iii) in the event Myers sells or otherwise disposes of the Residence, Myers shall immediately remit the proceeds thereof to the Company for application (to the extent thereof) to the payment of the House Note. All such payments on the House Note shall be applied first to accrued and unpaid interest and then to principal.

(e) Anything herein or elsewhere to the contrary notwithstanding, the House Note (principal and accrued interest) shall be and become immediately due and payable 180 days after the earlier to occur of (i) the termination of Myers employment hereunder pursuant to Article IV and (ii) Myers death.

(f) Anything herein or elsewhere to the contrary notwithstanding, the House Note (principal and accrued interest) shall be and become immediately due and payable if one or more of the following events shall occur:

(i) Myers makes an assignment for the benefit of creditors or is adjudicated insolvent or bankrupt under Title 11 of the Bankruptcy Code;

(ii) Myers voluntarily commences any proceeding under the Bankruptcy Code or files any petition under the Bankruptcy Code seeking the appointment of a receiver, trustee, custodian or liquidator for Myers or a substantial portion of his property;

(iii) involuntary proceedings are commenced against Myers under the Bankruptcy Code seeking reorganization or a creditors arrangement with respect to Myers or the appointment of a receiver, trustee, custodian or liquidator for Myers or a substantial portion of his property and such proceedings are not dismissed within 60 days after commencement;

(iv) any order, judgment or decree is entered against Myers appointing any receiver or trustee for Myers or for all or a substantial portion of his property; or

(v) Myers sells or otherwise disposes of the Residence.

(g) Anything herein or elsewhere to the contrary notwithstanding, neither Myers nor his wife shall be personally liable (whether by operation of law or otherwise) for payments due under the House Note. The sole recourse of the Company for satisfaction of the House Note shall be against (i) the collateral covered by the Deed of Trust (including any proceeds from the sale or other disposition of the Residence), (ii) the Confirmation Bonus as contemplated by paragraph (d) above and (iii) any severance payment due to Myers pursuant to Section 4.2 or 4.3; provided, however, that nothing in this paragraph (g) is intended to or shall limit or otherwise adversely affect in any way (i) any right of the Company to proceed against the collateral covered by, or otherwise to exercise or enforce any of the remedies set forth in, the Deed of Trust, (ii) any right of the Company to name Myers and his wife as parties defendant in any action or suit for a judicial foreclosure of the Deed of Trust or in the exercise of any other right or remedy under the Deed of Trust or (iii) the right of the Company to apply the Confirmation Bonus and any severance payment (to the extent thereof) to the payment of the House Note as contemplated by paragraph (d) above. Except as otherwise specifically contemplated by the foregoing proviso, in no event will the Company (i) seek to hold Myers or his wife personally liable for the House Note or (ii) assert any claim against Myers or his wife for the payment of the House Note.

3.6. Stock Loan

(a) If, during the Term, Myers exercises the stock option currently held by Myers with respect to shares of common stock of Aloha, the Company will lend to Myers up to 500,000 solely for the purpose of enabling Myers to pay the related exercise price and any related income taxes. Such loan shall be evidenced by, and subject to the terms and conditions of, a promissory note duly executed by Myers and payable to the order of the Company (the "Stock Note"). The Stock Note shall be in form and substance reasonably satisfactory to the Company and shall be effectively secured by a security agreement (the "Pledge Agreement") duly executed by Myers and

creating a valid first priority security interest in the Aloha stock acquired by Myers upon exercise of such option (the "Pledged Stock"). The Pledge Agreement shall be in form and substance reasonably satisfactory to the Company and shall be accompanied by appropriate stock powers.

(b) The Stock Note shall mature and automatically become immediately due and payable 90 days after the end of the Term unless (i) Myers employment hereunder is terminated pursuant to Section 4.3 for Misconduct, in which event the Stock Note shall be due and payable 30 days after the end of the Term or (ii) Myers employment hereunder is terminated pursuant to Section 2.3 as a result of a notice given by the Company thereunder, in which event the Stock Note shall be payable in three equal annual installments commencing on the first anniversary of the end of the Term.

(c) The Stock Note shall bear interest, compounded monthly, at the Applicable Federal Rate. Prior to the maturity date of the Stock Note, accrued interest thereon shall be payable only to the extent of (i) any Incentive Bonus earned by Myers as contemplated by Section 3.12 and (ii) the proceeds from any sale or other disposition of the Pledged Stock. Anything herein or elsewhere to the contrary notwithstanding, (i) in the event any Incentive Bonus becomes payable to Myers as contemplated by Section 3.12, the Company shall be entitled to apply such Incentive Bonus (to the extent thereof) to payment of all accrued and unpaid interest on the Stock Note, in which event only the balance (if any) of such Incentive Bonus shall be payable to Myers and (ii) in the event Myers sells or otherwise disposes of any shares of the Pledged Stock, Myers shall immediately remit the proceeds thereof to the Company for application (to the extent thereof) to the payment of the principal of and accrued interest on the Stock Note.

(d) Anything herein or elsewhere to the contrary notwithstanding, the Stock Note (principal and accrued interest) shall be and become immediately due and payable 180 days after the first date on which the Pledged Shares may be sold by Myers in one or more transactions on the New York Stock Exchange, the American Stock Exchange or the NASDAQ in compliance with the registration requirements of applicable securities laws.

(e) Anything herein or elsewhere to the contrary notwithstanding, the Stock Note (principal and accrued interest) shall be and become immediately due and payable if one or more of the following events shall occur:

(i) Myers makes an assignment for the benefit of creditors or is adjudicated insolvent or bankrupt under Title 11 of the Bankruptcy Code;

(ii) Myers voluntarily commences any proceeding under the Bankruptcy Code or files any petition under the Bankruptcy Code seeking the appointment of a receiver, trustee, custodian or liquidator for Myers or a substantial portion of his property;

(iii) involuntary proceedings are commenced against Myers under the Bankruptcy Code seeking reorganization or a creditors arrangement with respect to Myers or the appointment of a receiver, trustee, custodian or liquidator for Myers or a substantial portion of his property and such proceedings are not dismissed within 60 days after commencement; or

(iv) any order, judgment or decree is entered against Myers appointing any receiver or trustee for Myers or for all or a substantial portion of his property.

(f) Anything herein or elsewhere to the contrary notwithstanding, Myers shall not be personally liable (whether by operation of law or otherwise) for payments due under the Stock Note. The sole recourse of the Company for satisfaction of the Stock Note shall be against (i) the Pledged Stock and the proceeds thereof and (ii) Incentive Bonuses as contemplated by paragraph (c) above; provided, however, that nothing in this paragraph (f) is intended to or shall limit or otherwise adversely affect in any way (i) any right of the Company to proceed against the collateral covered by, or otherwise to exercise or enforce any of the remedies set forth in, the Pledge Agreement, (ii) any right of the Company to name Myers as a party defendant in any action or suit for a judicial foreclosure of the Pledge Agreement or in the exercise of any other right or remedy under the Pledge Agreement or (iii) the right of the Company to apply any Incentive Bonus (to the extent thereof) to the payment of the Stock Note as contemplated by paragraph (c) above. Except as otherwise specifically contemplated by the foregoing proviso, in no event will the Company (i) seek to hold Myers personally liable for the Stock Note or (ii) assert any claim against Myers for the payment of the Stock Note.

(g) In no event shall the Company be required to make any loan under this Section 3.6 if the making of such loan would violate any law or regulation relating to the extension of credit for the purpose of purchasing or carrying any "margin stock".

3.7. Life Insurance Premiums

During the Term, the Company agrees to pay on behalf of Myers the monthly premiums (but not more than 2,141.50 per month) accruing on Policy No. 939-350-991A issued by Metropolitan Life Insurance Company.

3.8. Stock Options

In the event a Plan of Reorganization is filed with the Bankruptcy Court during the Term, the Company agrees to use its reasonable best efforts to cause such Plan of Reorganization to provide for the grant by the reorganized Company to Myers of options to purchase shares of common stock of the reorganized Company, which options shall be commensurate with Myers duties and responsibilities to the reorganized Company except that in no event shall such options have an aggregate exercise price (at the stock s fair market value per share at the time of grant) of less than 750,000.

3.9. Reimbursement of Legal Fees

In the event it becomes necessary for Myers to obtain legal assistance regarding the termination of his employment with Aloha, the Company agrees to reimburse Myers for all reasonable legal fees that Myers may incur in that regard.

3.10. Forfeited Aloha Pension Benefits

Upon his termination of employment with the Company, Myers shall be entitled to receive from the Company an annual retirement benefit ("Retirement Benefit"), in the form of a straight life annuity beginning at age 65 ("Normal Retirement Annuity"), in an amount equal to X - (Y + Z), where (i) "X" is the amount of the Vested Acc d BFT for the Term Date that precedes the date of Myers termination of employment with the Company as reflected in Exhibit A hereto, (ii) "Y" is 49,866 and (iii) "Z" is the vested annual retirement benefit payable to Myers under the Company's qualified and nonqualified employee pension benefit plans (other than under this Section 3.10) in the form of a Normal Retirement Annuity, whether or not such benefit is received on such date or in another form. With respect to any such Company plan that is an individual account balance plan, the conversion of Myers account balance under such plan into a Normal Retirement Annuity shall be calculated by independent actuaries selected by the Company (the "Actuaries"), disregarding any employee (including 401(k)) contributions to such plan, using the applicable factors and interest rate established by Pension Benefit Guaranty Corporation for a plan termination on such date. In the event that Myers elects to retire prior to age 65 and receive the Retirement Benefit on such earlier date, the amount of the Retirement Benefit shall be reduced in the same proportion as the Vested Acc d BFT in Exhibit A hereto is reduced with respect to a benefit commencement on such termination date. One-twelfth of the Retirement Benefit (reduced as aforesaid) shall be payable to Myers each month, following his retirement, through the month of his death. Notwithstanding the foregoing, in lieu of receiving a straight life annuity, Myers may elect, prior to his benefit commencement date hereunder, to receive the Retirement Benefit in the form of a joint survivor annuity, with his spouse (determined as of his benefit commencement date) as his contingent annuitant. Such joint survivor annuity shall be actuarially equivalent in value to the straight life annuity otherwise payable to Myers with such actuarial equivalence being determined by the Actuaries.

3.11. Business Expenses

The Company shall, in accordance with the rules and policies that it may establish from time to time for senior executives, reimburse Myers for business expenses reasonably incurred in the performance of Myers duties. It is understood that Myers is authorized to incur reasonable business expenses for promoting the business of the Company, including reasonable expenditures for travel, lodging, meals and client or business associate entertainment. Requests for reimbursement for such expenses must

be accompanied by appropriate documentation.

3.12. Other Benefits

Myers shall be entitled to receive all fringe benefits and other perquisites that may be offered by the Company to its senior executives as a group, including (i) participation in any incentive plans offered to key employees, (ii) participation in the various employee benefit plans or programs provided to the employees of the Company in general, subject to meeting the eligibility requirements with respect to each of such benefit plans or programs, (iii) tax planning assistance, (iv) a car allowance and (v) such other benefits or perquisites as may be approved by the Board during the Term. However, nothing in this Section 3.12 shall be deemed to prohibit the Company from making any changes in any of the plans, programs or benefits described herein, provided the change similarly affects all senior executives of the Company similarly situated.

ARTICLE IV

Termination of Employment

4.1. General

(a) If Myers employment is terminated due to Myers death, this Agreement shall automatically terminate and thereafter the Company shall have no obligations to Myers or Myers legal representatives or estate with respect to this Agreement other than the payment of any unpaid Base Salary earned hereunder at the date of Myers death.

(b) Myers employment with the Company shall automatically terminate upon expiration of the Term in accordance with Section 2.3, in which event Myers shall not be entitled to further compensation or benefits hereunder other than (i) any unpaid Base Salary earned hereunder prior to the end of the Term, (ii) any amounts or benefits which may be required by applicable law and (iii) in the event such termination shall have occurred on account of a notice given by the Company pursuant to Section 2.3, a severance payment equal to 150% of the Base Salary in effect on the date of such notice, such severance to be paid within 30 days after the end of the Term.

(c) Myers employment with the Company may be terminated prior to the end of its Term as set forth in the following provisions of this Article IV.

4.2. Termination by Myers

(a) Myers may, at any time prior to the end of the Term, terminate his employment hereunder for any reason by delivering a Notice of Termination to the Company. If Myers terminates his employment pursuant to this Section 4.2, he shall not be entitled to further compensation or benefits hereunder other than (i) any unpaid Base Salary earned hereunder

prior to the Termination Date, (ii) any amounts or benefits which may be required by applicable law, (iii) if such termination is for Good Reason, a severance payment equal to 150% of the Base Salary in effect on the Termination Date and (iv) if such termination is due to a Change in Control, a severance payment equal to 200% of the Base Salary in effect on the Termination Date. In no event shall Myers be entitled to both of the severance payments described above. In the event Myers becomes entitled to a severance payment under this Section 4.2, the Company agrees to pay the same within 30 days after the Termination Date except as provided in paragraph (b) below.

(b) If a Change in Control occurs on account of the consummation of a Plan of Reorganization and if Myers is offered a position with similar titles, duties and compensation with the reorganized Company following such Change in Control, for purposes of this Section 4.2, a termination by Myers will not be due to a Change in Control unless Myers has rejected such offer within 30 days.

(c) If (i) a Change in Control occurs on account of the consummation of a Plan of Reorganization, (ii) Myers terminates his employment pursuant to this Section 4.2 on account of such Change in Control and (iii) Myers thereafter accepts a new offer of employment with the reorganized Company or a Company Affiliate within six months after the Termination Date, Myers shall promptly refund to the Company any severance payment paid or credited to Myers as a result of such termination.

4.3. Termination by the Company

The Company may, at any time prior to the end of the Term, terminate Myers employment hereunder for any reason deemed sufficient by the Board by delivering a Notice of Termination to Myers. If the Company terminates Myers employment pursuant to this Section 4.3 for any reason other than Misconduct or Disability, Myers shall not be entitled to further compensation or benefits hereunder other than (i) any unpaid Base Salary earned hereunder prior to the Termination Date, (ii) any amounts or benefits which may be required by applicable law and (iii) a severance payment equal to 150% of the Base Salary in effect on the Termination Date, such severance to be paid within 30 days after the Termination Date. If the Company terminates Myers employment pursuant to this Section 4.3 for Misconduct or Disability, Myers shall not be entitled to further compensation or benefits hereunder other than (i) any unpaid Base Salary earned hereunder prior to the Termination Date and (ii) any amounts or benefits which may be required by applicable law.

4.4. Benefits and Privileges

The following provisions shall apply if Myers terminates his employment pursuant to Section 4.2(a) for Good Reason or due to a Change in Control or if the Company terminates Myers employment pursuant to Section 4.3 for any reason other than Misconduct or Disability:

(i) Medical Insurance. During the 12-month period following the of Termination Date, the Company, at its cost, shall maintain in full force and effect for the continued benefit of Myers and Myers dependents all benefits available to Myers and Myers dependents under all medical plans and programs of the Company, provided that (a) Myers continued participation is possible under the terms and provisions of such plans and programs and (bi) Myers pays the regular employee contribution, if any, required by such plans and programs. In the event that participation by Myers (or his dependents) in any such plan or program after the Termination Date is barred pursuant to the terms thereof, or in the event the Company shall terminate any such plan or program, the Company shall obtain for Myers (and/or his dependents) comparable coverage under individual policies.

(ii) Life Insurance. During the 12-month period following the of Termination Date, the Company, at its cost, shall continue to provide Myers all life insurance coverages (and in the same amounts) provided to him by the Company immediately prior to the Termination Date.

(iii) Travel Privileges. The Company shall provide Myers (and wife and his dependents) such lifetime on-line and interline, positive space travel privileges subject to the terms of the Company's non-revenue travel policy for retired executives as from time to time in effect.

(iv) Accrued Vacation Pay, etc. Promptly after the Termination Date, the Company shall pay to Myers a lump sum amount for (i) all unused vacation time accrued by Myers as of the Termination Date and (ii) all unpaid benefits earned by Myers as of the Termination Date under any and all incentive compensation plans or programs of the Company.

4.5. Disputes

Either party may, within 10 days after its receipt of a Notice of Termination given by the other party, provide notice to the other party that a dispute exists concerning the termination, in which event such dispute shall be resolved in accordance with Article VI. Notwithstanding the pendency of any such dispute and notwithstanding any provision of Section 4.2 or 4.3 to the contrary, the Company will continue to pay Myers the Base Salary in effect when the notice giving rise to the dispute was given and continue Myers as a participant in all compensation and benefit plans in which Myers was participating when the notice giving rise to the dispute was given, until the dispute is finally resolved, but in no event past the end of the Term.

ARTICLE V

Confidential Information and Non-Competition

5.1. Confidential Information

(a) Myers recognizes that the services to be performed by him hereunder are special, unique and extraordinary and that, by reason of his employment with the Company, he may acquire Confidential Information and trade secrets concerning the operation of the Company or a Company Affiliate, the use or disclosure of which would cause the Company or a Company Affiliate substantial loss and damages which could not be readily calculated and for which no remedy at law would be adequate. Accordingly, Myers agrees with the Company that he will not at any time (whether during or after the Term), except in the performance of his obligations to the Company hereunder or with the prior written consent of the Board, directly or indirectly, disclose any secret or Confidential Information that he may learn or has learned by reason of his association with the Company, or any predecessors to its business or use any such information to the detriment of the Company. As used herein, "Confidential Information" includes information with respect to the Company's products, facilities and methods, research and development, trade secrets and other intellectual property, systems, patents and patent applications, procedures, manuals, confidential reports, product price lists, customer lists, financial information, business plans, prospects or opportunities.

(b) Myers confirms that all Confidential Information is the exclusive property of the Company. All business records, papers and documents kept or made by Myers relating to the business of the Company or any Company Affiliate shall be and remain the property of the Company or such Company Affiliate, respectively, during the Term and all times thereafter. Upon the termination of his employment with the Company or upon the request of the Company at any time, Myers shall promptly deliver to the Company, and shall retain no copies of, any written materials, records and documents made by Myers or coming into his possession concerning the business or affairs of the Company or a Company Affiliate other than personal notes or correspondence of Myers not containing proprietary information relating to such business or affairs.

(c) Myers agrees not to disclose to the Company, or to use on behalf of the Company, any confidential information or trade secrets of any of Myers prior employers.

5.2. Non-Competition

(a) While employed by the Company and for a period of 18 months thereafter (the "Restricted Period"), Myers shall not, unless he receives the prior written consent of the Board or the Chairman of the Board, own an interest in, manage, operate, join, control, lend money or render financial or other assistance to or participate in or be connected with, as an officer, employee, partner, stockholder, consultant or otherwise, any Person or other business organizations competing with the Company.

(b) Myers has carefully read and considered the provisions of this Section 5.2 and, having done so, agrees that the restrictions set forth in

this Section 5.2 (including the Restricted Period, scope of activity to be restrained and the geographical scope) are fair and reasonable and are reasonably required for the protection of the interests of the Company, its officers, directors, employees, creditors and shareholders. Myers understands that the restrictions contained in this Section 5.2 may limit his ability to engage in a business similar to the Company's business, but acknowledges that he will receive sufficiently high remuneration and other benefits from the Company hereunder to justify such restrictions.

(c) During the Restricted Period, Myers shall not, whether for his own account or for the account of any other Person, intentionally (i) solicit, endeavor to entice or induce any employee of the Company or any Company Affiliate to terminate his employment with the Company or such Company Affiliate, accept employment with anyone else, or (ii) interfere in a similar manner with the business of the Company or any Company Affiliate.

(d) In the event that any provision of this Section 5.2 relating to the Restricted Period and/or the areas of restriction shall be declared by a court of competent jurisdiction to exceed the maximum time period or areas such court deems reasonable and enforceable, the Restricted Period and/or areas of restriction deemed reasonable and enforceable by the court shall become and thereafter be the maximum time period and/or areas.

5.3. Stock Ownership

Nothing in this Agreement shall prohibit Myers from acquiring or holding any issue of stock or securities of any Person that has any securities listed on a national securities exchange or quoted on the automated quotation system of the national Association of Securities Dealers, Inc., provided that at any time during the Restricted Period, Myers and members of his immediate family do not own or hold more than 5% of any voting securities of any such Person engaged in any business similar to or competitive with that conducted by the Company or any Company Affiliate.

5.4. Injunctive Relief

Myers acknowledges that a breach of any of the covenants contained in this Article V may result in material irreparable injury to the Company for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach, any payments remaining under the terms of this Agreement shall cease and the Company shall be entitled to obtain a temporary restraining order and/or a preliminary or permanent injunction restraining Myers from engaging in activities prohibited by this Article V or such other relief as may required to specifically enforce any of the covenants contained in this Article V. Myers agrees to and hereby does submit to in personam jurisdiction before each and every such court for that purpose.

ARTICLE VI

Dispute Resolution

(a) In the event a dispute shall arise between the parties as to whether the provisions of this Agreement have been complied with (a "Dispute"), the parties agree to resolve such Dispute in accordance with the following procedure:

(i) A meeting shall be held promptly between the parties, attended by (in the case of the Company) by one or more individuals with decision-making authority regarding the Dispute, to attempt in good faith to negotiate a resolution of the Dispute.

(ii) If, within 10 days after such meeting, the parties have not succeeded in negotiating a resolution of the Dispute, the parties agree to submit the Dispute to mediation in accordance with the Commercial Mediation Rules of the American Arbitration Association.

(iii) The parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the American Arbitration Association if they have been unable to agree upon such appointment within 10 days following the 10-day period referred to in clause (ii) above.

(iv) Upon appointment of the mediator, the parties agree to participate in good faith in the mediation and negotiations relating thereto for 15 days.

(v) If the parties are not successful in resolving the Dispute through mediation within such 15-day period, the parties agree that the Dispute shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

(vi) The fees and expenses of the mediator/arbitrators shall be borne solely by the non-prevailing party or, in the event there is no clear prevailing party, as the mediator/arbitrators deem appropriate. Except as provided in the preceding sentence, each party shall pay its own costs and expenses (including, without limitation, attorneys fees) relating to any mediation/arbitration proceeding conducted under this Article VI.

(vii) All mediation/arbitration conferences and hearings will be held in Phoenix, Arizona.

(b) In the event there is any disputed question of law involved in any arbitration proceeding, such as the proper legal interpretation of any provision of this Agreement, the arbitrators shall make separate and distinct findings of all facts material to the disputed question of law to be decided and, on the basis of the facts so found, express their conclusion of the question of law. The facts so found shall be conclusive and binding on the parties, but any legal conclusion reached by the arbitrators from such facts may be submitted by either party to a court of law for final determination by initiation of a civil action in the manner provided by law.

Such action, to be valid, must be commenced within 20 days after receipt of the arbitrators decision. If no such civil action is commenced within such 20-day period, the legal conclusion reached by the arbitrators shall be conclusive and binding on the parties. Any such civil action shall be submitted, heard and determined solely on the basis of the facts found by the arbitrators. Neither of the parties shall, or shall be entitled to, submit any additional or different facts for consideration by the court. In the event any civil action is commenced under this paragraph (b), the party who prevails or substantially prevails (as determined by the court) in such civil action shall be entitled to recover from the other party all costs, expenses and reasonable attorneys fees incurred in connection with such action and on appeal.

(c) Except as limited by paragraph (b) above, the parties agree that judgment upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction. In the event legal proceedings are commenced to enforce the rights awarded in an arbitration proceeding, the party who prevails or substantially prevails in such legal proceeding shall be entitled to recover from the other party all costs, expenses and reasonable attorneys fees incurred in connection with such legal proceeding and on appeal.

(d) Nothing in Article VI is intended or shall be construed to prohibit either party from seeking and obtaining injunctive relief as contemplated by Section 5.4.

(e) Except as provided above, (i) no legal action may be brought by either party with respect to any Dispute and (ii) all Disputes shall be determined only in accordance with the procedures set forth above.

ARTICLE VII

Miscellaneous

7.1. No Mitigation

The provisions of this Agreement are not intended to, nor shall they be construed to, require that Myers seek or accept other employment following a termination of employment. Except as provided in Sections 3.5 and 3.6, the Company's obligations to make the payments to Myers required under this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set off, counterclaim, recoupment, defense or other claim, right or action that the Company may have against the Myers.

7.2. Assignability

The obligations of Myers hereunder are personal and may not be assigned or delegated by Myers or transferred in any manner whatsoever, nor are such obligations subject to involuntary alienation, assignment or transfer. The Company shall have the right to assign this Agreement and to delegate all rights, duties and obligations hereunder, either in whole or in

part, to any Company Affiliate, provided that no such assignment or delegation shall relieve the Company of its obligations under this Agreement.

7.3. Notices

All notices and all other communications provided for in the Agreement shall be in writing and addressed (i) if to the Company, at its principal office address or such other address as it may have designated by written notice to Myers for purposes hereof, directed to the attention of the Board with a copy to the Secretary of the Company and (ii) if to Myers, at his residence address on the records of the Company or to such other address as he may have designated to the Company in writing for purposes hereof. Each such notice or other communication shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, except that any notice of change of address shall be effective only upon receipt.

7.4. Severability

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

7.5. Successors; Binding Agreement

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. As used herein, the term "Company" shall include any successor to its business and/or assets as aforesaid which executes and delivers the Agreement provided for in this Section 7.5 or which otherwise becomes bound by all terms and provisions of this Agreement by operation of law.

(b) This Agreement and all rights of Myers hereunder shall inure to the benefit of and be enforceable by Myers personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Myers should die while any amounts would be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Myers devisee, legatee, or other designee or, if there be no such designee, to Myers estate.

7.6. Tax Withholdings

The Company shall withhold from all payments hereunder all applicable taxes (federal, state or other) which it is required to withhold

therefrom.

7.7. Amendments and Waivers

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Myers and such officer as may be specifically authorized by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or in compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.8. Entire Agreement

This Agreement is an integration of the parties agreement; no agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

7.9. Governing Law

The validity, interpretation, construction and performance of this Agreement, the House Note, the Deed of Trust, the Stock Note and the Pledge Agreement shall be governed by the laws of the State of Arizona.

7.10. Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

AMERICA WEST AIRLINES, INC.

By:
Chairman

A. Maurice Myers