

**TURBINE ENGINE SPECIALISTS, INC. (TES) STANDARD BAILMENT TERMS AND CONDITIONS FOR
COMMERCIAL AVIATION (BGA AIRCRAFT)**

1. LIMITED RIGHT TO USE, TITLE, FINANCING STATEMENTS.

- 1.1 Limited Use, Title.** Turbine Engine Specialists, Inc. (TES) makes available for use to Customer, and Customer accepts from TES, the TES-Owned or TES-Provided Rental Equipment (individually and collectively "Equipment") for the period specified in section 25 "Period of Rental/Loan" on the signature page of this Agreement, subject to the terms of this Agreement. Title to the TES-Owned Equipment is and will remain vested in TES; title to TES-Provided Equipment is and will remain vested in the owner of the TES-Provided Equipment provider at all times. Customer will not:
- (A) acquire any title or other interest in the Equipment; or any right except the limited and conditional right to use as expressly set forth in this Agreement; (B) permit any lien, encumbrance or security interest to attach to the Equipment;
 - (C) permit the Equipment to be subjected to any interchange or pooling arrangement, or
 - (D) permit the Equipment to be operated by or to be in the possession of any person other than Customer or Honeywell's Authorized Service Center ("Service Center").
- 1.2 Financing Statements.** Customer agrees to execute documents upon request by TES, including, UCC-1 and or FAA financing statements and/or other documents required under the Convention on International Interests in Mobile Equipment, for the purpose of, among other things, evidencing this Agreement and the transaction contemplated hereby, TES's title in the Equipment and providing notice of Customer's limited and conditional right to use the Equipment under this Agreement. The cost of such filing will be paid by Customer. Until Equipment is installed on aircraft, Customer will ensure the Equipment is stored in a secured facility suitable for the storage of aircraft parts, at no charge to TES. Customer will permit TES or its designee to visit and inspect the Equipment, work performed on the Equipment by Customer or its agents, and related records.

2. RENT, PAYMENT, SECURITY.

2.1 Rent.

- (A) Customer will pay the Operating Charges, Minimum Charge, Deposit, Advance Payment, and other charges/fees (as applicable) (collectively "Rent") provided on the signature page of this Agreement. Operating charges begin on the date Equipment is delivered to Customer pursuant to Section 3 and end on the date TES receives the Equipment (including the logbook and all components originally delivered with the Equipment) at its designated facility indicated in section 27 "Equipment to be returned to:" on the signature page of this Agreement. Customer will advise TES, in writing, the number of operating hours accumulated for the Equipment in each calendar month by the 10th day of the subsequent calendar month. Charges and fees described in this article two are in addition to any charges and fees that may be due by Customer as described elsewhere in this Agreement.
 - (B) If TES provides Equipment as a rental or bailment under a maintenance plan or agreement identified in sections six through eight, and
 - (i) Customer's equipment covered under the maintenance plan or agreement ceases to be covered under that maintenance plan or agreement; or
 - (ii) TES determines after the execution of TES standard bailment agreement, that repairs of Customer's equipment covered under the maintenance plan or agreement are in fact not covered by that maintenance plan or agreement,then, TES may charge Customer TES's standard Equipment operating charges.
- 2.2 Payment.** Customer will pay invoices within 30 days of invoice date, in U.S. currency and directed to the remittance address on the invoice. Credit terms are subject to approval by TES. TES may without notice modify or withdraw credit terms including, requiring advance payment, guarantees, or other security. If Customer is delinquent in any payment to TES, then until all delinquent amounts and late interest, if any, are paid TES may, at its discretion: (A) set off any credit or sum owed by TES to Customer against any amount owed by Customer to TES; (B) declare Customer's performance in breach and terminate this Agreement; (C) repossess Equipment for which payment has not been made;
- (D) charge interest on delinquent amounts at a rate of 1.5% per month or the maximum rate permitted by law, if lower, for each month or part thereof; (E) recover all costs of collection including, without limitation, reasonable attorneys' fees;
 - (F) if Customer is delinquent on a payment schedule, accelerate all remaining payments and decl' are the total outstanding balance then due and owing; or
 - (G) combine any of the above rights and remedies as may be permitted by applicable law. The above remedies are in addition to all other remedies available at law or in equity.

- 2.3 Security.** Upon TES's reasonable request, Customer grants to TES a security interest in the Aircraft described on signature page of this Agreement and in Customer's equipment delivered to TES for repair or overhaul to secure payment of Customer's liabilities to TES under this Agreement. If Customer is unable to grant this security interest in favor of TES, Customer will establish an alternative form of security acceptable to TES, such as an irrevocable standby letter of credit in favor of TES in the form, amount, and duration specified by TES.

3. DELIVERY, INSTALLATION, SHIPPING CHARGES. Delivery terms are TES's facility, or a TES approved facility, as applicable. TES will schedule delivery in accordance with its standard lead time unless: (A) Customer's order requests a later delivery date; or (B) TES agrees in writing to a different delivery date. Customer will pay all expenses in connection with installation, removal and transportation of Equipment to and from TES authorized facilities (including insurance and customs duties) or any claims to be filed with the carrier. If TES prepays transportation charges, Customer will reimburse TES upon receipt of an invoice for those charges. TES reserves the right to impose additional charges for any special routing, packing, labeling, handling, or insurance requested by Customer.

4. ACCEPTANCE. Equipment is presumed accepted unless TES receives written notice of rejection explaining the basis for rejection within five calendar days of delivery pursuant to Section 3. Customer must disposition rejected Equipment to TES in accordance with TES's written instructions. TES will have a reasonable opportunity to repair or replace rejected Equipment, at its option. TES assumes shipping costs in an amount not to exceed normal surface shipping charges to TES's designated facility for the return of properly rejected Equipment. Following initial delivery, the party initiating shipment will bear the risk of loss or damage to Equipment in transit. If TES reasonably determines that rejection was improper, Customer will pay all expenses caused by the improper rejection.

5. DATA TERMS. Honeywell and TES may receive data output from, input to, generated by or otherwise accessible through the Equipment as a result of its use or operation (hereinafter "Equipment Data"). The Equipment may be enabled with sensing or diagnostic capabilities of automatically retrieving, recording, transmitting or storing Equipment Data. Customer gives Honeywell and TES the irrevocable right to retain, use, copy, modify, license, and disclose the Equipment Data for any purpose.

6. MAINTENANCE. Customer will perform all maintenance and maintain a true and accurate log of all maintenance performed on the Equipment as required by (1) operating procedures, manuals, service bulletins or other instructions published by Honeywell; (2) other applicable publications including aircraft flight manuals; and (3) all applicable government directives, law, rules, and regulations.

7. RETURN OF EQUIPMENT, EXTENDED USAGE CHARGES.

7.1 Return of Equipment.

- (A) Customer agrees that its right of possession and use of the Equipment terminates in accordance with this Agreement's article 17 Term and Termination irrespective of whether there is a dispute of the proper amount of the charges, or responsibility for repair or overhaul of the Customer's own equipment or other charges.
- (B) Customer will, at its expense, within five calendar days of the first to occur of the expiration or termination of this Agreement, return the Equipment, in Serviceable Condition, (including the logbook, if applicable, and all components originally delivered with the Equipment), via airfreight, to the TES designated facility identified in section 27 "Equipment to be returned to:" on the signature page of this Agreement. Serviceable Condition is defined as a condition in which Equipment is in reasonable operating condition within the limits defined in Honeywell's then-current maintenance manuals, documentation, and/or publications. In respect of engines and APU's, "Serviceable Condition" includes the additional items set out in the following clauses (C) and (D).
- (C) For APU's and engines only: Customer will, at its expense, ensure a serviceability inspection of the Equipment is performed to verify that it is in the same condition as when received, normal wear and tear excepted. The inspection will be witnessed and certified in the Equipment logbook by a licensed power plant mechanic

- (D) With the return Customer must confirm in a non-incident letter that the Equipment has not been involved in, or been removed from an aircraft which was involved in an incident or accident, major failure or fire, that the parts installed have not been subject to extreme stress or heat, and not obtained from any Government, Military, or unapproved source. Component Maintenance Modification Card ("CMMC") and Life Limited Card ("LLC") will be provided if applicable.
- 7.2 Extended Usage Charges.** Customer acknowledges the necessity for timely return of the Equipment and agrees to pay the Extended Usage Charges set forth in section 23 "Extended Usage Charges" on the signature page of this Agreement. If Customer does not perform a proper serviceability inspection of the Equipment, Honeywell will:
- (A) inspect the Equipment on behalf of Customer; and
 - (B) if applicable, invoice Customer the amount in section 22 "Test Cell Fee" on the signature page of this Agreement as the reasonable cost of performing such inspection.
- 7.3 Serviceability Delay Charges. The following Serviceability Delay Charges apply:**
- (A) Any Equipment returned to TES or TES's designated facility for post-rental inspection that is missing parts or operating information which delays the "return to service" of that Equipment, will be subject to a \$1,000.00 "Serviceability Delay Charge."
 - (B) Parts and operating information, as applicable, must be forwarded within ten calendar days from the date of notification to avoid additional charges above the \$1,000.00 Serviceability Delay Charge.
 - (C) Parts not received within ten calendar days will be subject to replacement and immediate billing at 150% of the then-current Honeywell catalog list price or published price for such parts.
 - (D) Operating Information (log book or other missing information) not received after ten calendar days will be subject to additional fees equal to the cost TES incurs to obtain operating information or replacement documents.
- Penalty billings including Serviceability Delay Charge, extended use fees, and Customer induced damage charges are not covered by any of the service protection plans described in sections six through eight on the signature page of this Agreement.
- 7.4 Additional Equipment Fees.** Customer is responsible for the following fees, as applicable, for failure to return Equipment as required under this Agreement:
- (A) If the same quantity of Equipment is not returned to TES, Customer will be invoiced the then-current Honeywell catalog list price or published price for any unreturned Equipment. On a case by case basis and with written approval from TES, Customer may return a like quantity of equipment in a serviceable condition as was bailed to Customer.
 - (B) If TES determines the returned Equipment is not in Serviceable Condition, Customer will be invoiced 150% of the then-current Honeywell time and material repair price for any Equipment not returned in serviceable condition to bring the Equipment to a serviceable condition.
 - (C) If TES determines the returned Equipment is scrap, Customer will be invoiced 150% of the then-current Honeywell catalog price or published price for such Equipment. For purposes of this clause, scrap is defined as Equipment that either: (1) is beyond established and approved repair criteria per the Honeywell Component Maintenance Manuals or other Honeywell Technical Data or documentation; or (2) has a repair cost that will exceed 65% of the then-current catalog price or published price for such Equipment.
 - (D) any lease fees (including extended usage fees) accrued up to the time (1) an invoice is issued for unreturned Equipment; or (2) the Equipment is returned to a serviceable condition; or 3) an invoice is issued for Equipment returned in a scrap condition; or 4) of loss, destruction, or damage.
 - (E) If Customer does not provide TES a rental removal condition form to confirm that the unit was removed in serviceable condition as applicable, TES will charge fee shown in section 22, "Test Cell Fee" on the signature page of this Agreement.
- 8. RISK OF LOSS AND DAMAGE.**
- 8.1** Commencing on the date Equipment is shipped to Customer and until Customer has returned Equipment to TES's designated facility indicated in section 27 "Equipment to be returned to:" on the signature page of this Agreement, Customer is responsible for all loss and damage to the Equipment arising from:
- (A) any omission of maintenance or improper maintenance performed by the Customer or on behalf of the Customer;
 - (B) any repair, overhaul, storage, installation, inspection, service, packing, removal, shipping, and/or operation which occurs following TES's shipment of Equipment to Customer and not in accordance with Honeywell manuals, instructions, service bulletins, or other applicable publications including aircraft flight manuals and government directives;
 - (C) loss of Equipment logbook(s) or failure to log maintenance performed on the Equipment; or
 - (D) any loss, accident, foreign object damage, or other event (excluding normal wear and tear) not caused solely by the negligence of TES.
- 8.2** Customer will pay all charges (in accordance with TES's then-established replacement or repair prices) necessary to replace or repair the Equipment (including the Equipment logbook, if applicable) because of any such loss, damage or diminution in value.
- 9. INSURANCE.**
- 9.1** Customer will maintain at its sole cost, until return of the Equipment to TES, insurance coverage naming TES as an additional insured, under Customer's Aircraft Liability Insurance, including public liability, passenger liability and property damage liability in an amount of not less than \$25,000,000 unless TES specifically authorizes a deviation in writing and it is noted at Section 20, "Additional Information" on the signature page of this Agreement. In addition, Customer will obtain from its hull insurance carriers a loss payee clause, in favor of TES. Hull insurance will be at least the minimum amount shown in section 24 "Equipment Replacement Cost/Fair Market Value" on the signature page of this Agreement, insuring the Equipment against all risks of theft, fire, war perils, or other loss or damage, including coverage while on the ground, taxiing, in-flight as well as while in transit. Additionally, such insurance policies will: (A) be primary insurance, with any insurance maintained by TES and its affiliates being secondary; (B) waive all rights of subrogation against TES and its affiliates;
- (C) include breach of warranty protection in favor of TES and its affiliates;
 - (D) be in form and substance satisfactory to TES including, without limitation, any deductibles;
 - (E) cover the Equipment at each location that the Equipment may be used; and (F) include coverage for contractual liability assumed by Customer in this Agreement.
- 9.2** In the event that the Equipment is lost, stolen, or destroyed, Customer will pay TES the amount of the insurance required in section 24 "Minimum Insurance Amount for Equipment" on the signature page of this Agreement. In the event Customer receives any proceeds of such insurance and at such time has not fully paid TES hereunder, Customer will immediately pay over such proceeds to TES to the extent of any outstanding obligation to TES.
- 9.3** Upon execution of this Agreement and prior to Equipment being transferred to Customer or Service center, as applicable, Customer will provide evidence of such insurance and all insurance provisions as required by this Agreement.
- 10. INDEMNIFICATION.** Customer will indemnify, defend and hold TES, its affiliates and their respective officers, directors, shareholders and employees ("Indemnified Persons") harmless from all liabilities, damages, penalties, claims, actions, suits, costs and expenses of every kind and nature incurred by or asserted against any Indemnified Person in any way relating to or arising out of the bailment, leasing, possession, rental, maintenance, use, condition, operation, transportation, or return of any equipment or failure to comply with any applicable law or regulation unless due to the sole negligence of TES.
- 11. TAXES.** TES's pricing excludes all taxes (including, but not limited to, sales, use, excise, value-added or other similar taxes), duties and charges (collectively, "Taxes") Customer is responsible for all Taxes resulting from this Agreement or as a result of TES's performance under this Agreement whenever imposed, levied, collected, withheld, or assessed. If TES is required to impose, levy, collect, withhold or assess any Taxes on any transaction under this Agreement, then in addition to the Rent, Honeywell will invoice Customer for Taxes unless at the time of purchase order placement for the Equipment bailment Customer furnishes TES with an exemption certificate or other documentation sufficient to verify exemption from Taxes. If any taxes are required to be withheld from amounts paid or payable to TES under this Agreement, Customer will withhold the required amount of taxes and pay such taxes on behalf of TES to the relevant taxing authority in accordance with applicable law, and Customer will forward proof of such withholding sufficient to establish the withholding amount and recipient to TES within 60 days of payment. In no event will TES be liable for taxes paid or payable by Customer.
- 12. WARRANTY/REMEDIES.** UNLESS OTHERWISE STATED IN SECTION 20 ON THE SIGNATURE PAGE OF THIS AGREEMENT, THE EQUIPMENT AND ANY RELATED DOCUMENTS ARE PROVIDED AS-IS WITHOUT ANY EXPRESS OR IMPLIED WARRANTIES INCLUDING, WITHOUT LIMITATION, ANY EXPRESS WARRANTY AS TO THE AIRWORTHINESS OR CONDITION OF THE EQUIPMENT AND **ANY IMPLIED WARRANTY AS TO MERCHANTABILITY, FITNESS**

FOR A PARTICULAR PURPOSE, OR NON-INFRINGEMENT AND THIS IS TES'S SOLE WARRANTY OBLIGATION AND CUSTOMER'S SOLE WARRANTY REMEDY UNDER THIS AGREEMENT. NOTWITHSTANDING THE PRIOR SENTENCE, AUXILIARY POWER UNITS AND ENGINES WILL BE PROVIDED IN SERVICEABLE CONDITION.

13. **DISCLAIMER.** IN NO EVENT WILL TES BE LIABLE FOR ANY INCIDENTAL DAMAGES, CONSEQUENTIAL DAMAGES, SPECIAL DAMAGES, PUNITIVE OR EXEMPLARY DAMAGES, INDIRECT DAMAGES, LOSS OF PROFITS, LOSS OF REVENUES, OR LOSS OF USE, EVEN IF INFORMED OF THE POSSIBILITY OF SUCH DAMAGES. TES'S LIABILITY FOR DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT IS LIMITED TO THE GREATER OF RENT CHARGES PAID BY CUSTOMER TO TES UNDER THIS AGREEMENT, IF ANY, OR ONE THOUSAND DOLLARS. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THESE LIMITATIONS AND EXCLUSIONS WILL APPLY REGARDLESS OF WHETHER LIABILITY ARISES FROM BREACH OF CONTRACT, WARRANTY, TORT (INCLUDING BUT NOT LIMITED TO NEGLIGENCE), BY OPERATION OF LAW, OR OTHERWISE.
14. **THIRD PARTY BENEFICIARY, POWER OF ATTORNEY.** If this Agreement is obtained through a Honeywell Authorized Service Center (Service Center), Customer acknowledges and agrees that the Service Center signing this Agreement is an express third party beneficiary of this Agreement and that Service Center has been granted a limited power of attorney to sign this Agreement on TES's behalf and to enforce the rights of TES under this Agreement. The rights of TES under this Agreement will be transferable to any one or more persons or entities, and all covenants and agreements under this Agreement will benefit and be enforceable by, the successors and assigns of TES. TES will be entitled to the benefit and shall have the express right to enforce all terms of this Agreement as if the Agreement had been made directly between the Customer and TES. TES will have no obligation to provide maintenance, support or warranties or any other services or any goods to Customer, except as otherwise agreed in writing by TES.
15. **EXPORT.**
- 15.1 Customer is responsible for compliance with all import and export control laws and regulations. Customer will obtain, at its sole expense, all import, export, and re-export approvals and licenses required for Equipment delivered and will retain documentation evidencing compliance with those laws and regulations. TES will not be liable to Customer for any failure to provide Equipment as a result of government actions that impact TES's ability to perform, including: (A) the failure to provide or the cancellation of export or re-export licenses;
- (B) any subsequent interpretation of applicable import, transfer, export or re-export law or regulation after the date of any order or commitment that has a material adverse effect on TES's performance; or
- (C) delays due to Customer's failure to follow applicable import, export, transfer, or re-export laws and regulations.
- 15.2 If Customer designates the freight forwarder for export shipments from the United States, then Customer's freight forwarder will export on Customer's behalf and Customer will be responsible for any failure of Customer's freight forwarder to comply with all applicable export requirements. TES will provide Customer's designated freight forwarder with required commodity information.
16. **TERM AND TERMINATION.**
- 16.1 **Term.** This Agreement and Customer's right of possession and use of Equipment will expire upon the earlier of the Ending Date in section 25 on the signature page of this to this Agreement or 15 days after Customer's Equipment is declared serviceable (21 days for equipment serviced outside the continental United States).
- 16.2 **Termination for Default.** Either party may terminate this Agreement by giving written notice to the other upon the occurrence of any of the following events:
- (A) the other party materially breaches this Agreement and does not remedy the breach within 30 calendar days after receipt of written notice that specifies the grounds for the material breach;
- (B) the other party fails to make any required payment to be made under this Agreement when due and fails to remedy the breach within 30 calendar days after receipt of written notice of non-payment; or
- (C) any insolvency or suspension of the other party's operations or a petition is filed or proceeding made by or against the other party under any country, state, federal or other applicable law relating to bankruptcy, arrangement, reorganization, receivership or assignment for the benefit of creditors or other similar proceedings;
- If TES terminates this Agreement under article 16.2(A) or 16.2(B) above, Customer will pay all reasonable attorneys' fees, costs, and expenses incurred by TES or its agent as a result of a non-payment breach of this Agreement by Customer.
- 16.3 **Other Termination.** TES may terminate this Agreement:
- (A) if there is a material change in the nature of the business of Customer, or a dissolution or discontinuance of the business of Customer in which case TES may terminate this Agreement immediately upon written notice to Customer; or
- (B) for any reason without cause upon five calendar days written notice to Customer.
- Termination does not affect any debt, claim, or cause of action accruing to any party against the other before the termination. The rights of termination provided in this article 16 are not exclusive of other remedies that either party may be entitled to under this Agreement or in law or equity.
- 16.4 **Repossession.** In the event of termination or default of this Agreement, or Customer's insolvency, discontinuance or suspension of operations and/or liquidation of assets, TES or its agents may, with 24 hours notice, gain access to Customer's facility in order to retrieve the Equipment free from any civil or criminal allegations of trespass by Customer. Customer will cooperate in all respects with TES's retrieval of the Equipment and will be responsible for all of TES's costs associated therewith.
17. **ASSIGNMENT.** Customer will not assign any rights or delegate any obligations under this Agreement or any portion thereof without TES's advance, written consent, which will not be unreasonably withheld. TES may assign the Agreement in connection with the sale or transfer of (1) the Equipment or (2) all or substantially all of the assets of the product line or business to which it pertains. Any attempt to assign in violation of this article 17 will be void.
18. **APPLICABLE LAW.** This Agreement will be governed by the laws of the State of New York, U.S.A. without regard to conflict of law principles. The United Nations Convention on Contracts for the International Sale of Goods, 1980, and any successor agreement, will not apply. The Federal or State courts sitting within the state of New York, USA will have exclusive jurisdiction to adjudicate any dispute arising out of or related to this Agreement.
19. **SETOFF.** Customer will not set off or recoup invoiced amounts or any portion thereof against sums that are due or may become due from TES, its parent, affiliates, subsidiaries or other divisions or units.
20. **SEVERABILITY.** If any provision of this Agreement is determined to be illegal, invalid, or unenforceable by a court of competent jurisdiction in accordance with article 18 "Applicable Law", then the validity and enforceability of the remaining provisions of this Agreement will not be affected and, in lieu of such illegal, invalid, or unenforceable provision there will be added as part of this Agreement one or more provisions as similar in terms as may be legal, valid and enforceable under applicable law.
21. **WAIVER.** The failure of either party to enforce at any time any of the provisions of this Agreement will not be construed to be a continuing waiver of any provisions of this Agreement.
22. **NON-DISCLOSURE AND CONFIDENTIALITY.** Customer will not disclose the existence of this Agreement or any specific terms of this Agreement to any third party without TES's prior written consent. Customer will protect the confidential aspects of the Equipment from disclosure, including the inner workings and design, and will not, by itself or through others, engage in (1) disassembling (except as may be required to perform ordinary maintenance or determine whether and why a malfunction has occurred); (2) reverse engineering; or (3) manufacturing or enabling the manufacture of the Equipment (or any portions thereof), or products similar to or competitive with, the Equipment using Honeywell technical or proprietary information provided to Customer under this Agreement.
23. **SURVIVAL.** All rights, duties and obligations which by their nature should apply beyond the term of this Agreement including, articles 2-Rent, Payment, Security, 5-Data Terms 21-Waiver, 22-Non-Disclosure and Confidentiality, 23-Survival, and 25-Entire Agreement will remain in force after expiration or termination of this Agreement.
24. **COUNTERPARTS.** This Agreement may be signed in counterparts (including faxed and any electronic or digital format), each of which will be deemed one and the same original. Reproductions of this executed original (with reproduced signatures) will be deemed to be original counterparts of this Agreement.
25. **ENTIRE AGREEMENT.** The terms contained in this Agreement constitute the entire agreement between Customer and TES with respect to its subject matter and supersedes any prior representations and agreements, oral or written, and all other communications between Customer and TES relating to its subject matter. This Agreement will not be varied except by an instrument in writing subsequently executed by an authorized representative of each party.