

**Form of Lease Agreement****Lease Agreement**

This Lease Agreement is made as of February 26, 2010 between Rolls-Royce Corporation ("**Lessor**") and Mesa Air Group ("**Lessee**"). It refers to and incorporates the terms of IATA Document No. 5016-00 (Master Short-Term Engine Lease Agreement, 2002) ("**Master Agreement**").

This Lease Agreement modifies the Master Agreement, and, as so modified, constitutes a single contract applicable to the leasing of the Engine (defined below), as contemplated by 2.1.2 of the Master Agreement.

**Part I – Referenced Provisions**

For purposes of the Master Agreement ("N/A" denotes non-applicability):

<p><b>1. Engine</b> (clause 2.3.1(i); annex 1, definition)</p> <p>Rolls-Royce manufactured AE3007A engine with serial number CAE310078 including all Part attached thereto.</p> <p>Serviceability Tag: FAA 8130</p>	<p><b>2A+B. Engine Flight Hours (2A) and Engine Flight Cycles (2B) /Since Last Overhaul</b> (clause 2.3.1(ii); Annex 1, Definitions)</p> <p>N/A</p>
<p><b>3A+B. Additional Conditions Precedent to Lessee's Obligations</b> (clause 2.3.1(iii)) <b>(3A) and to Lessor's Obligations</b> (clause 2.3.3) <b>(3B)</b></p> <p><b>3A Lessee's obligations:</b> N/A</p> <p><b>3B Lessor's obligations:</b> N/A</p>	<p><b>4. Conditions Precedent Time Period</b> (clause 2.3.2)</p> <p>From the date of this Lease Agreement to the Commencement Date.</p>
<p><b>5. Commencement Date</b> (clause 2.4.1; annex 1, definition)</p> <p>February 26 , 2010</p>	<p><b>6. Acceptance Certificate</b> (clause 2.4.2; annex 1, definition)</p> <p>An Acceptance Certificate is required (form attached at Appendix A).</p>
<p><b>7. Deposit and/or Letter of Credit</b> (clause 3.1)</p> <p>A deposit of US\$_____ (2 months lease rental payment plus 2 months estimated use fee amounts) is required. Any refund of the deposit will be made without interest.</p> <p>Lessee agrees that (a) Lessor may, without notice or demand, apply the Deposit (or any part of it) towards payment or discharge of any matured obligation of Lessee to Lessor; (b) Lessor may commingle the Deposit with Lessor's other funds any interest earned on such Deposit will be for Lessor's account; and (c) if Lessor exercises the rights set out in (a), Lessor will inform Lessee and Lessee will immediately restore the Deposit to the level at which it should have stood immediately before such exercise.</p> <p>Nothing in clause 3.1 or this point 7 will create a relationship of trust or any fiduciary duty between Lessor and Lessee.</p> <p>The Deposit will serve as security for the performance by Lessee of its obligations under this Lease Agreement (including, without limitation, the Master Agreement) and may be applied by Lessor upon the occurrence of any default or Event of Default under such agreements. Upon termination of this Lease Agreement other than if an Event of Default has occurred and is continuing (and after the occurrence of the redelivery and the Final Inspection), Lessor will return to Lessee within fifteen (15) days after the completion of the Final Inspection the amount of the Deposit then held by Lessor, without interest. Upon termination of this Lease and if an Event of Default has occurred and is continuing (and after the occurrence of the redelivery and the Final Inspection), then within fifteen (15) days after the completion of the Final Inspection Lessor will return, without</p>	<p><b>8. Rent</b> (clause 3.2; annex 1, definition)</p> <p>US\$_____ for each month of the Term.</p>

interest, the balance of the Deposit, if any, after the application of the Deposit to cure such Event of Default.	
<b>9. Rent Payment Date</b> (clause 3.2; annex 1, definition)  The Commencement Date and each of the dates numerically corresponding to the Commencement Date in each following calendar month or, if there is no corresponding day in any month, the last day of that month).	<b>10. Default Rate</b> (clause 3.5; annex 1, definition)  LIBOR plus 5% per annum.
<b>11. Agreed Currency</b> (clause 3.7.2; annex 1, definition)  United States Dollars (\$).	<b>12. Payment Account</b> (clause 3.7.2; annex 1, definition)
<b>13. Engine Documentation</b> (clause 4.2.1(i))  The Lease Engine Data Set and Lease Engine Data Set Checklist	<b>14. Engine Reports - Other Information</b> (clause 4.2.4(ii))  As detailed in the Lease Engine Procedures for Operators
<b>15. Engine Installation/Removal Notification Requirements</b> (clause 4.2.6)  Details of all installations and removals required by Lessor within 5 days of such installation or removal.	<b>16. Certain Lessee Obligations Concerning Indemnities</b> (clause 4.4.6)  Clause 4.4.6 will apply to Additional Indemnities and be in respect of all laws in all jurisdictions (at Lessee's expense).
<b>17. Consequences of Partial Loss</b> (clause 7.2.1(ii))  The Engine will continue to be leased as set out in clause 7.2.1(ii)(a).	<b>18 Stipulated Amount</b> (clause 7.3.1; annex 1, definition)  US \$ _____
<b>19. Reinsurance</b> (clause 8.1)  N/A	<b>20. Redelivery Location</b> (clause 11.1(i); annex 1, definition)  The Rolls-Royce facility at Indianapolis, Indiana, USA
<b>21. Redelivery-additional requirement</b> (clause 11.1(ii))  Where the Engine is returned in an unserviceable condition, it should be returned with an unserviceable tag specifying why the Engine is not serviceable.	<b>22. Final Inspection—other tests</b> (clause 11.3.1(ii))  As specified in the Lease Engine Guide.
<b>23. Redelivery—Additional Documentation</b> (clause 11.4(viii))  As specified in the Lease Engine Guide.	<b>24. Transportation – supplemental requirements</b> (clause 11.5)  In accordance with IATA/ICAO regulations, particularly with respect to purging, inhibiting and drainage of the fuel system.
<b>25. Additional Amounts – Term Extension</b> (clause 11.6.2)  Rent will accrue and be paid by Lessee at a rate per month equal to the amount of Rent previously payable plus 50%, calculated on a per diem basis.  If Lessor elects at any time to accept redelivery notwithstanding non-compliance with clauses 11.1 and 11.5, Lessee will indemnify Lessor, and provide cash to Lessor, in an amount satisfactory to Lessor as security for that indemnity in respect of the cost of putting the Engine into the required condition.	<b>26. Differing Period</b> (clause 14.1(i))  <b>Failure to make any payment required under this Agreement on the specified due date shall be an Event of Default.</b>
<b>27. Notices</b> (clause 16.5)  Notices may be given in writing or by facsimile transmission. The address and facsimile details for notices are as set out below or as otherwise advised in writing by one party to the other in compliance with clause 16.5:	<b>28. Contracting by Fax/Electronic Writing</b> (clause 16.6)  Notices by fax is acceptable as per box 27. Notice by electronic writing is not permitted.

Created with

**Lessor: Rolls-Royce Corporation**

Address: PO Box 420, Mail Code U14  
Indianapolis, Indiana 46206-0420, USA  
Attention: Commercial Manager – North America  
Fax No. +1 (317) 230-4010

**Lessee: Mesa Air Group**

Address: 410 North 44th Street, Suite 700  
Phoenix, Arizona 85008



<b>29. Governing Law</b> (clause 16.7)  Laws of the State of New York	<b>30. Nonexclusive Jurisdiction</b> (clause 16.8.1(i))  New York State Courts and/or Federal Courts located in New York
<b>31. Additional Indemnitees</b> (annex 1, definition) (for use, <i>inter alia</i> , in definition of "Indemnitees")	<b>32. Business Day</b> (annex 1, definition)  New York and Phoenix and in relation to a payment, New York.
<b>33. Use Fee Amount (Cycle)</b> (annex 1, definition) (for use in definition of "Use Fees (Cycle)")  US\$____ Per Engine Flight Cycle	<b>34. Use Fee Amount (Flight Hour)</b> (annex 1 definition) (for use in definition of "Use Fees (Flight Hours)")  US\$____ Per Engine Flight Hour
<b>35. Scheduled Final Date</b> (annex 1, definition) (for use in definition of "Final Date")  The date that falls sixty (60) days after the Commencement Date.	<b>36. Principal Taxation Jurisdictions</b> (annex 1, definition) (for use in definition of "Lessor Tax")  United States
<b>37. Calculation Discount Rate</b> (annex 1, definition) (for use in definition of Termination Damage Amount))  3 % per annum	<b>38. Threshold Amount</b> (annex 1, definition)  US\$100,000
<b>39. Required Liability Amount</b> (annex 4, clause 4)  US\$350,000,000	<b>40. Deductibles</b> (annex 4, clause 8)  US\$100,000

#### **Part II – Modifications Applicable Where Lessee Is Not an Airline or Other Operator of Engines**

Pursuant to 2.1.4 of the Lease Agreement, the Master Agreement is modified as follows ("N/A" denotes non-applicability):

N/A.

#### **Part III – Other Modification to Master Agreement**

As regards this Lease Agreement, the Master Agreement is further modified as follows ("N/A" denotes non-applicability):

1. N/A
2. All references to the "JAA" are deleted and replaced by the word "EASA".
3. A new clause 2.4.3 is added as follows: "Delivery of the Engine by Lessor to Lessee will take place at the Rolls-Royce facility in Indianapolis, Indiana, USA"
4. Clause 4.4.4(ii) is amended by deleting the words "(which may be done in that party's leasing or financing contract with Lessee)".
5. A new clause 4.4A is added as follows:

##### **4.A CAPE TOWN CONVENTION**

##### **4A.1 Applicability**

The provisions of this clause will only apply if, on the date of this Lease Agreement, the Cape Town Convention applies to the transactions contemplated.

**4A.2 Transacting User Entity**

Lessee will register as, and remain, a transacting user entity of the International Registry.

**4A.3 Consent to Registration**

Lessee consents to the registration of the International Interest constituted by this Lease Agreement and will ensure that no other interest is registered in the International Registry without the Lessor's prior written consent.

**4A.4 Cape Town Convention Remedies**

In addition to its rights under clause 14.2, Lessor may exercise all rights expressed to be available to creditors under the Cape Town Convention including the right to receive speedy relief (as defined in Article 20(2) of the Consolidated Text) in the form of any of the orders specified in Article 20 of the Consolidated Text. Lessee agrees that Article 20(4) of the Consolidated Text is disappplied. To the extent its remedies are governed by the Cape Town Convention, Lessor will exercise those remedies in a "commercially reasonable manner" and Lessee agrees that none of the remedies granted in this Lease Agreement to Lessor are manifestly unreasonable.

**4A.5 Conflict**

If a provision in this Lease Agreement relating to the Cape Town Convention conflicts with another provision of this Lease Agreement, the Cape Town Convention prevails unless this Lease Agreement grants Lessor greater rights or imposes fewer restrictions."

6. Clause 14.1 is amended by inserting the words "(and a **default** for the purposes of Article 17(1) of the Consolidated Text, if applicable)" at the end of the opening line.
7. Clause 16.8.1(ii) is amended by inserting the words "(including in accordance with Article 57 of the Consolidated Text, if applicable)" at the end of that clause.
8. The definition of "JAA" in Annex 1 is deleted.
9. The following new definitions are inserted in the correct alphabetical position in Annex 1:

**Consolidated Text** means the consolidated text of the Cape Town Convention attached to Resolution No. 1 of the Final Act of the Diplomatic Conference to adopt the Cape Town Convention.

**EASA** means the European Aviation Safety Agency or any other authority to which its responsibilities have been transferred or reallocated and includes, where the context so requires, a reference to the European Joint Airworthiness Authority.

**International Interest** has the meaning specified in the Consolidated Text.

**International Registry** has the meaning specified in the Consolidated Text.

**Lease Engine Procedures for Operators** means the lease engine guide issued by the Lessor (as amended and updated from time to time) which is published on [www.aeromanager.com](http://www.aeromanager.com)

**LIBOR** means the British Bankers Interest Settlement Rate for the Agreed Currency and period displayed on the relevant Reuters screen or, if that page is unavailable, another page displaying the appropriate rate or if no page is available the arithmetic mean (rounded upward to 4 decimal places) of the rates quoted by British Banking Association to leading banks in the London interbank market as of 11.00am on the relevant date for such period as Lessor determines.

10. Annex 3 is amended by adding the following additional paragraph:

"1.4 if applicable:

- (a) evidence in a priority search certificate from the International Registry that the International Interest constituted by this Lease Agreement has been duly registered with the International Registry, and there are no other interests in relation to the Engine; and
- (b) an executed Recognition Agreement from all parties with a proprietary interest in the aircraft on which the Engine is to be installed."

11. Annex 4, paragraph 2 is deleted and replaced with the following: "The Insurances must include an endorsement on the terms of AVN67C (Hull All and Hull War Endorsement) (or equivalent) naming Lessor as the "Designated Contract Party"."
12. Annex 4, paragraph 9 is amended by inserting the words "Such insurance shall include an endorsement on the terms of AVN99 naming the Lessor as the "Designated Contract Party"" at the end of that paragraph.
13. A new Clause 13.3 is added as follows:  
  
"If head lease relating to the Engine Package is terminated then (a) this Agreement shall terminate without further action and (b) Lessee shall comply with Clause 11 and pay to Lessor the Termination Damage Amount save the amount specified in (iii) of that definition".
14. Annex 3 is amended by inserting a requirement for provision of a process agent letter before delivery.
15. A new Clause 14.1(vii) is added as follows:  
  
"(vii) failure by Lessee to pay any amount due for engine repair work or for parts or for any other services ."
16. This Lease Agreement is contingent upon Mesa delivering to a Rolls-Royce designated repair facility one unserviceable engine to be inspected and repaired on a Time & Material basis with a prepayment of \$\_\_\_\_\_ deposit and the payment of any additional repair costs identified during the repair process. Failure to comply with these terms shall be an Event of Default hereunder and under the Master Agreement.
17. Notwithstanding anything else to the contrary herein or in the Master Agreement, this Lease Agreement is contingent upon the approval by the United States Bankruptcy Court, Southern District of New York (the "Bankruptcy Court"), in the Lessee's pending chapter 11 case (Chapter 11 Case No. 10-10018) (the "Bankruptcy Case"), of both this Lease Agreement and the letter agreement sent to Mesa's Gary Appling, dated February 24, 2010, from Rolls-Royce, which order of the Bankruptcy Court (such order, the "Approval Order") must be obtained on or before March 5, 2010. In this regard, the Lessee agrees to seek to obtain such Approval Order from the Bankruptcy Court as soon as practicable, but in any event by March [5], 2010. If the Lessee wants this Lease Agreement to become effective before obtaining such Approval Order from the Bankruptcy Court, then, on an interim basis, this Lease Agreement can become effective assuming that the following two additional conditions are satisfied (assuming that the other terms for effectiveness in this Lease Agreement and in the Master Agreement have been satisfied): (a) the Official Committee of Unsecured Creditors in Lessee's Bankruptcy Case both consents to the Lessee's entry into this Lease Agreement transaction (both with or without court approval) and agrees that it will not file or assert with the Bankruptcy Court an objection on any grounds to the Lessee's entry into this Lease Agreement and (b) Mesa deliver's an officer's certificate, in form and substance acceptable to Lessor, confirming that this transaction is an ordinary course of business transaction for the Lessee; provided, however, that, notwithstanding anything else in this Lease Agreement or the Master Agreement, and notwithstanding the satisfaction of the foregoing two additional conditions, this Lease Agreement shall automatically terminate if the Bankruptcy Court does not enter the Approval Order on or before March [5], 2010 and the Final Date shall be March [5,] 2010 for all purposes under this Lease Agreement and the Master Agreement.
18. A new sentence is added at the end of Clause 14.2 as follows:  
  
"In addition to the foregoing, the Lessor shall have the rights to effect any rights or remedies available to it under applicable law, including, without limitation Article 2A of the Uniform Commercial Code."

#### **Part IV – Appendix**

**Appendix A** hereto is the form of **Acceptance Certificate**, the execution of which, as contemplated by point 6 above, effects or evidences Lessee's acceptance of the Engine under the Lease Agreement.

IN WITNESS whereof, Parties have executed this Lease Agreement **as a deed** on the respective dates specified below.

Executed and delivered as a deed

by \_\_\_\_\_,  
a duly authorised delegate  
for and on behalf of  
**Rolls-Royce Corporation**

\_\_\_\_\_  
Sign

Created with



download the free trial online at [nitropdf.com/professional](http://nitropdf.com/professional)

in the presence of:

\_\_\_\_\_  
Sign

\_\_\_\_\_  
Print Name

Executed and delivered as a deed

by \_\_\_\_\_,  
a duly authorised delegate  
for and on behalf of  
**Mesa Air Group**

\_\_\_\_\_  
Sign

in the presence of:

\_\_\_\_\_  
Sign

\_\_\_\_\_  
Print Name



**Appendix A – Acceptance Certificate**

Rolls-Royce Corporation  
PO Box 420, Mail Code U-14  
Indianapolis, Indiana USA

**Re: Acceptance of Engine Package**

Dear Sir/Madam,

Reference is made to the Lease Agreement between Rolls-Royce Corporation ("**Lessor**") and Mesa Air Group. ("**Lessee**") dated February \_\_, 2010 ("**Engine Lease Agreement**") regarding the leasing by Lessee of one Rolls-Royce manufactured AE3007A engine with serial number CAE310078 ("**Engine**"). Terms used herein without definition have the meanings assigned in the Engine Lease Agreement.

Lessee hereby confirms to Lessor that: on \_\_\_\_\_ [*insert date*] at \_\_\_\_\_ [*insert time*] at \_\_\_\_\_ [*insert place*] Lessee accepted delivery of the Engine, as described in **Part I, point 1** of the Engine Lease Agreement and the Engine Documentation, as described in **Part I, point 13** of the Engine Lease Agreement.

**Mesa Air Group**

By: \_\_\_\_\_

Date: \_\_\_\_\_