

SOUTHWEST AIRLINES CO

Form 424B3

September 19, 2007

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The information in this preliminary prospectus is not complete and may be changed. We may not deliver these securities until a prospectus supplement is delivered in final form. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-126738

SUBJECT TO COMPLETION, DATED SEPTEMBER 19, 2007

PRELIMINARY PROSPECTUS SUPPLEMENT TO PROSPECTUS, DATED SEPTEMBER 26, 2005

\$500,000,000

**2007-1 PASS THROUGH TRUSTS
PASS THROUGH CERTIFICATES, SERIES 2007-1**

Two classes of the Southwest Airlines Co. Pass Through Certificates, Series 2007-1, are being offered under this prospectus supplement: Class A and Class B. A separate trust will be established for each class of certificates. The trusts will use the proceeds from the sale of the certificates to acquire equipment notes. The equipment notes will be issued by Southwest on a full recourse basis. Payments on the equipment notes held in each trust will be passed through to the holders of certificates of such trust.

The equipment notes will be issued for each of 16 Boeing 737-700 aircraft owned by Southwest. The equipment notes issued for each aircraft will be secured by a mortgage on such aircraft. Interest on the equipment notes held for the Class A and Class B certificates will be payable semiannually on each February 1 and August 1 after issuance, beginning on February 1, 2008. Principal payments on the equipment notes held for the Class A and Class B certificates will be scheduled on February 1 and August 1 in certain years, beginning on February 1, 2008.

The Class A certificates will rank senior to the Class B certificates.

BNP Paribas, acting through its New York branch, will provide a liquidity facility for the Class A certificates in an amount sufficient to make three consecutive semiannual interest payments. The Class B certificates will not have the benefit of a liquidity facility.

The certificates will not be listed on any national securities exchange.

Investing in the certificates involves risks. See Risk Factors on page S-11.

<i>Pass Through Certificates</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Final Expected Distribution Date</i>	<i>Price to Public(1)</i>
<i>Class A</i>	<i>\$ 412,100,000</i>	<i>%</i>	<i>August 1, 2022</i>	<i>100%</i>
<i>Class B</i>	<i>87,900,000</i>		<i>August 1, 2022</i>	<i>100</i>

(1) Plus accrued interest, if any, from the date of issuance.

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The underwriters will purchase all of the certificates if any are purchased. The aggregate proceeds from the sale of the certificates will be \$500,000,000. Southwest will pay the underwriters a commission of \$. Delivery of the certificates in book-entry form only will be made on or about October , 2007.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Bookrunners and Joint Structuring Agents

MORGAN STANLEY

CITI

September , 2007

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PRESENTATION OF INFORMATION

These offering materials consist of two documents: (a) this Prospectus Supplement, which describes the terms of the certificates that we are currently offering, and (b) the accompanying Prospectus, which provides general information about our pass through certificates, some of which may not apply to the certificates that we are currently offering. **The information in this Prospectus Supplement replaces any inconsistent information included in the accompanying Prospectus.**

We have given certain capitalized terms specific meanings for purposes of this Prospectus Supplement. The Index of Terms attached as Appendix I to this Prospectus Supplement lists the page in this Prospectus Supplement on which we have defined each such term.

At various places in this Prospectus Supplement and the Prospectus, we refer you to other sections of such documents for additional information by indicating the caption heading of such other sections. The page on which each principal caption included in this Prospectus Supplement and the Prospectus can be found is listed in the Table of Contents below. All such cross references in this Prospectus Supplement are to captions contained in this Prospectus Supplement and not in the Prospectus, unless otherwise stated.

This Prospectus Supplement and the accompanying Prospectus and the documents incorporated by reference include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on, and include statements about, the Company's current intent, expectations, beliefs, estimates, projections, strategies and performance. Specific forward-looking statements can be identified by the fact that they do not strictly relate to historical or current facts and include, without limitation, words such as expects, plans, anticipates, believes, may, will, goal and similar expressions and variation thereof. These statements involve risk, uncertainties, assumptions and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed or indicated by them. These factors include, but are not limited to, the factors discussed in this Prospectus Supplement under the heading Risk Factors and those contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 under the heading Risk Factors. All forward-looking statements are based upon information available to us on the date such statements are made. We undertake no obligation to publicly update or revise any forward-looking statement after the date of this Prospectus Supplement, whether as a result of new information, future events or otherwise.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may be used only where it is legal to sell these securities. The information in this document may be accurate only on the date of this document.

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This summary highlights selected information from this Prospectus Supplement and the accompanying Prospectus and may not contain all of the information that is important to you. For more complete information about the Certificates and Southwest Airlines Co., you should read this entire Prospectus Supplement and the accompanying Prospectus, as well as the materials filed with the Securities and Exchange Commission (the Commission) that are considered to be part of this Prospectus Supplement and the Prospectus. See Incorporation of Certain Documents by Reference in this Prospectus Supplement. In this Prospectus Supplement, references to Southwest, the Company, we, us and our mean Southwest Airlines Co.

Summary of Terms of Certificates

	Class A Certificates	Class B Certificates
Aggregate Face Amount	\$412,100,000	\$87,900,000
Interest Rate	%	%
Ratings:		
Moody's	Aa3	Baa1
Standard & Poor's	AA-	A
Initial Loan to Aircraft Value (cumulative)(1)	65.0%	78.9%
Highest Loan to Aircraft Value (cumulative)(2)	65.0%	78.9%
Expected Principal Distribution Window (in years)	0.3-14.8	0.3-14.8
Initial Average Life (in years from Issuance Date)	9.8	9.8
Regular Distribution Dates	February 1 and August 1	February 1 and August 1
Final Expected Distribution Date	August 1, 2022	August 1, 2022
Final Maturity Date	February 1, 2024	August 1, 2022
Minimum Denomination	\$1,000	\$1,000
Section 1110 Protection	Yes	Yes
Liquidity Facility Coverage	3 semiannual interest payments	None

(1) In calculating the initial loan to Aircraft value ratios, we assumed an aggregate appraised Aircraft value of \$634,000,000. The aggregate appraised value is only an estimate and reflects assumptions that are described in Description of the Aircraft and the Appraisals. The Appraisals.

(2) See Loan to Aircraft Value Ratios.

Table of Contents**Equipment Notes and the Aircraft**

The Class A and Class B Trusts will hold Series A and Series B Equipment Notes, respectively, in each case issued by Southwest for each of 16 Aircraft owned by Southwest. The Equipment Notes issued with respect to each Aircraft will be secured by a mortgage on such Aircraft. Set forth below is certain information about the Equipment Notes expected to be held in the Trusts and the Aircraft expected to secure such Equipment Notes:

Aircraft Type	Registration Number	Manufacturer's Serial Number	Aircraft Delivery Date	Appraised Base Value(1)	Initial Principal Amount of Equipment Notes
Boeing 737-700	N259WN	35554	11/1/2006	\$ 38,580,000	\$ 30,425,868
Boeing 737-700	N260WN	32518	11/22/2006	38,610,000	30,449,527
Boeing 737-700	N261WN	32517	12/14/2006	38,900,000	30,678,233
Boeing 737-700	N262WN	32519	12/21/2006	38,920,000	30,694,006
Boeing 737-700	N263WN	32520	1/17/2007	39,220,000	30,930,599
Boeing 737-700	N264LV	32521	1/24/2007	39,230,000	30,938,486
Boeing 737-700	N265WN	32522	2/6/2007	39,510,000	31,159,306
Boeing 737-700	N267WN	32525	2/26/2007	39,600,000	31,230,284
Boeing 737-700	N268WN	32524	3/5/2007	39,810,000	31,395,899
Boeing 737-700	N269WN	32526	3/13/2007	39,820,000	31,403,785
Boeing 737-700	N272WN	32527	3/29/2007	39,850,000	31,427,445
Boeing 737-700	N274WN	32529	4/23/2007	40,150,000	31,664,038
Boeing 737-700	N275WN	36153	5/3/2007	40,420,000	31,876,972
Boeing 737-700	N276WN	32530	5/14/2007	40,450,000	31,900,631
Boeing 737-700	N277WN	32531	5/24/2007	40,460,000	31,908,517
Boeing 737-700	N278WN	36441	5/31/2007	40,470,000	31,916,404
				\$ 634,000,000	\$ 500,000,000

- (1) The appraised base value of each Aircraft set forth above is the lesser of the average and median values of such Aircraft as appraised by each of Aircraft Information Services, Inc. (AISI), BACK Aviation Solutions (BACK) and BK Associates, Inc. (BK) (collectively the Appraisers), as of June 25, 2007, July 16, 2007 and July 16, 2007, respectively. These appraisals are based upon varying assumptions and methodologies. An appraisal is only an estimate of value and should not be relied upon as a measure of realizable value. See Risk Factors Risk Factors Relating to the Certificates and the Offering The appraisals are only estimates of Aircraft value .

Table of Contents**Loan to Aircraft Value Ratios**

The following table sets forth loan to Aircraft value ratios (LTVs) for each Class of Certificates as of the Issuance Date and each Regular Distribution Date thereafter. The table should not be considered a forecast or prediction of expected or likely LTVs but simply a mathematical calculation based on one set of assumptions. See Risk Factors Risk Factors Relating to the Certificates and the Offering The appraisals are only estimates of Aircraft value .

Date	Assumed Aggregate Aircraft Value(1)	Outstanding Balance(2)		LTV Ratios(3)	
		Class A Certificates	Class B Certificates	Class A Certificates	Class B Certificates
At Issuance	\$ 634,000,000	\$ 412,100,000	\$ 87,900,000	65.0%	78.9%
February 1, 2008	624,345,178	404,961,292	86,377,330	64.9	78.7
August 1, 2008	614,690,355	398,394,352	84,976,616	64.8	78.6
February 1, 2009	605,035,533	391,827,412	83,575,903	64.8	78.6
August 1, 2009	595,380,711	385,260,472	82,175,189	64.7	78.5
February 1, 2010	585,725,888	372,836,273	80,774,476	63.7	77.4
August 1, 2010	576,071,066	364,683,658	79,373,762	63.3	77.1
February 1, 2011	566,416,244	356,598,316	77,973,049	63.0	76.7
August 1, 2011	556,761,421	348,580,245	76,572,335	62.6	76.4
February 1, 2012	547,106,599	340,629,448	75,171,622	62.3	76.0
August 1, 2012	537,451,777	332,745,922	73,770,909	61.9	75.6
February 1, 2013	527,796,954	324,929,670	72,370,195	61.6	75.3
August 1, 2013	518,142,132	317,180,689	65,468,100	61.2	73.9
February 1, 2014	508,487,310	309,810,759	64,175,967	60.9	73.5
August 1, 2014	498,832,487	302,496,261	62,883,833	60.6	73.2
February 1, 2015	489,177,665	295,237,195	61,591,700	60.4	72.9
August 1, 2015	479,522,843	288,033,563	60,299,566	60.1	72.6
February 1, 2016	469,868,020	280,885,364	59,007,432	59.8	72.3
August 1, 2016	460,213,198	273,792,597	57,715,299	59.5	72.0
February 1, 2017	450,558,376	262,411,496	55,504,386	58.2	70.6
August 1, 2017	440,903,553	247,450,430	52,515,768	56.1	68.0
February 1, 2018	431,248,731	229,888,880	48,950,429	53.3	64.7
August 1, 2018	421,593,909	210,211,002	44,906,472	49.9	60.5
February 1, 2019	411,939,086	188,716,776	40,239,095	45.8	55.6
August 1, 2019	402,284,264	165,614,331	35,243,770	41.2	49.9
February 1, 2020	392,629,442	141,058,399	29,956,412	35.9	43.6
August 1, 2020	382,974,619	115,169,528	24,405,703	30.1	36.4
February 1, 2021	373,319,797	88,044,881	18,441,481	23.6	28.5
August 1, 2021	363,664,975	59,764,810	12,363,655	16.4	19.8
February 1, 2022	354,010,152	30,397,126	2,831,335	8.6	9.4
August 1, 2022	341,137,056	0	0	N/A	N/A

[Footnotes on next page.]

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- (1) We have assumed that the initial appraised value of each Aircraft, determined as described under Equipment Notes and the Aircraft , declines by approximately 3% of the initial appraised base value each year for the first 15 years after the year of delivery of the Aircraft by the manufacturer and by approximately 4% each year after that. Other rates or methods of depreciation may result in materially different LTVs. We cannot assure you that the depreciation rates and method used for purposes of the table will occur nor can we predict the actual future value of any Aircraft. See Risk Factors Risk Factors Relating to the Certificates and the Offering The appraisals are only estimates of Aircraft value .
- (2) Outstanding balances as of each Regular Distribution Date are shown after giving effect to distributions expected to be made on such distribution date.
- (3) The LTVs for each Class of Certificates were obtained for each Regular Distribution Date by dividing (i) the expected outstanding balance of such Class together, in the case of the Class B Certificates, with the expected outstanding balance of the Class A Certificates after giving effect to the distributions expected to be made on such distribution date, by (ii) the assumed value of all of the Aircraft on such date based on the assumptions described above.

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Cash Flow Structure

Set forth below is a diagram illustrating the structure for the Offering of the Certificates and certain cash flows.

- (1) Each Aircraft will be subject to a separate Indenture with a separate Loan Trustee.

- (2) The Liquidity Facility for the Class A Certificates will be sufficient to cover three consecutive semiannual interest payments with respect to such Class. There will be no Liquidity Facility for the Class B Certificates.

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The Offering

Certificates Offered	Class A Certificates. Class B Certificates. Each Class of Certificates will represent a fractional undivided interest in a related Trust.
Use of Proceeds	The proceeds from the sale of the Certificates of each Trust will be used by the respective Trustee to acquire Equipment Notes to be held by such Trust. The Equipment Notes will be full recourse obligations of Southwest. Southwest will use the proceeds from the issuance of the Equipment Notes for general corporate purposes.
Subordination Agent, Trustee, Paying Agent and Loan Trustee	Wilmington Trust Company.
Liquidity Provider	BNP Paribas, acting through its New York branch.
Trust Property	The property of each Trust will include: Equipment Notes acquired by such Trust. In the case of the Class A Trust, all monies receivable under the Liquidity Facility. Funds from time to time deposited with the Trustee in accounts relating to such Trust, including payments made by Southwest on the Equipment Notes held in such Trust.
Regular Distribution Dates	February 1 and August 1, commencing on February 1, 2008.
Record Dates	The fifteenth day preceding the related Distribution Date, which, in the case of Regular Distribution Dates, are January 15 and July 15.
Distributions	The Trustee will distribute all payments of principal, premium (if any) and interest received on the Equipment Notes held in each Trust to the holders of the Certificates of such Trust, subject to the subordination provisions applicable to the Certificates. Scheduled payments of principal and interest made on the Equipment Notes will be distributed on the applicable Regular Distribution Dates. Payments of principal, premium (if any) and interest made on the Equipment Notes resulting from any early redemption of such Equipment Notes will be distributed on a Special Distribution Date after not less than 15 days notice to Certificateholders.

Subordination

Under the Intercreditor Agreement, after paying certain amounts ranking senior to the distributions on the Certificates, the Subordination Agent will make distributions on the Certificates in the following order:

First, to the holders of the Class A Certificates to pay interest on the Class A Certificates.

Second, to the holders of Class B Certificates to pay interest on the Preferred B Pool Balance.

Third, to the holders of the Class A Certificates to make distributions in respect of the Pool Balance of the Class A Certificates.

Fourth, to the holders of the Class B Certificates to pay interest on the Pool Balance of the Class B Certificates not previously distributed under clause second above.

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Fifth, to the holders of the Class B Certificates to make distributions in respect of the Pool Balance of the Class B Certificates.

Control of Loan Trustee

The holders of at least a majority of the outstanding principal amount of Equipment Notes issued under each Indenture will be entitled to direct the Loan Trustee under such Indenture in taking action as long as no Indenture Default is continuing thereunder. If an Indenture Default is continuing, subject to certain conditions, the Controlling Party will direct the Loan Trustee under such Indenture (including in exercising remedies, such as accelerating such Equipment Notes or foreclosing the lien on the Aircraft securing such Equipment Notes).

The Controlling Party will be:

The Class A Trustee.

Upon payment of Final Distributions to the holders of Class A Certificates, the Class B Trustee.

Under certain circumstances, and notwithstanding the foregoing, the Liquidity Provider.

Subject to certain conditions, notwithstanding the foregoing, if one or more holders of the Class B Certificates have purchased the Series A Equipment Notes issued under an Indenture, pursuant to buyout rights described in Right to Buy Series A Equipment Notes below, the holder or holders of the majority in aggregate unpaid principal amount of such Series A Equipment Notes issued under such Indenture, rather than the Controlling Party, shall be entitled to direct the Loan Trustee in exercising remedies under such Indenture.

In exercising remedies during the nine months after the earlier of (a) the acceleration of the Equipment Notes issued pursuant to any Indenture or (b) the bankruptcy of Southwest, such Equipment Notes or the Aircraft subject to the lien of such Indenture may not be sold for less than certain specified minimums.

Right to Buy Class A Certificates

If Southwest is in bankruptcy and certain specified circumstances then exist, the Class B Certificateholders will have the right to purchase all but not less than all of the Class A Certificates.

The purchase price will be the outstanding balance of the Class A Certificates plus accrued and unpaid interest.

Right to Buy Series A Equipment Notes

Subject to certain conditions, if Southwest is in bankruptcy and certain specified events have occurred or if an Indenture Default under any Indenture for the Series A Equipment Notes has continued for five years without a disposition of the related Series A Equipment Notes or Aircraft,

during a period of six months thereafter the Class B Certificateholders will have the right to purchase all (but not less than all) of the Series A Equipment Notes under any one or more Indentures.

The purchase price for any Series A Equipment Note will be the outstanding principal amount of such Equipment Note plus accrued and unpaid interest and certain other amounts.

Liquidity Facility for Class A Certificates Under the Liquidity Facility for the Class A Trust, the Liquidity Provider will, if necessary, make advances in an aggregate amount sufficient to pay interest on the Class A Certificates on up to three successive semiannual Regular Distribution Dates at the applicable

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interest rate for such Certificates. Drawings under the Liquidity Facility cannot be used to pay any amount in respect of the Class A Certificates other than interest.

There will be no Liquidity Facility for the Class B Trust.

Upon each drawing under the Liquidity Facility to pay interest on the Class A Certificates, the Subordination Agent will reimburse the Liquidity Provider for the amount of such drawing. Such reimbursement obligation and all interest, fees and other amounts owing to the Liquidity Provider under the Liquidity Facility and certain other agreements will rank senior to the Certificates in right of payment.

Issuance of Equipment Notes

On the Issuance Date, pursuant to the Participation Agreement and Indenture for each Aircraft and subject to certain customary conditions precedent contained therein, Southwest will issue Series A and Series B Equipment Notes, which will be purchased, respectively, by the Class A and Class B Trusts using the proceeds from the issuance of the Certificates.

Issuances of Additional Classes of Certificates

After the Issuance Date, additional pass through certificates of one or more separate pass through trusts, which will evidence fractional undivided ownership interests in equipment notes secured by Aircraft, may be issued. Any such transaction may relate to a refinancing of Series B Equipment Notes issued with respect to all (but not less than all) of the Aircraft or the issuance of one or more new series of subordinated equipment notes with respect to some or all of the Aircraft. Consummation of any such transaction will be subject to satisfaction of certain conditions, including receipt of confirmation from the Rating Agencies that it will not result in a withdrawal, suspension or downgrading of any Class of Certificates that remains outstanding. See Possible Issuance of Additional Certificates and Refinancing of Certificates .

Equipment Notes

(a) Issuer

Southwest.

(b) Interest

The Equipment Notes held in each Trust will accrue interest at the rate per annum for the Certificates issued by such Trust set forth on the cover page of this Prospectus Supplement. Interest will be payable on February 1 and August 1 of each year, commencing on the first such date after issuance of such Equipment Notes. Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months.

(c) Principal

Principal payments on the Equipment Notes held for the Class A and Class B Certificates are scheduled on February 1 and August 1 in certain years, commencing on February 1, 2008.

(d) Redemption and Purchase

Aircraft Event of Loss. If an Event of Loss occurs with respect to an Aircraft, all of the Equipment Notes issued with respect to such Aircraft will be redeemed, unless Southwest replaces such Aircraft under the related financing agreements. The redemption price in such case will be the unpaid principal amount of such Equipment Notes, together with accrued interest, but without any premium.

Optional Redemption. Southwest may elect to redeem all of the Equipment Notes issued with respect to an Aircraft prior to maturity. In addition, Southwest may elect to redeem (i) the Series B Equipment Notes with respect to all Aircraft in connection with a refinancing of such

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Series or (ii) the Series B Equipment Notes with respect to all (but not less than all) Aircraft without issuing any new equipment notes; provided, that the Series B Equipment Notes described in the preceding clause (ii) may be so redeemed only if the Rating Agencies have provided a confirmation that such redemption will not result in a withdrawal, suspension or downgrading of the ratings on any Class of Certificates then rated by the Rating Agencies that will remain outstanding.

The redemption price in any optional redemption of the Equipment Notes by Southwest will be the unpaid principal amount of such Equipment Notes, together with accrued interest and Make-Whole Premium.

Upon completion of any redemption of all Equipment Notes with respect to an Aircraft, so long as no Related Payment Default or Indenture Default has occurred and is continuing under any other Indenture, the relevant Aircraft will be released from the lien of the Indenture and cease to be included as collateral for any Equipment Notes. See Description of the Equipment Notes Redemption .

(e) Security

The Equipment Notes issued with respect to each Aircraft will be secured by a security interest in such Aircraft.

(f) Cross-collateralization

The Equipment Notes held in the Trusts will be cross-collateralized. This means that any proceeds from the exercise of remedies with respect to an Aircraft will be available to cover shortfalls then due under Equipment Notes issued with respect to the other Aircraft. In the absence of any such shortfall, excess proceeds will be held by the relevant Loan Trustee as additional collateral for such other Equipment Notes.

(g) Cross-default

The only cross-default in the Indentures is if (x) all amounts owing under any Equipment Note issued under another Indenture have not been paid in full on or before August 1, 2022 (the Final Payment Date), and (y) any such failure shall continue unremedied for a period of twenty (20) Business Days thereafter. Therefore, prior to the triggering of the cross-default, if the Equipment Notes issued under one or more Indentures are in default and the Equipment Notes issued under the remaining Indentures are not in default, no remedies will be exercisable under such remaining Indentures.

So long as no Related Payment Default or Indenture Default has occurred and is continuing under any other Indenture, if (x) Southwest exercises its right to redeem all the Equipment Notes under an Indenture or (y) in any other circumstance, all the Equipment Notes under an Indenture are paid in full, the Aircraft subject to the lien of such Indenture would be released. Once the lien on an Aircraft is released, that Aircraft will no longer secure the amounts owing under the other Indentures.

(h) Cross-subordination

Payments on the Series B Equipment Notes will be subordinate and subject in right of payment to the prior payment in full of all amounts in

respect of the Series A Equipment Notes.

By virtue of the Intercreditor Agreement, all of the Equipment Notes held by the Subordination Agent will be effectively cross-subordinated. This means that payments received on Series B Equipment Notes held by the Subordination Agent may be applied in accordance

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with the priority of payment provisions set forth in the Intercreditor Agreement to make distributions on the Class A Certificates. If a Class B Certificateholder has exercised its buyout right for any Series A Equipment Notes, such Equipment Notes will be held by such Certificateholder, not the Subordination Agent, and will not be subject to the cross-subordination provisions of the Intercreditor Agreement.

(i) Section 1110 Protection

Vinson & Elkins L.L.P. will provide its opinion to the Trustees that the benefits of Section 1110 of the U.S. Bankruptcy Code will be available with respect to the Equipment Notes.

Certain Federal Income Tax Considerations

The Trusts themselves will not be subject to federal income tax. Each Certificateholder should report on its federal income tax return its pro rata share of the income from the Equipment Notes (including amounts paid by the Liquidity Provider), if any, and the other property held by the relevant Trust, in accordance with the Certificateholder's method of accounting. See Certain U.S. Federal Income Tax Considerations .

Certain ERISA Considerations

Each person who acquires a Certificate will be deemed to have represented that either: (a) no employee benefit plan assets have been used to purchase or hold such Certificate or (b) the purchase and holding of such Certificate are exempt from the prohibited transaction restrictions of ERISA and the Code pursuant to one or more prohibited transaction statutory or administrative exemptions. See Certain ERISA Considerations .

Ratings of the Certificates

It is a condition to the issuance of the Certificates that they be rated by Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (Standard & Poor's) and together with Moody's, the Rating Agencies) not less than the ratings set forth below:

Certificates	Moody's	Standard & Poor's
Class A	Aa3	AA-
Class B	Baa1	A

A rating is not a recommendation to purchase, hold or sell Certificates, since such rating does not address market price or suitability for a particular investor. There can be no assurance that such ratings will not be lowered, suspended or withdrawn by a Rating Agency after the Certificates have been issued.

Moody's Standard & Poor's

Threshold Ratings for the Liquidity Provider Short Term P-1 A-1+

Liquidity Provider Rating The Liquidity Provider meets the Liquidity Threshold Rating requirement.

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RISK FACTORS

Overview

You should carefully review the information included elsewhere or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus and should particularly consider the following matters.

Risk Factors Relating to the Company

You should consider the following risk factors carefully in evaluating Southwest's business. The Company's business, financial condition or results of operations could be materially adversely affected by any of these risks. Additional risks not presently known to the Company (or that the Company currently deems immaterial) may also impair its business, financial condition or results of operations.

Southwest's business is dependent on the price and availability of aircraft fuel. Continued periods of high fuel costs and/or significant disruptions in the supply of fuel, could adversely affect our results of operations.

Airline operators are inherently dependent upon energy to operate and, therefore, are impacted by changes in jet fuel prices. The cost of fuel, which has been at an historically high level since 2005, is largely unpredictable and has a significant impact on the Company's results of operations. Jet fuel and oil consumed for the first six months of 2007, fiscal 2006 and fiscal 2005 represented approximately 27 percent, 26 percent and 20 percent of Southwest's total operating expenses, respectively. Fuel availability, as well as pricing, is also impacted by political and economic factors. We do not currently anticipate a significant reduction in fuel availability; however, it is difficult to predict the future availability of jet fuel due to the following, among other, factors: dependency on foreign imports of crude oil and the potential for hostilities or other conflicts in oil producing areas; limited refining capacity; and the impact of possible changes in governmental policies on jet fuel production, transportation, and marketing. Significant disruptions in the supply of aircraft fuel could have a negative impact on the Company's business, operations or results of operations.

Due to the competitive nature of the airline industry, the Company's ability to increase fares is limited, and it is not certain that future fuel cost increases can be covered by increasing fares. From time to time the Company enters into fuel derivative contracts to protect against rising fuel costs. Changes in the Company's overall fuel hedging strategy, the ability of the commodities used in fuel hedging (principally crude oil, heating oil and unleaded gasoline) to qualify for special hedge accounting, and the effectiveness of the Company's fuel hedges pursuant to highly complex accounting rules, are all significant factors impacting the Company's results of operations.

Southwest's business is labor-intensive; we could be adversely affected if we are unable to maintain satisfactory relations with any unionized or other Employee work group.

The airline business is labor intensive. Wages, salaries, and benefits represented approximately 37 percent of the Company's operating expenses for fiscal 2006. In addition, as of December 31, 2006, approximately 82 percent of the Company's Employees were represented for collective bargaining purposes by labor unions. The Company's Pilots are covered by a collective bargaining agreement with the Southwest Airlines Pilots Association (SWAPA), which became amendable during September 2006. The Company and SWAPA are currently engaged in discussions on a new agreement. Five other collective bargaining agreements become amendable in 2008; the agreement with Transport Workers Union, Local 556 covering the Company's Flight Attendants becomes amendable in May 2008; the agreement with Transport Workers Union, Local 555 covering the Company's Ramp, Provisioning, Operations and Freight Agents becomes amendable in June 2008; the agreement with the International Brotherhood of Teamsters covering the Company's Maintenance Stock Clerks becomes amendable in August 2008; the agreement with the

Airline Mechanics Fraternal Association covering the Company's Mechanics becomes amendable in August 2008; and the agreement with the International Association of Machinists and Aerospace Workers covering the Company's Reservation and Customer Service Agents becomes amendable in October 2008. Although, historically, the Company's relationship with its Employees has been good, the following items could have a significant impact on the Company's results of operations: outcome of labor contract

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negotiations, Employee hiring and retention rates, pay rates, outsourcing costs, the impact of work rules and costs for health care and other benefits.

Southwest's business is affected by many changing economic and other conditions beyond its control.

Our business, and the airline industry in general, is particularly impacted by changes in economic and other conditions that are largely outside our control, including, among others:

actual or potential changes in international, national, regional, and local economic, business, and financial conditions, including recession, inflation, interest rate increases, war, terrorist attacks and political instability;

changes in consumer preferences, perceptions, spending patterns or demographic trends;

actual or potential disruptions in the air traffic control system;

increases in costs of safety, security and environmental measures; and

weather and natural disasters.

Because expenses of a flight do not vary significantly with the number of passengers carried, a relatively small change in the number of passengers can have a disproportionate effect on an airline's operating and financial results.

Therefore, any general reduction in airline passenger traffic as a result of any of these factors could adversely affect our business, financial condition or results of operations.

Southwest relies on technology to operate its business, and any failure of these systems could harm the Company.

Southwest is increasingly dependent on automated systems and technology to operate its business, enhance Customer Service and back office support systems, and increase Employee productivity, including the Company's computerized airline reservation system, flight operations systems, telecommunication systems, website at www.southwest.com, Automated Boarding Passes system, and the E-Ticket Check-In self service kiosks. Any disruptions in these systems due to internal failures of technology or large-scale external interruptions in technology infrastructure, such as power, telecommunications, or the internet, could result in the loss of revenue or important data, increase the Company's expenses, and generally harm the Company's business. In addition, our growth strategies may be dependent on our ability to effectively implement technology advancements.

The travel industry continues to face on-going security concerns and cost burdens; further threatened or actual terrorist attacks, or other hostilities, could significantly harm our industry and our business.

The attacks of September 11, 2001, materially impacted, and continue to impact, air travel and the results of operations for Southwest and the airline industry generally. The Department of Homeland Security and the Transportation Security Administration have implemented numerous security measures that affect airline operations and costs. Substantially all security screeners at airports are now federal employees, and significant other elements of airline and airport security are now overseen and performed by federal employees, including federal security managers, federal law enforcement officers, and federal air marshals. Enhanced security procedures, including enhanced security screening of passengers, baggage, cargo, mail, employees, and vendors, introduced at airports since the terrorist attacks of September 11 have increased costs to airlines and have from time to time impacted demand for air travel.

Additional terrorist attacks, even if not made directly on the airline industry, or the fear of such attacks or other hostilities (including elevated national threat warnings or selective cancellation or redirection of flights due to terror threats) could have a further significant negative impact on Southwest and the airline industry. The war in Iraq further decreased demand for air travel during the first half of 2003, and additional international hostilities could potentially have a material adverse impact on the Company's results of operations.

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Airport capacity constraints and air traffic control inefficiencies could limit the Company's growth; changes in or additional governmental regulation could increase the Company's operating costs or otherwise limit the Company's ability to conduct business.

Almost all commercial service airports are owned and/or operated by units of local or state government. Airlines are largely dependent on these governmental entities to provide adequate airport facilities and capacity at an affordable cost. Similarly, the federal government singularly controls all U.S. airspace, and airlines are completely dependent on the FAA to operate that airspace in a safe, efficient, and affordable manner. Airlines are also subject to other extensive regulatory requirements. These requirements often impose substantial costs on airlines. Our business, operations or results of operations may be adversely affected by changes in law and future actions taken by governmental agencies having jurisdiction over our operations, including:

increases in airport rates and charges;

limitations on airport gate capacity or other use of airport facilities;

increases in taxes;

changes in the law that affect the services that can be offered by airlines in particular markets and at particular airports;

restrictions on competitive practices;

the adoption of regulations that impact customer service standards, such as security standards; and

the adoption of more restrictive locally-imposed noise restrictions.

The airline industry is intensely competitive.

The airline industry is extremely competitive. Southwest's competitors include other major domestic airlines, as well as regional and new entrant airlines, and other forms of transportation, including rail and private automobiles. The Company's revenues are sensitive to the actions of other carriers in the areas of capacity, pricing, scheduling, codesharing, and promotions.

Southwest's low cost structure is one of its primary competitive advantages, and many factors could affect the Company's ability to control its costs.

Factors affecting the Company's ability to control its costs include the price and availability of fuel, results of Employee labor contract negotiations, Employee hiring and retention rates, costs for health care, capacity decisions by the Company and its competitors, unscheduled required aircraft airframe or engine repairs, regulatory requirements, availability of capital markets and future financing decisions made by the Company.

Risk Factors Relating to the Certificates and the Offering

The appraisals are only estimates of Aircraft value.

Three independent appraisal and consulting firms have prepared appraisals of the Aircraft. Letters summarizing such appraisals are annexed to this Prospectus Supplement as Appendix II. Such appraisals are based on varying assumptions and methodologies, which differ among the appraisers, and were prepared without physical inspection of

the Aircraft. Appraisals that are based on other assumptions and methodologies may result in valuations that are materially different from those contained in such appraisals. See Description of the Aircraft and the Appraisals The Appraisals .

An appraisal is only an estimate of value. It does not indicate the price at which an Aircraft may be purchased from the Aircraft manufacturer. Nor should an appraisal be relied upon as a measure of realizable value. In particular, each appraisal is an estimate of value as of the date of such appraisal. The proceeds realized upon a sale of any Aircraft may be less than its appraised value. The value of an Aircraft if remedies are exercised under the applicable Indenture will depend on market and economic conditions, the supply of similar aircraft, the availability

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of buyers, the condition of the Aircraft and other factors. Accordingly, there can be no assurance that the proceeds realized upon any such exercise of remedies would be sufficient to satisfy in full payments due on the Certificates.

Payments to Certificateholders will be subordinated to certain amounts payable to other parties.

Under the Intercreditor Agreement, the Liquidity Provider will receive payment of all amounts owed to it, including reimbursement of drawings made to pay interest on the Class A Certificates, before the holders of any Class of Certificates receive any funds. In addition, the Subordination Agent and the Pass Through Trustees will receive some payments before the holders of any Class of Certificates receive distributions.

Payments of principal on the Certificates are subordinated to payments of interest on the Certificates, subject to certain limitations and certain other payments. Consequently, a payment default under any Equipment Note or a Triggering Event may cause the distribution of interest on the Certificates or such other amounts from payments received with respect to principal on one or more series of Equipment Notes. If this occurs, the interest accruing on the remaining Equipment Notes may be less than the amount of interest expected to be distributed on the remaining Certificates. This is because the interest on the Certificates may be based on a Pool Balance that exceeds the outstanding principal balance of the remaining Equipment Notes. As a result of this possible interest shortfall, the holders of the Certificates may not receive the full amount expected after a payment default under any Equipment Note even if all Equipment Notes are eventually paid in full. For a more detailed discussion of the subordination provisions of the Intercreditor Agreement, see Description of the Intercreditor Agreement Priority of Distributions.

The buyout of Series A Equipment Notes with respect to an Aircraft by the Class B Certificateholders may reduce the amounts payable to the Certificateholders.

After the occurrence of certain events, Class B Certificateholders have the right to purchase the Series A Equipment Notes issued under any Indenture. The purchase price paid by any Class B Certificateholder will be distributed pursuant to the Intercreditor Agreement and will be subject to the subordination provisions set forth therein. See Description of the Intercreditor Agreement Priority of Distributions. After such purchase, the purchased Equipment Notes will no longer be subject to the cross-subordination provisions of the Intercreditor Agreement. Any payments and/or proceeds distributable under such Indenture will be paid first to the purchaser (or then current holder) of the purchased Series A Equipment Notes in respect of amounts due and owing on such Series A Equipment Notes and such amounts will not be paid to the Subordination Agent for distribution to the Certificateholders under the Intercreditor Agreement. As such, Certificateholders will not receive any distribution in respect of such Indenture, including interest distributions on the Class B Certificates, until all amounts due on such Series A Equipment Notes have been paid in full.

Certain Certificateholders may not have the right to participate in controlling the exercise of remedies in a default scenario.

If an Indenture Default is continuing, subject to certain conditions, the Loan Trustee under such Indenture will be directed by the Controlling Party in exercising remedies under such Indenture, including accelerating the applicable Equipment Notes or foreclosing the lien on the Aircraft securing such Equipment Notes. See Description of the Certificates Indenture Defaults and Certain Rights Upon an Indenture Default .

The Controlling Party will be:

The Class A Trustee.

Upon payment of final distributions to the holders of Class A Certificates, the Class B Trustee.

Under certain circumstances, and notwithstanding the foregoing, the Liquidity Provider.

Subject to certain conditions, notwithstanding the foregoing, if one or more holders of the Class B Certificates have purchased the Series A Equipment Notes issued under an Indenture, the holders of the majority in aggregate unpaid principal amount of Equipment Notes issued under such Indenture shall be entitled to direct the Loan Trustee in exercising remedies under such Indenture.

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As a result of the foregoing, if the Trustee for a Class of Certificates is not the Controlling Party with respect to an Indenture (or, in the case of an Indenture under which there has been an Equipment Note buyout as described in the preceding paragraph, where such Trustee holds less than a majority of the outstanding principal amount of Equipment Notes issued under such Indenture), the Certificateholders of that Class will have no rights to participate in directing the exercise of remedies under such Indenture.

The exercise of remedies over Equipment Notes may result in shortfalls without further recourse.

During the continuation of any Indenture Default under an Indenture, the Equipment Notes issued under such Indenture may be sold in the exercise of remedies with respect to that Indenture, subject to certain limitations. See Description of the Intercreditor Agreement Intercreditor Rights Limitation on Exercise of Remedies . The market for Equipment Notes during any Indenture Default may be very limited, and there can be no assurance as to the price at which they could be sold. If any Equipment Notes are sold for less than their outstanding principal amount, certain Certificateholders will receive a smaller amount of principal distributions under the relevant Indenture than anticipated and will not have any claim for the shortfall against Southwest, the Liquidity Provider or any Trustee.

The ratings of the Certificates are not a recommendation to buy and may be lowered or withdrawn in the future.

It is a condition to the issuance of the Certificates that the Class A Certificates be rated not lower than Aa3 by Moody's and AA- by Standard & Poor's and the Class B Certificates be rated not lower than Baa1 by Moody's and A by Standard & Poor's. A rating is not a recommendation to purchase, hold or sell Certificates, because such rating does not address market price or suitability for a particular investor. A rating may not remain unchanged for any given period of time and may be lowered, suspended or withdrawn entirely by a Rating Agency if in its judgment circumstances in the future (including the downgrading of Southwest or the Liquidity Provider) so warrant.

The rating of the Certificates is based primarily on the default risk of the Equipment Notes, the availability of the Liquidity Facility for the benefit of holders of the Class A Certificates, the collateral value provided by the Aircraft relating to the Equipment Notes, the cross-collateralization provisions applicable to the Indentures and the subordination provisions applicable to the Certificates. These ratings address the likelihood of timely payment of interest (at the Stated Interest Rate and without any premium) when due on the Certificates and the ultimate payment of principal distributable under the Certificates by the Final Maturity Date. The ratings do not address the possibility of certain defaults, optional redemptions or other circumstances, which could result in the payment of the outstanding principal amount of the Certificates prior to the final expected Distribution Date. Any cash collateral held as a result of the cross-collateralization of the Equipment Notes would not be entitled to the benefits of Section 1110. The ratings apply only to the Certificates and not the Equipment Notes, regardless of whether any such Equipment Notes are purchased by a Certificateholder pursuant to the purchase rights described under Description of the Intercreditor Agreement Intercreditor Rights Equipment Note Buyout Rights of Subordinated Certificateholders .

There may be a limited market for resale of Certificates.

Prior to this offering, there has been no public market for the Certificates. Neither Southwest nor any Trust intends to apply for listing of the Certificates on any securities exchange or otherwise. The Underwriters may assist in resales of the Certificates, but they are not required to do so. A secondary market for the Certificates may not develop. If a secondary market does develop, it might not continue or it might not be sufficiently liquid to allow you to resell any of your Certificates.

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USE OF PROCEEDS

The proceeds from the sale of the Certificates of each Trust will be used by the respective Trustee to acquire Equipment Notes to be held by such Trust. The Equipment Notes will be full recourse obligations of Southwest. Southwest will use the proceeds from the issuance of the Equipment Notes for general corporate purposes.

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THE COMPANY

Southwest is a major passenger airline that provides scheduled air transportation in the United States. Based on the most recent data available from the Department of Transportation, Southwest is the largest carrier in the United States, as measured by originating passengers boarded and scheduled domestic departures. Southwest was incorporated in Texas in 1967 and commenced Customer Service on June 18, 1971, with three Boeing 737 aircraft serving three Texas cities - Dallas, Houston and San Antonio. At August 31, 2007, Southwest operated 508 Boeing 737 aircraft and provided service to 64 cities in 32 states throughout the United States. The Company resumed service at San Francisco International Airport in August 2007.

Southwest focuses principally on point-to-point, rather than hub-and-spoke, service, providing its markets with frequent, conveniently timed flights and low fares. At August 31, 2007, Southwest served 410 nonstop city pairs. Historically, Southwest has served predominantly short-haul routes, with high frequencies. In recent years, the Company has complemented this service with more medium to long-haul routes, including transcontinental service.

Additional information concerning the Company is included in its reports and other documents incorporated by reference in this Prospectus Supplement. See [Incorporation of Certain Documents by Reference](#) .

Recent Development

On July 19, 2007, Southwest announced that

Herbert D. Kelleher, age 76, will continue as Executive Chairman of the Board for one year and will step down from that position at the Company's 2008 Annual Meeting of Shareholders. Mr. Kelleher is a Founder of Southwest and has served as Executive Chairman since 1978. From 1981 through June 2001, Mr. Kelleher also served as President and Chief Executive Officer of Southwest.

Colleen C. Barrett, age 62, will continue as President for one year and will step down from that position on July 15, 2008. Also, she will retire from the Board of Directors at the 2008 Annual Meeting of Shareholders. Ms. Barrett has served as Secretary of the Corporation since 1978; Vice President Administration from 1986 to 1990; Executive Vice President Customers from 1990 to 2001; and President since 2001.

Gary C. Kelly, age 52, will remain as Chief Executive Officer with a contract expiration date of February 1, 2011. Mr. Kelly began his career at Southwest as Controller in 1986; was named Vice President Finance and Chief Financial Officer in 1989; Executive Vice President and Chief Financial Officer in 2001; and Chief Executive Officer and Vice Chairman in July 2004.

For additional information, see our Current Report on Form 8-K filed with the Commission on July 20, 2007, which is incorporated by reference into this Prospectus Supplement.

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The following table sets forth Southwest's historical ratios of earnings to fixed charges for the periods indicated.

2002	Year Ended December 31,				Six Months Ended	
	2003	2004	2005	2006	2006	2007
2.20	3.47	2.36	3.74	3.68	5.14	5.25

Earnings represent:

* Income before income taxes, excluding the cumulative effect of accounting changes; plus

* Fixed charges, excluding capitalized interest.

Fixed charges include:

* Interest, whether expensed or capitalized; and

* A portion of rental expense. Our management believes this is representative of the interest factor in those periods.

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DESCRIPTION OF THE CERTIFICATES

The following summary describes the material terms of the Certificates. The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Basic Agreement, which was filed with the Commission as an exhibit to the Company's Form S-3 Registration Statement No. 333-126738, and to all of the provisions of the Certificates, the Trust Supplements and the Intercreditor Agreement, each of which will be filed as an exhibit to a Current Report on Form 8-K to be filed by Southwest with the Commission.

Except as otherwise indicated, the following summary relates to each of the Trusts and the Certificates issued by each Trust. The references to Sections in parentheses in the following summary are to the relevant Sections of the Basic Agreement unless otherwise indicated.

General

Each Pass Through Certificate (collectively, the Certificates) will represent a fractional undivided interest in one of the two Southwest Airlines 2007-1 Pass Through Trusts (the Class A Trust and the Class B Trust , and, collectively, the Trusts). The Trusts will be formed pursuant to a pass through trust agreement between Southwest and Wilmington Trust Company, as trustee (the Trustee), dated as of July 1, 2005 (the Basic Agreement), and two separate supplements thereto (each, a Trust Supplement and, together with the Basic Agreement, collectively, the Pass Through Trust Agreements) relating to such Trusts between Southwest and the Trustee, as trustee under the Class A Trust (the Class A Trustee) and trustee under the Class B Trust (the Class B Trustee). The Certificates to be issued by the Class A Trust and the Class B Trust are referred to herein as the Class A Certificates and the Class B Certificates, respectively.

Each Certificate will represent a fractional undivided interest in the Trust created by the Basic Agreement and the applicable Trust Supplement pursuant to which such Certificate is issued. (Section 2.01) The Trust Property of each Trust (the Trust Property) will consist of:

Subject to the Intercreditor Agreement, Equipment Notes acquired under the Participation Agreements and issued by Southwest on a recourse basis in connection with each separate secured loan transaction with respect to each Aircraft and all monies paid or due to be paid on such Equipment Notes. Equipment Notes held in each Trust will be registered in the name of the Subordination Agent on behalf of such Trust for purposes of giving effect to provisions of the Intercreditor Agreement.

The rights of such Trust under the Participation Agreements, the Indentures, and the Intercreditor Agreement (including all monies receivable in respect of such rights).

In the case of the Class A Trust, all monies receivable under the Liquidity Facility for such Trust.

Funds from time to time deposited with the applicable Trustee in accounts relating to such Trust (such as interest and principal payments on the Equipment Notes held in such Trust).

The Certificates of each Trust will be issued in fully registered form only and will be subject to the provisions described below under Book Entry; Delivery and Form . The Certificates will be issued only in minimum denominations of \$1,000 or integral multiples thereof, except that one Certificate of each Trust may be issued in a different denomination. (Section 3.01)

The Certificates represent interests in the respective Trusts, and all payments and distributions thereon will be made only from the Trust Property of the related Trust. (Section 3.09) The Certificates do not represent an interest in or

obligation of Southwest, the Trustees or any of the Loan Trustees or any affiliate of any thereof.

Payments and Distributions

Payments of principal, premium (if any) and interest on the Equipment Notes or with respect to other Trust Property held in each Trust will be distributed by the Trustee to Certificateholders of such Trust on the date receipt of such payment is confirmed, except in the case of certain types of Special Payments.

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Interest

The Equipment Notes held in each Trust will accrue interest at the applicable rate per annum for Certificates to be issued by such Trust set forth on the cover page of this Prospectus Supplement, payable on February 1 and August 1 of each year, commencing on February 1, 2008. Such interest payments will be distributed to Certificateholders of such Trust on each such date until the final Distribution Date for such Trust, subject in the case of payments on the Equipment Notes to the Intercreditor Agreement. Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months.

Payments of interest applicable to the Certificates to be issued by the Class A Trust will be supported by a Liquidity Facility to be provided by the Liquidity Provider for the benefit of the holders of such Certificates in an aggregate amount sufficient to pay interest thereon at the Stated Interest Rate for such Trust on up to three successive Regular Distribution Dates (without regard to any future payments of principal on such Certificates). The Liquidity Facility for the Class A Certificates does not provide for drawings or payments thereunder to pay for principal of or premium, if any, on the Class A Certificates, any interest on the Class A Certificates in excess of the Stated Interest Rate for such Trust, or, notwithstanding the subordination provisions of the Intercreditor Agreement, principal of or interest or premium, if any, on the Class B Certificates. Therefore, only the holders of the Certificates to be issued by the Class A Trust will be entitled to receive and retain the proceeds of drawings under the Liquidity Facility. See Description of the Liquidity Facility for Class A Certificates . The Class B Certificates will not have the benefit of a liquidity facility.

Principal

Payments of principal on the Equipment Notes held on behalf of the Class A and Class B Trusts are scheduled to be received by the Trustee on February 1 and August 1 in certain years depending upon the terms of the Equipment Notes held in such Trust.

Scheduled payments of interest or principal on the Equipment Notes are herein referred to as Scheduled Payments , and February 1 and August 1 of each year, commencing on February 1, 2008, until the final expected Regular Distribution Date are herein referred to as Regular Distribution Dates . See Description of the Equipment Notes Principal and Interest Payments .

Distributions

The Trustee of each Trust will distribute, subject to the Intercreditor Agreement, on each Regular Distribution Date to the Certificateholders of such Trust all Scheduled Payments received in respect of Equipment Notes held on behalf of such Trust, the receipt of which is confirmed by the Trustee on such Regular Distribution Date. Each Certificateholder of each Trust will be entitled to receive its proportionate share, based upon its fractional interest in such Trust, subject to the Intercreditor Agreement, of principal or interest on Equipment Notes held on behalf of such Trust. Each such distribution of Scheduled Payments will be made by the applicable Trustee to the Certificateholders of record of the relevant Trust on the record date applicable to such Scheduled Payment subject to certain exceptions. (Sections 4.01 and 4.02) If a Scheduled Payment is not received by the applicable Trustee on a Regular Distribution Date but is received within five days thereafter, it will be distributed on the date received to such holders of record. If it is received after such five-day period, it will be treated as a Special Payment and distributed as described below.

Any payment in respect of, or any proceeds of, any Equipment Note, or Collateral under (and as defined in) any Indenture other than a Scheduled Payment (each, a Special Payment) will be distributed on, in the case of an early redemption or a purchase of any Equipment Note, the date of such early redemption or purchase (which shall be a Business Day), and otherwise on the Business Day specified for distribution of such Special Payment pursuant to a notice delivered by each Trustee as soon as practicable after the Trustee has received funds for such Special Payment

(each, a Special Distribution Date). Any such distribution will be subject to the Intercreditor Agreement.

Triggering Event means (x) the occurrence of an Indenture Default under all Indentures resulting in a PTC Event of Default with respect to the most senior Class of Certificates then outstanding, (y) the acceleration of all of

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the outstanding Equipment Notes or (z) certain events of bankruptcy, reorganization or insolvency with respect to Southwest described in the Intercreditor Agreement (a Southwest Bankruptcy Event).

Each Trustee will mail a notice to the Certificateholders of the applicable Trust stating the scheduled Special Distribution Date, the related record date, the amount of the Special Payment and the reason for the Special Payment. In the case of a redemption or purchase of the Equipment Notes held in the related Trust, such notice will be mailed not less than 15 days prior to the date such Special Payment is scheduled to be distributed, and in the case of any other Special Payment, such notice will be mailed as soon as practicable after the Trustee has confirmed that it has received funds for such Special Payment. (Trust Supplements, Section 3.03) Each distribution of a Special Payment, other than a final distribution, on a Special Distribution Date for any Trust will be made by the Trustee to the Certificateholders of record of such Trust on the record date applicable to such Special Payment. (Trust Supplements, Section 3.03) See Indenture Defaults and Certain Rights Upon an Indenture Default and Description of the Equipment Notes Redemption .

Each Pass Through Trust Agreement requires that the Trustee establish and maintain, for the related Trust and for the benefit of the Certificateholders of such Trust, one or more non-interest bearing accounts (the Certificate Account) for the deposit of payments representing Scheduled Payments received by such Trustee. Each Pass Through Trust Agreement requires that the Trustee establish and maintain, for the related Trust and for the benefit of the Certificateholders of such Trust, one or more accounts (the Special Payments Account) for the deposit of payments representing Special Payments received by such Trustee, which shall be non-interest bearing except in certain circumstances where the Trustee may invest amounts in such account in certain permitted investments. Pursuant to the terms of each Pass Through Trust Agreement, the Trustee is required to deposit any Scheduled Payments relating to the applicable Trust received by it in the Certificate Account of such Trust and to deposit any Special Payments so received by it in the Special Payments Account of such Trust. (Section 4.01; Trust Supplements, Section 3.02) All amounts so deposited will be distributed by the Trustee on a Regular Distribution Date or a Special Distribution Date, as appropriate. (Section 4.02(a); Trust Supplements, Section 3.03)

The final distribution for each Trust will be made only upon presentation and surrender of the Certificates for such Trust at the office or agency of the Trustee specified in the notice given by the Trustee of such final distribution. The Trustee will mail such notice of the final distribution to the Certificateholders of such Trust, specifying the date set for such final distribution and the amount of such distribution. (Trust Supplements, Section 7.01) See Termination of the Trusts below. Distributions in respect of Certificates issued in global form will be made as described in Book Entry; Delivery and Form below.

If any Distribution Date is a Saturday, Sunday or other day on which commercial banks are authorized or required to close in New York, New York, Dallas, Texas or Wilmington, Delaware (any other day being a Business Day), distributions scheduled to be made on such Regular Distribution Date or Special Distribution Date will be made on the next succeeding Business Day, without additional interest. (Section 12.11)

Pool Factors

The Pool Balance for each Trust or for the Certificates issued by any Trust indicates, as of any date, the original aggregate face amount of the Certificates of such Trust less the aggregate amount of all payments made as of such date in respect of the Certificates of such Trust other than payments made in respect of interest or premium or reimbursement of any costs or expenses incurred in connection therewith. The Pool Balance for each Trust or for the Certificates issued by any Trust as of any Distribution Date shall be computed after giving effect to payment of principal of the Equipment Notes or payment with respect to other Trust Property held in such Trust and the distribution thereof to be made on that date. (Trust Supplements, Section 2.01)

The Pool Factor for each Trust or for the Certificates issued by any Trust as of any Distribution Date is the quotient (rounded to the seventh decimal place) computed by dividing (i) the Pool Balance by (ii) the original aggregate face amount of the Certificates of such Trust. The Pool Factor for each Trust or for the Certificates issued by any Trust as of any Distribution Date shall be computed after giving effect to any payment of principal of the Equipment Notes or payments with respect to other Trust Property held in such Trust and the distribution thereof to be made on that date. (Trust Supplements, Section 2.01) The Pool Factor for each Trust will be 1.0000000 on the date of issuance of the Certificates; thereafter, the Pool Factor for each Trust will decline as described herein to

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reflect reductions in the Pool Balance of such Trust. The amount of a Certificateholder's pro rata share of the Pool Balance of a Trust can be determined by multiplying the par value of the holder's Certificate of such Trust by the Pool Factor for such Trust as of the applicable Distribution Date. Notice of the Pool Factor and the Pool Balance for each Trust will be mailed to Certificateholders of such Trust on each Distribution Date. (Trust Supplements, Section 3.01)

The following table sets forth the aggregate principal amortization schedule for the Equipment Notes held in each Trust and resulting expected Pool Factors with respect to such Trust. The scheduled distribution of principal payments for any Trust would be affected if any Equipment Notes held in such Trust are redeemed or purchased or if a default in payment on such Equipment Notes occurs. Accordingly, the aggregate principal amortization schedule applicable to a Trust and the resulting Pool Factors may differ from those set forth in the following table.

Date	Class A		Class B	
	Scheduled Principal Payments	Expected Pool Factor	Scheduled Principal Payments	Expected Pool Factor
Issuance Date	\$ 0.00	1.0000000	\$ 0.00	1.0000000
February 1, 2008	7,138,708.16	0.9826772	1,522,670.34	0.9826772
August 1, 2008	6,566,939.86	0.9667419	1,400,713.45	0.9667419
February 1, 2009	6,566,939.87	0.9508066	1,400,713.46	0.9508066
August 1, 2009	6,566,939.87	0.9348713	1,400,713.45	0.9348713
February 1, 2010	12,424,198.75	0.9047228	1,400,713.46	0.9189360
August 1, 2010	8,152,615.17	0.8849397	1,400,713.45	0.9030007
February 1, 2011	8,085,342.70	0.8653199	1,400,713.45	0.8870654
August 1, 2011	8,018,070.22	0.8458633	1,400,713.46	0.8711301
February 1, 2012	7,950,797.73	0.8265699	1,400,713.45	0.8551948
August 1, 2012	7,883,525.26	0.8074398	1,400,713.45	0.8392595
February 1, 2013	7,816,252.78	0.7884729	1,400,713.46	0.8233242
August 1, 2013	7,748,980.29	0.7696692	6,902,094.88	0.7448021
February 1, 2014	7,369,930.83	0.7517854	1,292,133.56	0.7301020
August 1, 2014	7,314,497.98	0.7340361	1,292,133.55	0.7154020
February 1, 2015	7,259,065.13	0.7164212	1,292,133.56	0.7007019
August 1, 2015	7,203,632.29	0.6989409	1,292,133.56	0.6860019
February 1, 2016	7,148,199.44	0.6815952	1,292,133.56	0.6713018
August 1, 2016	7,092,766.59	0.6643839	1,292,133.55	0.6566018
February 1, 2017	11,381,101.03	0.6367666	2,210,912.43	0.6314492
August 1, 2017	14,961,066.04	0.6004621	2,988,618.90	0.5974490
February 1, 2018	17,561,549.53	0.5578473	3,565,338.22	0.5568877
August 1, 2018	19,677,878.29	0.5100971	4,043,957.23	0.5108814
February 1, 2019	21,494,226.08	0.4579393	4,667,376.68	0.4577827
August 1, 2019	23,102,444.66	0.4018790	4,995,325.39	0.4009530
February 1, 2020	24,555,932.36	0.3422917	5,287,357.84	0.3408010
August 1, 2020	25,888,870.62	0.2794699	5,550,709.08	0.2776531
February 1, 2021	27,124,647.74	0.2136493	5,964,222.62	0.2098007
August 1, 2021	28,280,071.18	0.1450250	6,077,825.94	0.1406559
February 1, 2022	29,367,683.07	0.0737615	9,532,319.53	0.0322109
August 1, 2022	30,397,126.48	0.0000000	2,831,335.04	0.0000000

The Pool Factor and Pool Balance of each Trust will be recomputed if there has been an early redemption, purchase, or default in the payment of principal or interest in respect of one or more of the Equipment Notes held in a Trust, as described in Indenture Defaults and Certain Rights Upon an Indenture Default and Description of the Equipment Notes Redemption . In the event of any such redemption, purchase, or default, the Pool Factors and the Pool Balances of each Trust so affected will be recomputed after giving effect thereto and notice thereof will be mailed to the Certificateholders of such Trust promptly after the occurrence of such event.

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Reports to Certificateholders

On each Distribution Date, the applicable Trustee will include with each distribution by it of a Scheduled Payment or Special Payment to Certificateholders of the related Trust a statement setting forth the following information (per \$1,000 aggregate principal amount of Certificate for such Trust, except as to the amounts described in items (a) and (d) below):

- (a) The aggregate amount of funds distributed on such Distribution Date under the Pass Through Trust Agreement, indicating the amount allocable to each source, including any portion thereof paid by the Liquidity Provider.
- (b) The amount of such distribution under the Pass Through Trust Agreement allocable to principal and the amount allocable to premium, if any.
- (c) The amount of such distribution under the Pass Through Trust Agreement allocable to interest.
- (d) The Pool Balance and the Pool Factor for such Trust. (Trust Supplements, Section 3.01(a))

So long as the Certificates are registered in the name of DTC or its nominee, on the record date prior to each Distribution Date, the applicable Trustee will request that DTC post on its Internet bulletin board a securities position listing setting forth the names of all DTC Participants reflected on DTC's books as holding interests in the Certificates on such record date. On each Distribution Date, the applicable Trustee will mail to each such DTC Participant the statement described above and will make available additional copies as requested by such DTC Participant for forwarding to Certificate Owners. (Trust Supplements, Section 3.01(a))

In addition, after the end of each calendar year, the applicable Trustee will furnish to each Certificateholder of each Trust at any time during the preceding calendar year a report containing the sum of the amounts determined pursuant to clauses (a), (b) and (c) above with respect to the Trust for such calendar year or, in the event such person was a Certificateholder during only a portion of such calendar year, for the applicable portion of such calendar year, and such other items as are readily available to such Trustee and which a Certificateholder shall reasonably request as necessary for the purpose of such Certificateholder's preparation of its U.S. federal income tax returns. (Trust Supplements, Section 3.01(b)) Such report and such other items shall be prepared on the basis of information supplied to the applicable Trustee by the DTC Participants and shall be delivered by such Trustee to such DTC Participants to be available for forwarding by such DTC Participants to Certificate Owners in the manner described above. (Trust Supplements, Section 3.01(b)) At such time, if any, as the Certificates are issued in the form of definitive certificates, the applicable Trustee will prepare and deliver the information described above to each Certificateholder of record of each Trust as the name and period of ownership of such Certificateholder appears on the records of the registrar of the Certificates.

Each Trustee is required to provide promptly to Certificateholders of the related Trust all material non-confidential information received by such Trustee from Southwest. (Trust Supplements, Section 3.01(d))

Indenture Defaults and Certain Rights Upon an Indenture Default

Since the Equipment Notes issued under an Indenture will be held in more than one Trust, a continuing event of default under such Indenture (after giving effect to any applicable grace period and notice requirement, an Indenture Default) would affect the Equipment Notes held by each such Trust. There are no cross-acceleration provisions in the Indentures and the only cross-default provision in the Indentures is an event of default under each Indenture which occurs if (x) all amounts owing under any Equipment Note issued under any other Indenture are not paid in full on or before the Final Payment Date, and (y) any such failure shall continue unremedied for a period of twenty

(20) Business Days thereafter. Consequently, prior to the triggering of the cross-default, events resulting in an Indenture Default under any particular Indenture may or may not result in an Indenture Default under any other Indenture.

If the same institution acts as Trustee of multiple Trusts, such Trustee could be faced with a potential conflict of interest upon an Indenture Default. In such event, each Trustee has indicated that it would resign as Trustee of one or all such Trusts, and a successor trustee would be appointed in accordance with the terms of the applicable Pass Through Trust Agreement. Wilmington Trust Company will be the initial Trustee under each Trust.

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Upon the occurrence and continuation of an Indenture Default under an Indenture, the Controlling Party will direct the Loan Trustee under such Indenture in the exercise of remedies thereunder and may accelerate and sell all (but not less than all) of the Equipment Notes issued under such Indenture or sell the collateral under such Indenture to any person, subject to certain limitations. See Description of the Intercreditor Agreement Intercreditor Rights Limitation on Exercise of Remedies . The proceeds of any such sale will be distributed pursuant to the provisions of the Intercreditor Agreement. Any such proceeds so distributed to any Trustee upon any such sale shall be deposited in the applicable Special Payments Account and shall be distributed to the Certificateholders of the applicable Trust on a Special Distribution Date. (Trust Supplements, Sections 3.02 and 3.03) The market for Equipment Notes at the time of the existence of an Indenture Default may be very limited and there can be no assurance as to the price at which they could be sold. If any such Equipment Notes are sold for less than their outstanding principal amount, certain Certificateholders will receive a smaller amount of principal distributions under the relevant Indenture than anticipated and will not have any claim for the shortfall against Southwest, the Liquidity Provider or any Trustee.

Any amount, other than Scheduled Payments received on a Regular Distribution Date or within five days thereafter, distributed to the Trustee of any Trust by the Subordination Agent on account of any Equipment Note or Collateral under (and as defined in) any Indenture held in such Trust following an Indenture Default will be deposited in the Special Payments Account for such Trust and will be distributed to the Certificateholders of such Trust on a Special Distribution Date. (Trust Supplements, Sections 3.02 and 3.03) Any funds representing payments received with respect to any defaulted Equipment Notes, or the proceeds from the sale of any Equipment Notes, held by the Trustee in the Special Payments Account for such Trust will, to the extent practicable, be invested and reinvested by such Trustee in certain permitted investments pending the distribution of such funds on a Special Distribution Date. (Section 4.04) Such permitted investments are defined as obligations of the United States or agencies or instrumentalities thereof for the payment of which the full faith and credit of the United States is pledged and which mature in not more than 60 days or such lesser time as is required for the distribution of any such funds on a Special Distribution Date. (Section 1.01)

Each Pass Through Trust Agreement provides that the Trustee of the related Trust will, within 90 days after the occurrence of any default known to the Trustee, give to the Certificateholders of such Trust notice, transmitted by mail, of such uncured or unwaived default with respect to such Trust known to it, *provided* that, except in the case of default in a payment of principal, premium, if any, or interest on any of the Equipment Notes held in such Trust, the applicable Trustee will be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interests of such Certificateholders. (Section 7.02) The term default as used in this paragraph only with respect to any Trust means the occurrence of an Indenture Default under any Indenture pursuant to which Equipment Notes held by such Trust were issued, as described above, except that in determining whether any such Indenture Default has occurred, any grace period or notice in connection therewith will be disregarded.

Each Pass Through Trust Agreement contains a provision entitling the Trustee of the related Trust, subject to the duty of such Trustee during a default to act with the required standard of care, to be offered reasonable security or indemnity by the holders of the Certificates of such Trust before proceeding to exercise any right or power under such Pass Through Trust Agreement or the Intercreditor Agreement at the request of such Certificateholders. (Section 7.03(e))

Subject to certain qualifications set forth in each Pass Through Trust Agreement and to the Intercreditor Agreement, the Certificateholders of each Trust holding Certificates evidencing fractional undivided interests aggregating not less than a majority in interest in such Trust shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee with respect to such Trust or pursuant to the terms of the Intercreditor Agreement, or exercising any trust or power conferred on such Trustee under such Pass Through Trust Agreement or the Intercreditor Agreement, including any right of such Trustee as Controlling Party under the Intercreditor Agreement or as holder of the Equipment Notes. (Section 6.04)

In certain cases, the holders of the Certificates of a Trust evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust may on behalf of the holders of all the Certificates of such Trust waive any past event of default under such Trust (*i.e.*, any Indenture Default under any Indenture pursuant to which Equipment Notes held by such Trust were issued) and its consequences or, if the Trustee of such Trust is the

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Controlling Party, may direct the Trustee to instruct the applicable Loan Trustee to waive any past Indenture Default and its consequences, except (i) a default in the deposit of any Scheduled Payment or Special Payment or in the distribution thereof, (ii) a default in payment of the principal, premium, if any, or interest with respect to any of the Equipment Notes and (iii) a default in respect of any covenant or provision of the Pass Through Trust Agreement that cannot be modified or amended without the consent of each Certificateholder of such Trust affected thereby.

(Section 6.05) Each Indenture will provide that, with certain exceptions, the holders of the majority in aggregate unpaid principal amount of the Equipment Notes issued thereunder may on behalf of all such holders waive any past default or Indenture Default thereunder. (Indentures, Section 5.06) Notwithstanding such provisions of the Indentures, pursuant to the Intercreditor Agreement only the Controlling Party will be entitled to waive any such past default or Indenture Default (except with respect to an Indenture under which Equipment Notes have been purchased after the occurrence of an Equipment Note Buyout Event). See Description of the Intercreditor Agreement Intercreditor Rights Controlling Party .

Purchase Rights of Certificateholders

Upon the occurrence and during the continuation of a Certificate Buyout Event, with 15 days written notice to the Class A Trustee and each other Class B Certificateholder, each of the Class B Certificateholders will have the right to purchase all but not less than all of the Class A Certificates on the third Business Day next following the expiry of such 15-day notice period.

If any Additional Certificates are issued, the holders of Additional Certificates will have the right to purchase all of the Class A and Class B Certificates and, if Refinancing Certificates are issued, holders of such Refinancing Certificates will have the same right to purchase Certificates as the Class that they refinanced. See Possible Issuance of Additional Certificates and Refinancing of Certificates .

In each case, the purchase price will be equal to the Pool Balance of the relevant Class or Classes of Certificates plus accrued and unpaid interest thereon to the date of purchase, without premium, but including any other amounts then due and payable to the Certificateholders of such Class or Classes. Such purchase right may be exercised by any Certificateholder of the Class or Classes entitled to such right. In each case, if prior to the end of the 15-day notice period, any other Certificateholder of the same Class notifies the purchasing Certificateholder that the other Certificateholder wants to participate in such purchase, then such other Certificateholder may join with the purchasing Certificateholder to purchase the Certificates pro rata based on the interest in the Trust held by each Certificateholder. If Southwest or any of its affiliates is a Certificateholder, it will not have the purchase rights described above.

(Trust Supplements, Section 4.01)

A Certificate Buyout Event means that a Southwest Bankruptcy Event has occurred and is continuing and the following events have occurred: (A) (i) the 60-day period specified in Section 1110(a)(2)(A) of the U.S. Bankruptcy Code (the 60-Day Period) has expired and (ii) Southwest has not entered into one or more agreements under Section 1110(a)(2)(A) of the U.S. Bankruptcy Code to perform all of its obligations under all of the Indentures or, if it has entered into such agreements, has at any time failed to cure any default under any of the Indentures in accordance with Section 1110(a)(2)(B) of the U.S. Bankruptcy Code; or (B) if prior to the expiry of the 60-Day Period, Southwest shall have abandoned any Aircraft.

PTC Event of Default

A Pass Through Certificate Event of Default (a PTC Event of Default) under each Pass Through Trust Agreement means the failure to pay:

The outstanding Pool Balance of the applicable Class of Certificates within ten Business Days of the Final Maturity Date for such Class.

Interest due on such Class of Certificates within ten Business Days of any Distribution Date (unless, in the case of the Class A Certificates, the Subordination Agent shall have made Interest Drawings, or withdrawals from the Cash Collateral Account for such Class of Certificates, with respect thereto in an aggregate amount sufficient to pay such interest and shall have distributed such amount to the Trustee entitled thereto).
(Section 1.01)

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Any failure to make expected principal distributions with respect to any Class of Certificates on any Regular Distribution Date (other than the Final Maturity Date) will not constitute a PTC Event of Default with respect to such Certificates. A PTC Event of Default with respect to the most senior outstanding Class of Certificates resulting from an Indenture Default under all Indentures will constitute a Triggering Event.

Merger, Consolidation and Transfer of Assets

Southwest will be prohibited from consolidating with or merging into any other entity or transferring substantially all of its assets as an entirety to any other entity unless:

The surviving successor or transferee entity shall be a corporation, limited partnership, limited liability company or other entity validly existing under the laws of the United States or any state thereof or the District of Columbia.

The surviving successor or transferee entity shall be a citizen of the United States (as defined in Title 49 of the United States Code relating to aviation (the Transportation Code)) holding an air carrier operating certificate issued pursuant to Chapter 447 of Title 49, United States Code, if, and so long as, such status is a condition of entitlement to the benefits of Section 1110.

The surviving successor or transferee entity shall expressly assume all of the obligations of Southwest contained in the Basic Agreement and any Trust Supplement, the Participation Agreements, the Indentures and any other operative documents.

Southwest shall have delivered a certificate and an opinion or opinions of counsel indicating that such transaction, in effect, complies with such conditions.

In addition, after giving effect to such transaction, no Indenture Default shall have occurred and be continuing. (Section 5.02; Indentures, Section 4.07)

The Basic Agreement, the Trust Supplements, the Indentures and the Participation Agreements will not contain any covenants or provisions that may afford the applicable Trustee or Certificateholders protection in the event of a highly leveraged transaction, including transactions effected by management or affiliates, which may or may not result in a change in control of Southwest.

Modifications of the Pass Through Trust Agreements and Certain Other Agreements

Each Pass Through Trust Agreement contains provisions permitting, at the request of the Company, the execution of amendments or supplements to such Pass Through Trust Agreement or, if applicable, to the Intercreditor Agreement, the Participation Agreements or the Liquidity Facility, without the consent of the holders of any of the Certificates of such Trust:

To evidence the succession of another entity to Southwest and the assumption by such successor of Southwest's obligations under such Pass Through Trust Agreement and the Participation Agreements.

To add to the covenants of Southwest for the benefit of holders of such Certificates or to surrender any right or power conferred upon Southwest in such Pass Through Trust Agreement, the Intercreditor Agreement, the Participation Agreements or the Liquidity Facility.

To correct or supplement any provision of such Pass Through Trust Agreement, the Intercreditor Agreement, the Participation Agreements or the Liquidity Facility which may be defective or inconsistent with any other provision in such Pass Through Trust Agreement, the Intercreditor Agreement, the Participation Agreements or the Liquidity Facility, as applicable, or to cure any ambiguity or to modify any other provision with respect to matters or questions arising under such Pass Through Trust Agreement, the Intercreditor Agreement, the Participation Agreements or the Liquidity Facility, provided that such action shall not materially adversely affect the interests of the holders of such Certificates; to correct any mistake in such Pass Through Trust Agreement, the Intercreditor Agreement, the Participation Agreements or the Liquidity Facility; or, as provided in the Intercreditor Agreement, to give effect to or provide for a Replacement Facility.

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To comply with any requirement of the Commission, any applicable law, rules or regulations of any exchange or quotation system on which the Certificates are listed, or any regulatory body.

To modify, eliminate or add to the provisions of such Pass Through Trust Agreement, the Intercreditor Agreement, the Participation Agreements or the Liquidity Facility to such extent as shall be necessary to continue the qualification of such Pass Through Trust Agreement (including any supplemental agreement) under the Trust Indenture Act of 1939, as amended (the Trust Indenture Act), or any similar federal statute enacted after the execution of such Pass Through Trust Agreement, and to add to such Pass Through Trust Agreement, the Intercreditor Agreement, the Participation Agreements or the Liquidity Facility such other provisions as may be expressly permitted by the Trust Indenture Act.

To evidence and provide for the acceptance of appointment under such Pass Through Trust Agreement, the Intercreditor Agreement, the Participation Agreements or the Liquidity Facility by a successor Trustee and to add to or change any of the provisions of such Pass Through Trust Agreement, the Intercreditor Agreement, the Participation Agreements or the Liquidity Facility as shall be necessary to provide for or facilitate the administration of the Trusts under the Basic Agreement by more than one Trustee.

To provide for the issuance of Additional Certificates or Refinancing Certificates, subject to certain terms and conditions. See Possible Issuance of Additional Certificates and Refinancing of Certificates .

In each case, such modification or supplement may not adversely affect the status of the Trust as a grantor trust under Subpart E, Part I of Subchapter J of Chapter 1 of Subtitle A of the Code, for U.S. federal income tax purposes. (Section 9.01; Trust Supplements, Section 6.02)

Each Pass Through Trust Agreement also contains provisions permitting the execution, with the consent of the holders of the Certificates of the related Trust evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust, of amendments or supplements adding any provisions to or changing or eliminating any of the provisions of such Pass Through Trust Agreement, the Intercreditor Agreement, the Participation Agreements or the Liquidity Facility to the extent applicable to such Certificateholders or of modifying the rights and obligations of such Certificateholders under such Pass Through Trust Agreement, the Intercreditor Agreement, the Participation Agreements or the Liquidity Facility. No such amendment or supplement may, without the consent of the holder of each Certificate so affected thereby:

Reduce in any manner the amount of, or delay the timing of, any receipt by the Trustee of payments with respect to the Equipment Notes held in such Trust or distributions in respect of any Certificate related to such Trust, or change the date or place of any payment in respect of any Certificate, or make distributions payable in coin or currency other than that provided for in such Certificates, or impair the right of any Certificateholder of such Trust to institute suit for the enforcement of any such payment when due.

Permit the disposition of any Equipment Note held in such Trust, except as provided in such Pass Through Trust Agreement, or otherwise deprive such Certificateholder of the benefit of the ownership of the applicable Equipment Notes.

Alter the priority of distributions specified in the Intercreditor Agreement in a manner materially adverse to such Certificateholders.

Reduce the percentage of the aggregate fractional undivided interests of the Trust provided for in such Pass Through Trust Agreement, the consent of the holders of which is required for any such supplemental trust

agreement or for any waiver provided for in such Pass Through Trust Agreement.

Modify any of the provisions relating to the rights of the Certificateholders in respect of the waiver of events of default or receipt of payment.

Adversely affect the status of any Trust as a grantor trust under Subpart E, Part I of Subchapter J of Chapter 1 of Subtitle A of the Code for U.S. federal income tax purposes. (Section 9.02; Trust Supplements, Section 6.03)

In the event that a Trustee, as holder (or beneficial owner through the Subordination Agent) of any Equipment Note in trust for the benefit of the Certificateholders of the relevant Trust or as Controlling Party under the

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Intercreditor Agreement, receives (directly or indirectly through the Subordination Agent) a request for a consent to any amendment, modification, waiver or supplement under any Indenture, any Participation Agreement, any Equipment Note or any other related document, such Trustee shall forthwith send a notice of such proposed amendment, modification, waiver or supplement to each Certificateholder of the relevant Trust as of the date of such notice. Such Trustee shall request from the Certificateholders a direction as to:

Whether or not to take or refrain from taking (or direct the Subordination Agent to take or refrain from taking) any action which a holder of such Equipment Note or the Controlling Party has the option to direct.

Whether or not to give or execute (or direct the Subordination Agent to give or execute) any waivers, consents, amendments, modifications or supplements as a holder of such Equipment Note or as Controlling Party.

How to vote (or direct the Subordination Agent to vote) any Equipment Note if a vote has been called for with respect thereto.

Provided such a request for Certificateholder direction shall have been made, in directing any action or casting any vote or giving any consent as the holder of any Equipment Note (or in directing the Subordination Agent in any of the foregoing):

Other than as Controlling Party, such Trustee shall vote for or give consent to any such action with respect to such Equipment Note in the same proportion as that of (x) the aggregate face amount of all Certificates actually voted in favor of or for giving consent to such action by such direction of Certificateholders to (y) the aggregate face amount of all outstanding Certificates of the relevant Trust.

As the Controlling Party, such Trustee shall vote as directed in such Certificateholder direction by the Certificateholders evidencing fractional undivided interests aggregating not less than a majority in interest in the relevant Trust.

For purposes of the immediately preceding paragraph, a Certificate shall have been actually voted if the Certificateholder has delivered to the applicable Trustee an instrument evidencing such Certificateholder's consent to such direction prior to one Business Day before such Trustee directs such action or casts such vote or gives such consent. Notwithstanding the foregoing, but subject to certain rights of the Certificateholders under the relevant Pass Through Trust Agreement and subject to the Intercreditor Agreement, a Trustee may, in its own discretion and at its own direction, consent and notify the relevant Loan Trustee of such consent (or direct the Subordination Agent to consent and notify the relevant Loan Trustee of such consent) to any amendment, modification, waiver or supplement under the relevant Indenture, Participation Agreement, any relevant Equipment Note or any other related document, if an Indenture Default under any Indenture shall have occurred and be continuing, or if such amendment, modification, waiver or supplement will not materially adversely affect the interests of the Certificateholders. (Section 10.01)

In determining whether the Certificateholders of the requisite fractional undivided interests of Certificates of any Class have given any direction under a Pass Through Trust Agreement, Certificates owned by Southwest or any of its affiliates will be disregarded and deemed not to be outstanding for purposes of any such determination. Notwithstanding the foregoing, (i) if any such person owns 100% of the Certificates of any Class, such Certificates shall not be so disregarded, and (ii) if any amount of Certificates of any Class so owned by any such person have been pledged in good faith, such Certificates shall not be disregarded if the pledgee establishes to the satisfaction of the applicable Trustee the pledgee's right so to act with respect to such Certificates and that the pledgee is not Southwest or an affiliate of Southwest. (Section 1.04(c))

Termination of the Trusts

The obligations of Southwest and the applicable Trustee with respect to a Trust will terminate upon the distribution to Certificateholders of such Trust of all amounts required to be distributed to them pursuant to the applicable Pass Through Trust Agreement and the disposition of all property held in such Trust. The applicable Trustee will send to each Certificateholder of such Trust notice of the termination of such Trust, the amount of the proposed final payment and the proposed date for the distribution of such final payment for such Trust. The final

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distribution to any Certificateholder of such Trust will be made only upon surrender of such Certificateholder's Certificates at the office or agency of the applicable Trustee specified in such notice of termination. (Trust Supplements, Section 7.01)

The Trustees

The Trustee for each Trust will be Wilmington Trust Company. The Trustees' address is Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration.

Book-Entry; Delivery and Form

General

Upon issuance, each Class of Certificates will be represented by one or more fully registered global certificates. Each global certificate will be deposited with, or on behalf of, The Depository Trust Company (DTC) and registered in the name of Cede & Co. (Cede), the nominee of DTC. DTC was created to hold securities for its participants (DTC Participants) and facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (Indirect DTC Participants). Interests in a global certificate may also be held through the Euroclear System and Clearstream, Luxembourg, as DTC Participants.

So long as such book-entry procedures are applicable, no person acquiring an interest in such Certificates (Certificate Owner) will be entitled to receive a certificate representing such person's interest in such Certificates. Unless and until definitive Certificates are issued under the limited circumstances described below under Physical Certificates , all references to actions by Certificateholders shall refer to actions taken by DTC upon instructions from DTC Participants, and all references herein to distributions, notices, reports and statements to Certificateholders shall refer, as the case may be, to distributions, notices, reports and statements to DTC or Cede, as the registered holder of such Certificates, or to DTC Participants for distribution to Certificate Owners in accordance with DTC procedures.

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and clearing agency registered pursuant to Section 17A of the Securities Exchange Act of 1934.

Under the New York Uniform Commercial Code, a clearing corporation is defined as:

a person that is registered as a clearing agency under the federal securities laws;

a federal reserve bank; or

any other person that provides clearance or settlement services with respect to financial assets that would require it to register as a clearing agency under the federal securities laws but for an exclusion or exemption from the registration requirement, if its activities as a clearing corporation, including promulgation of rules, are subject to regulation by a federal or state governmental authority.

A clearing agency is an organization established for the execution of trades by transferring funds, assigning deliveries and guaranteeing the performance of the obligations of parties to trades.

Under the rules, regulations and procedures creating and affecting DTC and its operations, DTC is required to make book-entry transfers of the Certificates among DTC Participants on whose behalf it acts with respect to the Certificates and to receive and transmit distributions of principal, premium, if any, and interest with respect to the Certificates. DTC Participants and Indirect DTC Participants with which Certificate Owners have accounts similarly are required to make book-entry transfers and receive and transmit the payments on behalf of their

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respective customers. Certificate Owners that are not DTC Participants or Indirect DTC Participants but desire to purchase, sell or otherwise transfer ownership of, or other interests in, the Certificates may do so only through DTC Participants and Indirect DTC Participants. In addition, Certificate Owners will receive all distributions of principal, premium, if any, and interest from the Trustees through DTC Participants or Indirect DTC Participants, as the case may be.

Under a book-entry format, Certificate Owners may experience some delay in their receipt of payments, because payments with respect to the Certificates will be forwarded by the Trustees to Cede, as nominee for DTC. DTC will forward payments in same-day funds to each DTC Participant who is credited with ownership of the Certificates in an amount proportionate to the principal amount of that DTC Participant's holdings of beneficial interests in the Certificates, as shown on the records of DTC or its nominee. Each such DTC Participant will forward payments to its Indirect DTC Participants in accordance with standing instructions and customary industry practices. DTC Participants and Indirect DTC Participants will be responsible for forwarding distributions to Certificate Owners for whom they act. Accordingly, although Certificate Owners will not possess physical Certificates, DTC's rules provide a mechanism by which Certificate Owners will receive payments on the Certificates and will be able to transfer their interests.

Unless and until physical Certificates are issued under the limited circumstances described under Physical Certificates below, the only physical Certificateholder will be Cede, as nominee of DTC. Certificate Owners will not be recognized by the Trustees as registered owners of Certificates under the applicable Pass Through Trust Agreement. Certificate Owners will be permitted to exercise their rights under the applicable Pass Through Trust Agreement only indirectly through DTC. DTC will take any action permitted to be taken by a Certificateholder under the applicable Pass Through Trust Agreement only at the direction of one or more DTC Participants to whose accounts with DTC the Certificates are credited. In the event any action requires approval by Certificateholders of a certain percentage of the beneficial interests in a Trust, DTC will take action only at the direction of and on behalf of DTC Participants whose holdings include undivided interests that satisfy the required percentage. DTC may take conflicting actions with respect to other undivided interests to the extent that the actions are taken on behalf of DTC Participants whose holdings include those undivided interests. DTC will convey notices and other communications to DTC Participants, and DTC Participants will convey notices and other communications to Indirect DTC Participants in accordance with arrangements among them. Arrangements among DTC and its direct and indirect participants are subject to any statutory or regulatory requirements as may be in effect from time to time. DTC's rules applicable to itself and DTC Participants are on file with the Commission.

A Certificate Owner's ability to pledge its Certificates to persons or entities that do not participate in the DTC system, or otherwise to act with respect to its Certificates, may be limited due to the lack of a physical Certificate to evidence ownership of the Certificates, and because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect DTC Participants.

Neither Southwest nor the Trustees will have any liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Certificates held by Cede, as nominee for DTC, for maintaining, supervising or reviewing any records relating to the beneficial ownership interests or for the performance by DTC, any DTC Participant or any Indirect DTC Participant of their respective obligations under the rules and procedures governing their obligations.

As long as the Certificates of any Trust are registered in the name of DTC or its nominee, Southwest will make all payments to the Loan Trustee under the applicable Indenture in immediately available funds. The applicable Trustee will pass through to DTC in immediately available funds all payments received from Southwest, including the final distribution of principal with respect to the Certificates of such Trust.

Any Certificates registered in the name of DTC or its nominee will trade in DTC's Same-Day Funds Settlement System until maturity. DTC will require secondary market trading activity in the Certificates to settle in immediately available funds. No assurance can be given as to the effect, if any, of settlement in same-day funds on trading activity in the Certificates.

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Physical Certificates

Physical Certificates will be issued in paper form to Certificateholders or their nominees, rather than to DTC or its nominee, only if:

Southwest advises the applicable Trustee in writing that DTC is no longer willing or able to discharge properly its responsibilities as depository with respect to the Certificates and such Trustee or Southwest is unable to locate a qualified successor;

Southwest elects to terminate the book-entry system through DTC; or

after the occurrence of a PTC Event of Default, Certificate Owners owning at least a majority in interest in a Trust advise the applicable Trustee, Southwest and DTC through DTC Participants that the continuation of a book-entry system through DTC or a successor to DTC is no longer in the Certificate Owners' best interest.

Upon the occurrence of any of the events described in the three subparagraphs above, the applicable Trustee will notify all applicable Certificate Owners through DTC of the availability of physical Certificates. Upon surrender by DTC of the global Certificates and receipt of instructions for re-registration, the applicable Trustee will reissue the Certificates as physical Certificates to the applicable Certificate Owners. (Section 3.05(d))

In the case of the physical Certificates that are issued, the applicable Trustee or a paying agent will make distributions of principal, premium, if any, and interest with respect to such Certificates directly to holders in whose names the physical Certificates were registered at the close of business on the applicable record date. Except for the final payment to be made with respect to a Certificate, the applicable Trustee or a paying agent will make distributions by check mailed to the addresses of the registered holders as they appear on the register maintained by such Trustee. The applicable Trustee or a paying agent will make the final payment with respect to any Certificate only upon presentation and surrender of the applicable Certificate at the office or agency specified in the notice of final distribution to Certificateholders.

Physical Certificates will be freely transferable and exchangeable at the office of the Trustee upon compliance with the requirements set forth in the applicable Pass Through Trust Agreement. Neither the Trustee nor any transfer or exchange agent will impose a service charge for any registration of transfer or exchange. However, the Trustee or transfer or exchange agent will require payment of a sum sufficient to cover any tax or other governmental charge attributable to a transfer or exchange. (Section 3.04)

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DESCRIPTION OF THE LIQUIDITY FACILITY FOR CLASS A CERTIFICATES

The following summary describes the material terms of the Liquidity Facility and certain provisions of the Intercreditor Agreement relating to the Liquidity Facility. The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Liquidity Facility and the Intercreditor Agreement, each of which will be filed as an exhibit to a Current Report on Form 8-K to be filed by Southwest with the Commission.

General

BNP Paribas, acting through its New York branch (the **Liquidity Provider**), will enter into a revolving credit agreement (the **Liquidity Facility**) with the Subordination Agent with respect to the Class A Trust. On any Regular Distribution Date, if, after giving effect to the subordination provisions of the Intercreditor Agreement, the Subordination Agent does not have sufficient funds for the payment of interest on the Class A Certificates, the Liquidity Provider will make an advance (an **Interest Drawing**) in the amount needed to fund such interest shortfall up to the Maximum Available Commitment. The maximum amount of Interest Drawings available under the Liquidity Facility is expected to provide an amount sufficient to pay interest on Class A Certificates on up to three consecutive semiannual Regular Distribution Dates (without regard to any expected future payments of principal on such Certificates) at the interest rate shown on the cover page of this Prospectus Supplement for such Certificates (the **Stated Interest Rate**). If interest payment defaults occur which exceed the amount covered by and available under the Liquidity Facility for the Class A Trust, the Certificateholders of such Trust will bear their allocable share of the deficiencies to the extent that there are no other sources of funds. The initial Liquidity Provider may be replaced by one or more other entities under certain circumstances. The Class B Certificates will not have the benefit of a liquidity facility.

Drawings

The initial aggregate amount available under the Liquidity Facility for the Class A Trust will be \$.

Except as otherwise provided below, the Liquidity Facility for the Class A Trust will enable the Subordination Agent to make Interest Drawings thereunder promptly on or after any Regular Distribution Date if, after giving effect to the subordination provisions of the Intercreditor Agreement, there are insufficient funds available to the Subordination Agent to pay interest on the Class A Certificates at the Stated Interest Rate for such Trust; *provided, however*, that the maximum amount available to be drawn under the Liquidity Facility with respect to the Class A Trust on any Regular Distribution Date to fund any shortfall of interest on Certificates of such Trust will not exceed the then Maximum Available Commitment under the Liquidity Facility. The **Maximum Available Commitment** at any time under the Liquidity Facility is an amount equal to the then Maximum Commitment of the Liquidity Facility less the aggregate amount of each Interest Drawing outstanding under the Liquidity Facility at such time, *provided* that following a Downgrade Drawing, a Non-Extension Drawing, Special Termination Drawing or a Final Drawing under the Liquidity Facility, the Maximum Available Commitment thereunder shall be zero.

Maximum Commitment for the Liquidity Facility for the Class A Trust means initially \$, as the same may be reduced from time to time as described below.

The Liquidity Facility does not provide for drawings thereunder to pay for principal of or premium on the Class A Certificates or any interest on the Class A Certificates in excess of the Stated Interest Rate for such Class or more than three semiannual installments of interest thereon or principal of or interest or premium on the Certificates of any other Class. (Liquidity Facility, Section 2.02; Intercreditor Agreement, Section 3.5).

Each payment by the Liquidity Provider reduces by the same amount the Maximum Available Commitment under the Liquidity Facility, subject to reinstatement as described below. With respect to any Interest Drawing, upon reimbursement of the Liquidity Provider in full or in part for the amount of such Interest Drawing plus interest thereon, the Maximum Available Commitment under the Liquidity Facility will be reinstated by an amount equal to the amount of such Interest Drawing so reimbursed up to an amount not to exceed the Maximum Commitment of the Liquidity Facility. However, the Liquidity Facility will not be so reinstated at any time if (i) a Liquidity Event of Default shall have occurred and be continuing and less than 65% of the then aggregate outstanding principal amount

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of all Equipment Notes (other than any Additional Equipment Notes issued under any Indenture) are Performing Equipment Notes or (ii) a Downgrade Drawing, a Non-Extension Drawing, Special Termination Drawing or a Final Drawing shall have been made or an Interest Drawing shall have been converted into a Final Advance. With respect to any other drawings under the Liquidity Facility, amounts available to be drawn thereunder are not subject to reinstatement. On the first Regular Distribution Date and on each date on which the Pool Balance of the Class A Trust shall have been reduced by payments made to the Class A Certificateholders pursuant to the Intercreditor Agreement, the Maximum Commitment of the Liquidity Facility will be automatically reduced from time to time to an amount equal to the then Required Amount. (Liquidity Facility, Section 2.02(a), Section 2.04(a); Intercreditor Agreement, Section 3.5(j))

Required Amount means, in relation to the Liquidity Facility for any day, the sum of the aggregate amount of interest, calculated at the rate per annum equal to the Stated Interest Rate for the Class A Certificates, that would be payable on Class A Certificates on each of the three successive Regular Distribution Dates immediately following such day or, if such day is a Regular Distribution Date, on such day and the succeeding two Regular Distribution Dates, in each case calculated on the basis of the Pool Balance of the Class A Certificates on such day and without regard to expected future payments of principal on the Class A Certificates.

Performing Equipment Note means an Equipment Note with respect to which no payment default has occurred and is continuing (without giving effect to any acceleration); *provided* that in the event of a bankruptcy proceeding under the U.S. Bankruptcy Code in which Southwest is a debtor any payment default existing during the 60-day period under Section 1110(a)(2)(A) of the U.S. Bankruptcy Code (or such longer period as may apply under Section 1110(b) of the U.S. Bankruptcy Code or as may apply for the cure of such payment default under Section 1110(a)(2)(B) of the U.S. Bankruptcy Code) shall not be taken into consideration until the expiration of the applicable period.

If at any time the short-term rating or short-term issuer credit rating, as the case may be, of the Liquidity Provider then issued by either Rating Agency is lower than the Liquidity Threshold Rating, and the Liquidity Facility is not replaced with a Replacement Facility within ten days (or 45 days if Standard and Poor's downgrades the Liquidity Provider's ratings from A-1+ to A-1) after notice of such downgrading and as otherwise provided in the Intercreditor Agreement, the Liquidity Facility will be drawn in full up to the then Maximum Available Commitment thereunder (the **Downgrade Drawing**). The proceeds of a Downgrade Drawing will be deposited into a cash collateral account (the **Cash Collateral Account**) for the Class A Trust and used for the same purposes and under the same circumstances and subject to the same conditions as cash payments of Interest Drawings under the Liquidity Facility would be used. (Liquidity Facility, Section 2.02(c); Intercreditor Agreement, Section 3.5(c)) If a qualified Replacement Facility is subsequently provided, the balance of the Cash Collateral Account will be repaid to the replaced Liquidity Provider.

A Replacement Facility for the Liquidity Facility means an irrevocable liquidity facility (or liquidity facilities) in substantially the form of the replaced Liquidity Facility, including reinstatement provisions, or in such other form (which may include a letter of credit) as shall permit the Rating Agencies to confirm in writing their respective ratings then in effect for the Class A Certificates (before downgrading of such ratings, if any, as a result of the downgrading of the replaced Liquidity Provider), in a face amount (or in an aggregate face amount) equal to the then Required Amount for the replaced Liquidity Facility and issued by a person (or persons) having a short-term rating or short-term issuer credit rating, as the case may be, issued by both Rating Agencies which is equal to or higher than the Liquidity Threshold Rating. (Intercreditor Agreement, Section 1.1) The provider of any Replacement Facility will have the same rights (including, without limitation, priority distribution rights and rights as **Controlling Party**) under the Intercreditor Agreement as the Liquidity Provider being replaced.

Liquidity Threshold Rating means the short-term rating of P-1 by Moody's and the short-term issuer credit rating of A-1+ by Standard & Poor's.

The Liquidity Facility provides that the Liquidity Provider's obligations thereunder will expire upon the making of a Downgrade Drawing, Non-Extension Drawing, Special Termination Drawing or Final Drawing or on the earliest of:

364 days after the Issuance Date (counting from, and including, the Issuance Date).

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The date on which the Subordination Agent delivers to the Liquidity Provider a certification that all of the Class A Certificates have been paid in full.

The date on which the Subordination Agent delivers to the Liquidity Provider a certification that a Replacement Facility has been substituted for the Liquidity Facility.

The fifth Business Day following receipt by the Subordination Agent of a Final Termination Notice or Special Termination Notice from the Liquidity Provider (see Liquidity Events of Default).

The date on which no amount is or may (by reason of reinstatement) become available for drawing under the Liquidity Facility. (Liquidity Facility, Section 1.01)

The Liquidity Facility provides that it may be extended for additional 364-day periods in the discretion of the Liquidity Provider. The Intercreditor Agreement will provide for the replacement of the Liquidity Facility if the Liquidity Facility is scheduled to expire earlier than 15 days after the Final Maturity Date for the Class A Certificates and the Liquidity Facility is not extended at least 25 days prior to its then scheduled expiration date. If the Liquidity Facility is not so extended or replaced by the 25th day prior to its then scheduled expiration date, the Liquidity Facility will be drawn in full up to the then Maximum Available Commitment thereunder (the Non-Extension Drawing). The proceeds of the Non-Extension Drawing under the Liquidity Facility will be deposited in the Cash Collateral Account for the Class A Trust to be used for the same purposes and under the same circumstances, and subject to the same conditions, as cash payments of Interest Drawings under the Liquidity Facility would be used. (Liquidity Facility, Section 2.02(b); Intercreditor Agreement, Section 3.5(d))

Subject to certain limitations, Southwest may, at its option, arrange for a Replacement Facility at any time to replace the Liquidity Facility (including without limitation any Replacement Facility described in the following sentence). In addition, if the Liquidity Provider shall determine not to extend the Liquidity Facility, then the Liquidity Provider may, at its option, arrange for a Replacement Facility to replace the Liquidity Facility (i) during the period no earlier than 40 days and no later than 25 days prior to the then scheduled expiration date of the Liquidity Facility and (ii) at any time after a Non-Extension Drawing has been made. The Liquidity Provider may also arrange for a Replacement Facility to replace the Liquidity Facility at any time after a Downgrade Drawing under the Liquidity Facility. (Intercreditor Agreement, Section 3.5(c)(iii)) If any Replacement Facility is provided at any time after a Downgrade Drawing, a Special Termination Drawing or a Non-Extension Drawing under the Liquidity Facility, the funds with respect to the Liquidity Facility on deposit in the Cash Collateral Account will be returned to the Liquidity Provider being replaced. (Intercreditor Agreement, Section 3.5(e))

Upon receipt by the Subordination Agent of a Termination Notice with respect to the Liquidity Facility from the Liquidity Provider, the Subordination Agent shall request a final drawing (a Final Drawing) or a special termination drawing (the Special Termination Drawing), as applicable, under the Liquidity Facility, in an amount equal to the then Maximum Available Commitment thereunder. The Subordination Agent will hold the proceeds thereof in the Cash Collateral Account for the Class A Trust as cash collateral to be used for the same purposes and under the same circumstances, and subject to the same conditions, as cash payments of Interest Drawings under the Liquidity Facility would be used. (Liquidity Facility, Section 2.02(d) and (g); Intercreditor Agreement, Section 3.5(i) and (k))

Drawings under the Liquidity Facility will be made by delivery by the Subordination Agent of a certificate in the form required by the Liquidity Facility. Upon receipt of such a certificate, the Liquidity Provider is obligated to make payment of the drawing requested thereby in immediately available funds. Upon payment by the Liquidity Provider of the amount specified in any drawing under the Liquidity Facility, the Liquidity Provider will be fully discharged of its obligations under the Liquidity Facility with respect to such drawing and will not thereafter be obligated to make any

further payments under the Liquidity Facility in respect of such drawing to the Subordination Agent or any other person. (Liquidity Facility, Section 2.02(e) and (f))

Reimbursement of Drawings

The Subordination Agent must reimburse amounts drawn under the Liquidity Facility by reason of an Interest Drawing, Final Drawing, Downgrade Drawing, Special Termination Drawing or Non-Extension Drawing and interest thereon, but only to the extent that the Subordination Agent has funds available therefor.

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Interest Drawings, Special Termination Drawings and Final Drawings

Amounts drawn by reason of an Interest Drawing, Special Termination Drawing or Final Drawing will be immediately due and payable, together with interest on the amount of such drawing. From the date of the drawing to (but excluding) the third business day following the Liquidity Provider's receipt of the notice of such drawing, interest will accrue (x) with respect to any Interest Drawing or Final Drawing, at the Base Rate plus 1.20% per annum, and thereafter, at LIBOR for the applicable interest period plus 1.20% per annum and (y) with respect to any Special Termination Drawing (other than any portion thereof applied to the payment of interest on the Certificates, which shall accrue interest at the same rate as an Interest Drawing), in an amount equal to the investment earnings on the amounts deposited in the Cash Collateral Account plus a specified margin per annum, provided that the Subordination Agent will be obligated to reimburse such amounts only to the extent that the Subordination Agent has funds available therefor. (Liquidity Facility, Section 3.07)

Base Rate means, on any day, a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to (a) the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a business day, for the next preceding business day) by the Federal Reserve Bank of New York, or if such rate is not so published for any day that is a business day, the average of the quotations for such day for such transactions received by the Liquidity Provider from three Federal funds brokers of recognized standing selected by it, plus (b) one-quarter of one percent (1/4 of 1%).

LIBOR means, with respect to any interest period, (i) the rate per annum appearing on Bloomberg L. P. Page BBAM (or any successor or substitute therefor) at approximately 11:00 a.m. (London time) two business days before the first day of such interest period, as the rate for dollar deposits with a maturity comparable to such interest period, or (ii) if the rate calculated pursuant to clause (i) above is not available, the average (rounded upwards, if necessary, to the next 1/16 of 1%) of the rates per annum at which deposits in dollars are offered for the relevant interest period by three banks of recognized standing selected by the Liquidity Provider in the London interbank market at approximately 11:00 a.m. (London time) two business days before the first day of such interest period in an amount approximately equal to the principal amount of the drawing to which such interest period is to apply and for a period comparable to such interest period.

The amount drawn under the Liquidity Facility by reason of a Downgrade Drawing, a Non-Extension Drawing or a Special Termination Drawing will be treated as follows:

Such amount will be released on any Distribution Date to the Liquidity Provider to the extent that such amount exceeds the Required Amount.

Any portion of such amount withdrawn from the Cash Collateral Account to pay interest on the Class A Certificates will be treated in the same way as Interest Drawings.

The balance of such amount will be invested in certain specified eligible investments.

Any Downgrade Drawing under the Liquidity Facility, other than any portion thereof applied to the payment of interest on the Class A Certificates, will bear interest (x) subject to clause (y) below, at a rate equal to the investment earnings on amounts deposited in the Cash Collateral Account plus a specified margin on the outstanding amount from time to time of such Downgrade Drawing and (y) from and after the date, if any, on which it is converted into a Final Drawing as described below under Liquidity Events of Default, at a rate equal to LIBOR for the applicable interest period (or, as described in the second paragraph of this Reimbursement of Drawings, the Base Rate) plus 1.20% per annum.

Any Non-Extension Drawing or Special Termination Drawing under the Liquidity Facility, other than any portion thereof applied to the payment of interest on the Class A Certificates, will bear interest (x) subject to clause (y) below, in an amount equal to the investment earnings on amounts deposited in the Cash Collateral Account plus a specified margin on the outstanding amount from time to time of such Non-Extension Drawing or Special Termination Drawing and (y) from and after the date, if any, on which it is converted into a Final Drawing as described below under

Liquidity Events of Default , at a rate equal to LIBOR for the applicable interest period (or, as described in the second paragraph of this Reimbursement of Drawings , the Base Rate) plus 1.20% per annum.

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Liquidity Events of Default

Events of default under the Liquidity Facility (each, a **Liquidity Event of Default**) will consist of:

The acceleration of all of the Equipment Notes.

The occurrence of a Southwest Bankruptcy Event. (Liquidity Facility, Section 1.01)

If (i) any Liquidity Event of Default under the Liquidity Facility has occurred and is continuing and (ii) less than 65% of the aggregate outstanding principal amount of all Equipment Notes are Performing Equipment Notes, the Liquidity Provider may, in its discretion, give a notice of termination of the Liquidity Facility (a **Final Termination Notice**). If the Pool Balance of the Class A Certificates is greater than the aggregate outstanding principal amount of the Series A Equipment Notes (other than any such Equipment Notes previously sold or with respect to which the collateral securing such Equipment Notes has been disposed of) at any time during the 18-month period prior to the Final Payment Date, the Liquidity Provider may, in its discretion, give a notice of special termination of the Liquidity Facility (a **Special Termination Notice** and, together with the Final Termination Notice, a **Termination Notice**). The effect of the delivery of a Termination Notice will be to cause (i) the Liquidity Facility to expire on the fifth Business Day after the date on which such Termination Notice is received by the Subordination Agent, (ii) the Subordination Agent to request promptly, and the Liquidity Provider under the Liquidity Facility to make, a Final Drawing or Special Termination Drawing, as applicable, thereunder in an amount equal to the then Maximum Available Commitment thereunder, (iii) in the case of a Final Drawing, any Drawing remaining unreimbursed as of the date of termination to be automatically converted into a Final Drawing under the Liquidity Facility, and (iv) all amounts owing to the Liquidity Provider automatically to become accelerated. Notwithstanding the foregoing, the Subordination Agent will be obligated to pay amounts owing to the Liquidity Provider only to the extent of funds available therefor after giving effect to the payments in accordance with the provisions set forth under **Description of the Intercreditor Agreement Priority of Distributions** . (Liquidity Facility, Sections 2.09 and 6.01) Upon the circumstances described below under **Description of the Intercreditor Agreement Intercreditor Rights** , the Liquidity Provider may become the Controlling Party with respect to the exercise of remedies under the Indentures. (Intercreditor Agreement, Section 2.6(c))

Liquidity Provider

The initial Liquidity Provider will be BNP Paribas, a *société anonyme* under French law, acting through its New York branch. The Liquidity Provider has a short-term rating of P-1 from Moody's and a short-term issuer credit rating of A-1+ from Standard & Poor's.

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DESCRIPTION OF THE INTERCREDITOR AGREEMENT

The following summary describes the material provisions of the Intercreditor Agreement (the Intercreditor Agreement) among the Trustees, the Liquidity Provider and Wilmington Trust Company, as subordination agent (the Subordination Agent). The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Intercreditor Agreement, which will be filed as an exhibit to a Current Report on Form 8-K to be filed by Southwest with the Commission.

Intercreditor Rights

Controlling Party

Each Loan Trustee will be directed in taking, or refraining from taking, any action under an Indenture or with respect to the Equipment Notes issued under such Indenture, by the holders of at least a majority of the outstanding principal amount of the Equipment Notes issued under such Indenture, so long as no Indenture Default shall have occurred and be continuing thereunder. For so long as the Subordination Agent is the registered holder of the Equipment Notes, the Subordination Agent will act with respect to the preceding sentence in accordance with the directions of the Trustees for whom the Equipment Notes issued under such Indenture are held as Trust Property, to the extent constituting, in the aggregate, directions with respect to the required principal amount of Equipment Notes.

After the occurrence and during the continuance of an Indenture Default under an Indenture, each Loan Trustee will be directed in taking, or refraining from taking, any action thereunder or with respect to the Equipment Notes issued under such Indenture, including acceleration of such Equipment Notes or foreclosing the lien on the related Aircraft, by the Controlling Party, subject to the limitations described below. See Description of the Certificates Indenture Defaults and Certain Rights Upon an Indenture Default for a description of the rights of the Certificateholders of each Trust to direct the respective Trustees.

The Controlling Party will be:

The Class A Trustee.

Upon payment of Final Distributions to the holders of Class A Certificates, the Class B Trustee.

Under certain circumstances, and notwithstanding the foregoing, the Liquidity Provider, as discussed in the next paragraph.

At any time after 18 months from the earliest to occur of (x) the date on which the entire available amount under the Liquidity Facility shall have been drawn (excluding a Downgrade Drawing, Non-Extension Drawing or Special Termination Drawing but including a Final Drawing or a Downgrade Drawing, a Non-Extension Drawing or Special Termination Drawing that has been converted into a Final Drawing) and remains unreimbursed, (y) the date on which the entire amount of any Downgrade Drawing, Non-Extension Drawing or Special Termination Drawing on deposit in the Cash Collateral Account up to the Required Amount as of such date shall have been withdrawn from the Cash Collateral Account to pay interest on the Class A Certificates and remains unreimbursed and (z) the date on which all Equipment Notes shall have been accelerated, the Liquidity Provider (so long as the Liquidity Provider has not defaulted in its obligation to make any Drawing under the Liquidity Facility) shall have the right to become the Controlling Party with respect to any Indenture.

Subject to certain conditions, notwithstanding the foregoing, (a) if one or more holders of the Class B Certificates have purchased the Series A Equipment Notes or (b) one or more holders of Additional Certificates have purchased

the Series A Equipment Notes and Series B Equipment Notes, in each case issued under an Indenture, the holders of the majority in aggregate unpaid principal amount of Equipment Notes issued under such Indenture, rather than the Controlling Party, shall be entitled to direct the Loan Trustee in exercising remedies under such Indenture. Any Equipment Notes issued under such Indenture that have not been purchased by a Certificateholder shall, during the continuance of an Indenture Default under such Indenture, be subject to direction by the Controlling Party.

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For purposes of giving effect to the rights of the Controlling Party, the Trustees (other than the Controlling Party) shall irrevocably agree, and the Certificateholders (other than the Certificateholders represented by the Controlling Party) will be deemed to agree by virtue of their purchase of Certificates, that the Subordination Agent, as record holder of the Equipment Notes, shall exercise its voting rights in respect of the Equipment Notes as directed by the Controlling Party. (Intercreditor Agreement, Section 2.6) For a description of certain limitations on the Controlling Party's rights to exercise remedies, see Description of the Equipment Notes Remedies .

Final Distributions means, with respect to the Certificates of any Trust on any Distribution Date, the sum of (x) the aggregate amount of all accrued and unpaid interest on such Certificates and (y) the Pool Balance of such Certificates as of the immediately preceding Distribution Date. For purposes of calculating Final Distributions with respect to the Certificates of any Trust, any premium paid on the Equipment Notes held in such Trust which has not been distributed to the Certificateholders of such Trust (other than such premium or a portion thereof applied to the payment of interest on the Certificates of such Trust or the reduction of the Pool Balance of such Trust) shall be added to the amount of such Final Distributions.

Equipment Note Buyout Right of Subordinated Certificateholders

Upon the occurrence and during the continuation of an Equipment Note Buyout Event, so long as no holder of Additional Certificates has elected to exercise its buyout right as described below, any Class B Certificateholders may, upon 15 days' written notice to the Subordination Agent, each Trustee (and each such Trustee shall promptly provide such notice to all Certificateholders of its Trust) and each applicable Loan Trustee given on or before the date which is six months after the occurrence of the applicable Equipment Note Buyout Event, purchase on the third Business Day next following the expiry of such 15-day notice period all, but not less than all, of the Series A Equipment Notes issued under any one or more of the Indentures for a purchase price equal to the aggregate Note Target Price for such Series A Equipment Notes plus an amount equal to the Excess Liquidity Obligations in respect of such Indentures. If prior to the end of such 15-day period, any other holder of the Class B Certificates notifies the Subordination Agent, each Trustee (and each such Trustee shall promptly notify all Certificateholders of its Trust, including the purchasing Class B Certificateholder) and each applicable Loan Trustee that it wishes to participate in such purchase, then such other Certificateholder may join with the purchasing Certificateholder to purchase such Series A Equipment Notes pro rata based on the interest in the Class B Trust held by each such Certificateholder compared to such interests held by all such participating Certificateholders. (Intercreditor Agreement, Section 2.7)

If any Additional Certificates are issued and an Equipment Note Buyout Event has occurred and is continuing, regardless of whether any Class B Certificateholder has elected to exercise its right to purchase Series A Equipment Notes, any holder of such Additional Certificates will have the right to purchase all, but not less than all, of the Series A Equipment Notes and Series B Equipment Notes issued under any one or more Indentures for a purchase price equal to the aggregate Note Target Price for such Series A Equipment Notes and the Series B Equipment Notes plus an amount equal to the Excess Liquidity Obligations in respect of such Indentures. If any Refinancing Certificates are issued, the holders of such Refinancing Certificates will have the same right to purchase Equipment Notes as the Class they refinanced. See Possible Issuance of Additional Certificates and Refinancing of Certificates .

The right of any holder of Class B Certificates or Additional Certificates to purchase Equipment Notes as described above will be subject to such purchase being exempt from, or not subject to, the registration requirements of the Securities Act of 1933, as amended, and in compliance with other applicable securities laws. Each purchaser will be required to provide to the Subordination Agent reasonably satisfactory evidence of compliance with such laws.

Equipment Note Buyout Event means the occurrence and continuation of (i) a Certificate Buyout Event or (ii) an Indenture Default under any Indenture that has continued for a period of five years without an Actual Disposition Event occurring with respect to the Equipment Notes issued under such Indenture.

Excess Liquidity Obligations means, with respect to an Indenture, an amount equal to the sum of (i) the amount of fees payable to the Liquidity Provider under the Liquidity Facility, multiplied by a fraction, the numerator of which is the then outstanding aggregate principal amount of the Series A Equipment Notes issued under such Indenture and the denominator of which is the then outstanding aggregate principal amount of all

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Series A Equipment Notes, (ii) interest on any Non-Extension Drawing, Downgrade Drawing or Special Termination Drawing payable under the Liquidity Facility in excess of investment earnings on such drawings, multiplied by the fraction specified in clause (i) above, (iii) if any payment default exists with respect to interest on any Series A Equipment Notes, interest on any Interest Drawing (or portion of any Downgrade Drawing, Non-Extension Drawing or Special Termination Drawing that is used to pay interest on the Class A Certificates) or Final Drawing payable under the Liquidity Facility in excess of the sum of (a) investment earnings from any Final Drawing plus (b) any interest at the past due rate actually payable (whether or not in fact paid) by Southwest on the overdue scheduled interest on the Equipment Notes in respect of which such Interest Drawing (or portion of any Downgrade Drawing, Non-Extension Drawing or Special Termination Drawing that is used to pay interest on the Class A Certificates) or Final Drawing was made by the Liquidity Provider, multiplied by a fraction the numerator of which is the aggregate overdue amounts of interest on the Series A Equipment Notes issued under such Indenture (other than interest becoming due and payable solely as a result of acceleration of any such Equipment Notes) and the denominator of which is the then aggregate overdue amounts of interest on all Series A Equipment Notes (other than interest becoming due and payable solely as a result of acceleration of any such Equipment Notes), and (iv) any other amounts owed to the Liquidity Provider by the Subordination Agent as borrower under the Liquidity Facility other than amounts due as repayment of advances thereunder or as interest on such advances, except to the extent payable pursuant to clauses (ii) and (iii) above, multiplied by the fraction specified in clause (i) above. The fractions specified in this definition will be revised if Additional Certificates with credit support similar to the Liquidity Facility are issued. See Possible Issuance of Additional Certificates and Refinancing of Certificates .

Note Target Price means, for any Equipment Note issued under any Indenture: (i) the aggregate outstanding principal amount of such Equipment Note, plus (ii) the accrued and unpaid interest thereon, together with all other sums owing on or in respect of such Equipment Note (including, without limitation, enforcement costs incurred by the Subordination Agent in respect of such Equipment Note).

The purchase price payable in connection with an exercise of the Equipment Note buyout right shall be paid to the Subordination Agent. The Subordination Agent shall distribute any such payment in the order of priority described in Priority of Distributions .

After one or more Class B Certificateholders, or one or more holders of Additional Certificates, as the case may be, have exercised their Equipment Note buyout right and purchased any Series A Equipment Notes (and, if applicable, Series B Equipment Notes), (i) any proceeds or payments made with respect to such Equipment Notes will be paid directly to the holders of such Equipment Notes pro rata and will not be subject to the subordination provisions of the Intercreditor Agreement (but the holders of such Equipment Notes shall remain bound by the provisions in the Intercreditor Agreement relating to limitations on the exercise of remedies (see Limitation on Exercise of Remedies)) and (ii) if and to the extent the Loan Trustee under the related Indenture receives any amounts with respect to Excess Liquidity Obligations under such Indenture or reimbursement of enforcement costs incurred by the Subordination Agent in respect of such Equipment Notes that, in each case, represent amounts previously paid by such Certificateholders in connection with the purchase of such Equipment Notes, such Loan Trustee shall pay such amounts to the holders of such Equipment Notes pro rata. Any proceeds or payments made with respect to any Series of Equipment Notes issued under the related Indenture that has not been purchased pursuant to the buyout rights described above will continue to be paid to the Subordination Agent and be subject to the subordination provisions of the Intercreditor Agreement.

Each purchasing Certificateholder will have to acknowledge, consent and agree that, notwithstanding the purchase of any Equipment Notes under any Indenture pursuant to the buyout rights described above, the cross-collateralization provisions of such Indenture will remain unchanged and in full force and effect and cannot be amended, modified or otherwise waived in any manner without the prior written consent of the Subordination Agent acting on the instructions of each Trustee.

Any taxes incurred by the relevant Loan Trustee, the Subordination Agent or the relevant Trustee in connection with the sale of any Equipment Note pursuant to the exercise by one or more Certificateholders of the buyout right described above shall be paid by such purchasing Certificateholders.

If Southwest or any of its affiliates is a Certificateholder, it will not be entitled to purchase Equipment Notes upon the occurrence of an Equipment Note Buyout Event.

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Limitation on Exercise of Remedies

So long as any Certificates are outstanding, during nine months after the earlier of (x) the acceleration of the Equipment Notes under any Indenture and (y) the occurrence of a Southwest Bankruptcy Event, without the consent of each Trustee, no Aircraft subject to the lien of such Indenture or such Equipment Notes may be sold in the exercise of remedies under such Indenture, if the net proceeds from such sale would be less than the Minimum Sale Price for such Aircraft or such Equipment Notes.

Minimum Sale Price means, with respect to any Aircraft or the Equipment Notes issued in respect of such Aircraft, at any time, the lesser of (1) in the case of the sale of an Aircraft, 75%, or in the case of the sale of related Equipment Notes, 85%, of the Appraised Current Market Value of such Aircraft and (2) the sum of the aggregate Note Target Price of such Equipment Notes and an amount equal to the Excess Liquidity Obligations in respect of the Indenture under which such Equipment Notes were issued.

Following the occurrence and during the continuation of an Indenture Default under any Indenture, in the exercise of remedies pursuant to such Indenture, the Loan Trustee under such Indenture may be directed to lease the Aircraft to any person (including Southwest) so long as the Loan Trustee in doing so acts in a commercially reasonable manner within the meaning of Article 9 of the Uniform Commercial Code as in effect in any applicable jurisdiction (including Sections 9-610 and 9-627 thereof).

The foregoing provisions apply whether the exercise of remedies under an Indenture is being directed by the Controlling Party or by the holders of a majority of the outstanding principal amount of Equipment Notes issued under such Indenture.

Following the occurrence of a Southwest Bankruptcy Event and during the pendency thereof, the Controlling Party receives a proposal from or on behalf of Southwest to restructure the financing of any one or more of the Aircraft, the Controlling Party will promptly thereafter give the Subordination Agent and each Trustee notice of the material economic terms and conditions of such restructuring proposal whereupon the Subordination Agent acting on behalf of each Trustee will endeavor using reasonable commercial efforts to make such terms and conditions of such restructuring proposal available to all Certificateholders (whether by posting on DTC's Internet board or otherwise). Thereafter, neither the Subordination Agent nor any Trustee, whether acting on instructions of the Controlling Party or otherwise, may, without the consent of each Trustee, enter into any term sheet, stipulation or other agreement (whether in the form of an adequate protection stipulation, an extension under Section 1110(b) of the U.S. Bankruptcy Code or otherwise) to effect any such restructuring proposal with or on behalf of Southwest unless and until the material economic terms and conditions of such restructuring proposal shall have been made available to all Certificateholders for a period of not less than 15 calendar days (except that such requirement shall not apply to any such term sheet, stipulation or other agreement that is entered into on or prior to the expiry of the 60-Day Period and that is effective for a period not longer than three months from the expiry of the 60-Day Period).

In the event that any Certificateholder gives irrevocable notice of the exercise of (i) its right to buy out any Equipment Notes (as described in Equipment Note Buyout Right of Subordinated Certificateholders) or (ii) its right to purchase all (but not less than all) of the Class of Certificates represented by the then Controlling Party (as described in Description of the Certificates Purchase Rights of Certificateholders), in either case, prior to the expiry of the 15-day notice period specified above, such Controlling Party may not direct the Subordination Agent or any Trustee to enter into (i) in the case of such Equipment Note buyout, any such restructuring proposal with respect to the Aircraft related to such Equipment Notes, or (ii) in the case of such purchase of Certificates, any such restructuring proposal with respect to any of the Aircraft, in either case, unless and until such Certificateholder fails to purchase such Equipment Notes or Class of Certificates, as applicable, on the date that it is required to make such purchase.

Post Default Appraisals

Upon the occurrence and continuation of an Indenture Default under any Indenture, the Subordination Agent will be required to obtain three desktop appraisals from the appraisers selected by the Controlling Party setting forth the current market value, current lease rate and distressed value (in each case, as defined by the International Society of Transport Aircraft Trading) of the Aircraft subject to such Indenture (each such appraisal, an Appraisal and the

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current market value appraisals being referred to herein as the Post Default Appraisals). For so long as any Indenture Default shall be continuing under any Indenture, and without limiting the right of the Controlling Party to request more frequent Appraisals, the Subordination Agent will be required to obtain additional Appraisals on the date that is 364 days from the date of the most recent Appraisal or if a Southwest Bankruptcy Event shall have occurred and is continuing, on the date that is 180 days from the date of the most recent Appraisal. (Intercreditor Agreement, Section 4.1(a)(iv))

Appraised Current Market Value of any Aircraft means the lower of the average and the median of the three most recent Post Default Appraisals of such Aircraft.

Priority of Distributions

All payments in respect of the Equipment Notes and certain other payments received on each Regular Distribution Date or Special Distribution Date (each, a Distribution Date) will be promptly distributed by the Subordination Agent on such Distribution Date in the following order of priority:

To (i) the Subordination Agent, any Trustee and the Liquidity Provider to the extent required to pay certain out-of-pocket costs and expenses actually incurred by them (or reasonably expected to be incurred by the Subordination Agent for the period ending on the next succeeding Regular Distribution Date, which shall not exceed \$150,000 unless approved in writing by the Controlling Party) or (ii) to reimburse any Certificateholder or the Liquidity Provider in respect of payments made to the Subordination Agent or any Trustee in connection with the protection or realization of the value of the Equipment Notes held by the Subordination Agent or any Collateral under (and as defined in) any Indenture (collectively, the Administration Expenses).

To the Liquidity Provider (a) to the extent required to pay the Liquidity Expenses or, (b) in the case of a Special Payment on account of the redemption, purchase or prepayment of all of the Equipment Notes (an Equipment Note Special Payment), so long as no Indenture Default has occurred and is continuing under any Indenture, the amount of accrued and unpaid Liquidity Expenses that are not yet due, multiplied by the Applicable Fraction or, if an Indenture Default has occurred and is continuing, clause (a) will apply.

To the Liquidity Provider (i) (a) to the extent required to pay interest accrued on the Liquidity Obligations or, (b) in the case of an Equipment Note Special Payment, so long as no Indenture Default has occurred and is continuing under any Indenture, to the extent required to pay accrued and unpaid interest then in arrears on the Liquidity Obligations plus an amount equal to the amount of accrued and unpaid interest on the Liquidity Obligations not in arrears, multiplied by the Applicable Fraction or, if an Indenture Default has occurred and is continuing, clause (a) will apply and (ii) if a Special Termination Drawing has been made and has not been converted into a Final Drawing, the outstanding amount of such Special Termination Drawing.

To (i) the Liquidity Provider to the extent required to pay the outstanding amount of all Liquidity Obligations and (ii) if applicable, unless (in the case of this clause (ii) only) (x) less than 65% of the aggregate outstanding principal amount of all Equipment Notes are Performing Equipment Notes and a Liquidity Event of Default shall have occurred and is continuing or (y) a Final Drawing shall have occurred under the Liquidity Facility, to replenish the Cash Collateral Account up to the Required Amount.

To the Subordination Agent, any Trustee or any Certificateholder to the extent required to pay certain fees, taxes, charges and other amounts payable.

To the Class A Trustee (a) to the extent required to pay accrued and unpaid interest at the Stated Interest Rate on the Pool Balance of the Class A Certificates or, (b) in the case of an Equipment Note Special Payment, so long as no Indenture Default has occurred and is continuing under any Indenture, to the extent required to pay any such interest that is then due together with (without duplication) accrued and unpaid interest at the Stated Interest Rate on the outstanding principal amount of the Series A Equipment Notes held in the Class A Trust being redeemed, purchased or prepaid or, if an Indenture Default has occurred and is continuing, clause (a) will apply.

To the Class B Trustee (a) to the extent required to pay accrued and unpaid Class B Adjusted Interest on the Class B Certificates or, (b) in the case of an Equipment Note Special Payment, so long as no Indenture

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Default has occurred and is continuing under any Indenture, to the extent required to pay any such Class B Adjusted Interest that is then due or, if an Indenture Default has occurred and is continuing, clause (a) will apply.

To the Class A Trustee to the extent required to pay Expected Distributions on the Class A Certificates.

To the Class B Trustee (a) to the extent required to pay accrued and unpaid interest at the Stated Interest Rate on the Pool Balance of the Class B Certificates (other than Class B Adjusted Interest paid above) or, (b) in the case of an Equipment Note Special Payment, so long as no Indenture Default has occurred and is continuing under any Indenture, to the extent required to pay any such interest that is then due (other than Class B Adjusted Interest paid above) together with (without duplication) accrued and unpaid interest at the Stated Interest Rate on the outstanding principal amount of the Series B Equipment Notes held in the Class B Trust and being redeemed, purchased or prepaid or, if an Indenture Default has occurred and is continuing, clause (a) will apply.

To the Class B Trustee to the extent required to pay Expected Distributions on the Class B Certificates. (Intercreditor Agreement, Section 3.2)

If one or more Classes of Additional Certificates are issued, the priority of distributions in the Intercreditor Agreement may be revised such that certain obligations relating to the Additional Certificates may rank ahead of certain obligations with respect to the Certificates. See Possible Issuance of Additional Certificates and Refinancing of Certificates .

Applicable Fraction means, with respect to any Special Distribution Date, a fraction, the numerator of which shall be the amount of principal of the applicable Series A Equipment Notes being redeemed, purchased or prepaid on such Special Distribution Date, and the denominator of which shall be the aggregate unpaid principal amount of all Series A Equipment Notes outstanding as of such Special Distribution Date. The definition of Applicable Fraction will be revised if Additional Certificates are issued. See Possible Issuance of Additional Certificates and Refinancing of Certificates .

Liquidity Obligations means the obligations to reimburse or to pay the Liquidity Provider all principal, interest, fees and other amounts owing to it under the Liquidity Facility or certain other agreements.

Liquidity Expenses means the Liquidity Obligations other than any interest accrued thereon or the principal amount of any drawing under the Liquidity Facility.

Expected Distributions means, with respect to the Certificates of any Trust on any Distribution Date (the Current Distribution Date), the difference between:

(A) the Pool Balance of such Certificates as of the immediately preceding Distribution Date (or, if the Current Distribution Date is the first Distribution Date, the original aggregate face amount of the Certificates of such Trust), and

(B) the Pool Balance of such Certificates as of the Current Distribution Date calculated on the basis that (i) the principal of the Equipment Notes other than Performing Equipment Notes (the Non-Performing Equipment Notes) held in such Trust has been paid in full and such payments have been distributed to the holders of such Certificates, (ii) the principal of the Performing Equipment Notes held in such Trust has been paid when due (but without giving effect to any acceleration of Performing Equipment Notes) and such payments have been distributed to the holders of such Certificates and (iii) the principal of any Equipment Notes formerly held in such Trust that have been sold

pursuant to the Intercreditor Agreement has been paid in full and such payments have been distributed to the holders of such Certificates.

For purposes of calculating Expected Distributions with respect to the Certificates of any Trust, any premium paid on the Equipment Notes held in such Trust that has not been distributed to the Certificateholders of such Trust (other than such premium or a portion thereof applied to the payment of interest on the Certificates of such Trust or the reduction of the Pool Balance of such Trust) shall be added to the amount of Expected Distributions.

Class B Adjusted Interest means, as of any Current Distribution Date, (I) any interest of the type described in clause (II) of this definition accruing prior to the immediately preceding Distribution Date which remains unpaid and (II) interest at the Stated Interest Rate for the Class B Certificates (x) for the number of days during the period commencing on, and including, the immediately preceding Distribution Date (or, if the Current Distribution Date is the first Distribution Date, the Issuance Date) and ending on, but excluding, the Current Distribution Date, on the

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Preferred B Pool Balance on such Current Distribution Date and (y) on the principal amount calculated pursuant to clauses (B)(i), (ii), (iii) and (iv) of the definition of Preferred B Pool Balance for each Series B Equipment Note with respect to which a disposition, distribution, sale or Deemed Disposition Event has occurred since the immediately preceding Distribution Date (but only if no such event has previously occurred with respect to such Series B Equipment Note), for each day during the period, for each such Series B Equipment Note, commencing on, and including, the immediately preceding Distribution Date (or, if the Current Distribution Date is the first Distribution Date, the Issuance Date) and ending on, but excluding the date of disposition, distribution, sale or Deemed Disposition Event with respect to such Series B Equipment Note, Aircraft or Collateral under (and as defined in) the related Indenture, as the case may be.

Preferred B Pool Balance means, as of any date, the excess of (A) the Pool Balance of the Class B Certificates as of the immediately preceding Distribution Date (or, if such date is on or before the first Distribution Date, the original aggregate face amount of the Class B Certificates) (after giving effect to payments made on such date) over (B) the sum of (i) the outstanding principal amount of each Series B Equipment Note that remains unpaid as of such date subsequent to the disposition of the Collateral under (and as defined in) the related Indenture and after giving effect to any distributions of the proceeds of such disposition applied under such Indenture to the payment of each such Series B Equipment Note, (ii) the outstanding principal amount of each Series B Equipment Note that remains unpaid as of such date subsequent to the scheduled date of mandatory redemption of such Series B Equipment Note following an Event of Loss with respect to the Aircraft which secured such Series B Equipment Note and after giving effect to the distributions of any proceeds in respect of such Event of Loss applied under such Indenture to the payment of each such Series B Equipment Note, (iii) the excess, if any, of (x) the outstanding amount of principal and interest as of the date of sale of each Series B Equipment Note previously sold over (y) the purchase price received with respect to the sale of such Series B Equipment Note (net of any applicable costs and expenses of sale) and (iv) the outstanding principal amount of any Series B Equipment Note with respect to which a Deemed Disposition Event has occurred; *provided, however*, that if more than one of the clauses (i), (ii), (iii) and (iv) is applicable to any one Series B Equipment Note, only the amount determined pursuant to the clause that first became applicable shall be counted with respect to such Series B Equipment Note.

Deemed Disposition Event means, in respect of any Equipment Note, the continuation of an Indenture Default in respect of such Equipment Note without an Actual Disposition Event occurring in respect of such Equipment Note for a period of five years from the date of the occurrence of such Indenture Default.

Actual Disposition Event means, in respect of any Equipment Note, (i) the disposition of the Collateral (as defined in the Indenture pursuant to which such Equipment Note was issued) securing such Equipment Note, (ii) the occurrence of the mandatory redemption date for such Equipment Note following an Event of Loss with respect to the Aircraft which secured such Equipment Note or (iii) the sale of such Equipment Note.

Interest Drawings under the Liquidity Facility and withdrawals from the Cash Collateral Account, in respect of interest on the Class A Certificates will be distributed to the Trustee for the Class A Trust, notwithstanding the priority of distributions set forth in the Intercreditor Agreement and otherwise described herein. All amounts on deposit in the Cash Collateral Account that are in excess of the Required Amount will be paid to the Liquidity Provider.

Voting of Equipment Notes

In the event that the Subordination Agent, as the registered holder of any Equipment Note, receives a request for its consent to any amendment, supplement, modification, consent or waiver under such Equipment Note or the related Indenture (or, if applicable, the related Participation Agreement or other related document), (i) if no Indenture Default shall have occurred and be continuing with respect to such Indenture, the Subordination Agent shall request directions from the Trustee of the Trust that holds such Equipment Note and shall vote or consent in accordance with such

directions and (ii) if any Indenture Default shall have occurred and be continuing with respect to such Indenture, the Subordination Agent will exercise its voting rights as directed by the Controlling Party, subject to certain limitations; *provided* that no such amendment, modification, consent or waiver shall, without the consent of the Liquidity Provider and each affected Certificateholder, reduce the amount of principal or interest payable by Southwest under any Equipment Note or change the time of payments or method of calculation of any amount under any Equipment Note. (Intercreditor Agreement, Section 9.1(b))

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List of Certificateholders

Upon the occurrence of an Indenture Default, the Subordination Agent shall instruct the Trustees to, and the Trustees shall, request that DTC post on its Internet bulletin board a securities position listing setting forth the names of all the parties reflected on DTC's books as holding interests in the Certificates. (Intercreditor Agreement, Section 5.1(c)).

Reports

Promptly after the occurrence of a Triggering Event or an Indenture Default resulting from the failure of Southwest to make payments on any Equipment Note and on every Regular Distribution Date while the Triggering Event or such Indenture Default shall be continuing, the Subordination Agent will provide to the Trustee, the Liquidity Provider, the Rating Agencies and Southwest a statement setting forth the following information:

After a Southwest Bankruptcy Event, with respect to each Aircraft, whether such Aircraft is (i) subject to the 60-Day Period, (ii) subject to an election by Southwest under Section 1110(a) of the U.S. Bankruptcy Code, (iii) covered by an agreement contemplated by Section 1110(b) of the U.S. Bankruptcy Code or (iv) not subject to any of (i), (ii) or (iii).

To the best of the Subordination Agent's knowledge, after requesting such information from Southwest, (i) whether the Aircraft are currently in service or parked in storage, (ii) the maintenance status of the Aircraft and (iii) location of the Engines (as defined in the Indentures). Southwest has agreed to provide such information upon request of the Subordination Agent, but no more frequently than every three months with respect to each Aircraft so long as it is subject to the lien of an Indenture.

The current Pool Balances of the Certificates, the Preferred B Pool Balance and outstanding principal amount of all Equipment Notes for all Aircraft.

The expected amount of interest which will have accrued on the Equipment Notes and on the Certificates as of the next Regular Distribution Date.

The amounts paid to each person on such Distribution Date pursuant to the Intercreditor Agreement.

Details of the amounts paid on such Distribution Date identified by reference to the relevant provision of the Intercreditor Agreement and the source of payment (by Aircraft and party).

If the Subordination Agent has made a Final Drawing under the Liquidity Facility.

The amounts currently owed to the Liquidity Provider.

The amounts drawn under the Liquidity Facility.

After a Southwest Bankruptcy Event, any operational reports filed by Southwest with the bankruptcy court which are available to the Subordination Agent on a non-confidential basis.

(Intercreditor Agreement, Section 5.1(d))

The Subordination Agent

Wilmington Trust Company will be the Subordination Agent under the Intercreditor Agreement. Southwest and its affiliates may from time to time enter into banking and trustee relationships with the Subordination Agent and its affiliates. The Subordination Agent's address is Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration.

The Subordination Agent may resign at any time, in which event a successor Subordination Agent will be appointed as provided in the Intercreditor Agreement. The Controlling Party may remove the Subordination Agent for cause as provided in the Intercreditor Agreement. In such circumstances, a successor Subordination Agent will be appointed as provided in the Intercreditor Agreement. Any resignation or removal of the Subordination Agent and appointment of a successor Subordination Agent does not become effective until acceptance of the appointment by the successor Subordination Agent. (Intercreditor Agreement, Section 8.1)

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Table of Contents**DESCRIPTION OF THE AIRCRAFT AND THE APPRAISALS****The Aircraft**

The aircraft to be mortgaged as security for the Equipment Notes consist of 16 Boeing 737-700 aircraft (collectively, the Aircraft). Southwest has taken delivery of, owns and currently operates, each of the Aircraft. The Aircraft have been designed to be in compliance with Stage 3 noise level standards, which are the most restrictive regulatory standards currently in effect in the United States for aircraft noise abatement.

Boeing 737-700 Aircraft

The Boeing 737-700 is a single-aisle commercial jet aircraft with a seating capacity, in Southwest's single-class configuration, of 137 passengers. The engine type utilized on Southwest's 737-700 aircraft is the CFM International, Inc. CFM56-7B. All of the Aircraft are equipped with winglets.

Age of Aircraft

The Aircraft were new when delivered to Southwest from The Boeing Company (Boeing) and consist of four aircraft delivered in 2006 and 12 aircraft delivered in 2007.

The Appraisals

The table below sets forth the appraised values of the Aircraft, as determined by Aircraft Information Services, Inc. (AISI), BACK Aviation Solutions (BACK) and BK Associates, Inc. (BK) (collectively the Appraisers).

Aircraft Type	Registration	Manufacturer	Delivery	Appraiser's Valuations			Appraised Base Value(1)
	Number	Serial Number	Date	AISI	BACK	BK	
Boeing 737-700	N259WN	35554	11/1/2006	\$ 40,800,000	\$ 38,580,000	\$ 37,550,000	\$ 38,580,000
Boeing 737-700	N260WN	32518	11/22/2006	40,890,000	38,610,000	37,550,000	38,610,000
Boeing 737-700	N261WN	32517	12/14/2006	40,960,000	38,900,000	37,550,000	38,900,000
Boeing 737-700	N262WN	32519	12/21/2006	41,010,000	38,920,000	37,550,000	38,920,000
Boeing 737-700	N263WN	32520	1/17/2007	43,750,000	39,220,000	37,900,000	39,220,000
Boeing 737-700	N264LV	32521	1/24/2007	43,770,000	39,230,000	37,900,000	39,230,000
Boeing 737-700	N265WN	32522	2/6/2007	43,810,000	39,510,000	37,900,000	39,510,000
Boeing 737-700	N267WN	32525	2/26/2007	43,910,000	39,600,000	37,900,000	39,600,000
Boeing 737-700	N268WN	32524	3/5/2007	43,930,000	39,810,000	38,200,000	39,810,000
Boeing 737-700	N269WN	32526	3/13/2007	43,950,000	39,820,000	38,200,000	39,820,000
Boeing 737-700	N272WN	32527	3/29/2007	44,050,000	39,850,000	38,200,000	39,850,000