

Exchange Agreement



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One Time Component Exchange Terms and Conditions of Exchange

(to be signed as accepted by Customer before release of Exchange Unit)

Subject to these Terms and Conditions of Exchange, USAERO agrees to supply Customer detailed below (and hereinafter referred to as "Customer") with the new, serviceable or overhauled part "Exchange Unit" listed below in exchange for Customer's unserviceable part or "Core Unit".

Customer: _____ **Customer PO Number:** _____ **Our Ref No:** _____
Part Number: _____ **Serial number:** _____ **Description:** _____
Outright Core Charge: _____ **Exchange Fee:** _____ **Core Due Date:** _____

1. The Exchange Unit will be supplied on an exchange plus costs basis and will be subject to the terms and conditions set forth herein.
2. Failure to provide the Core Unit by the Return Core Due Date will result in further Exchange Fees being charged.
3. Customer will be charged Exchange Fees in accordance with the following schedule:

Exchange Period

1 - 30 Calendar Days
31 - 60 Calendar Days
61 Calendar Days Plus

Exchange Fee

First Exchange Fee
Second Exchange Fee
Outright Price as Above

4. All sums due hereunder shall be paid by wire transfer to in accordance with the payment terms stated on the invoice. All late payments shall accrue interest at the rate of 2% per month from the relevant due date until all such sums are paid in full. All fees incurred for exchange and/or repairs are billable to the customer.
5. Once the Exchange Unit has been provided to the customer or customer's shipping company, the original exchange fee shall be considered final, even if the Core Unit is returned in unused condition or the Core Unit is returned in fewer days than required above.
6. All core units must be of an identical part number as the Exchange Unit. Any alternate part number must be pre-approved by us and will be modified to the same configuration standard of the Exchange Unit during recertification/overhaul at the Customer's expense unless otherwise previously agreed upon.
7. Prior to the delivery of any Core Unit, the Customer shall provide the following documentation. Additionally, Customer shall attach a duplicate copy of the following documentation to the Core Unit itself at delivery:

Returned Core Units must be shipped with the following certification documents:

- a. Unserviceable tags, containing "Reason for Removal" information
- b. A material certificate (e.g. ATA 106 Form) that includes:
 - i. Source of the Core Unit. Core Unit must be fully traceable to the last operating airline (MSN or ESN)
 - ii. Statement that the part is not incident related, and the part has not been subjected to any unusual stress or heat.
 - iii. Statement that the part was not obtained from any government or military source.
- iv. USAERO SO# shown in block 5B
- c. For Time or Cycle Life Limited parts, full back to birth history and traceability documents to original manufacturer.
- d. Unit must have non-incident statement from the last operating airline showing PN and SN
- e. Approved core trace: OEM or manufacturer, 121, and 129. All other trace will require prior approval.
- f. Any unit returned in SV/OH condition must have original 8130 and teardown report
- g. Unused units must be returned with a non-use statement, or the unit will have to be retagged at the customer's expense.

8. Units returned with incomplete paperwork will be treated as an overdue core and the above charges will apply.
9. Core Units returned in serviceable or overhauled condition must be returned with a fresh Dual Release 8130 from a pre-approved shop and must always be accompanied by a workshop report. Customer agrees to provide warranty coverage on all Core Units returned in SV/OH condition for up to 12 calendar months from date of receipt. Failure to comply with this will result in further Exchange Fees being accrued.
10. If a Core Unit is delivered in unserviceable condition, the customer will be responsible for any recertification and modification cost required to return the core to the same standard configuration as the original Exchange Unit in addition to a handling fee of 10% of

the repair cost. We will approve any repair quote equal to or under 75% of the agreed upon outright core value. Should a repair quote exceed 75% of the outright core value, the customer shall be given five (5) calendar days to approve or reject the repair of the Core Unit at the quoted price. Further price negotiations and special requests for repair will not be permitted during this time as all quotes will have been previously reviewed by us. If Customer fails to object to the repair within the five (5) day period, we will proceed to repair the Core Unit at the quoted price for all quotes below the outright core value and the Customer will be invoiced accordingly. If the Customer objects to the repair of the Core Unit or the unit is deemed Beyond Economical Repair (Quote exceeds outright core value), the exchange will be (a) converted to an outright sale; and (b) Customer shall pay the Outright Price, plus all accrued Exchange Fees, and any shipping and repair costs incurred plus a flat \$100 handling fee. The Core Unit will then be returned to the Customer at the Customer's sole risk and expense.

11. If component use or value is impacted by age or date of manufacture ("DOM") and limited to a given range (i.e. 15 years for certain inflatables, 20 years for certain actuation), Customer will be charged a prorated penalty of 7% of the Outright Price per year that Core Unit is lesser than the Exchange Unit determined by effective age limit of the component. Expired components or Core Units exceeding age or DOM limit will be replaced at Customer's expense, or Customer will be charged the Outright Price as applicable per the above terms.
12. Brakes: Customer will be charged 1% of the Outright Price for each percentage that the core life remaining is lesser than the exchange core. Differences exceeding 25%, or lesser core units under 50%, are subject to the core unit heat pack or affected component being replaced at customer expense or charged Outright as applicable per the above terms.
13. Risk of loss and damage to the Exchange Unit will pass from us to Customer at the time the Exchange Unit is tendered to Customer (or its appointed common carrier) at the Delivery Location. Customer shall be responsible for any and all loss or damage of the Exchange Unit during shipment. If an Exchange Unit is lost or damaged in shipment, Customer shall pay the Outright Price plus all Exchange Fees accrued.
14. Customer hereby grants the top priority security interest in the Exchange Unit until such time as:
15. The Core Unit has been delivered in accordance with these Terms and Conditions of Exchange; and
16. All fees and payments (including exchange fees and/or Outright Price) due have been paid in full
17. Customer shall hold harmless and defend and indemnify USAERO and its affiliates and their respective officers, directors, employees and agents in respect of any and all claims, demands, proceedings, damages (whether direct or indirect), losses (including injury or death to any person or damage to any property, including any aircraft on which the Exchange Unit may be installed), penalties, costs or expenses (including attorney fees and court costs)(collectively referred to as "Losses") which any USAERO Indemnitee may sustain or incur as a result of or arising in any manner (directly or indirectly) out of: (a) Customer's (or any third-party to which Customer relinquishes possession of any Exchange Unit) use, operation, possession, maintenance, storage, transportation, export, import, sale, resale of any Exchange Unit; or (b) any breach of the terms and conditions of this Agreement by Customer, and regardless of whether such Losses arise out of the negligence (active, passive or otherwise) of any of the USAERO Indemnities.
18. In no event shall USAERO total liability to Customer (or any third-party) under this Agreement exceed the total amount of Exchange Fees actually paid by Customer to USAERO in connection with the Exchange Unit giving rise to the claim.
19. Warranties: Unless otherwise contractually specified with USAERO, the warranty offered is as follows:
 - New Surplus - 30 days from invoice date
 - Factory New - One year from the date of the manufacturer's C of C or airworthiness certificate.
 - Inspected and/or Tested - 30 days from the tag date
 - Repaired - 6 months from tag date
 - Overhauled - 1 Year from tag date
20. The Exchange Fees and all other sums due hereunder are exclusive of any and all taxes that may be imposed on the transaction. All sales and use taxes (including value added, goods and services, transfer, gross receipts, excise, turnover or stamp taxes) and similar taxes, levies, duties, charges or fees imposed by any jurisdiction now or hereafter imposed together with all penalties, fines or interest thereon arising from the transactions described in this Agreement (collectively referred to herein as "Taxes") shall be for the account of Customer and Customer shall indemnify and hold USAERO Indemnitees harmless against all such Taxes. This obligation shall survive the conclusion of the transactions described in this Agreement and the expiration or termination of this Agreement.
21. All Exchange Units are delivered F.O.B. the Delivery Location. All expenses associated with the shipment of the Exchange Unit (including any duties or customs) shall be borne by the Customer.
22. The failure or rejection of any Exchange Unit must be notified immediately in writing to USAERO. Any rejected or failed Exchange Unit will not be accepted without prior authorization given from USAERO. Rejected or Failed Exchange Units must be received by USAERO no later than seven (7) days after USAERO's authorization has been given or the return will be denied.
23. These Terms and Conditions of Exchange shall be governed by the laws of New York. The courts situated in New York, New York shall have non-exclusive jurisdiction to hear any dispute arising hereunder. The prevailing party in such suit shall be entitled collect its legal fees and court costs from the non-prevailing party.
24. These Terms and Conditions of Exchange shall not be modified except by a written document signed by a duly authorized
25. representative of USAERO.

26. Customer understands that the products and/or technology to be purchased by it pursuant to this Agreement are subject to export controls under the laws of the United States, including but not limited to: (i) U.S. exports regulations governing the export, transfer, or re-export of U.S. manufactured products, and products containing U.S. components, software, or technology as set forth in the U.S. Export Administration Regulations (EAR), 15 C.F.R. §§ 772 et seq.; (ii) U.S. export regulations and laws restricting U.S. companies and their foreign affiliates and subsidiaries from doing business with certain embargoed countries and entities as set forth in the U.S. Foreign Asset Control Regulations (FACR), 31 C.F.R. §§ 500 et seq.; and (iii) the International Traffic in Arms Regulations, 22 C.F.R. §§ 120 et seq. Customer agrees, warrants and represents that it will not export or re-export the products, technology, or products manufactured from the technology that are the subject of this Agreement in violation of the export laws of the United States. Customer shall provide USAERO with an End-User Certificate in the form attached hereto as Exhibit ""

("End-User Certificate") on an annual basis.

These Terms and Conditions of Exchange shall govern the relationship between USAERO and Customer to the exclusion of any other terms or conditions provided by the Customer at any time.

Executed on behalf of the undersigned on this date: _____ by:

Contact Name: _____ Title: _____ Signature: _____

Phone: _____ Fax: _____ Customer PO#: _____