

Mesa Air Group
Transaction Term Sheet for Bombardier Inc.
November 22, 2010

The confidential terms and conditions of the transaction (the “Transaction”) described herein are part of a comprehensive reorganization of Mesa Air Group, Inc. and its debtor affiliates in the chapter 11 cases currently pending in the United States Bankruptcy Court, Southern District of New York, Case no. 10-10018 (MG) (collectively, the “Debtors” or “Mesa”). Mesa has obtained an extension of its code-share agreement with US Airways, Inc. (“U.S. Airways Code-Share Extension”) and believes the modifications outlined below are essential to successfully maintaining the continued effectiveness of the U.S. Airways Code-Share Extension.

The terms and conditions in this term sheet (the “Term Sheet”) entered into by and between the Debtors and Bombardier Inc. (together with its affiliates, “Bombardier”) are subject to (i) the execution of definitive documents as are necessary to effectuate the Transaction and (ii) the conditions identified below.

SUMMARY OF TERMS

*Restructuring of
Certain Payment
Obligations
(“Restructured
Obligations”)*

[REDACTED]

[REDACTED]

a. [REDACTED]

b. Smoothing Payments. Mesa’s obligation to pay Bombardier on account of Smoothing Payments an aggregate of \$15,865,000 on various dates from November 30, 2010 through December 31, 2013.

Notwithstanding the foregoing, nothing contained in this Term Sheet shall be deemed (i) an admission of either party concerning its rights and obligations relating to the foregoing and each party expressly reserves all of its rights and defenses, including any right of Bombardier of setoff under section 553 of the Bankruptcy Code, or (ii) a waiver of any right of Bombardier to object to the Amended Plan (as defined herein) in the event that this Transaction is terminated as a result of a failure of a condition or by agreement of the parties hereto.

Mesa covenants and agrees to work in good faith with Bombardier to address any comments or concerns regarding Mesa’s amended plan of reorganization, which was filed with the Bankruptcy Court on November 22, 2010 (the “Amended Plan”). For the avoidance of doubt, nothing herein is intended to be, or shall be deemed to be, an acceptance by Bombardier of the Amended Plan (or any plan of reorganization), or shall affect Bombardier’s fiduciary obligations as a member of the official committee of unsecured creditors.

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*Pre-Effective Date
Conditions*

- a. Mesa shall (i) obtain an order approving U.S. Airways Code-Share Extension and (ii) execute an amendment to the U.S. Airways Code-Share and Revenue Agreement (the “U.S. Airways Amendment”), on terms consistent with the Term Sheet for Proposed Amendment to Code-Share and Revenue Agreement, dated October 18, 2010 (the “U.S. Airways Term Sheet”).
- b. No “Withdrawal” has occurred or “Vacatur Declaration” (as those terms are defined in the U.S. Airways Term Sheet) has been made.
- c. Mesa shall file a motion (in a form and substance reasonably acceptable to Bombardier (including redactions that are acceptable to Bombardier)) seeking approval of the Transaction (and any agreements and documents that may be necessary to memorialize the Transaction) and shall have obtained an Order of the Bankruptcy Court (in a form and substance reasonably acceptable to Bombardier) no later than January 12, 2010 (the “Approval Order Date”) approving this Transaction.
- d. Mesa obtains an Order of the Bankruptcy Court confirming such Amended Plan (both of which shall be in form and substance reasonably acceptable to Bombardier) no later than January 17, 2011, or such later date as the U.S. Airways Term Sheet may permit (the “Confirmation Order Date”).
- e. Notwithstanding any assumption of the Master Purchase Agreement (as modified), any obligations under such agreement to purchase aircraft shall be released and Bombardier shall have an allowed Class 3(a) general unsecured claim on account of such obligations in the amount of \$74.5 million and Bombardier shall be entitled to offset the \$500,000 security deposit under such agreement.
- f. Prior to the effective date of the Amended Plan (the “Effective Date”), Bombardier and Mesa shall have (a) agreed on the estimated amount for distribution purposes of the indemnity claims of Bombardier [REDACTED] related to CRJ-200 and Dash-8 aircraft, (b) agreed to modifications to the Master Purchase Agreement, including without limitation termination of Schedule 3 (Airworthiness Directives/Service Bulletins), Schedule 4 (Schedule Completion Guarantee), Schedule 8 (ADMCG) and Annexes 8 of Supplements Nos. 2 and 3 (Silent Aircraft Options), and (c) entered into, and obtained Bankruptcy Court approval of, leases for the “retained” engines and airframes related to the CRJ-200s [REDACTED].
- g. Prior to the Effective Date, Mesa and Bombardier agree to work in

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good faith to reach a resolution on the amount of any claims (including any administrative claims) of Bombardier, including, but not limited to, any claims related to any CRJ-200 Aircraft in which Bombardier is a lessor or lender (directly or indirectly) and the parties agree that any prepetition general unsecured lease rejection damage claim (and guarantee claim) against the Debtors for the aircraft having following U.S. Registration Nos. N77331, N17337, N591ML, and N592ML will be calculated in accordance the formula established in *Debtors' Motion for Authorization to Approve the Determination, Settlement, and Allowance of Certain Claims of Canadian Regional Aircraft Finance Transaction No. 1 Limited Arising from the Rejection of Aircraft Related Leases and Abandonment of Certain Owned Aircraft*. [Docket 497]

- h. On the Effective Date, Mesa shall be current on all obligations under the lease and financing documents for each CRJ-900 and CRJ-700.

*Conditions to
Continued
Effectiveness*

[REDACTED]

- a. an Event of Default under any lease or secured financing for any CRJ-700 or CRJ-900 aircraft has occurred and (with respect to any Event of Default other than with respect to payments) continues uncured for sixty (60) days following written notice thereof [REDACTED].
- b. With respect to each CRJ700 and CRJ900 aircraft, whether parked or in operational service, the failure of Mesa to possess or maintain a valid and effective certificate of airworthiness; provided, however, Mesa shall have thirty (30) days after the date Mesa has knowledge of the failure to possess a valid and effective certificate of airworthiness to cure [REDACTED].
- c. The U.S. Airways Code-Share Extension is terminated or modified such that, in the commercially reasonable judgment of Bombardier, such modification would have a material adverse effect upon the business, operations, performance, properties, business prospects or financial condition of Mesa and its direct and indirect subsidiaries;
- d. Bombardier becoming aware after the Approval Order Date of any new or inconsistent information or other matter not previously disclosed to Bombardier in writing relating to Mesa or its direct or indirect subsidiaries, which Bombardier, in its commercially reasonable judgment, deems material and adverse relative to the information or other matters disclosed to Bombardier in writing by

Mesa prior to the Approval Order Date.

- e. Mesa fails to have total restricted and unrestricted cash balances at the end of any fiscal year (2011-2015) equal to the year-end total cash as projected in the Disclosure Statement filed by Mesa on November 22, 2010, provided, however, that for purposes of this section, the total year-end cash balance required will be reduced for any fiscal year by the amount of any Bombardier Credits not received. Notwithstanding the foregoing, in the event that Mesa fails to have total cash balances equal to the projected cash balances for any fiscal year, Mesa can cure the default, receive retroactive payments for the immediately preceding year, and resume prospective payments if the total year-end cash for the subsequent fiscal year is equal to or greater than the balance projected in the Disclosure Statement, (again, such amount shall be adjusted for the missing Bombardier Credits). The preceding sentence shall not be applicable if Mesa fails to meet the cash balance test standard in two successive fiscal years. The unadjusted total cash balances as shown in the Disclosure Statement are as follows:

2011: \$89.2 million
 2012: \$105.7 million
 2013: \$97.1 million
 2014: \$83.8 million
 2015: \$109.7 million

- f. With respect to CRJ-700 and CRJ-900 aircraft in Mesa's fleet, (i) if any engine or landing gear assembly removed from operational service is not returned to service within one hundred and twenty (120) days, unless (a) the engine or landing gear assembly is being replaced upon an Event of Loss under (and in accordance with) any lease or secured financing or (b) an engine fails a post-visit test cell, in which case, Mesa shall have an additional thirty (30) days (or additional time as Bombardier and Mesa shall in good faith agree) to return the engine to service or (ii) if more than ten (10) spare engines (including any engines removed from any parked/stored aircraft) in operational service at any one time.

*Reporting and
Inspection*

Mesa shall provide Bombardier (i) copies of the unaudited consolidated annual financial statements for the fiscal year just ended for it and its subsidiaries, within ninety (90) days after the end of each fiscal year (for fiscal years 2010 through 2015), and (ii) other such reasonable information related to the maintenance of aircraft and operations of Mesa Bombardier may reasonably request from time to time within thirty days (30) days of receipt of a written request and (iii) upon seven (7) business days advance written notice, access to (a) the maintenance records in

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Mesa's possession (including but not limited to historical back to birth records related to engine and landing gear) for any CRJ700 and CRJ900 and (b) the CRJ700 and CRJ900 aircraft at reasonable times to conduct technical audits. For the avoidance of doubt, "historical back to birth records" includes actual hard copies of records that were prepared by any service or maintenance provider. For all maintenance events that occur on or after the Approval Order Date, Mesa will be required to acquire, maintain and possess the actual hard copies of records or digitally scanned records prepared by any service or maintenance provider in connection with any servicing, maintenance or repair of any CRJ700 and CRJ900 aircraft, including all engines, parts, appliances and other equipment.

The failure of Mesa to comply with the foregoing reporting and inspection requirements shall result in a suspension of any payments due Mesa hereunder until such documents or information are provided or access is given.

*Release of
Bombardier*

On the Approval Order Date, Mesa will release Bombardier and (x) any of its current subsidiaries, affiliates, officers, directors, stockholders or employees and (y) professionals or agents but only in the capacity as professional or agents for Bombardier or its subsidiaries or affiliates (collectively, the "Mesa Released Parties") from any and all claims that Mesa and the estates have or had against the Mesa Released Parties, whether legal or equitable, known or unknown, liquidated or contingent, matured or inchoate, which arose or accrued on or before the Approval Order Date, except (i) claims arising under or related to the Master Purchase Agreement (as to be modified by the parties) which will be assumed under the Amended Plan, (ii) any defenses to any claims asserted against Mesa and not settled or waived hereunder, (iii) any claims for negligence, gross negligence or willful misconduct by Bombardier in connection with the manufacture of equipment or performance of services provided to Mesa or arising under any warranty for equipment or services provided to Mesa prior to the Effective Date, in each case as modified or waived by Mesa in this Term Sheet and the definitive documents memorializing the agreements set forth in this Term Sheet (including, but not limited to, a waiver of claims by Mesa related to Airworthiness Directives/Service Bulletins, Schedule Completion Guarantee, and ADMCGs identified above) and (iv) any claims under this Term Sheet and the definitive documents memorializing the agreements set forth in this Term Sheet.

ACKNOWLEDGED AND AGREED

Mesa Air Group, Inc.

Name: _____

Title: _____

Date: _____

ACKNOWLEDGED AND AGREED

Bombardier Inc.

Name: _____

Title: _____

Name: _____

Title: _____

Date: _____