

## **TRIPARTITE AND ASSIGNMENT AGREEMENT**

### **FINCO TRUST SERVICES LIMITED**

(as Security Trustee)

a company registered in Malta with registration number C 13078 and registered address at The Bastions Office, No. 2 Emvin Cremona Street, Floriana FRN 1281, Malta

and

### **ACE AVIATION VI LIMITED**

(as Lessor)

a company registered in Malta with registration number C 101563 and registered address at Level 5, Skyparks Business Centre, Malta International Airport, Luqa LQA 4000, Malta

and

### **CHALLENGE AIRLINES (BE) SA**

(as Lessee)

a private limited liability company registered under the laws of Belgium bearing company registration number 0669921491 and having its registered office at Rue du Fort, 3, L' Escale, Level 3, 4460 Grâce-Hollogne, Belgium

## **TRIPARTITE AND ASSIGNMENT AGREEMENT**

Relating to one (1) Boeing model B747-409F aircraft with Manufacturer's Serial Number 33729 and National Registration Mark OE-LRI and four (4) General Electric CF6-80C2B1F Engines with serial numbers 706641, 706692, 706778 and 706241.

**MAMO TCV**  
ADVOCATES

THIS **TRIPARTITE AND ASSIGNMENT AGREEMENT** dated 16 April 2026

and made between

**FINCO TRUST SERVICES LIMITED**, a company registered in Malta with registration number C 13078 and registered address at The Bastions Office, No. 2 Emvin Cremona Street, Floriana FRN 1281, Malta, as security trustee

as the **Security Trustee**

- and –

**ACE AVIATION VI LIMITED**, a company registered in Malta with registration number C 101563 and registered address at Level 5, Skyparks Business Centre, Malta International Airport, Luqa LQA 4000, Malta

as the **Lessor**

- and –

**CHALLENGE AIRLINES (BE) SA**, a private limited liability company registered under the laws of Belgium bearing company registration number 0669921491 and having its registered office at Rue du Fort, 3, L' Escale, Level 3, 4460 Grâce-Hollogne, Belgium

as the **Lessee**

**WHEREAS,**

- (A) the Lessor and the Lessee have entered into that certain Aircraft Operating Agreement in relation to the operation of the Aircraft by the Lessee; and
- (B) it is a condition under that certain Aircraft Security Agreement that the Security Trustee consents to the operation of the Aircraft by the Lessee on the terms of Aircraft Operating Agreement and it is on such basis that the Lessor and the Lessee enter into this Agreement.

**NOW, THEREFORE**, the Parties hereby agree as follows:

## **1. DEFINITIONS AND INTERPRETATION**

### **1.1 Definitions**

Unless otherwise defined herein capitalised terms shall have the meanings assigned thereto in this Clause 1.1.

<b>Affiliate</b>	means any Person controlling, being controlled by, or being under common control of the Person referred to.
<b>Agreement</b>	means this Tripartite and Assignment Agreement including all schedules hereto.
<b>Air Authority</b>	means the applicable civil aviation authority in the State of Registration (currently being the Civil Aviation Directorate, a division of Transport Malta).
<b>Aircraft</b>	means the aircraft as described in more detail in <u>Schedule 1</u> to this Agreement, including all Engines, the APU, Parts and Aircraft Documents.
<b>Aircraft Documents</b>	means whether in paper, photographic, digital, electronic or other medium, (a) all manuals, technical records, historical records and documentation pertaining to the Aircraft; (b) all log books, Aircraft records, books, operational and maintenance manuals, technical data, aircraft delivery documents, customised specification, interior material specification and other documents pertaining to the Aircraft; and (c) any other documents required by the Air Authority or Maintenance Programme to be maintained (all of which, or a duplicate thereof, will be maintained in English), and all additions, renewals, revisions and replacements from time to time made to any of the foregoing in accordance with this Agreement.

<b>Aircraft Operating Agreement</b>	means that certain Aircraft Operating Lease Agreement dated 20 <sup>th</sup> August 2024 and entered into by and between the Lessor and the Lessee, together with all schedules, exhibits and annexes thereto, relating to the operation of the Aircraft by the Lessee.
<b>Aircraft Security Agreement</b>	means that certain Aircraft Security Agreement dated <u>16 April 2026</u> entered into by and between the Security Trustee and the Lessor, together with all schedules thereto, relating to the financing of the Aircraft by the Security Trustee.
<b>Air Traffic Control Letter</b>	means the letter addressed to Eurocontrol and to be issued by the Lessor and the Lessee in the form and substance of <u>Schedule 4</u> to this Agreement.
<b>Applicable Standard</b>	means all applicable rules and regulations of EASA and the Air Authority and of any other Government Entity having jurisdiction over the Aircraft.
<b>Approved Maintenance Performer</b>	means in relation to the Airframe, the Engines, the APU and any Part, the relevant Manufacturer or such other Person having a valid repair station license and being approved by the relevant Manufacturer and pursuant to the Applicable Standard for the undertaking of maintenance, repair, overhaul and inspection thereof.
<b>APU</b>	means the auxiliary power unit installed on the Aircraft and as further described in <u>Schedule 1</u> to this Agreement, and any replacement auxiliary power unit installed in accordance with this Agreement.
<b>Assigned Rights</b>	is defined in Clause 0 of this Agreement.
<b>Business Day</b>	means a day (other than a Saturday or Sunday) on which banks are open for general business in Milan and Malta.

<b>Convention</b>	means the Convention on International Interest in Mobile Equipment, the Protocol to the Convention on International Interest in Mobile Equipment on Matters specific to Aircraft Equipment, in each case, signed at Cape Town on 16 November 2001, together with the Regulations and Procedures issued by the Supervisory Authority for the International Registry, and all other rules, amendments, supplements, modifications, and revisions thereto (in each case the official English language text).
<b>Damage Notification Threshold</b>	means four hundred and fifty thousand dollars (US\$450,000).
<b>Dollars or USD or US Dollars</b>	means the lawful currency of the United States of America.
<b>EASA</b>	means the European Aviation Safety Agency, an agency of the European Union, or any successor thereof.
<b>Encumbrance</b>	means any encumbrance, right or interest of any person, whether by way of ownership, possession, enjoyment, security, contract, at law or otherwise whatsoever, howsoever and whenever created or arising, including any mortgage, charge, pledge, international interest, national interest, IDERA, hypothecation, assignment, statutory right in rem, title retention, lease, lien, attachment, levy, claim, right of detention or seizure or right of set-off.
<b>Engine</b>	means, whether or not installed on the Aircraft, (a) the engines that are specified in <u>Schedule 1</u> to this Agreement, or (b) any engine which has replaced that engine; and, in each case, includes all modules and Parts from time to time belonging to or installed in that engine.

<b>EU ETS Authority</b>	means any Government Entity of a member state of the European Union with jurisdiction for the application and administration of EU ETS Laws in relation to the Lessor, the Lessee or the Aircraft.
<b>EU ETS Authorization Letter</b>	means the letter addressed to the EU ETS Authority and to be issued by the Lessor and the Lessee in the form and substance of <u>Schedule 5</u> to this Agreement.
<b>EU ETS Laws</b>	means Directive 2003/87/EC of the European Parliament and of the Council of October 13, 2003 (as later amended by Directive 2008/101/EC) establishing a scheme for greenhouse gas emissions allowance trading and amending Council Directive 96/61/EC, as the same may be amended, supplemented, superseded or re-adopted from time to time (whether with or without modifications) (the <b>EU ETS Directive</b> ) and any applicable law of a member state of the European Union implementing the EU ETS Directive.
<b>Event of Default</b>	has the meaning ascribed to such term in the Aircraft Security Agreement.

<b>Event of Loss</b>	means with respect to the Aircraft or any Engine: (a) its Total Loss; or (b) its requisition of title, or other compulsory acquisition, capture, seizure, deprivation, confiscation or detention for any reason by the government of the State of Registration or other competent authority in any jurisdiction (whether de jure or de facto), but excluding requisition for use or hire not involving requisition of title; or (c) its hijacking, theft, condemnation, confiscation or seizure which deprives any person permitted to have its possession or use of its possession or use for more than sixty (60) days; an Event of Loss with respect to the Airframe shall be deemed to constitute an Event of Loss with respect to the Aircraft.
<b>Government Entity</b>	means: (a) any national government, political subdivision thereof, or local jurisdiction therein; (b) any instrumentality, board, commission, court, or agency of any thereof, however constituted; and (c) any association, organisation, or institution, including any multilateral or supranational body or agency, of which any of the above is a member or to whose jurisdiction any thereof is subject or in whose activities any of the above is a participant.
<b>Habitual Base</b>	means Liege Airport, Belgium, or such other location to which the Security Trustee has agreed in writing.
<b>Indemnitees</b>	means the Security Trustee, its Affiliates, each of such Person's directors, officers, agents and employees and each of such Person's successors and assigns.
<b>International Registry</b>	means the international registry located in Dublin, Ireland, established pursuant to the Convention.
<b>Insurances</b>	has the meaning given to such term in Clause 2 of <u>Schedule 2</u> to this Agreement.

**Insurance Agreed Value**

means an amount of not less than means, at any time of determination thereof, the greater amount of: (a) forty five million dollars (US\$45,000,000), which such amount shall be reduced annually, on each anniversary of the Delivery Date (as defined in the Aircraft Operating Agreement), by three per cent (3%) per annum, or such other amount as the Lessor and the Security Trustee shall from time to time agree and notify to the Lessee, and (b) the current market value of the Aircraft.

**Maintenance Programme**

means an Air Authority approved maintenance programme for the Aircraft derived from the Manufacturers' maintenance planning documents for the Aircraft encompassing scheduled maintenance (including block maintenance), condition monitored maintenance, or on-condition maintenance of Airframe, Engines and Parts, including but not limited to, servicing, testing, preventive maintenance, repairs, structural inspections, system checks, overhauls, approved modifications, service bulletins, engineering orders, airworthiness directives, corrosion control, inspections and treatments.

**Maintenance Support Agreement**

means an agreement entered into by the Lessor or the Lessee, as applicable, with the Manufacturer of the Engines, and if applicable, the Airframe and the APU, or similar agreements with a contractor acceptable to the Security Trustee, pursuant to which maintenance reserves per flight hour or cycles are being accrued and used for major maintenance events.

**Manufacturer**

means the manufacturer of the Airframe, the Engines, the APU and any Part, respectively.

<b>Minimum Liability Coverage</b>	means an amount of not less than one billion dollars (US\$1,000,000,000) for each occurrence, on the Aircraft.
<b>Part</b>	means whether or not installed on the Aircraft: (a) any component, furnishing or equipment (other than a complete Engine) furnished with the Aircraft on the date hereof; and (b) any other component, furnishing or equipment (other than a complete Engine) of the Aircraft.
<b>Party</b>	means each of the Security Trustee, the Lessor and the Lessee.
<b>Permitted Encumbrance</b>	means: (a) any Encumbrance for Tax not assessed or, if assessed, not yet due and payable, or being contested in good faith by appropriate proceedings; (b) any Encumbrance for fees or charges of any supplier, repairer, mechanic, workman, employee, carrier, hangar keeper or other similar lien arising in the ordinary course of business by statute or by operation of law in respect of obligations which are not yet due and payable or are being contested in good faith by appropriate proceedings; (c) any Encumbrances created in favour of the Security Trustee or any of its Affiliates under this Agreement or any other Transaction Document; and (d) any Encumbrance expressly permitted by a Transaction Document; but (in the case of both (a) and (b)) only if (1) adequate resources have been provided by the Lessor for the payment of such Tax or obligations; and (2) such proceedings, or the continued existence of the Encumbrance, do not make the sale, forfeiture or other loss of the Aircraft or any interest therein or of criminal liability on the part of any Indemnitee likely.

<b>Person</b>	means any individual, company, corporation, firm, partnership, joint venture, association, organisation, trust or Government Entity (in each case, whether or not having separate legal personality).
<b>Process Agent</b>	is defined in Clause 0 of this Agreement.
<b>Quarterly Operational Report</b>	means the quarterly operational report to be furnished by the Lessee to the Security Trustee pursuant to this Agreement in form and substance set forth in <u>Schedule 3</u> to this Agreement or such other form as the Security Trustee may agree from time to time.
<b>Sanctioning Authority</b>	means: (a) the US government or any US agency (including the Office of Foreign Assets Control of the United States Department of the Treasury (or any successor thereto), the US State Department, the US Department of Commerce or the US Department of the Treasury); (b) the United Nations Security Council; (c) the European Union (or any of its member states); (d) Her Majesty's Treasury of the United Kingdom; or (e) the government of Italy; including, in each case, any other governmental institution of any of the foregoing and/or any other body as may be notified by the Security Trustee to the Lessor from time to time.
<b>State of Incorporation</b>	means Malta in relation to the Security Trustee, and Malta in relation to the Lessor and Belgium, in relation to the Lessee.
<b>State of Registration</b>	means Austria, or such other jurisdiction agreed in writing between the Lessor and the Security Trustee from time to time.
<b>Tax</b>	means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

<b>Termination Date</b>	means the date on which the Aircraft Security Agreement is terminated in accordance with the terms thereof and is notified by the Security Trustee to the Lessee in writing.
<b>Total Loss</b>	means the total destruction of the Aircraft, and any Engine, respectively, or any condition or event which makes a repair commercially unreasonable or results in a permanent loss of the airworthiness of the Aircraft or makes the Aircraft or any Engine otherwise unfit for normal use or which represents a total loss under the terms and conditions of any relevant Insurance.
<b>Transaction Documents</b>	means this Agreement, the Aircraft Security Agreement, any IDERA (if applicable) in favour of the Security Trustee, and such other agreements and documents as may be designated as by the Security Trustee and the Lessor and are notified by the Security Trustee to the Lessee from time to time.

## **1.2 Interpretation**

Unless otherwise provided herein (a) any references to a Party shall be construed so as to include its successors, permitted assigns and permitted transferees; (b) any references to terms shall be construed so as to include such terms in singular and plural form, as the case may be; (c) any references to any provision of law, regulations or any publication of a Government Entity shall be construed as references to such provision of law, regulations, or publication as the same may have been, or may from time to time be, substituted, amended or re-enacted; (d) any reference to a successor shall be construed so as to mean a successor in title of a Person and any Person who under the applicable laws of its jurisdiction of incorporation or domicile has assumed the rights and obligations of such Person or to which, under such laws or by agreement or otherwise, such rights and obligations have been transferred; (e) references to times shall be construed as to refer to the Central European Time zone, unless another time zone is specified in this Agreement; (f) headings, clauses and schedule numbers refer to such items of this Agreement and are for ease of reference only and are not the subject matter this Agreement or any other Transaction Document; (g) any references to this Agreement or to any other agreement or document or any specified provision thereof shall be construed as references to this Agreement, that agreement or document or that provision as the same may have been, or may from time to time be, amended, supplemented, novated or replaced, but so that the foregoing is without prejudice

to any requirement in any Transaction Document that the prior consent of the Security Trustee be obtained; (h) a Default or Event of Default which is “continuing”, is a reference to such Default or Event of Default (1) which has not expressly and specifically been waived by the Security Trustee, in its sole discretion, in writing, or (2) the cure or remedy of such Default or Event of Default, after the expiry of any applicable cure or remedy period stated in this Agreement, has not expressly and specifically been permitted by the Security Trustee, in its sole discretion, in writing; and (i) a Default or Event of Default stated to be applicable in relation to the Lessee, such Default or Event of Default shall apply to the Lessee upon being notified by the Security Trustee to the Lessee and the Lessee shall, and shall be entitled to, rely on such notification by the Security Trustee without further inquiry as to the facts and circumstances in relation to the occurrence of such Default or Event of Default.

## **2. Aircraft Operating Agreement**

### **2.1 Consent**

2.1.1 The Security Trustee hereby consents to the operation of the Aircraft by the Lessee on the terms of the Aircraft Operating Agreement, provided that such consent may be revoked by the Security Trustee, at its sole discretion, anytime by written notice to the Lessor and the Lessee if:

- (i) the Lessee does not comply with any instruction or requirement of the Air Authority or any other competent aviation authority, despite written notice of the Security Trustee to remedy any such failure or default, if capable of remedy, within ten (10) days upon receipt of such notification by the Lessee; or
- (ii) the Lessee does not comply with the terms and conditions set forth herein, despite of a written notice of the Security Trustee to remedy any such failure or default, if capable of remedy, within ten (10) days upon receipt of such notification by the Lessee; or
- (iii) the Aircraft is flown without a valid certificate of airworthiness, or the Aircraft is flown without any other valid certificate or licence (including but not limited to any overflight permit and authorization of the Aircraft to, be flown within the country of, and/or to remain in the Habitual Base) required under any applicable laws or regulations of any jurisdiction to, over or within which the Aircraft may be flown, the effect of which would be to invalidate the Insurances or result in the seizure, confiscation or detention of the Aircraft or otherwise jeopardise or prejudice the rights and interests of the Security Trustee; or
- (iv) a termination event occurs under the Aircraft Operating Agreement other than such termination of the Aircraft Operating Agreement as consented to in writing by the Security Trustee; or

- (v) the Lessee abandons the Aircraft or any of the Engines or they are no longer in the possession and unencumbered control of it; or
- (vi) a material adverse change occurs in the financial condition of the Lessee, which, in the Security Trustee's reasonable opinion after consultation with the Lessor and the Lessee, may affect its ability to meet its obligations hereunder or under the Aircraft Operating Agreement, respectively; or
- (vii) the Lessee (a) suspends payment of its debts or other obligations, (b) is unable, or admits its inability, to pay its debts or other obligations as they fall due, (c) is adjudicated or becomes bankrupt or insolvent, or (d) proposes or enters into any composition or other arrangement for the benefit of its creditors generally; or
- (viii) any proceedings, resolutions, filings or other steps are instituted with respect to the Lessee relating to its bankruptcy, liquidation, reorganization or protection from its creditors or a substantial part of the Lessee's property; or
- (ix) any order, judgment or decree is entered by any court of competent jurisdiction appointing a receiver, trustee or liquidator of the Lessee or a substantial part of its property, or if a substantial part of such assets is to be sequestered.

2.1.2 If any of the events listed in Clause 0 above are exclusively caused by, or attributable to, the Lessee (but not to the Lessor or any of its Affiliates), the Security Trustee agrees to consult with the Lessor as with a view as to replace the Lessee or otherwise restructure the operation of the Aircraft, provided, however, that the Security Trustee shall have no obligation to so consult with the Lessor where time is of the essence and such consultation may jeopardise or prejudice the rights and interests of the Security Trustee.

## **2.2 Security Trustee's Rights**

2.2.1 Upon and any time after (i) the notification of any event referred to in Section 2.1, or (ii) the occurrence of an Event of Default which has been notified to the Lessee, the Security Trustee shall, without prejudice or limiting any of the rights and remedies that the Security Trustee may have under any Transaction Document or any instrument or document furnished or available to the Security Trustee thereunder or in connection therewith, have the right to:

- (i) request the Lessee to suspend the provision (and the Lessee shall then not permit the provision) of services to, and/or cease to operate the Aircraft (and the Lessee shall then not permit the Aircraft to be operated) on account of, the Lessor or any of its Affiliates and to retain possession and control of the Aircraft for the benefit of the Security Trustee; or
- (ii) request delivery and take possession of the Aircraft in accordance with the terms of this Agreement; or

- (iii) request from the Lessee payment and performance to the Security Trustee of all claims and rights under the Aircraft Operating Agreement as assigned to the Security Trustee pursuant to Clause 0 hereinafter and/or request from any other relevant Person payment and performance to the Security Trustee of the further rights, benefits, interest or claims as assigned to the Security Trustee pursuant to Clause 0 hereinafter; or
- (iv) request the Lessee to enter into a lease, management or other service agreement in relation to the Aircraft with the Security Trustee or its nominee as shall be mutually agreed; or
- (v) exercise its rights and powers vested in it by any of the De-Registration Powers of Attorney.

2.2.2 Without prejudice or in any way limiting the Security Trustee's rights and remedies set forth in this Clause 0 or elsewhere in this Agreement or in any other Transaction Document, the Security Trustee shall have the right to issue an order to the Lessor to ground the Aircraft in case of an Event of Default arising, whereupon it shall copy such notice to the Lessee and the Lessee shall forthwith (as directed by the Security Trustee) either:

- (i) procure that the Aircraft is left at the airport where it is then located; or
- (ii) procure that the Aircraft is flown directly to such airport as the Security Trustee may direct;

whereupon the Lessee shall suspend its operation of the Aircraft until further notice from the Security Trustee.

### **2.3 Termination**

Neither the Lessor nor the Lessee shall throughout the term of this Agreement terminate, be it by way of ordinary or extraordinary termination, by non-renewal or otherwise, the Aircraft Operating Agreement without first having given notice to the Security Trustee of its intent to do so and having consulted with the Security Trustee as to the reasons therefore for a period of thirty (30) days.

### **2.4 Prevailing Terms and Provisions**

The Lessor and the Lessee hereby acknowledge and agree that in case of any conflict or discrepancies between the terms and provision of the Aircraft Operating Agreement and the terms and provision of this Agreement, the terms and provision of this Agreement shall prevail.

### **2.5 Performance of the Lessor's obligations by the Lessee**

The Security Trustee hereby confirms that the Lessor shall be released of each of its own obligations under the Aircraft Security Agreement relating to the operation of the Aircraft (in

particular as regards maintenance, information and insurance) to the extent that the Lessee has performed the same obligation pursuant to this Agreement; however, for the avoidance of any doubt, the Lessor shall remain fully liable for any such obligations.

### **3. Representations And Warranties**

Each of the Lessor and the Lessee represents and warrants to the Security Trustee that:

- (i) **Status:** it is a company duly incorporated and validly existing under the laws of its State of Incorporation and has the corporate power to own its assets and carry on its business as it is being conducted; and
- (ii) **Power and authority:** it has the organizational power to enter into and perform, and has taken all necessary corporate action to authorise the entry into, performance and delivery of, this Agreement, and the transactions contemplated thereby; and
- (iii) **Legal validity:** this Agreement constitutes its legal, valid and binding obligations enforceable in accordance with its terms;
- (iv) **Non-conflict:** its entry into, and performance of, this Agreement, and the transactions contemplated thereby, do not and will not, (a) conflict with any laws binding on it; or (b) conflict with the organizational and governing documents of it; or (c) conflict with or result in default under any document which is binding upon it or any of its assets nor result in the creation of any Encumbrance over any of its assets; and
- (v) **Authorisation:** all authorisations, consents, licenses, registrations and notifications required of it in connection with the entry into, performance, validity and enforceability of, this Agreement, and the transactions contemplated thereby, making this Agreement admissible in evidence in the relevant jurisdiction and enabling it to create the security to be created by it under this Agreement and ensuring that such security has the priority and ranking it is expressed to have, have been obtained or effected and are in full force and effect; and
- (vi) **Solvency:** (a) it is not insolvent or unable to pay its debts (including subordinated and contingent debts) as they fall due, nor could it be deemed by a competent court to be unable to pay its debts within the meaning of the law of its State of Incorporation; (b) nor, in any such case, will it become so in consequence of entering into this Agreement, and/or performing any transaction contemplated by this Agreement;
- (vii) **No default:** no default and no other event or circumstance is outstanding which constitutes a default (however defined) under any other agreement or instrument which is binding on it or to which its assets are subject which would materially adversely affect its ability to meet its obligations pursuant to or under this Agreement; and

(viii) **Litigation:** no litigation, arbitration or administrative proceedings are pending or, to its knowledge, threatened against it which, if adversely determined, would materially adversely affect its ability to meet its obligations pursuant to or under this Agreement; and

(ix) **Licenses:** the Lessee is duly qualified and provides for all prerequisite licenses, authorizations and approvals in order to safely and lawfully operate the Aircraft as provided for in the Aircraft Operating Agreement and in compliance with the terms of this Agreement.

#### **4. Lessee's covenants**

##### **4.1 General**

Schedule 2 sets out certain covenants of the Lessee relating to the operation, maintenance and insurance of the Aircraft and is incorporated herein by reference. The Lessee hereby expressly agrees to comply at any time with the terms and conditions contained in Schedule 2. The Lessor agrees to notify the Security Trustee in writing of any non-compliance by the Lessee of the terms and conditions set out in Schedule 2 of which the Lessor becomes aware, stating the exact deficiency.

##### **4.2 Aircraft Operating Agreement**

###### **4.2.1 No Assignments, Subcontracts and Part of Possession**

Save as contemplated herein, the Lessee shall neither assign nor, save in course or regular operation and maintenance of the Aircraft as provided for in the Aircraft Operating Agreement, subcontract any of its rights or obligations under the Aircraft Operating Agreement nor lease nor part possession of the Aircraft without the prior written consent of the Security Trustee. Notwithstanding the preceding sentence, the Lessee is hereby expressly authorized to subcontract various of its tasks as Lessee (such in particular as the Dispatch, and CAMO) to its Affiliates; however, for the avoidance of any doubt, the Lessee shall remain fully liable for any subcontracted tasks.

###### **4.2.2 Amendments**

Neither the Lessor nor the Lessee shall agree to any amendment, supplement or change of the Aircraft Operating Agreement without the prior written consent of the Security Trustee save for any inconsequential amendment to the Aircraft Operating Agreement reasonably agreed between the Lessor and the Lessee that (a) has occurred in the ordinary course of business or is required for compliance with applicable laws or the Applicable Standard, (b) does not adversely affect any of the Security Trustee's rights and/or interests in the Aircraft or pursuant to the Transaction Documents, and (c) is notified to the Security Trustee without delay.

###### **4.2.3 Notification of Default**

The Lessor and the Lessee shall (concurrently with the notice to the other party) notify the Security Trustee of any termination event under the Aircraft Operating Agreement or any default or breach by such other party thereunder.

#### **4.3 Insurance**

The Lessor and the Lessee shall at all time endeavour that the Insurances are maintained and that the Indemnitees are named on all insurance certificates as 'additional insured' and, with respect to the hull insurances, the Security Trustee is named as 'sole loss payee'. At any time upon request of the Security Trustee, the Lessor or the Lessee, respectively, shall provide evidence in written form (including without limitation copies of the insurance certificates) to the Security Trustee that all requirements with respect to the Insurances set forth herein are complied with.

#### **4.4 Notification**

Each of the Lessor and the Lessee, respectively, shall immediately notify the Security Trustee if it has actual or constructive notice of any of the other party's intention or order to (a) deregister the Aircraft with the Air Authority, (b) encumber the Aircraft by the creation of a mortgage, charge or other security interest over the Aircraft in any way whatsoever, (c) sell, lease, sublease or otherwise dispose of the Aircraft, or (d) terminate, or modify any terms of, any Insurance.

### **5. Security assignments**

#### **5.1 Assignment of Aircraft Operating Agreement**

The Lessor agrees to assign, and hereby irrevocably assigns, to the Security Trustee by way of security by title transfer by way of assignment in terms of Chapter 16 of the Laws of Malta, all of its present and future rights, benefits, interests, and claims whatsoever in and under the Aircraft Operating Agreement and the Security Trustee hereby accepts such assignments. Notwithstanding the aforementioned assignment, until such time as the Security Trustee provides notice to the Lessee as per Clause 0 above, the Lessor shall remain entitled to the benefit of the rights, benefits, interests, and claims in and under the Aircraft Operating Agreement and the Security Trustee hereby authorizes the Lessor to pursue in its own name and account any such right, benefits, interest and claims in and under the Aircraft Operating Agreement. Upon notification to the Lessee as aforementioned, the Lessee shall perform any such rights, benefits, interest and claims in favour of the Security Trustee (in lieu of the Lessor) or as the Security Trustee may direct. The Lessee hereby unconditionally acknowledges and agrees to such assignment by way of title transfer as above described.

#### **5.2 Further Assignments**

5.2.1 Each of the Lessor and the Lessee, as applicable, agrees to assign Security Trustee by way of security by title transfer by way of assignment in terms of Chapter 16 of the Laws of

Malta, and hereby assigns, to the Security Trustee by way of security all its present and future, actual or contingent rights, benefits, interest or claims whatsoever in and to:

- (i) the Insurances (other than under the insurance or reinsurance in respect of aircraft third party, passenger, baggage, cargo and general third party liability) and any requisition proceeds in relation to the Aircraft;
- (ii) any Maintenance Support Agreement relating to the Aircraft; and
- (iii) all warranties by any Manufacturer, contractor, vendor or supplier in relation to the Aircraft,

(collectively the **Assigned Rights**), and the Security Trustee hereby accepts such assignment.

5.2.2 The Security Trustee shall be entitled at any time to issue notification of these assignments to the respective insurer, contractor, or warrantor, as applicable, and to demand payments or performance, respectively, under the Assigned Rights. Each of the Lessor and the Lessee agrees, upon request of the Security Trustee, to execute any required assignment agreements, notice of assignment cards or forms from time to time required by the respective insurance, contractor or warrantor (and be responsible that the respective acknowledgement is provided to the Security Trustee by the respective insurance, contractor or warrantor) or to perform any other action required or desirable to further recognize and give effect to the transfer and assignment of such rights, benefits or claims as provided herein; for the avoidance of doubt, the Security Trustee shall not be responsible for any transfer or assignment fees with respect to the aforesaid transfers or assignments.

5.2.3 As long as no Event of Default has occurred which is continuing the Lessor and the Lessee, as applicable, will, subject to compliance with the further provisions of this Agreement, remain entitled to the benefit of, and may exercise, the Assigned Rights. Except to the extent the Security Trustee otherwise directs, the Security Trustee hereby authorizes the Lessor and the Lessee to pursue any claim under the Assigned Rights and each of the Lessor and the Lessee agrees to diligently pursue any such claim which arises at its own cost. Each of the Lessor and the Lessee shall notify the Security Trustee promptly upon becoming aware of any such claim.

### **5.3 Re-Assignment**

Upon termination of this Agreement and provided that all of the Lessor's and the Lessee's obligations under the Transaction Documents have been discharged in full to the satisfaction of the Security Trustee, the Security Trustee will re-assign to the Lessor and the Lessee, respectively, all rights, benefits, interest or claims to the extent such rights, benefits, interest or claims were assigned to the Security Trustee pursuant to clauses 0 through 5.2 above. Such re-assignments by the Security Trustee shall be without recourse or warranty.

### **5.4 Other Securities**

Each of the Security Trustee's rights created in this Clause 5 shall be cumulative and not exclusive and be in addition to, and shall not affect any other right of the Security Trustee pursuant to the Transaction Documents and any other agreement and related documents related thereto.

## **6. DELIVERY OF AIRCRAFT**

6.1 Upon or concurrently with the notification by the Security Trustee as per clause 2.2 above, the Security Trustee may request the Lessor and/or the Lessee, as applicable, to promptly secure and ground the Aircraft at its then current location or deliver the Aircraft to such location as the Security Trustee specifies in writing, whereupon the Lessee shall suspend the operation of the Aircraft until further notice from the Security Trustee (the **Aircraft Delivery**). Should the Lessor or the Lessee for any reason whatsoever not so secure or deliver the Aircraft upon request by the Security Trustee to do so, the Security Trustee shall be entitled, and the Lessor and the Lessee hereby authorise and empower the Security Trustee or its designated representatives, to take possession of the Aircraft. This authorization includes the right of the Security Trustee or its designated representatives to enter the premises of the Lessor and the Lessee and remove from such premises the Aircraft, the Aircraft Documents and/or any item of equipment located therein relating to the Aircraft, subject to the rights of any third parties. For the purpose of the taking of possession and delivery of the Aircraft each of the Lessor and the Lessee shall furnish to the Security Trustee an IDERA (if applicable).

6.2 Any costs incurred by the Lessee in promptly securing or delivering the Aircraft to the Security Trustee hereunder shall not be the responsibility of the Security Trustee, provided, however, that in case the Lessee is not sufficiently funded or paid for such costs under the Aircraft Operating Agreement, the Security Trustee shall, upon proper Aircraft Delivery, reimburse the Lessee for any reasonable and documented costs incurred by the Lessee directly related to the securing or delivering the Aircraft as aforementioned, provided, however, that nothing herein shall limit or prejudice the Lessor's obligation to fully indemnify the Security Trustee for such costs so reimbursed by it to the Lessee.

6.3 Without prejudice of the Security Trustee's rights as set forth in Clause 2.2 hereinabove, any services of the Lessee ordered or instructed by the Security Trustee for the purpose of, and following the Aircraft Delivery as per Clause 6.1 above shall be paid for by the Security Trustee, provided, however, that nothing herein shall limit or prejudice the Lessor's obligation to fully indemnify the Security Trustee for any costs and expenses incurred by the Security Trustee with such services as per the terms of this Agreement and the further Transaction Documents or any other agreement or document concluded in connection therewith. For the avoidance of doubt, but without prejudice to the Security Trustee's undertaking to reimburse the Lessee for costs incurred as set forth in Clause 6.2 above, any claims that have accrued or fallen due to the Lessee by the Lessor under whatsoever title up

to the instruction of the Aircraft Delivery by the Security Trustee, shall not be the responsibility of the Security Trustee.

## **7. TERM**

This Agreement shall come into effect as of the date first above written and shall remain in force during the term of the Aircraft Security Agreement. It shall be binding on the Lessee for such period as the Lessee is the Lessee of the Aircraft under the Aircraft Operating Agreement or otherwise and thereafter, to the extent of any accrued rights of the Security Trustee in relation to this Agreement or in case of a Default, which is continuing.

## **8. NO LIABILITY**

Each of the Lessor and the Lessee agree that, save as expressly set forth herein, nothing contained in this Agreement shall impose any obligation or liability in respect of any Tax, costs or expenses incurred in connection with the maintenance, insurance, use or operation of the Aircraft or any losses, damages, penalties, injuries, claims, actions and suits, including legal expenses, of whatever kind, title and nature arising out of or in respect of the maintenance, insurance, use or operation of the Aircraft on the Security Trustee.

## **9. Rights in and to the Aircraft; Subordination**

The rights of the Lessor and the Lessee in and to the Aircraft, if any, are always subject and subordinate to all terms of the Transaction Documents and all rights of the Security Trustee in and to the Aircraft and under the Transaction Documents, including, without limitation, the right of the Security Trustee to inspect from time to time and take possession of the Aircraft in accordance with the terms of the said agreements and documents. Each of the Lessor and the Lessee hereby expressly acknowledge and agree that the exercise of any of the rights of the Security Trustee under the said agreements and documents in accordance with the terms thereof may limit the Lessor's and/or the Lessee's (as the case may be) rights to use and enjoy the Aircraft. Each of the Lessor and the Lessee agrees that any Encumbrance which may arise in relation to the Aircraft in its favour will be subordinate in all respects to the rights of the Security Trustee under the Transaction Documents and each of the Lessor and the Lessee further agrees that it will not, without the prior written consent of the Security Trustee, seek to exercise any such Encumbrance over the Aircraft which may conflict with the Security Trustee's right to take possession of the Aircraft pursuant to the said agreements and documents.

## **10. DELIVERY OF DOCUMENTS**

10.1 Each of the Lessor and the Lessee shall, for the purpose of securing the enforcement of the Security Trustee's rights and of monitoring compliance and performance by the Lessor and the Lessee of their obligations hereunder, concurrently with the execution of this Agreement and thereafter, upon any request by the Security Trustee, execute and furnish to the Security Trustee;

- (i) an IDERA (if applicable),
- (ii) the Air Traffic Control Letter (Lessee only); and
- (iii) the EU ETS Authorization Letter (Lessee only).

10.2 The Security Trustee may, in its sole discretion (but in compliance with the terms of this Agreement and any other Transaction Document) make use of such documents as it deems appropriate, in order to monitor compliance and performance and enforce its rights hereunder but shall be under no obligation whatsoever to do so.

## **11. ASSIGNMENT**

### **11.1 No Assignment by the Lessor and the Lessee**

Neither the Lessor nor the Lessee shall assign, or create or permit to exist any Encumbrance over, any of its rights under this Agreement without the prior written consent of the Security Trustee, which consent may be given in its sole discretion.

### **11.2 Assignment by the Security Trustee**

The Security Trustee may, subject to the limitations agreed between the Security Trustee and the Lessor in the Aircraft Security Agreement, assign, transfer or otherwise deal in all or any of its rights or interest under this Agreement in or to the Aircraft or may transfer or assign this Agreement and the related agreements in whole or in part to any person without the prior consent of the Lessee or the Lessor. If the Security Trustee desires to effect any such assignment, transfer or dealing, the Lessor and the Lessee agree to cooperate and take all such steps, at the Security Trustee's expense, as the Security Trustee may request to give the transferee the benefit of this Agreement.

## **12. MISCELLANEOUS**

### **12.1 Waiver by the Lessor and the Lessee**

Each of the Lessor and the Lessee waives for the benefit of the Security Trustee any right of set-off, defence, counterclaim or cross claim which it may have against the Security Trustee or each other.

### **12.2 No Release**

Each of the Lessor and the Lessee hereby acknowledges that the Security Trustee shall have none of the Lessor's obligations or duties with respect to the Aircraft contained in the Aircraft Operating Agreement except as otherwise explicitly set forth herein. Nothing contained herein or in the Aircraft Operating Agreement shall operate to release the Lessor and the Lessee from any obligations under the Transaction Documents or any other agreement and documents related thereto. The Security Trustee shall in particular have no duty to enforce the Lessor's or the Lessee's performance under the Aircraft Operating Agreement.

### **12.3 No Invalidation**

This Agreement shall not invalidate, change or amend any of the Transaction Documents or other agreements entered into by and between the Security Trustee and the Lessor or limit, foreclose or prejudice any of the Security Trustee's right thereunder.

### **12.4 Remedies Cumulative**

The rights of the Security Trustee under this Agreement:

- (i) may be exercised as often as necessary;
- (ii) are cumulative and not exclusive of its rights under any law or regulations or Transaction Documents; and
- (iii) may be waived only in writing and specifically.

### **12.5 No Implied Waiver**

No failure or delay by the Security Trustee in exercising any right, power or remedy under this Agreement shall impair such right, power or remedy, or be construed as a waiver thereof.

### **12.6 Amendments and Waiver**

Any amendment of any provision of this Agreement shall only be effective if made in writing and signed by all Parties. Any waiver of any provision of this Agreement and any waiver of any default under this Agreement shall only be effective if made in writing and signed by the Security Trustee.

### **12.7 Delegation**

The Security Trustee (but not the Lessor and the Lessee, unless expressly provided for herein) may delegate all or any of the trusts, rights, powers or discretions vested in it by this Agreement.

### **12.8 Severability**

If a provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, then such incident shall not affect (a) the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement, or (b) the legality, validity or enforceability in any other jurisdiction of that or any other provision of this Agreement.

### **12.9 Notices**

12.9.1 Any notice given under or in connection with this Agreement must be in English. All other documents provided under or in connection with this Agreement must be (a) in English, or (b) if not in English, and if so required by the Security Trustee, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

12.9.2 Any notice given under this Agreement shall be in writing (by mail or courier or e-mail) and shall be sent to the following addresses of the Parties:

If to the Security Trustee:

Name: FINCO TRUST SERVICES LIMITED

Address: The Bastions Office, No. 2 Emvin Cremona Street, Floriana FRN 1281, Malta

Telephone: (+356) 2122 0002

Attn: Chris Casapinta, Andrea Debattista

Email: [ChrisCasapinta@fincotrust.com](mailto:ChrisCasapinta@fincotrust.com); [AndreaDebattista@fincotrust.com](mailto:AndreaDebattista@fincotrust.com)

If to the Lessor:

Name: ACE AVIATION VI LIMITED

Address: Level 5, Skyparks Business Centre, Malta International Airport, Luqa LQA 4000, Malta

Telephone: + 356 27137174

Attn: The Directors & The Group CFO

Email: [daniel.ganem@challenge-group.com](mailto:daniel.ganem@challenge-group.com)

Copy to: [legal.hq@challenge-group.com](mailto:legal.hq@challenge-group.com)

If to the Lessee:

Name: CHALLENGE AIRLINES (BE) SA

Address: Rue du Fort, 3, L' Escale, Level 3, 4460 Grâce-Hollogne, Belgium

Telephone: ++32 4 270 20 155

Attn: The Directors and the Accountable Manager

Email: [daniel.ganem@challenge-group.com](mailto:daniel.ganem@challenge-group.com);

[thomas.woos@challenge-group.com](mailto:thomas.woos@challenge-group.com)

Copy to: [legal.hq@challenge-group.com](mailto:legal.hq@challenge-group.com)

12.9.3 Any change of above addresses shall be communicated to the other Party pursuant to this Clause. Unless notice is given by registered mail or against return receipt, the notifying Party bears the burden of proof that the notice was timely dispatched or received by the other Party or Parties, respectively.

12.9.4 The Lessee shall nominate and maintain a process agent in Malta for the purposes of receiving on behalf of the Lessee any notices in connection with any proceedings in Malta or before any other Government Entity arising out of or in connection with this Agreement or any related agreement (the **Process Agent**). Any such notices to the Process Agent shall be deemed due and punctual notice to the Lessee, respectively, even in case of cessation of such Process Agent until such time a new Process Agent in Malta is nominated and notified to the Security Trustee in writing in accordance with this Clause 12. The Lessee shall ensure that upon execution of this Agreement it shall provide the executed and acknowledged Appointment of Process Agent Letter attached as Schedule 6 to this Agreement. The Process Agent of the Lessee shall be:

Process Agent of the Lessee

Name: CHALLENGE AVIATION HOLDING LIMITED

Address: Level 5, Skyparks Business Centre, Malta International Airport, Luqa  
LQA 4000, Malta

Telephone: + 356 27137174

Attn: The Directors & The Group CFO

Email: [daniel.ganem@challenge-group.com](mailto:daniel.ganem@challenge-group.com)

Copy to: [legal.hq@challenge-group.com](mailto:legal.hq@challenge-group.com)

**12.10 No Partnership or Agency**

Nothing in this Agreement is intended to or shall operate to create a partnership or joint venture of any kind between the Parties or any of them, or to authorise any Party to act as agent for any other Party for any purpose (subject as otherwise provided in this Agreement).

**12.11 Consents**

The giving by any Party of any consent to any act which by the terms of this Agreement requires such consent shall not prejudice such Party's right to withhold or give consent to the doing of any similar act.

**12.12 Further Assurances**

Each of the Lessor and the Lessee hereby covenants to the Security Trustee that it shall from time to time promptly sign, seal, execute, acknowledge, deliver, file and register all such additional documents, instruments, agreements, certificates, consents and assurances and do all such other acts and things as may be required by law or reasonably requested by the Security Trustee from time to time in order to give full effect to this Agreement or to establish, maintain, protect or preserve the rights of the Security Trustee under this Agreement or to enable the Security Trustee to obtain the full benefits of this Agreement or any of the

transactions contemplated thereby and to exercise and enforce the rights and remedies under this Agreement.

### **12.13 Counterparts**

This Agreement may be executed in one or more counterparts each of which, when so executed, will be an original and all counterparts together will constitute one and the same instrument.

## **13. APPLICABLE LAW / JURISDICTION**

### **13.1 Applicable Law**

This Agreement shall in all respects be governed by, and construed in accordance with, the laws of the Republic of Malta, including all matters of construction, validity and performance, without giving effect to its conflict of laws provisions.

### **13.2 Jurisdiction**

The courts of the Republic of Malta shall have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including matters of validity, conclusion, binding effect, interpretation, performance or non-performance and remedies). Notwithstanding the foregoing, the Security Trustee shall have the right to take legal action before the courts of the Lessor's and/or the Lessee's domicile, but with the laws of the Republic of Malta still remaining applicable. Nothing in this provision shall prevent the Security Trustee from seeking preliminary measures in any other competent court.

## **14 Registrations**

### **14.1 Registration of charge in the Lessor's register of charges**

Concurrently with the execution of this Agreement, if applicable, the Lessor will enter the security created by the assignment under this Agreement as a charge in the register of charges maintained by the Lessor and shall deliver to the Security Trustee a certified true copy of such register of charges signed by the secretary of the Lessor evidencing such entry to the Security Trustee.

#### **14.1 Other Registrations**

14.1.1 The Lessor shall furthermore, if required, register this Agreement and the security created by the assignment under this Agreement with any registry, or authority regulating the Lessor or which the Lessor is otherwise subject to.

14.1.2 The security created by the assignment under this Agreement and the Aircraft Operating Agreement shall be registered in terms of the Convention with the International Registry, with a right to discharge in relation to the Aircraft Operating Agreement being registered in favour of the Security Trustee.

IN WITNESS WHEREOF, this Agreement shall be effective as of the date first above written.

**FINCO TRUST SERVICES LIMITED**

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke, positioned above a horizontal line.

By: Andrea Debattista

Its: Director

**ACE AVIATION VI LIMITED**

DocuSigned by:  F92A8780971243E...  
DocuSigned by:  6192E617EA014EC...  
F92A8780971243E...

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By: Yossi Shoukroun Colin Gregory

Its: Director Director

**CHALLENGE AIRLINES (BE) S.A.**

DocuSigned by:  Challenge Airlines (BE) S.A.  
Thomas Woos  
COO & Renewal Manager  
Authorized Signatory  
80B1ECBFACCB4A4...  
DocuSigned by:  Daniel Ganem  
5ABAE4F737FC4D3...  
DocuSigned by:  F92A8780971243E...

---

By: Thomas Woos Daniel Ganem Yossi Shoukroun

Its: COO CFO Director

**Schedule 1** to the Tripartite and Assignment Agreement

**Airframe:**

Aircraft Manufacturer:	<b>Boeing</b>
Aircraft Model and Series:	<b>B747-409F</b>
Aircraft Manufacturer's Serial Number:	<b>33729</b>
National Registration Number:	<b>OE-LRI</b>
Year of Manufacture:	<b>2003</b>

**Engines:**

Engine Manufacturer and Model:	<b>General Electric CF6-80C2B1F</b>
Engine #1 Manufacturer's Serial Number:	<b>706641</b>
Engine #2 Manufacturer's Serial Number:	<b>706692</b>
Engine #3 Manufacturer's Serial Number:	<b>706778</b>
Engine #4 Manufacturer's Serial Number:	<b>706241</b>

**APU:**

APU Manufacturer and Model:	<b>Pratt &amp; Whitney PW901A</b>
Manufacturer's Serial Number:	<b>PCE900729</b>

\* \* \*

## **Schedule 2 to the Tripartite and Assignment Agreement**

### **LESSEE'S COVENANTS**

#### **COVENANTS**

##### **1.1 General**

The undertakings in Clauses 1 and 2 shall:

- (i) except as otherwise stated, be performed at no cost to the Security Trustee; and
- (ii) remain in force for, and shall apply in respect of, such period as the Lessee is the Lessee of the Aircraft under the Aircraft Operating Agreement or otherwise and, thereafter, to the extent any accrued rights of the Security Trustee in relation to such undertakings.

##### **1.2 Information**

The Lessee shall:

- (i) keep the Security Trustee informed as to current serial numbers of the Engines and any engine installed on the Aircraft promptly following any change; and
- (ii) immediately upon renewal, or upon Security Trustee's request, of each the certificate of registration, the certificate of airworthiness or airworthiness review certificate (ARC) and the noise certificate for the Aircraft, provide the Security Trustee with a copy of such certificate; and
- (iii) promptly furnish to the Security Trustee all information the Security Trustee from time to time requests regarding the Aircraft, any Engine or any Part, its use, location and condition including, without limitation, the hours available on the Aircraft and any Engine until the next scheduled check, inspection, overhaul or shop visit, as the case may be; and
- (iv) on request, furnish to the Security Trustee evidence satisfactory to the Security Trustee that all taxes and charges incurred with respect to the Aircraft, including without limitation all payments due to the EU ETS Authority and any relevant air traffic control authorities (including Eurocontrol), have been paid and discharged in full; and
- (v) within fourteen (14) days after the end of each quarter during the term of the Agreement provide the Security Trustee with the completed Quarterly Operational Report in relation to the three (3) months then ended; and
- (vi) give the Security Trustee advance written notice as to the time and location of all Major Checks; and
- (vii) promptly notify the Security Trustee of:

- (a) any loss, theft, damage or destruction to the Aircraft, any Engine or any Part, or any modification to the Aircraft if the potential cost may exceed the Damage Notification Threshold; and
- (b) any claim or other occurrence likely to give rise to a claim under the Insurances (but in the case of hull claims only in excess of the Damage Notification Threshold) and details of any negotiations with the insurance brokers over any such claim.

### **1.3 Lawful and Safe Operation**

The Lessee shall:

- (i) comply with the law for the time being in force in any country or jurisdiction which may for the time being be applicable to the Aircraft or, so far as concerns the use and operation of the Aircraft or an Lessee thereof, and take all steps to ensure that the Aircraft is not used for any illegal purpose; and
- (ii) not use the Aircraft in any manner contrary to any recommendation of the Manufacturers of the Aircraft, any Engine or any Part or any recommendation or regulation of the Air Authority or for any purpose for which the Aircraft is not designed or suitable; and
- (iii) ensure that the crew and engineers employed or under service agreements in connection with the operation and maintenance of the Aircraft have the qualifications and hold the licences required by the Air Authority and applicable law; and
- (iv) use the Aircraft solely for operations for which the Lessee is duly authorised by the Air Authority and applicable law and procure that it has received such licences and approvals as may be required to operate the Aircraft; and
- (v) not use or permit the Aircraft to be used other than for commercial charter flight services under the Lessee's valid air Lessee certificate (AOC) or for 'Non-Commercial Operations with Complex Motor-Powered Aircraft' in accordance with the Applicable Standard, whereby any charter flight services or operations for any one person shall not exceed thirty (30) consecutive days without the prior written consent of the Security Trustee; and
- (vi) not use the Aircraft for the carriage of:
  - (a) whole animals living or dead except in the cargo compartments according to the International Air Transport Association (IATA) regulations, and except (1) domestic pet animals carried in the passenger area and in a suitable container to prevent the escape of any liquid and to ensure the welfare of the animal, or (2) as otherwise permissible in accordance with the Applicable Standard;
  - (b) acids, toxic chemicals, other corrosive materials, explosives, nuclear fuels, nuclear wastes, or any nuclear assemblies or components, except as permitted for passenger aircraft

under the "Restriction of Goods" schedule issued by IATA from time to time and provided that all the requirements for packaging or otherwise contained therein are fulfilled;

(c) any other goods, materials or items of cargo which could be expected to cause damage to the Aircraft unless appropriately contained and which would not be adequately covered by the Insurances; or

(d) any illegal item or substance; and

(vii) not utilise or allow the utilization of the Aircraft for purposes of training, qualifying or validating the status of cockpit personnel except for the benefit of the Lessor or the Lessee's personnel, respectively, and then only if the use of the Aircraft for such purpose is not disproportionate to the use for such purpose of other aircraft of the same type operated by the Lessee; and

(viii) not operate or permit the Aircraft to be operated in any manner which would conflict with any prohibition, sanction or restriction issued or imposed by Sanctioning Authority; and

(ix) obtain and maintain in full force all certificates, licences, permits and authorisations required for the use and operation of the Aircraft for the time being, and for the making of payments required by, and the compliance by the Lessee with its other obligations under, this Agreement and the Aircraft Operating Agreement; and

(x) if and to the extent applicable to the Lessee or the Aircraft, (a) comply, and procure compliance with all EU ETS Laws and, promptly on request from the Security Trustee, supply evidence satisfactory to the Security Trustee of such compliance; (b) ensure the Lessee shall be the "aircraft Lessee" for the purposes of the EU ETS Laws; and (c) identify the Lessee as such to any EU ETS Authority whenever required under the EU ETS Laws or whenever the Security Trustee may reasonably request; and

(xi) at any time comply with all customs laws and regulations applicable to the Aircraft and shall furnish to the Security Trustee written evidence of such compliance from time to time upon reasonable request by the Security Trustee.

#### **1.4 Taxes and other Outgoings**

The Lessee shall promptly pay all licence and registration fees, Tax and other amounts of any nature imposed by any Government Entity in any jurisdiction with respect to the Aircraft, including without limitation the possession, use and operation of the Aircraft.

#### **1.5 Leasing / Part of Possession**

(i) The Lessee shall not without the prior written consent of the Security Trustee lease, or cause or permit the lease, or otherwise part with possession of the Aircraft, the Engines or any Part (the **Disposition**) except that the Lessee may part with possession a) with respect to the Aircraft, the Engines or any Part to the relevant Manufacturers for testing or similar purposes or to the Approved Maintenance Performer for service, repair, maintenance or

overhaul work, or alterations, modifications or additions to the extent required or permitted by this Agreement, or (b) with respect to an Engine or Part, as expressly permitted by this Agreement.

(ii) If the Security Trustee in its sole discretion agrees to any such Disposition it shall be on terms that are subject and subordinate to the rights of the Security Trustee hereunder and the Security Trustee is granted an assignment of the rights of the Lessee in form and substance acceptable to the Security Trustee.

## **1.6 Inspection**

(i) The Lessee agrees that once during each calendar year the Security Trustee shall have the right, but not the obligation, to visit, physically inspect and survey the Aircraft, any Engine or any Part or delegate an agent to carry out such inspection or survey (each an **Inspection**).

(ii) The Security Trustee, and any person designated by the Security Trustee, shall be entitled to further Inspections as the Security Trustee requires.

(iii) Upon the occurrence and during the continuance of any Event of Default as notified to the Lessee, Inspections may be carried out as many times per year and in such manner as the Security Trustee deems appropriate in its sole discretion.

## **1.7 Title**

The Lessee shall:

- (i) procure and maintain the registration of the Aircraft and the Engines, as applicable, with the competent Air Authority and in the International Registry, reflecting the interests of the Security Trustee created under the Transaction Documents and not do or suffer to be done anything which might adversely affect that registrations; and
- (ii) procure and maintain the registration of the Aircraft in the aircraft register maintained by the Air Authority; and
- (iii) not do or knowingly permit to be done or omit or knowingly permit to be omitted to be done any act or thing which might reasonably be expected to jeopardise the rights of the Security Trustee as mortgagee or under the Insurances; and
- (iv) on all occasions when the ownership of the Aircraft, any Engine or any Part is relevant, make clear to third parties that a mortgage interest is held by the Security Trustee; and
- (v) not at any time (a) represent the Security Trustee as carrying goods or passengers on the Aircraft or as being in any way connected or associated with any operation or carriage (whether for hire or reward or gratuitously) which

may be undertaken by the Lessee, or (b) pledge the credit of the Security Trustee; and

(vi) not create or permit to exist any Encumbrance (other than any Permitted Encumbrances) upon the Aircraft, any Engine or any Part; and

(vii) not do or permit to be done anything which may reasonably be expected to expose the Aircraft, any Engine or any Part to penalty, forfeiture, impounding, detention, appropriation, damage or destruction and, without prejudice to the foregoing, if any such penalty, forfeiture, impounding, detention, appropriation, damage or destruction occurs, give the Security Trustee notice and use best endeavours to procure the immediate release of the Aircraft, such Engine or such Part, as the case may be; and

(viii) not abandon the Aircraft, any Engine or any Part; and

(ix) pay and discharge or cause to be paid and discharged when due and payable or make adequate provision by way of security or otherwise for all debts, damages, claims and liabilities which have given or might give rise to an Encumbrance over or affecting the Aircraft, any Engine or any Part.

## **1.8 Further Covenants**

The Lessee shall:

(i) ensure that the habitual base of the Aircraft is the Habitual Base of the Aircraft, not to be changed without the prior written consent of the Security Trustee, unless the Aircraft needs to be removed from the Habitual Base by order of a Government Entity, but in which case the Lessee shall immediately notify the Security Trustee in writing about such removal and the proposed new habitual base for the Aircraft;

(ii) not use or allow to use the Aircraft in any way which constitutes or which is deemed a violation of any applicable laws (including but not limited to any customs and tax laws in whatever jurisdiction);

(iii) ensure that neither the Lessee nor any of its Affiliates or respective officers, directors, employees or agents acting on its behalf will offer, give, insist on, receive or solicit any illegal payment or advantage to influence the action of any Person in connection with the financing of the Aircraft, and the Lessee hereby represents and warrants that, to the best of its knowledge and belief, none of the aforementioned illegal acts have occurred until the date of execution of this Agreement;

(iv) not create or incur any liability to any person or otherwise create or permit any conditions which shall be an Encumbrance over the Aircraft, save for any Permitted Encumbrances

## **1.9 Records**

The Lessee shall:

- (i) cause accurate, complete and current records of all flights made by, and all maintenance carried out on, the Aircraft (including in relation to each Engine and Part subsequently installed, before the installation) to be kept in English and at the Habitual Base; and shall keep or cause the records to be kept in such manner as the Air Authority may from time to time require, and ensure that they comply with the recommendations of the Manufacturers of the Aircraft, any Engine or any Part. The records will form part of the Aircraft Documents which shall be kept safely stored in a secure fireproof, waterproof and weatherproof storage, protected from theft and damage by fire, water and/or weather, at the Habitual Base at all times otherwise than where the same have, by law, to be carried on the Aircraft; and
- (ii) procure that such records disclose the location of all Engines and Parts not installed on or attached to the Airframe; and
- (iii) procure that such records form part of the Aircraft Documents; and
- (iv) ensure access to a revision service in respect of, and will maintain with appropriate revisions in English, all Aircraft Documents, records, logs, and other materials required by applicable laws and best practice of responsible aircraft Lessees in respect of the Aircraft.

#### **1.10 Protection**

The Lessee shall:

- (i) not do or suffer to be done anything which might adversely affect the registration of the Aircraft and the mortgage interest of the Security Trustee (or its financier) with the Air Authority and of the Aircraft and the Engines with and the Security Trustee's interest therein with the International Registry; and
- (ii) do all acts and things (including, without limitation, making any filing or registration with the Air Authority or any other Government Entity) and execute and deliver all documents (including, without limitation, any amendment of this Agreement or any other Transaction Document) as may be required by the Security Trustee:
  - (a) following any change or proposed change in the ownership or financing of the Aircraft; or
  - (b) following any modification of the Aircraft, any Engine or any Part or the permanent replacement of any Engine or Part in accordance with this Agreement, so as to ensure that the rights of the Security Trustee under this Agreement and any other Transaction Document apply with the same effect as before; or

#### **1.11 Maintenance and Repair**

Where there is any conflict between the requirements of this Clause 1.11 and any of the provisions of Clauses 1.12 to 1.15 (inclusive), the requirements of this Clause will prevail and authorise the appropriate action on the part of the Security Trustee to comply with such requirements.

The Lessee shall:

- (i) keep the Aircraft airworthy in all respects and in good repair and condition; and
- (ii) maintain the Aircraft in accordance with the Maintenance Programme through the Approved Maintenance Performer and perform (at the respective intervals provided in the Maintenance Programme) all Major Checks; and
- (iii) maintain the Aircraft in accordance with the Applicable Standard as may be applicable to aircraft, except to the extent that they conflict with the rules and regulations of the Air Authority; and
- (iv) comply with all mandatory inspection and modification requirements, airworthiness directives, mandatory and alert service bulletins and similar mandatory requirements applicable to the Aircraft, any Engine or Part having a compliance date during the term of the Agreement and which are required by the Air Authority, and/or the Applicable Standard and/or the laws of the state of manufacture of the Aircraft, any Engine or Part; and
- (v) comply with all applicable laws and the regulations of the Air Authority regardless of upon whom such requirements are imposed and which relate to the maintenance, condition, use or operation of the Aircraft by the Lessee or require any modification or alteration to the Aircraft, any Engine or Part; and
- (vi) maintain in good standing a current certificate of airworthiness (in the appropriate category for the nature of the operations of the Aircraft) for the Aircraft issued by the Air Authority except where the Aircraft is undergoing maintenance, modification or repair required or permitted by this Agreement and will from time to time provide to the Security Trustee a copy on request; and
- (vii) procure promptly the replacement, repair or overhaul of any Engine or Part which has become time, cycle or calendar expired, lost, stolen, seized, confiscated, destroyed, damaged beyond repair, unserviceable or permanently rendered unfit for use in accordance with the other provisions of this Agreement; and
- (viii) procure that the maintenance of the Aircraft is tracked through a third-party maintenance tracking system reasonably acceptable to the Security Trustee to which the Security Trustee has at least read-only access.

#### **1.12 Removal of Engines and Parts**

The Lessee shall ensure that no Engine or Part installed on the Aircraft is at any time removed from the Aircraft other than:

- (i) if replaced as expressly permitted by this Clause 1; or
- (ii) if the removal is of a minor item and is in accordance with the Maintenance Programme; or
- (iii) during the course of maintaining, servicing, repairing, overhauling (including the overhaul) or testing that Engine or the Aircraft, as the case may be; or
- (iv) as part of a normal engine or part rotation programme; or
- (v) for the purpose of making such modifications or alterations to the Engine or the Aircraft, as the case may be, as are permitted under this Agreement; or
- (vi) removals required for compliance with an airworthiness directive issued by the Air Authority or a service bulletin issued by the respective Manufacturer,

and, then, in the case of any Engine, only if it is reinstalled as soon as practicable and no later than the Termination Date, or, in the case of any Part, only if it is reinstalled or replaced by a part complying with Clause 1.12(i) as soon as practicable and, in any event, no later than the Termination Date.

### **1.13 Installation of Engines and Parts**

The Lessee shall:

- (i) ensure that, except as permitted by this Clause 1, no engine or part is installed on the Aircraft except for an engine or part:
  - (a) where the engine or part is replacing: (1) a Part, the replacement part is an OEM part, to the extent relevant in relation to that part, in as good operating condition, has substantially similar hours available until the next scheduled checks, inspections, overhauls and shop visits, is of materially the same or a more advanced make and model and is of the same interchangeable modification status as the replaced Part and has had no more use than the replaced Part, or (2) where the engine is permanently replacing an Engine which has suffered a total loss, or the engine is temporarily replacing an Engine which is due for a shop visit, the replacement engine is of materially the same or a more advanced make and model as the Engine replaced and is of the same interchangeable modification status as the other Engine then installed on the Airframe and is in the same or better operating condition and of at least the same value in aggregate over all modules and utility as the Engine that it replaces (assuming that that replaced Engine was in the condition and repair in which it is required it be maintained under the provisions of Clause 1.11 above; and
  - (b) the Security Trustee has full details as to its source and maintenance records back to birth in the case of life limited parts and otherwise since the last overhaul, all in the form required by the Applicable Standard (the **Replacement Part** and **Replacement Engine**, respectively); and

(ii) so long as no Default has occurred which is continuing, be entitled to install any engine or part on the Aircraft by way of temporary replacement (and, in the case of any engine or part, notwithstanding Clause 1.13(i) above), if:

(a) in the case of a temporary Replacement Engine, it informs the Security Trustee as soon as practicable after the substitution is made; and it ensures that the insurers, for the duration of the substitution, either: (1) increase the Insurances in respect of the Aircraft by an amount equal to such engine's agreed value; or (2) waive any salvage rights that they may have with respect to the removed Engine;

(b) in the case of any Part, a part complying with the requirements of sub-Clause (i) above is not available to the Lessee at the time and in the place where that part is required to be installed on the Aircraft, and/or it would result in an unreasonable disruption of the operation of the Aircraft or the business of the Lessee to ground the Aircraft until an engine or a part complying with the requirements of sub-Clause (i) above became available for installation on the Aircraft, and

(c) as soon as practical after installation the Lessee but by no later than the Termination Date removes any such temporary engine or part and replaces it with the Engine or Part replaced by it or, in the case of a part, by a part complying with sub-Clause (i) above.

(iii) If the Lessee has installed a Replacement Engine or Replacement Part on a permanent basis on the Aircraft in place of an Engine or Part: (a) the Lessee shall procure at no expense for the Security Trustee that the Replacement Engine or Replacement Part is free of any Encumbrance (other than Permitted Encumbrance), and becomes subject to this Agreement, and, where applicable, any relevant Transaction Document (at which time the Replacement Engine or Replacement Part will become an Engine or Part), (b) the Lessee procures that all steps are taken that may be required by law or reasonably requested by the Security Trustee to establish and maintain the right and interest of the Security Trustee in and to the Replacement Engine or Replacement Part. When the matters referred to in this Clause 1.13 have been completed, the Security Trustee will procure (at the cost of the Lessor) that the Engine or Part being replaced by the Replacement Engine or Replacement Part ceases to be an Engine or Part for the purposes of this Agreement.

#### **1.14 Non-Installed Engines and Parts**

The Lessee shall:

(i) ensure that any Engine or Part which is not installed on the Aircraft is, except as expressly permitted by this Clause 1, properly and safely stored, insured and kept free from Encumbrances; and

(ii) promptly notify the Security Trustee whenever any Engine is removed from the Aircraft, and, from time to time, on request, procure that any person to whom possession of an Engine is given is informed of the interests of the Security Trustee in the Engine; and

(iii) not be permitted, to install any Engine or Part on any other aircraft other than the Aircraft, or in the case of a Part relating to engines, any other engine other than an Engine.

### **1.15 No Pooling of Engines**

The Lessee shall not lease, let or hire or charter or otherwise part with possession of an Engine or Part pursuant to any pooling arrangement.

### **1.16 Equipment Changes**

(i) The Lessee will not, without the prior written consent of the Security Trustee (such consent not to be unreasonably withheld), make any modification, improvement or addition to the Aircraft (each an **Equipment Change**), except for an Equipment Change which:

- (a) does not diminish the value, utility, condition, or airworthiness of the Aircraft; or
- (b) is required or approved by the Air Authority or the Manufacturer; or
- (c) is necessary to comply with any express provision or covenant of the Lessee under this Agreement.

(ii) As long as no Default has occurred and is continuing, the Lessee may remove any Equipment Change if it can be removed from the Aircraft without diminishing or impairing the value, utility, condition or airworthiness of the Aircraft.

### **1.17 Maintenance Support Agreements**

To the extent not directly contracted by the Lessor, the Lessee shall:

- (i) enrol and shall at all times during the term of this Agreement maintain in full force and effect a Maintenance Support Agreement for the Engines on such terms and with such a service provider as the Security Trustee may approve;
- (ii) keep such Maintenance Support Agreement for the Engines, and, if afforded by the Lessor, for the Airframe and the APU, current and be compliant with all payment and other obligation thereunder; and
- (iii) procure that, upon a Default or any default of the Lessee under any such Maintenance Support Agreement, the Security Trustee may, at its option, cure such default and/or assume the benefit of such Maintenance Support Agreements at no cost for the Security Trustee.

## **2. INSURANCE**

### **2.1 Insurances**

The Lessee shall maintain, or procure the maintenance of, insurances in full force during the Term in respect of the Aircraft as required by this Agreement in form and substance satisfactory to the Security Trustee (the **Insurances**, which term includes, where the context

so admits, any relevant reinsurance(s)) through such brokers and with such insurers and reinsurers, as approved by the Security Trustee, and, subject to the express terms of this Clause 2, having such cover and deductibles and being subject to such exclusions as set forth in this Clause 2.

## **2.2 Requirements**

The Security Trustee's current requirements as to Insurances are specified in this Clause 2. The Security Trustee may from time to time stipulate other requirements for the Insurances so that the scope and level of cover is maintained in line with best industry practice with the interest of the Indemnitees best protected. All insurance premiums and other costs of maintaining the Insurances will be for the account of the Lessor or the Lessee, as decided between both:

(i) HULL ALL RISKS of loss or damage whilst flying and on the ground with respect to the Aircraft on an "agreed value basis" for its Insurance Agreed Value and with a deductible not exceeding the Damage Notification Threshold or such other amount agreed by the Security Trustee from time to time; and

(ii) HULL WAR AND ALLIED PERILS, being such risks excluded from the HULL ALL RISKS policy, to the fullest extent available from the leading international insurance markets including confiscation and requisition for the Aircraft's Agreed Value and in accordance with endorsement LSW555D; and

(iii) ALL RISKS (INCLUDING WAR AND ALLIED RISK) except when on the ground or in transit other than by air) property insurance on all Engines and Parts which are for the time being not treated for insurance purposes as part of the Aircraft on an "agreed value" basis and, in the case of any Part, its full replacement value and including engine test bed running risks with a deductible (except in the case of WAR AND ALLIED RISK) not exceeding the Damage Notification Threshold for each claim; and

(iv) AIRCRAFT THIRD PARTY (BODILY INJURY AND PROPERTY DAMAGE), PASSENGER, BAGGAGE, CARGO AND MAIL AND GENERAL THIRD PARTY (INCLUDING PRODUCTS) LEGAL LIABILITY for a combined single limit (bodily injury/property damage) of an amount not less than the Minimum Liability Coverage for the time being for any one occurrence (but, in respect of products liability this limit, may be an aggregate limit for any and all losses occurring during the currency of the policy) and with cargo and luggage deductibles only. WAR AND ALLIED RISKS are also to be covered under the policy pursuant to the endorsement AVN52E (with the sublimit of liability referred to in paragraph 3 thereof being not less than the Minimum Liability Coverage); and

(v) all required hull insurance (as specified above), shall:

(a) name the Security Trustee as additional insured for its respective rights and interests and as sole loss payee; and

(b) provide that (1) any loss will be payable in or converted to US Dollars, and (2) in respect of any claim that becomes payable in respect of an total loss (for insurance purposes) with respect to the Aircraft, payment shall (net of any policy deductible) be made in full to or to the order of the Security Trustee, and (3) in respect of any other claim payment (net of any policy deductible) shall be made to such party(ies) as may be necessary to repair the Aircraft unless otherwise agreed after consultation between the insurers, the Lessor and, where the loss exceeds the Damage Notification Threshold, the Security Trustee; and

(c) include a notice and/or acknowledgement of assignment relating to the Insurances (relating to the assignment of the Lessor's and the Lessee's interest in the Insurances to the Security Trustee) in a form acceptable to the Security Trustee; and

(d) if separate Hull "all risks" and "war risks" insurances are arranged, include a 50/50 provision in accordance with market practice (AVS. 103 is the current market language); and

(vi) all required liability insurances (specified above) shall:

(a) include each of the Indemnitees as additional insureds for their respective rights and interest; and

(b) include a severability of interest clause which provides that the insurance, except for the limit of liability, will operate to give each insured the same protection as if there was a separate policy issued to each insured; and

(c) contain a provision confirming that the policy is primary without right of contribution from any other insurances available to the Lessor, the Lessee or any Indemnitees; and

(vii) all Insurances shall:

(a) be effected in the insurance markets in Lloyd's of London, or other internationally recognised aviation insurance markets with reinsurers of international standing and repute who normally participate in aircraft insurance programs acceptable to the Security Trustee;

(b) be in accordance with normal industry practice of persons operating similar aircraft in similar circumstances; and

(c) provide cover denominated in US Dollars and any other currencies which the Security Trustee may reasonably require in relation to liability insurance; and

(d) operate on a world-wide basis subject to such limitations and exclusions as the Security Trustee may agree, save for geographical limitations of insurance due to prohibition orders by the governmental authority of the United States of America or any other Government Entity or other authority having jurisdiction over the Aircraft and/or for such geographical limitations and exclusions as the insurers, as approved by the Security Trustee, may establish from time to time; and

(e) acknowledge the insurer is aware of this Agreement and that the Insurances are subject to a security assignment in favour of the Security Trustee under the Transaction Documents;

(f) provide that, in relation to the interests of each of the additional insured, the Insurances will not be invalidated by any act or omission (including misrepresentation and non-disclosure) by the Lessor, the Lessee or any other person which results in a breach of any term, condition or warranty of the policy, provided that the additional insured so protected has not caused, contributed to or knowingly condoned the said act or omission; and

(g) provide that upon payment of any loss or claim to or on behalf of any additional insured (1) the insurers shall to the extent and in respect of such payment be thereupon subrogated to all legal and equitable rights of that additional insured indemnified thereby (but not against any of the other additional insureds); (2) the insurers shall not exercise such rights without the consent of that additional insured, such consent not to be unreasonably withheld; and (3) at the expense of the Lessor such additional insured shall do all things reasonably necessary to assist the insurers to exercise the said rights; and

(h) provide that each of the additional insured will have no obligation or responsibility for the payment of any premiums due and that the insurers will not exercise any right of set-off or counterclaim in respect of any premium due against the respective interests of the additional insured other than out-standing premiums relating to the Aircraft, Engine or Part which is the subject of the relevant claim; and

(i) provide that, except in respect of any provision for cancellation or automatic termination specified in the relevant policy or any endorsement thereof, cover provided by the Insurances may only be cancelled or materially altered in a manner adverse to the additional insured by the giving of not less than thirty (30) days (or such lesser period as may be customarily available in respect of war and allied risks) notice is given by the insurers. That notice will not, however be given prior to the normal expiry date of the relevant policy or any endorsement.

### **2.3 AVN67B Airline Finance / Lease Contract Endorsement**

The Lessee may maintain the Insurances for the purpose of this Agreement which incorporate the terms and conditions of the endorsement AVN67B in such Insurances, provided that the Lessee will ensure that, for the purposes of AVN67B:

- (i) this Agreement and the relevant Transaction Documents (as may be notified to the Lessee in writing) are identified as the "Contracts"; and
- (i) the Security Trustee, and, in addition, in respect to the legal liability insurances, the Indemnitees is/are named as the "Contract Party(ies)".

In the event, to the extent that AVN67B conflicts or is otherwise inconsistent with the requirements of this Agreement relating to Insurances, then (so long as it is general practice

in the relevant jurisdiction to insure the Aircraft financed on the basis of such endorsement) AVN67B shall prevail and shall be deemed to satisfy the requirements of this Agreement.

## **2.4 Reinsurance**

Any reinsurance in respect of the Insurances maintained or to be maintained under this Clause 2 must:

- (i) be on the same terms as the original insurance including the terms outlined in Clause 2.2 above;
- (ii) shall be effected in the insurance markets in Lloyd's of London, or other internationally recognised aviation insurance markets with reinsurers of international standing and repute who normally participate in aircraft insurance programs acceptable to the Security Trustee;
- (iii) provide that notwithstanding the bankruptcy, insolvency, liquidation, or similar proceedings affecting the reinsured party, the reinsurers will be liable to make payment under the relevant policy of reinsurance as if the reinsured party had (immediately before such proceedings) discharged its obligations in full under the original insurance policy;
- (iv) be with reinsurers of recognised responsibility with limits in line with those of standard aviation practice; and
- (v) contain a "cut through" clause on such terms as may be satisfactory to the Security Trustee.

## **2.5 Change**

If at any time the Security Trustee wishes to revoke its approval of any insurer, or Insurance, the Security Trustee will consult with the Lessee and the Lessee's brokers (as for the time being approved by the Security Trustee) regarding whether that approval should be revoked to protect the interests of the parties insured. If, following the consultation, the Security Trustee considers that any change should be made, the Lessee will then arrange or procure the arrangement of alternative cover satisfactory to Security Trustee.

## **2.6 Insurance Covenants**

The Lessee shall:

- (i) ensure that all legal requirements as to insurance of the Aircraft, any Engine or any Part which may from time to time be imposed by the laws of the State of Registration or any state to, from or over which the Aircraft may be flown, in so far as they affect or concern the operation of the Aircraft, are complied with and, in particular, those requirements compliance with which is necessary to ensure that (a) the Aircraft is not in danger of detention or forfeiture, (b) the Insurances remain valid and in full force and effect, and (c) the interests of

the Security Trustee in the Insurances and the Aircraft, any Engine or any Part are not thereby prejudiced; and

(ii) not use, cause or permit the Aircraft, any Engine or any Part to be used for any purpose or in any manner not covered by the Insurances or outside any geographical limit imposed by the Insurances; and

(iii) comply with the terms and conditions of each policy of the Insurances and not do, consent or agree to any act or omission which:

(a) invalidates or may invalidate the Insurances; or

(b) renders or may render void or voidable the whole or any part of any of the Insurances; or

(c) brings any particular liability within the scope of an exclusion or exception to the Insurances; and

(iv) not take out without the prior written approval of the Security Trustee any insurance or reinsurance in respect of the Aircraft any Engine or any Part other than those required under this Agreement which further insurances would have the effect of prejudicing the rights of the insured under the Insurances; and

(v) commence renewal procedures at least thirty (30) days prior to expiry of any of the Insurances and provide to the Security Trustee:

(a) a written status report of renewal negotiation fourteen (14) days prior to each expiry date; and

(b) confirmation of completion of renewal seven (7) days prior to each expiry date; and

(c) certificates of insurance (and where appropriate certificates of reinsurance), and broker's (and reinsurance brokers) letter of undertaking in a form acceptable to the Security Trustee in English, detailing the coverage and confirming the insurers' (and any reinsurers') agreement to the specified insurance requirements of this Clause 2 within five (5) days before each renewal date; and

(vi) on request, provide to the Security Trustee evidence that the Insurance premiums have been paid; and

(vii) not make any modification or alteration to the Insurances material and adverse to the interests of the Indemnitees; and

(viii) the Lessor or the Lessee, as the case may be, shall be responsible for any deductible under the Insurances; and

(ix) provide any other insurance and reinsurance related information, or assistance, in respect of the Insurances as the Security Trustee may reasonably require; and

(x) not settle or permit the settlement of any claim arising under any of the Insurances in excess of the Damage Notification Threshold amount without the prior written consent of the Security Trustee.

## **2.7 Failure to Insure**

If the Lessee fails to maintain the Insurances in compliance with this Clause 2, each of the Indemnitees will be entitled but not bound, (without prejudice to any other rights of the Security Trustee under this Agreement and any other Transaction Document):

(i) to pay the premiums due or to effect and maintain insurances satisfactory to it, acting reasonably, or otherwise remedy the Lessee's failure in such manner (including, without limitation, to effect and maintain a "Security Trustee's interest" policy) as it considers appropriate; and

(ii) at any time while such failure is continuing, to require the Aircraft to remain at any airport or to proceed to and remain at any airport designated by it, until the failure is remedied to its satisfaction.

## **2.8 Application of Insurance Proceeds**

All insurance proceeds in respect of any property damage to or loss of the Aircraft, any Engine or any Part or any third party liability shall be applied in accordance with the Aircraft Security Agreement.

**Schedule 3** to the Tripartite and Assignment Agreement

**FORM OF Quarterly Operational Report**

**Tripartite and Assignment Agreement (the "Agreement")** dated \_\_\_\_\_  
**between FINCO TRUST SERVICES LIMITED, ACE AVIATION VI LIMITED and CHALLENGE AIRLINES (BE) S.A.**

**Customer:**

**TAIL No:**

<b>General</b>	
Quarterly Period	
Year / Period:	
Registration:	
Manufacturer:	
Type:	
Model:	
YoM:	
Serial Number:	
Home Base (Main Airport):	
SPC Name:	
Lessee:	
Lessee three letter code:	
IS-BAO certified / SMS in place	
Commercial Operation:	
AOC approval number:	
CAMO Provider:	
Main Maintenance Provider:	

<b>AIRCRAFT FLIGHT HOURS / UTILISATION</b>
--

Total Time Since New (TTSN):	
Total Cycles Since New (TCSN):	
Flight hours utilisation for quarter:	
Cycles utilisation for quarter:	
Average daily utilization (in hours) during the period:	
Days away from home base during the period:	

SIGNATURE	
Effective Date:	
Approved by:	
Title:	
Signature:	

**Terms used in this Report have the meanings given to them in the Agreement**

**We confirm that during the period above, the following information was true with respect to the aircraft.**

WARRANTY	
	Expiration Date
Airframe:	
Engines:	
APU:	
Avionics:	

Paint:	
Interior / Outfitting:	

POWER-BY-THE-HOUR PROGRAMS			
Description:	Provider	Contract Nr.:	Payment Status
Airframe Program:			
Engines Program:			
APU Program:			
Avionics Program:			

## 1. ENGINES

ENGINES		
Engine Manufacturer:		
Engine Model & Type:		
Engine Serial Number:	ENG. # 1	ENG. # 2
Engine Serial Number:		
On current Aircraft Installed:		
Removal from airframe during the reported period:		
Total Time Since New (TTSN):		
Time Since Overhaul (TSO):		
Time Since last quarter / period (Utilisation):		
Total Cycles Since New (TCSN):		
Cycles Since Overhaul (CSO):		
Total Cycles Since last quarter / period:		

ENG # 1: MAJOR COMPONENT REPLACEMENTS THIS PERIOD				
Component / Life Limited Parts (LLP)	P/N	S/N OFF	S/N ON	Date

  

ENG # 2: MAJOR COMPONENT REPLACEMENTS THIS PERIOD				
Component / Life Limited Parts (LLP)	P/N	S/N OFF	S/N ON	Date

## 2. LANDING GEAR

LANDING GEARS		
<b>Nose Landing Gear (NLG)</b>		<b>NLG</b>
Total Time Since New (TTSN):		
Time Since Overhaul (TSO):		
Total Cycles Since New (TCSN):		
Cycles Since Overhaul (CSO):		
Time Since last quarter / period (Utilisation):		
Total Cycles Since last quarter / period:		
<b>Main Landing Gear (MLG)</b>	<b>L/H MLG</b>	<b>R/H MLG</b>
Total Time Since New (TTSN):		
Time Since Overhaul (TSO):		
Total Cycles Since New (TCSN):		
Cycles Since Overhaul (CSO):		
Time Since last quarter / period (Utilisation):		
Total Cycles Since last quarter / period:		

### 3. AUXILIARY POWER UNIT

INSTALLED AUXILIARY POWER UNIT (APU)
Part Number:
APU Type:
Serial Number:
Total Time Since New (TTSN):
Time Since last quarter / period (Utilisation):

### 4. AIRFRAME

MAJOR COMPONENT REPLACEMENTS THIS PERIOD				
Component / Life Limited Parts (LLP)	P/N	S/N OFF	S/N ON	Date

### 5. NEXT DUE MAINTENANCE

NEXT DUE MAINTENANCE CHECK					
	Description	Max Limit (Hours)	Max Limit (Date)	Remaining Hours	Remaining Days
Next Due Maintenance:					
Next Due Maintenance:					
Next Due Maintenance:					

### 6. INSURANCE

INSURANCE
Hull Insurance in place and current:
Liability Insurance in place and current:
Police Number:
Insurer:
Insurance Expiry Date:

### 7. MANDATORY AD's / SB's

MANDATORY OPEN DUE AD's / OPEN DUE SB's	
Description	Due at

**8. ACCIDENT, INCIDENT AND FOD OCCURENCES**

NOTICE OF ACCIDENT / INCIDENT / FOD DAMAGE		
Description	Date	Rectified

**9. PAYMENTS DUE BUT UNPAID FOR MORE THAN 45 DAYS**

OPEN INVOICES			
Company	Invoice Number	Amount	Currency

**10. LOCATION OF LOG BOOKS**

PLACE OF STORAGE OF LOG BOOKS / RECORDS
Company:
Address:
Contact:
E-Mail
Tel:

\*\*\*

**Schedule 4** to the Tripartite and Assignment Agreement

**FORM OF AIR TRAFFIC CONTROL LETTER**

CHALLENGE AIRLINES (BE) SA  
Rue du Fort, 3,  
L' Escale, Level 3,  
4460 Grâce-Hollogne, Belgium

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

Eurocontrol  
Director Central Route Charges Office  
European Organisation for the Safety of Air Navigation (“EUROCONTROL”)  
Rue de la Fusée 96  
1130 Bruxelles, Belgium  
Email : [crco.cat.head@eurocontrol.int](mailto:crco.cat.head@eurocontrol.int)

Dear Sirs,

**Authorisation Letter**

**One (1) Boeing model B747-409F aircraft with Manufacturer's Serial Number 33729 (the “Aircraft”)**

We hereby inform you that the Aircraft, including its engines, is leased by ACE AVIATION VI LIMITED as Lessor to CHALLENGE AIRLINES (BE) S.A. as Lessee.

We hereby authorize you to provide to FINCO TRUST SERVICES LIMITED as security trustee (or to its duly authorized representative) (the “**Security Trustee**”) with a statement of account in respect of the Aircraft in relation to air navigation charges incurred by us and due to EUROCONTROL. Access to the statement(s) of account will be provided in accordance with the procedures established by EUROCONTROL.

The authorization contained in this letter may only be revoked or amended by a written instruction signed by us and the Security Trustee.

Please forward the acknowledgement of receipt of this letter of authorization to the Security Trustee as follows: FINCO TRUST SERVICES LIMITED, a company registered in Malta with registration number C 13078 and registered address at The Bastions Office, No. 2 Emvin Cremona Street, Floriana FRN 1281, Malta, as security trustee.

Yours faithfully,

Acknowledged and agreed by:

**CHALLENGE AIRLINES (BE) S.A.**

**ACE AVIATION VI LIMITED**

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

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

Its:

Its:

**Schedule 5** to the Tripartite and Assignment Agreement

**Form of EU ETS Authority Letter**

CHALLENGE AIRLINES (BE) SA  
Rue du Fort, 3,  
L' Escale, Level 3,  
4460 Grâce-Hollogne, Belgium

To:

All governmental entities in the European Union charged with administering any EU ETS (as defined below) applicable to us and the Aircraft

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

Dear Sirs,

**EMISSIONS TRADING SCHEMES**

**One (1) Boeing model B747-409F aircraft with Manufacturer's Serial Number 33729 (the "Aircraft")**

We hereby inform you that the Aircraft, including its engines, is leased by ACE AVIATION VI LIMITED as Lessor to CHALLENGE AIRLINES (BE) S.A. as Lessee.

We wish to enable the FINCO TRUST SERVICES LIMITED as security trustee (or to its duly authorized representative) (the "**Security Trustee**") to monitor the performance by us of our obligations under the Emissions Trading Schemes ("**EU ETS**").

We hereby unconditionally authorise you, on request by the Security Trustee, to provide the Security Trustee with particulars of any obligations due from but unperformed by us under the EU ETS in respect of the Aircraft.

The authorisation contained herein shall only be revoked or amended upon receipt by you of a written instruction signed by ourselves and the Security Trustee requesting such revocation.

Please forward the acknowledgement of receipt of this letter of authorization to the Security Trustee as follows: name: FINCO TRUST SERVICES LIMITED, a company registered in Malta with registration number C 13078 and registered address at The Bastions Office, No. 2 Emvin Cremona Street, Floriana FRN 1281, Malta, as security trustee.

Yours faithfully,

Acknowledged and agreed by:

**CHALLENGE AIRLINES (BE) S.A.**

**ACE AVIATION VI LIMITED**

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

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

Its:

Its:

**SCHEDULE 6 to the Tripartite and Assignment Agreement**  
**Appointment of Process Agent**

**CHALLENGE AIRLINES (BE) SA**, a private limited liability company registered under the laws of Belgium bearing company registration number 0669921491 and having its registered office at Rue du Fort, 3, L' Escale, Level 3, 4460 Grâce-Hollogne, Belgium, as the '**Lessee**', hereby nominates:

Name: CHALLENGE AVIATION HOLDING LIMITED  
Address: Level 5, Skyparks Business Centre, Malta International Airport, Luqa LQA  
4000, Malta  
Telephone: + 356 27137174  
Attn: The Directors & The Group CFO  
Email: [daniel.ganem@challenge-group.com](mailto:daniel.ganem@challenge-group.com)  
Copy to: [legal.hq@challenge-group.com](mailto:legal.hq@challenge-group.com)

as the '**Process Agent**',

as its agent for the service of proceedings and any judicial act/s of whatever nature for the purposes of the Code of Organization and Civil Procedure (Chapter 12 of the Laws of Malta) and any relevant and related legislation in Malta, in respect of the

1. **TRIPARTITE AND ASSIGNMENT AGREEMENT** dated \_\_\_\_\_ and made between **FINCO TRUST SERVICES LIMITED**, a company registered in Malta with registration number C 13078 and registered address at The Bastions Office, No. 2 Emlin Cremona Street, Floriana FRN 1281, Malta, as security trustee, as the '**Security Trustee**', **ACE AVIATION VI LIMITED**, a company registered in Malta with registration number C 101563 and registered address at Level 5, Skyparks Business Centre, Malta International Airport, Luqa LQA 4000, Malta, as the '**Lessor**', and the Lessee; and

2. one (1) Boeing model B747-409F aircraft with Manufacturer's Serial Number 33729 and National Registration Mark OE-LRI and four (4) General Electric CF6-80C2B1F Engines with serial numbers 706641, 706692, 706778 and 706241, the '**Aircraft**'.

The Lessee shall indemnify and hold harmless the Process Agent against any and all documented costs, claims, expenses and liabilities howsoever incurred by the Process Agent in connection with its appointment as process agent, unless caused by the gross negligence and/or willful misconduct of the Process Agent.

Executed this \_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Name:  
Capacity:  
Duly authorized for and on behalf of  
CHALLENGE AIRLINES (BE) SA

Acceptance:

---

Name:

Capacity:

Duly authorized for and on behalf of  
CHALLENGE AVIATION HOLDING LIMITED