

PHOENIX AVIATION MANAGERS, INC.

Dear Policyholder:

We at Phoenix are very pleased that you have elected to place your aircraft insurance with us.

Your aircraft policy insures your aircraft (if you have purchased Physical Damage insurance) against almost everything that can happen to it with a few exceptions as shown in the policy. The policy - broadly speaking - covers the aircraft and any equipment installed in it. That means that theft, vandalism or destruction of a component is considered part of the airplane in the event of a total loss and the value of that component belongs to the insurance company.

Once a piece of equipment is installed (GPS, Loran, Stormscope, etc...) it becomes part of the aircraft, and we owe you for any loss (such as theft) involving that equipment. But, if your aircraft is involved in a total loss, the value of that radio equipment belongs to us.

A problem arises if an aircraft owner neglects to change the value of the aircraft to reflect the new equipment. Of course, we still owe you for a loss to that equipment. But, if your aircraft is totalled, you only get what you declared as the value, and the salvage value is ours, including all equipment.

Please look at your policy and check the insured value. Let your insurance agent know and we will increase your value accordingly if any new equipment is added to your aircraft. You are only charged premium from the date of change to expiration.

If you do not want to cover a piece of equipment, let us know. We will exclude all coverage for that unit and, in the event of a total loss, you may keep it with no problems.

One more item to be aware of. Where your aircraft is serviced or repaired is up to you. Selecting individuals or repair facilities that do not secure insurance coverage for the work they perform on your aircraft could leave you at a financial disadvantage should a loss or accident occur either during or after servicing.

Asking for verification of insurance on Products, Completed Operations and Hangarkeepers Legal Liability before you relinquish control of your aircraft is a wise decision.

Thanks for your continued confidence.

Very truly yours,

PHOENIX AVIATION MANAGERS, INC.



William P. McGloin
President

ORIGINAL

AVIATION POLICY
POLICY PROVISIONS—FORM PAM - AV2

Old Republic Insurance Company, a stock insurance company (hereinafter called the Company), in consideration of payment of the premium and in reliance upon the statements in the Declarations and subject to the Limits of Liability, Exclusions, Conditions and all other terms of the Policy, agrees with the Named Insured identified in the Declarations Page herein as follows:

INSURING AGREEMENTS

I. LIABILITY COVERAGES

Coverage A—Bodily Injury Liability Excluding Passengers-To pay on behalf of the Insured all sums which the Insured shall become legally obligated to pay as damages because of bodily injury sustained by any person excluding any passenger.

Coverage B—Property Damage Liability-To pay on behalf of the Insured all sums which the Insured shall become legally obligated to pay as damages because of property damage.

Coverage C—Passenger Bodily Injury Liability-To pay on behalf of the Insured all sums which the Insured shall become legally obligated to pay as damages because of bodily injury sustained by any passenger.

Coverage D—Single Limit Bodily Injury and Property Damage Liability-To pay on behalf of the Insured all sums which the Insured shall become legally obligated to pay as damages because of bodily injury sustained by any person (excluding any passenger unless the words "Including Passengers" appear in Item 4 of the Declarations) and property damage.

caused by an occurrence and arising out of the ownership, maintenance or use of the aircraft; and if the purpose of use stated in Item 7 of the Declarations is "Pleasure and Business," Coverages A, B and D shall apply to an occurrence arising out of the maintenance or use of the premises in or upon which the aircraft is stored.

II. EXPENSES FOR MEDICAL SERVICES COVERAGE

Coverage E—Expenses for Medical Services-To pay all reasonable medical expense incurred within one year from the date of injury, to or for each passenger who sustains bodily injury caused by an occurrence, provided the aircraft is being used by or with the express permission of the Named Insured.

III. PHYSICAL DAMAGE COVERAGES

Coverage F—All Risk Basis-To pay for any physical damage to or loss of the aircraft, including disappearance of the aircraft.

Coverage G—All Risk Basis Not In Motion-To pay for any physical damage to or loss of the aircraft sustained while the aircraft is not in motion and which is not the result of fire or explosion following crash or collision while the aircraft was in motion.

IV. DEFENSE, SETTLEMENT AND SUPPLEMENTARY PAYMENTS

Coverages A, B, C, and D

The Company shall have the right and duty to defend any suit against the Insured seeking damages on account of such bodily injury or property damage, even if any of the allegations of the suit are groundless, false or fraudulent. It may make such investigation and settlements of any claim or Suit as it deems expedient, but the Company shall not be obligated to pay any claim or judgment or to defend any Suit after the applicable limit of the Company's liability has been exhausted by payment of judgments or settlements.

During such time as the Company is obligated to defend a claim or claims under the provisions of the preceding paragraph, the Company will pay with respect to such claim, in addition to the applicable limits of liability:

- (a) all expenses incurred by the Company, all costs taxed against the Insured in any suit defended by the Company and all interest accruing after judgment upon that portion of the judgment falling within the Policy limits before the Company has paid or tendered or deposited in court that part of the judgment which does not exceed the limit of the Company's liability thereon;

- (b) premiums on appeal bonds required in any such suit, premiums on bonds to release attachments in any such suit for an amount not in excess of the applicable limit of liability of this policy and the cost of bail bonds required of the Insured because of an occurrence or violation of law or a regulation for civil aviation arising out of the use of the aircraft, not to exceed \$250 per bail bond, but the Company shall have no obligation to apply for or furnish any such bonds;
- (c) expenses incurred by the Insured for first aid to others at the time of an accident, for bodily injury to which this policy applies;
- (d) all reasonable expenses incurred by the Insured at the Company's request, other than for loss of earnings or for wages or salaries of employees of the Insured.

V. POLICY PERIOD, TERRITORY (All Coverages)

This policy applies only to bodily injury or property damage which occurs, and to physical damage losses to the aircraft which are sustained during the policy period, while the aircraft is within the United States of America, Canada or Mexico, or while being transported between ports thereof.

VI. TWO OR MORE AIRCRAFT

All Coverages

When two or more aircraft are insured under this policy the terms of this policy shall apply separately to each.

SPECIAL INSURING AGREEMENTS

(APPLICABLE ONLY IF THE PURPOSE OF USE SHOWN IN ITEM 7 IS LIMITED TO PLEASURE AND BUSINESS)

I. TEMPORARY USE OF SUBSTITUTE AIRCRAFT (Coverages A, B, C, D and E)

Solely with respect to the liability of the Named Insured: While an aircraft described in Item 5 of the Declarations is withdrawn from normal use because of its breakdown, repair, servicing, loss or destruction, such insurance as is afforded under Coverages A, B, C, D and E is extended to apply with respect to the use, by or on behalf of the Named Insured of any other aircraft bearing a "Standard" airworthiness certificate, not owned in whole or in part by the Named Insured, while temporarily used as a substitute therefor.

In the event that the aircraft has a passenger capacity greater than that of any aircraft listed in the Declarations, then the Company's liability under Coverage D for passenger claims shall be determined in accordance with the provisions of the "Limit of Company's Liability" section of this policy, as if the aircraft involved had the same seating capacity as that aircraft listed in the Declarations which has the greatest seating capacity.

II. USE OF OTHER AIRCRAFT (Coverages A, B, C, D and E)

If the Named Insured is one individual or, one individual and spouse, such insurance as is afforded under Coverages A, B, C, D and E with respect to the aircraft described in Item 5 of the Declarations is extended to apply with respect to the use, by or on behalf of the Named Insured, of any other aircraft bearing a "Standard" airworthiness certificate not owned in whole or in part by, or furnished for regular use to, such Named Insured and spouse. The insurance provided by this Agreement shall apply only to the Named Insured and spouse.

In the event that the aircraft has a passenger capacity greater than that of any aircraft listed in the Declarations, then the Company's liability under Coverage D for passenger claims shall be determined in accordance with the provisions of the "Limit of Company's Liability" section of this policy, as if the aircraft involved had the same seating capacity as that aircraft listed in the Declarations which has the greatest seating capacity.

III. AUTOMATIC INSURANCE FOR NEWLY ACQUIRED AIRCRAFT (Coverages A, B, C, D and E)

If the Named Insured acquires ownership of an aircraft having a Standard Airworthiness Certificate in addition to the aircraft described in Item 5 of the Declarations and within thirty days thereafter reports such acquisition to the Aviation Managers, then the insurance afforded by Coverages A, B, C, D and E shall apply to such additional aircraft as of the time of such acquisition, provided the Company insured all other aircraft owned in whole or in part by the Named Insured on such acquisition date. Unless the Named Insured and the Company agree otherwise the coverages and limits of liability pertaining to said additional aircraft shall be the same as is provided for that aircraft which is described in Item 5 of the Declarations having the greater passenger carrying capacity. The Named Insured shall pay any additional premium required because of the application of this insurance to such other aircraft. All coverages provided by this Agreement shall cease to apply upon expiration of the policy to which it is attached.

EXCLUSIONS

This policy does not apply:

1. To any Insured while the aircraft is in flight with the knowledge and consent of such Insured or of any executive officer, partner, or managing agent of such Insured for any unlawful purpose, or any purpose not designated in the Declarations.
2. To any Insured while the aircraft is in flight
 - (a) if piloted by other than the pilot or pilots designated in the Declarations;
 - (b) if piloted by a pilot not properly certificated, qualified and rated under the current applicable Federal Aviation Regulations for the operation involved, whether or not said pilot is designated in the Declarations;
 - (c) if the Airworthiness Certificate of the aircraft is not in full force and effect;
 - (d) If the aircraft has not been subjected to appropriate airworthiness inspection(s) as required under current applicable Federal Aviation Regulations for the operations involved.
3. To any loss, injury or damage arising from war, invasion, civil war, revolution, rebellion, insurrection or warlike operations, whether there be a declaration of war or not.
4. To any loss or damage due to radioactive contamination.
5. Under Coverages A, B, C, D and E
 - (a) to liability assumed by the Insured under any contract or agreement, but this exclusion 5(a) does not apply to the assumption by the Named Insured of the liability of others for bodily injury or property damage in any written hold harmless agreement required by a military or governmental authority as a prerequisite to the use of an airport or an airport facility;
 - (b) to an Insured under this policy who is also an Insured under a contract of nuclear energy liability insurance issued by the Nuclear Energy Liability Insurance Association or the Mutual Atomic Energy Liability Underwriters and in effect at the time of the occurrence resulting in such injury, sickness, disease, death or destruction; provided, such contract of nuclear energy liability insurance shall be deemed to be in effect at the time of such occurrence notwithstanding such contract has terminated upon exhaustion of its limit of liability;
 - (c) (i) To claims directly or indirectly occasioned by, happening through or in consequence of:
 1. noise (whether audible to the human ear or not), vibration, sonic boom and any phenomena associated therewith,
 2. pollution and contamination of any kind whatsoever,
 3. electrical and electromagnetic interference,
 4. interference with the use of property,unless caused by a crash or collision of aircraft or a recorded in flight emergency causing abnormal aircraft operation.
 - (ii) with respect to any provision in the policy concerning any duty of the Company to investigate or defend claims, such provision shall not apply and the Company shall not be required to defend:
 1. claims excluded by paragraph (c) (i) or
 2. a claim or claims covered by the policy when combined with any claims excluded by paragraph (c) (i) referred to below as "Combined Claims"
 - (iii) In respect of any Combined Claims, the Company shall (subject to proof of loss and the limits of the policy) reimburse the Insured for that portion of the following items which may be allocated to the claim or claims covered by the policy:
 1. damages awarded against the Insured and
 2. defense fees and expenses incurred by the Insured.
- (d) To claims in respect of death, bodily injury, illness or disease of any person or persons and/or damage to or destruction of property caused by or resulting from the use by the Insured or his agent of any forms of chemical dispersed from the aircraft.

6. Under Coverages A, C and D

- (a) to any obligation for which the Insured or any carrier as his insurer may be held liable under any worker's compensation, unemployment compensation or disability benefits law, or under any similar law;
- (b) to bodily injury to any employee of the Named Insured arising out of and in the course of his employment by such Named Insured;
- (c) to bodily injury or death of any person who is a Named Insured.

7. Under Coverages B and D to property damage to property owned, occupied, rented or used by, or in the care, custody or control of the Insured or carried in or on any aircraft, but this exclusion does not apply, as respects the Named Insured, to:

- (a) damages not exceeding \$250 for damage or loss of the personal effects and baggage of any guest passenger in any one occurrence; or
- (b) damages not exceeding \$1,000 any one occurrence for damage to hangars not owned by the Named Insured.

8. Under Coverages F and G

- (a) to loss or damage due to conversion, embezzlement or secretion by any person in possession of the aircraft under a bailment, lease, rental agreement, conditional sale, purchase agreement, mortgage or other encumbrance, nor for any loss or damage during or resulting therefrom;
- (b) to wearing apparel and other personal effects;
- (c) to loss or damage which is due and confined to wear and tear, deterioration, freezing, mechanical, hydraulic, pneumatic, structural or electrical breakdown or failure, or to tires unless damaged by fire or stolen, unless any such loss or damage is the direct result of other physical damage covered by this policy;
- (d) to loss or damage arising from capture, confiscation, seizure, arrest, restraint or detention or the consequences thereof or of any attempt thereat, or any taking of the property insured or damage to or destruction thereof by any government or governmental authority or agent (whether secret or otherwise) or by any military, naval or usurped power, whether any of the foregoing be done by way of requisition or otherwise and whether in time of peace or war and whether lawful or unlawful;
- (e) damage to turbine engines caused by excessive heat which results from operations, attempted operation or shutdown of the engine.

LIMIT OF COMPANY'S LIABILITY

ALL COVERAGES (Other Insurance)

Except with respect to insurance afforded by Special Insuring Agreements I and II and to insurance specifically purchased by the Named Insured to apply in excess of this policy, if there is other insurance in the Insured's name or otherwise, against loss, liability or expense covered by this policy, the Company shall not be liable under this policy for a greater proportion of such loss, liability or expense than the applicable limit of the Company's liability bears to the total applicable limit of liability of all valid and collectible insurance against such loss, liability or expense. Insurance afforded by Special Insuring Agreements I and II shall be excess insurance over any other valid and collectible insurance available to the Insured, either as Insured under a policy applicable to the aircraft or otherwise and if such other insurance shall have been written through the Aviation Managers as primary insurance, then the Company's limits of Liability under this policy shall be reduced by the applicable limits of such other policy.

COVERAGES A, B, C AND D (Total Liability)

Regardless of the number of (1) Insureds under this policy, (2) persons or organizations who sustain bodily injury or property damage, (3) claims made or suits brought on account of bodily injury or property damage, or (4) aircraft to which this policy applies, the Company's liability is limited as follows:

Coverages A and C. The total liability of the Company for all damages, including damages for care and loss of services, because of bodily injury sustained by any person as the result of any one occurrence shall not exceed the limit of liability stated in the Declarations as applicable to "each person". Subject to the above provision respecting "each person", the total liability of the Company for all damages, including damages for care and loss of services, because of bodily injury sustained by two or more persons as the result of any one occurrence shall not exceed the limit of liability stated in the Declarations as applicable to "each occurrence".

Coverage B. The total liability of the Company for all damages because of all property damage sustained by one or more persons or organizations as the result of any one occurrence shall not exceed the limit of liability stated in the Declarations as applicable to "each occurrence".

Coverage D. The total liability of the Company for all damages, including damages for care and loss of services, because of bodily injury or property damages sustained by one or more persons or organizations as the result of any one occurrence shall not exceed the limit of liability stated in the Declarations as applicable to "each occurrence".

And further provided that if the Declarations are completed to show "passenger liability limited to," the total liability of the Company for all damages, including damages for care and loss of service because of bodily injury to passengers shall not exceed:

- (a) as respects any one passenger, the amount stated in the Declarations as applicable to "each person," regardless of the number of persons bringing a claim.
- (b) as respects two or more passengers, subject to the above provisions respecting any one passenger, the amount stated in the Declarations as applicable to "each person" multiplied by the number of passengers on board the aircraft or by the number of passenger seats as stated in Item 5 for aircraft involved (whichever is less), but in no event shall the Company's Liability for all bodily injury (including passenger bodily injury) and property damage exceed the limits stated in the Declarations as applicable to "each occurrence".

For the purpose of determining the limit of the Company's liability, all bodily injury and property damage arising out of continuous or repeated exposure to substantially the same general conditions shall be considered as arising out of one occurrence.

COVERAGES A, B, C AND D (Severability of Interests)

The insurance afforded applies separately to each Insured against whom claim is made or suit is brought, except with respect to the limits of the Company's liability.

COVERAGE E (Total Liability)

The limit of liability stated in the Declarations as applicable to "each person" is the limit of the Company's liability for all medical expenses incurred by or on behalf of each person who sustains bodily injury, sickness, or disease, including death resulting therefrom, in any one occurrence. The limit of liability stated in the Declarations for Coverage E as applicable to "each occurrence" is, subject to the above provision respecting each person, the total limit of the Company's liability for all expenses incurred by or on behalf of two or more persons who sustain bodily injury, sickness or disease, including death resulting therefrom in any one such occurrence.

COVERAGE F AND G (Total Liability)

With respect to total loss, the Company will pay the insured value of the aircraft, as stated in the Declarations, subject to any applicable deductible.

With respect to partial loss, the Company will pay, subject to any applicable deductible as hereinafter provided:

- (1) If repairs are made by other than the Named Insured, the cost to repair the damaged property with material of like kind and quality (excluding any charges for overtime), plus the cost of the least expensive, reasonable method of transporting new and/or damaged parts and/or damaged aircraft to the place of repair and the return of the repaired aircraft to the place where the loss occurred or the place where the aircraft is regularly based, whichever is nearer;
- (2) if repairs are made by the Named Insured, the total of the following:
 - (a) actual cost to the Insured of material of like kind and quality;
 - (b) actual wages paid for labor, excluding any overtime;
 - (c) 100% of item (b) in lieu of overhead and supervisory services;
 - (d) cost of the least expensive, reasonable method of transporting new and/or damaged parts and/or damaged aircraft to the place of repair and the return of the repaired aircraft to the place where the loss occurred or the place where the aircraft is regularly based, whichever is nearer.

The amount due under this policy with respect to partial loss shall in no event exceed the amount due were the loss payable as a total loss. In any event, when the amount paid or payable hereunder is equal to the amount payable as a total loss, any Salvage value remaining shall inure to the benefit of the Company. Equipment installed in the aircraft subsequent to the effective date of coverage shall be considered a part of the aircraft, and the salvage value thereof shall inure to the benefit of the Company. There shall, however, be no abandonment of any damaged property without the consent of the Company.

If the loss is due to theft, the Company shall have the right to return the stolen property at any time prior to actual payment of the claim hereunder, with payment for any physical damage sustained thereto.

DEFINITIONS

When appearing in this policy:

"Aircraft" means the aircraft described in the Declarations or any Aircraft qualifying under the provisions of the Special Insuring Agreements and shall include propulsion systems, operating, navigation and radio equipment usually attached thereto, and parts and repair equipment which are standard for the make and type of aircraft. Parts temporarily detached from the aircraft which have not been replaced by other similar parts shall be deemed part of the aircraft. Aviation fuel shall not be deemed part of the aircraft.

"Aviation Managers" means Phoenix Aviation Managers, Inc. and Phoenix Aviation Managers (Texas), Inc.

"Bodily Injury" means bodily injury, sickness, disease or mental anguish sustained by any person which occurs during the policy period, including death at any time resulting therefrom.

"Charter" means used principally in the business of the Insured, including passenger or freight carrying for hire or reward and Pleasure and Business uses, but excluding instruction of or rental to others.

"Commercial" means used principally in the business of the Insured, including student instruction, passenger or freight carrying for hire or reward, rental to others for the purpose of Pleasure and Business and those uses defined under Pleasure and Business.

"Disappearance" means missing and not reported by sixty days after commencing the last known flight.

"Federal Aviation Administration" means the duly constituted authority of the United States of America having jurisdiction over civil aviation, or its duly constituted equivalent in any other country.

"In Flight" means the time commencing with the actual take-off run of the aircraft and continuing thereafter until it has completed its landing roll or, if the aircraft is a rotorcraft, from the time the rotors start to revolve under power for the purpose of flight until they subsequently cease to revolve.

"In Motion" means while the aircraft is moving under its own power or the momentum generated therefrom or while it is in flight and, if the aircraft is a rotorcraft, any time that the rotors are rotating.

"Instruction and Rental" means used principally in the business of the Insured, including Pleasure and Business, student instruction and rental to others for the purpose of Pleasure and Business uses, but excluding passenger or freight carrying for hire or reward.

"Insured" The unqualified word "Insured" wherever used in this Policy with respect to Coverages A, B, C and D, includes not only the Named Insured but also any person while using or riding in the aircraft and any person or organization legally responsible for its use, provided the actual use is with the express permission of the Named Insured. Except with respect to the Named Insured the provisions of this paragraph do not apply:

- (a) to any employee with respect to bodily injury, sickness, disease or death of another employee of the same employer injured in the course of such employment;
- (b) To any person or organization or to any agent or employee thereof (other than any employee of the Named Insured while acting in the scope and course of his employment by the Named Insured) engaged in the manufacture or sale of aircraft, aircraft engines or aircraft accessories or in the operating of an aircraft repair shop, airport, hangar, aircraft sales agency, aircraft rental service, commercial flying service or flying school with respect to any occurrence arising out of such manufacture, sale or operations;
- (c) to any person (other than any employee of the Named Insured while acting in the scope and course of his employment by the Named Insured) engaged in providing flight instruction for hire or reward;
- (d) to any person operating the aircraft who has paid or agreed to pay the Named Insured for the use of said aircraft;
- (e) to the owner or lessor, or any agent or employee thereof, of any aircraft which is the subject of the provisions of Special Insuring Agreements I and II.

"Medical Expense" means expenses for necessary medical, surgical x-ray or dental services, including prosthetic devices, and necessary ambulance, hospital, professional nursing and funeral services, but excluding monuments, head stones or burial plots.

"Named Insured" means the person or organization named in Item 1 of the Declarations.

"Occurrence" means an accident, including continuous or repeated exposure to conditions, which results in bodily injury or property damage during the policy period neither expected nor intended from the standpoint of the Insured, but the definition shall not be construed so as to preclude coverage for bodily injury or property damage resulting from efforts to prevent dangerous interference with the operation of the aircraft.

"Partial Loss" means any physical damage loss which is not a total loss.

"Passenger" means any person in, on, or boarding the aircraft for the purpose of riding or flying therein or alighting therefrom after a flight or attempted flight therein, including pilot(s) or crew member(s).

"Physical Damage" means direct and accidental physical loss or damage to the aircraft, hereinafter called loss, but does not include loss of use or any residual depreciation in value, if any, after repairs have been made.

"Pleasure and Business" means used in the business of the Insured, including personal and pleasure uses, but excluding any operation for hire or reward. Cost reimbursement shall be included within the definition of Pleasure and Business provided that such cost reimbursement is limited to:

- (1) Fuel, oil, lubricants, and other additives
- (2) Expenses of the crew, including food, lodging, and ground transportation, but excluding salary or wages
- (3) Hangar and tie-down costs away from the aircraft's base of operation
- (4) Insurance obtained for the specific flight
- (5) Landing fees and similar assessments
- (6) Customs, foreign permit, and similar fees directly related to the flight
- (7) In flight food and beverages

"Premises" means such portions of airports as are designated and used for the parking or storage of aircraft, including premises owned by, or leased for more than thirty days to, the Named Insured.

"Property Damage" means (a) physical injury to or destruction of tangible property which occurs during the policy period, including loss of use thereof at any time resulting therefrom, or (b) loss of use of tangible property which has not been physically injured or destroyed, provided such loss of use is caused by a covered occurrence.

"Total Loss" means any physical damage loss for which the "cost to repair" when added to the "salvage value" (the value of the aircraft after physical damage and prior to repairs) equals or exceeds the Insured Value of the aircraft as set forth in item 5 of the Declarations. Disappearance or theft of the entire aircraft shall be considered as a total loss.

CONDITIONS

APPLICABLE TO COVERAGES A, B, C AND D (BODILY INJURY AND PROPERTY DAMAGE)

1. NOTICE OF OCCURRENCE. When an occurrence takes place written notice shall be given by or on behalf of the Insured to the Aviation Managers at their nearest office as soon as practicable. Such notice shall contain particulars sufficient to identify the Insured and also reasonably obtainable information respecting the time, place and circumstances of the occurrence, the names and addresses of the injured and of available witnesses.

2. NOTICE OF CLAIM OR SUIT. If claim is made or suit is brought against the Insured, the Insured shall immediately forward to the Aviation Managers every demand, notice, summons or other process received by him or his representative.

3. SEVERABILITY OF INTEREST. The term "Insured" is used severally and not collectively, but the inclusion herein of more than one Insured shall not operate to increase the limits of the Company's liability.

4. ACTION AGAINST COMPANY. No action shall lie against the Company in respect of Coverages A, B, C and D unless, as a condition precedent thereto, the Insured shall have fully complied with all the terms of this policy, nor until the amount of the Insured's obligation to pay shall have been finally determined either by judgment against the Insured after actual trial or by written agreement of the Insured, the claimant and the Company.

Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this policy to the extent of the insurance afforded by this policy. Nothing contained in this policy shall give any person or organization any right to join the Company as a co-defendant in any action against the Insured to determine the Insured's liability.

5. BANKRUPTCY AND INSOLVENCY. Bankruptcy or insolvency of the Insured or of the Insured's estate shall not relieve the Company of any of its obligations hereunder.

6. FINANCIAL RESPONSIBILITY LAWS. Such insurance as is afforded by this policy shall comply with the provisions of any financial responsibility law of any State or Province which shall be applicable to aircraft with respect to any such liability arising out of the ownership, maintenance or use of the aircraft during the policy period, to the extent of the coverage and limits of liability required by such law, but in no event in excess of the limits of liability stated in this policy. The Insured agrees to reimburse the Company for any payment made by the Company which it would not have been obligated to make under the terms of this policy except for the agreement contained in this paragraph.

APPLICABLE TO COVERAGE E (MEDICAL PAYMENTS)

7. MEDICAL REPORTS: PROOF AND PAYMENT OF CLAIM. As soon as practicable the injured person or someone on his behalf shall give to the Company written proof of claim, under oath if required, and shall, after each request from the Company, execute authorization to enable the Company to obtain medical reports and copies of records. The injured person shall submit to physical examination by a physician selected by the Company when and as often as the Company may reasonably require. The Company may pay the injured person or any person or organization rendering the services and such payment shall reduce the amount payable hereunder for such injury. Payment hereunder shall not constitute admission of liability of the Insured, or except hereunder, of the Company.

8. ACTION AGAINST COMPANY. No action shall lie against the company in respect of Coverage E unless, as a condition precedent thereto, there shall have been full compliance with all the terms of this policy, nor until thirty (30) days after the required proofs of claim have been filed with the Company.

APPLICABLE TO COVERAGES F AND G (PHYSICAL DAMAGE)

9. INSURED'S DUTIES WHEN LOSS OCCURS. When loss occurs, the Insured shall:

(a) protect the aircraft, provided the Insured is able to do so, whether or not the loss is covered by this policy, and any further loss due to the Insured's failure to protect shall not be recoverable under this policy; reasonable expense incurred in affording such protection shall be deemed incurred at the Company's request;

(b) give notice thereof as soon as practicable to the Aviation Managers, and, also, in the event of theft, to the police, but shall not, except at his own cost, offer to pay any reward for recovery of the aircraft;

(c) file proof of loss with the Aviation Managers, or the company, within sixty (60) days after the occurrence of loss, unless such time is extended in writing by the Aviation Managers or the Company, in the form of a sworn statement of the Named Insured setting forth the interest of the Named Insured and of all others in the property affected, any encumbrances thereon, the actual cash value thereof at time of loss, the amount, place, time and cause of such loss, and the description and amounts of all other insurance covering such property. Upon the Company's request, the Named Insured shall exhibit the damaged property to the Company, and produce for the Company's examination all pertinent records and sales invoices, or certified copies if originals be lost, permitting copies thereof to be made, all at such reasonable times and places as the Company shall designate.

10. APPRAISAL. If the Named Insured and the Company fail to agree as to the amount of loss, each shall, on the written demand of either, made within sixty (60) days after receipt of proof of loss by the Company, select a competent and disinterested appraiser and the appraisal shall be made at a reasonable time and place. The appraisers shall first select a competent and disinterested umpire, and failing for fifteen (15) days to agree upon such umpire, then on the request of the Named Insured or the Company, such umpire shall be selected by a judge of a court of record in the county and state in which such appraisal is pending. The appraisers shall then appraise the loss, stating separately the amount of loss, and failing to agree shall submit their differences to the umpire. An award in writing of any two shall determine the amount of loss. The Named Insured and the Company shall each pay his or its chosen appraiser and shall bear equally the other expenses of the appraisal and the umpire. The Company shall not be held to have waived any of its rights by any act relating to appraisal.

11. PAYMENT FOR LOSS: ACTION AGAINST COMPANY. Payment for loss may not be required nor shall action lie against the Company in respect of Coverages F and G unless as a condition precedent thereto, the Named Insured shall have complied with all the terms of this policy nor until sixty (60) days after proof of loss is filed and the amount of loss is determined as provided in this policy, nor shall any action lie against the Company unless commenced within twelve (12) months after the happening of the loss.

12. NO BENEFIT TO BAILEE. The insurance afforded by this policy shall not inure directly or indirectly to the benefit of any carrier or bailee liable for loss to the aircraft.

13. AUTOMATIC REINSTATEMENT In the event of loss, whether or not covered by this policy, the amount of insurance in respect to any aircraft, shall be reduced as of the time and date of loss by the amount of such loss and such reduced value shall continue until repairs are commenced when the amount of insurance shall be automatically increased by the value of the completed repairs until the amount of insurance is fully reinstated or the policy has expired.

APPLICABLE TO ALL COVERAGES

14. ASSISTANCE AND COOPERATION OF THE INSURED. The Insured shall cooperate with the Company and, upon the Company's request, shall attend hearings and trials and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and in the conduct of suits. Further, upon the Company's request, the Insured shall submit to examinations under oath by anyone designated by the Company.

The Insured shall not, except at his own cost, voluntarily make any payment, assume any obligation or incur any expense other than for such immediate medical and surgical relief to others as shall be imperative at the time of occurrence.

15. INSPECTION AND AUDIT. The Company or the Aviation Managers shall be permitted to inspect the aircraft and any records pertaining thereto during the policy period or within one year thereafter.

16. SUBROGATION. Except in respect to Coverage E, in the event of any payment under this policy, the Company shall be subrogated to all the Insured's rights of recovery therefor against any person or organization and the Insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Insured shall do nothing after the loss to prejudice such rights.

17. CHANGES. Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this policy or estop the Company from asserting any right under the terms of this policy; nor shall the terms of this policy be waived or changed, except by endorsement issued to form a part hereof signed by the Aviation Managers.

18. ASSIGNMENT. Assignment of interest under this policy shall not bind the Company until its consent is endorsed hereon by the Aviation Managers; if, however, the Named Insured shall die or be adjudged bankrupt or insolvent within the policy period, this policy unless canceled, shall if written notice be given to the Company within sixty (60) days after the date of such death or adjudication, cover (1) the Named Insured's legal representative as the Named Insured, and (2) subject otherwise to the provisions of the definition of Insured, any person having proper temporary custody of the aircraft, as an Insured, until the appointment and qualification of such legal representative but in no event for a period of more than sixty (60) days after the date of such death or adjudication.

19. CANCELLATION. This policy may be cancelled by the Named Insured by surrender thereof to or by mailing to the Aviation Managers written notice stating when thereafter the cancellation shall be effective. This policy may be cancelled by the Company or the Aviation Managers by mailing to the Named Insured at the address shown in this policy written notice stating when not less than thirty (30) days (ten (10) days if for nonpayment of premium) thereafter such cancellation shall be effective. The mailing of notice as aforesaid shall be sufficient proof of notice. The time of the surrender or the effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Named Insured, the Company or the Aviation Managers shall be equivalent to mailing.

20. RETURN PREMIUM. If the Named Insured cancels, earned premium shall be computed in accordance with the customary short rate table and procedure. If the Company or the Aviation Managers cancel, earned premium shall be computed pro rata. Premium adjustment may be made either at the time cancellation is effected or as soon as practicable after cancellation becomes effective, but payment or tender of unearned premium is not a condition of cancellation. The Company shall not be liable for any return physical damage premium in respect to an aircraft on which a total loss has been paid.

21. FRAUD OR MISREPRESENTATION. This policy shall be void if the Named Insured has concealed or misrepresented any material fact or circumstance concerning this insurance or the subject thereof or in case of any fraud, attempted fraud or false swearing by the Named Insured touching any matter relating to this insurance or the subject thereof, whether before or after a loss.

22. TERMS OF POLICY CONFORMED TO STATE LAWS. Terms of this policy which are in conflict with the laws of the State wherein this policy is issued are hereby amended to conform to such laws.

23. DECLARATIONS. By acceptance of this policy the Named Insured agrees that the statements in the Declarations are his agreements and representations, that this policy is issued in reliance upon the truth of such representations and that this policy embodies all agreements existing between himself and the Aviation Managers, the Company or any of their agents relating to this insurance.

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PLEASE READ YOUR POLICY**

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Days Policy in Force	Per Cent of One Year Premium	Days Policy in Force	Per Cent of One Year Premium	Days Policy in Force	Per Cent of One Year Premium	Days Policy in Force	Per Cent of One Year Premium	Days Policy in Force	Per Cent of One Year Premium	Days Policy in Force	Per Cent of One Year Premium
1	5%	37-40	21%	95-98	37%	154-156	53%	219-223	69%	292-296	85%
2	6	41-43	22	99-102	38	157-160	54	224-228	70	297-301	86
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