

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

**GRUPO AEROMÉXICO, S.A.B. de C.V., et al.,
Debtors.¹**

Chapter 11

Case No. 20-11563 (SCC)

(Jointly Administered)

**ORDER (I) AUTHORIZING DEBTOR AEROVÍAS DE MÉXICO, S.A.
DE C.V. TO ASSUME (ON AN AMENDED BASIS) THAT CERTAIN
LEASE AGREEMENT AND (II) APPROVING THE CLAIMS
SETTLEMENT WITH SMBC AERO ENGINE LEASE B.V.**

Upon the motion (the “**Motion**”)² of the Debtors for entry of an order (this “**Order**”), (i) authorizing, but not directing, Debtor Aerovías de México, S.A. de C.V. (the “**Debtor Lessee**”) to assume the Engine Lease on an amended basis on terms substantially consistent with those set forth in the Letter of Intent (a form of which is attached hereto as **Exhibit 1**) and (ii) approving the Claims Settlement, each as set forth more fully in the Motion and the Landess Declaration; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference M-431*, dated January 31, 2012 (Preska, C.J.); and consideration of the Motion and the relief requested therein being a core proceeding under 28 U.S.C. § 157(b); and venue of the Chapter 11 Cases and related proceedings being proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided to the notice parties

¹ The Debtors in these cases, along with each Debtor’s registration number in the applicable jurisdiction, are as follows: Grupo Aeroméxico, S.A.B. de C.V. 286676; Aerovías de México, S.A. de C.V. 108984; Aerolitoral, S.A. de C.V. 217315; and Aerovías Empresa de Cargo, S.A. de C.V. 437094-1. The Debtors’ corporate headquarters is located at Paseo de la Reforma No. 243, piso 25 Colonia Cuauhtémoc, Mexico City, C.P. 06500.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

identified in the Motion; such notice having been adequate and appropriate under the circumstances, and it appearing that no other or further notice need be provided; and the Court having reviewed the Motion and considered the relief requested therein; and upon all of the proceedings had before the Court; and after due deliberation the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and the Court having found that the relief granted herein is in the best interests of the Debtors, their creditors, and all other parties in interest; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is granted to the extent set forth herein.
2. The SAEL Transactions are hereby approved and the Debtors are authorized (but not directed), pursuant to and in accordance with section 365 of the Bankruptcy Code, to (a) assume the Engine Lease on an amended basis on terms substantially consistent with those set forth in the Letter of Intent and (b) pay all amounts and otherwise perform all obligations under the Lease Amendment and the other SAEL Transaction Documents in accordance with the terms thereof. The Engine Lease, as amended, shall be deemed assumed by the Debtors upon the effectiveness of the Lease Amendment in accordance with its terms, and, upon such effectiveness, the Lease Amendment and the other SAEL Transaction Documents each shall be in full force and effect and the Debtor Lessee shall be obligated to perform all of its obligations thereunder without the need for further notice or action by the Debtor Lessee or the Lessor or a further order of the Court.
3. Subject to the Debtor Lessee's continued compliance with the terms of the Engine Lease and the Equipment Stipulation, the cure payment required by section 365(b) of

the Bankruptcy Code upon assumption of the Engine Lease (on an amended basis on terms substantially consistent with those set forth in the Letter of Intent) shall be \$0.00.

4. The Debtors are authorized (but not directed) to (a) execute, deliver, provide, implement, and fully perform any and all obligations, instruments, and papers necessary or advisable to implement the SAEL Transactions, including, without limitation, as provided for or contemplated in the Lease Amendment or the other SAEL Transaction Documents and (b) take any and all actions to implement the SAEL Transactions, including, without limitation, the Lease Amendment in accordance with the terms thereof.

5. From and after the effective date of the Lease Amendment, the obligations of the Debtors under the Lease Amendment and the other SAEL Transaction Documents shall constitute administrative expenses of the Debtor Lessee's estate pursuant to sections 503(b)(1) and 507(a)(2) of the Bankruptcy Code. For the avoidance of doubt, the Debtor Lessee's obligations under the Lease Amendment and the other SAEL Transaction Documents shall be binding upon and constitute obligations of the reorganized Debtors or any successor entity notwithstanding the confirmation or effectiveness of any chapter 11 plan of reorganization confirmed in the Chapter 11 Cases.

6. The automatic stay under section 362 of the Bankruptcy Code is vacated and modified to the extent necessary to implement and effectuate the terms of the Lease Amendment and the other SAEL Transaction Documents. Upon the occurrence and during the continuance of an event of default under the Lease Amendment, the Lessor may file with the Court and deliver to the Debtors and the Committee a written notice (a "**Termination Notice**") effective as of five business days after its filing and delivery (the "**Remedies Period**"). Upon the expiration of the Remedies Period, the automatic stay in the Chapter 11

Cases shall be deemed lifted and the Lessor may exercise any remedies or enforcement actions provided for under the Lease Amendment without the need for further notice (other than as expressly provided in the Lease Amendment) or authorization from the Court. During the Remedies Period, the Debtors or the Committee may seek an emergency hearing at which either may contest the fact that an event of default under the Lease Amendment has occurred and is continuing. The Remedies Period shall automatically extend to the conclusion of such a hearing and the issuance of a ruling on the matters contested thereat.

7. The Claims Settlement is (a) integral and necessary to the SAEL Transactions, (b) supported by reasonable consideration, (c) fair and equitable and in the best interest of the Debtors' estates, and (d) permitted by the Bankruptcy Code, and thus, is hereby approved pursuant to Bankruptcy Rule 9019(a) and shall be binding on the Debtors and the Lessor.

8. In accordance with the Claims Settlement, the Lessor shall be allowed a final non-priority general unsecured claim against the bankruptcy estate of the Debtor Lessee in the Chapter 11 Cases (or any subsequent chapter 7 case in the event of conversion) (collectively, the "**Allowed Claim**") as follows:

Claim Number	Claimant	Debtor	Treatment	Allowed Claim Amount
269	SMBC Aero Engine Lease B.V.	Aerovías de México, S.A. de C.V.	Allowed	\$4,600,000.00

9. In accordance with the Claims Settlement, and subject to the Debtor Lessee's continued compliance with the terms of the Engine Lease and the Equipment Stipulation, any and all other claims against the Debtors in the Chapter 11 Cases relating to the Engine or the Engine Lease (other than the Allowed Claim) shall be withdrawn (collectively, the "**Withdrawn Claims**"), including, without limitation, to the following claim:

Claim Number	Claimant	Treatment
270	SMBC Aero Engine Lease B.V.	Withdrawn

10. The Allowed Claim shall be automatically allowed, and the Withdrawn Claims shall be automatically withdrawn, upon the effectiveness of the Lease Amendment, and no further notice or action shall be required of the Lessor or the Debtors to effectuate the allowance or withdrawal, as applicable, of such claims upon such occurrence. From and after the effective date of the Lease Amendment, Epiq Corporate Restructuring, LLC is authorized to update the claims register to reflect the terms of this Order, including, among other things, reflecting the allowance of the Allowed Claim and the withdrawal of the Withdrawn Claims as set forth in this Order.

11. Notwithstanding any subsequent appointment of any trustee(s) under any chapter of the Bankruptcy Code, this Order shall be binding in all respects upon, and shall inure to the benefit of, the Debtors, their estates, and their creditors, their respective affiliates, successors, and assigns, and any affected third parties, including, but not limited to, the Lessor and all other persons asserting interests in the Engine or the Engine Lease.

12. The Debtors are authorized to take, or refrain from taking, any action necessary or appropriate to implement and effectuate the terms of, and the relief granted in, this Order without seeking further order of the Court.

13. While the above referenced Chapter 11 Cases are pending, this Court shall retain exclusive jurisdiction over any and all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

Dated: January 25, 2022
New York, New York

/S/ Shelley C. Chapman
THE HONORABLE SHELLEY C. CHAPMAN
UNITED STATES BANKRUPTCY JUDGE

**AEROVÍAS DE MÉXICO, S.A. DE C.V.
ENGINE LEASE AGREEMENT**

INDICATIVE SUMMARY OF PRINCIPAL TERMS AND CONDITIONS

December 6, 2021

This Indicative Summary of Principal Terms and Conditions (this “Summary of Terms”) is for discussion purposes only. No legally binding obligations will be created prior to execution of definitive transaction documents signed by the parties thereto, except for the provisions under the headings “Costs and Expenses” and “Confidentiality” below which are intended by the parties hereto to be legally binding obligations.

**Transaction
Overview**

Lessor and Lessee will enter into an amended and restated engine lease agreement (the “*Lease*”) for the engine described in Appendix 1 hereto (an “*Engine*”). Upon signing of this Summary of Terms, the parties will negotiate in good faith to finalize and execute definitive documentation (the “*Documentation*”) that reflects the terms and conditions specified in this Summary of Terms and sets forth other specific terms of Lessee’s agreement to lease such Engine from Lessor and Lessor’s agreement to lease such Engine to Lessee. Documentation will be prepared by Lessee’s counsel and will amend the existing Aircraft Engine Lease Agreement entered into by Lessee and Lessor on 25 November 2016 (the “*Existing Lease*”) and, in certain limited parts as agreed herein, the General Terms Agreement entered into by Lessee and Lessor on 25 November 2016 (the “*Existing GTA*”). The effective date of such amendment shall be hereinafter referred to as the “*Effective Date*”.

Lessor

As set out on Appendix 1 hereto.

Servicer

SMBC Aero Engine Lease B.V.

Lessee

Aerovías de México, S.A. de C.V., as lessee under the Lease (the “*Lessee*”).

Engine

Details of the Engine are described in Appendix 1 hereto.

Basic Rent

Basic Rent for the Engine shall be either the PBH Rent or the Fixed Rent, as described below.

Commencing on the Effective Date, Basic Rent shall be paid monthly in arrears on a power-by-the-hour basis (the “*PBH Rent*”) from the effective date of the Lease until the earlier of (i) [REDACTED] and (ii) [REDACTED] (the “*PBH Period*”).

For each calendar month during the PBH Period, the PBH Rent will be equal to the greater of (i) [REDACTED] and (ii) an amount calculated in accordance with the following formula:

[REDACTED]

where:

[REDACTED]

For each calendar month (or part thereof) during the PBH Period, the Lessee will provide a utilization report to the Lessor by the 15th day of the immediately succeeding

calendar month and make a payment of the PBH Rent by the later of (x) the 20th day of such calendar month and (y) three business days after receiving Lessor's invoice in respect of the PBH Rent.

Following the last day of the PBH Period and during the remainder of the Lease Term, Basic Rent shall be paid monthly in arrears in a fixed amount per month equal to the "Fixed Rent" described in Appendix 1 hereto ("*Fixed Rent*").

Lease Term The last day of the Lease Term shall be the "*Expiry Date*" as set out on Appendix 1 hereto, unless extended in accordance with the "Extension Options" section below (in which case, the "*Expiry Date*" shall be the last day of the Extension Term).

Extension Options Lessee shall have the option, upon no less than [REDACTED] months' prior written notice, to extend the Lease Term for up to [REDACTED] successive extension terms (each, an "*Extension Term*"), with each Extension Term having a term between [REDACTED] year and [REDACTED] years as selected by Lessee.

Such extension shall include the same terms included herein, except for rent, which shall be agreed between Lessee and Lessor in good faith based on then prevailing conditions. During the period [REDACTED] months prior to Lessee providing written notice of its intent to extend the Lease Term, both Lessor and Lessee will provide each other with its best "offer" and "ask" rent proposals, respectively, of the then achievable market rent for a spare GENx engine in writing and will negotiate in good faith to agree a monthly Basic Rent during each Extension Term based on these proposed rents. [REDACTED]

Security Deposit [REDACTED]

Inspection Rights Lessor will have the right to inspect the Engine and related records [REDACTED], subject to no unreasonable interference with Lessee's operations and in accordance with other terms as agreed in the Existing Lease and to certain other conditions if agreed in the Lease. [REDACTED]

Maintenance Redelivery Payments Lessee shall pay Maintenance Redelivery Payments for the Engine [REDACTED], by comparing (i) [REDACTED] (the "*Petition Date*") and (ii) [REDACTED]. The rates used in calculating such Maintenance Redelivery Payments will be either of the following options, at Lessee's option:

Option 1 [REDACTED].

Option 2 [REDACTED]

Where the compensation calculations at redelivery take effect, the following formula shall be a formula which allows for differing operational thrusts:

[REDACTED]

[REDACTED]

The rates of Engine LLP Maintenance Redelivery Payments will be calculated by the then-current Manufacturers catalogue price of that individual LLP divided by the Ultimate Life limit of such LLP.

**Maintenance
Reserves**

[REDACTED]

During the PBH Period, [REDACTED]. Following the last day of the PBH Period and during the remainder of the Lease Term, Lessee will either (i) [REDACTED] or (ii) [REDACTED]. The column titled "Year from initial installation" in the grid shown in Schedule 1 of the Existing Lease shall be revised to be titled "Year from Petition Date". The provisions of the Existing Lease relating to the permitted reduction of the amount of the Maintenance Reserves Letters of Credit in conjunction with a Performance Restoration shop visit shall continue to apply.

Should a shop visit be required at any time during the Lease Term, then Lessee shall be obliged to perform such shop visit [REDACTED], except that where such shop visit qualifies as a Performance Restoration shop visit as defined in the Existing Lease, [REDACTED]. Any [REDACTED] that remain unutilized as of the Expiry Date shall be applied to reduce the Lessee's obligation to the Lessor in respect of the Maintenance Redelivery Payments and any other amounts owing from the Lessee on the Expiry Date. Lessee shall obtain Lessor's prior approval (not to be unreasonably withheld or delayed) for (i) induction of the Engine and (ii) any workscope, escalation of the scope of the work or costs of each shop visit event.

Build Standard

A Performance Restoration shop visit should result in a [REDACTED] build specification. The [REDACTED] build specification EGT margin is to be at least [REDACTED] of a new production engine of equivalent thrust for the first performance restoration shop visit and [REDACTED] of a new production engine for all performance shop visits subsequently carried out during the Lease. Any deviation to this requirement is to be mutually agreed between Lessor, Lessee, and OEM.

**Redelivery
Procedure**

At return, the Engine shall comply with the return conditions specified in Appendix 2 hereto and the applicable GTA provisions.

Holdover Rent

In the event that Lessee does not return the Engine to Lessor on the Expiry Date and in the condition required by the Lease, Lessee shall continue to pay Fixed Rent in arrears for the first [REDACTED] days of delay, and [REDACTED] of Fixed Rent thereafter, pro-rated accordingly on a monthly basis until the date the Engine is actually tendered to the Lessor in the required condition (the "*Holdover Period*"). The Engine shall not be used in commercial passenger operations during any Holdover Period.

**Engine
Documents**

Engine records (the "*Engine Documents*") will be maintained in accordance with the rules and regulations of the Aviation Authority and the Existing Lease.

**Replacement of
Engine**

Subject to Lessor's prior consent, such consent not to be unreasonably withheld, Lessee may, at any time as determined in the Existing Lease, replace an engine of the same make and same or improved model (a "*Replacement Engine*") for any Engine by transferring title to the Replacement Engine to Lessor, and the Lessor will transfer title to the replaced Engine to or at the request of Lessee. The Replacement Engine shall be free of any financial or ownership encumbrances, be of no material or financial impact

to Lessor and [REDACTED]. Such Replacement Engine will have value and utility at least equal to that of the replaced Engine and shall be deemed an "Engine" as defined in the Lease for all purposes under the Lease. Lessee shall be responsible for all costs and expenses related to such substitution of Engine, including but not limited to all tax payments in each jurisdiction. Notwithstanding anything to the contrary, to the extent an Engine fails to meet the redelivery conditions, Lessee may replace such Engine with a Replacement Engine that satisfies the redelivery conditions.

Insurance

As per Existing Lease.

Events of Default

As per Existing GTA; provided, however, that in Section 18(a) of the Existing GTA shall be amended so that reference to "[REDACTED]" are deleted and replaced with "[REDACTED]".

Subleasing

Provided that no Event of Default has occurred and is continuing subject to the prior written consent of Lessor (not to be unreasonably withheld or delayed), Lessee may sublease the Engine on terms and conditions to be set out in the Lease; provided that no Lessor consent shall be required if the sublease is to [REDACTED], provided that either (a) [REDACTED], or (b) [REDACTED]. [REDACTED].

Transfers

Lessor may transfer or assign its rights in the Documentation and/or the Engine after the effective date of the Lease, provided that, as long as there is no default occurred and continuing: (i) Lessor shall promptly notify Lessee in writing of any proposed transfer and all relevant details with respect thereto; (ii) Lessor shall pay Lessee's reasonable and documented out of pocket expenses in conjunction with any Lessor transfer; (iii) the transferee is experienced in the business of engine leasing or serviced by such person; (iv) the transferee/assignee provides Lessee with a quiet enjoyment undertaking letter in form and substance reasonably acceptable to the Lessee, with such a form to be agreed in the Documentation; (v) the transferee/assignee has a tangible net worth of at least \$[REDACTED] exclusive of the aggregate equity it is committing to invest in the Engine, with a certificate of such tangible net worth being a condition precedent to entering into the transfer; (vi) neither the transferee/assignee nor any of its affiliates is an airline or a direct competitor of Lessee; (vii) such Lessor transfer shall not increase any of Lessee's risk, obligations, responsibilities, liabilities, costs (including without limitation with respect to taxes) or decrease the Lessee's rights under the Lease as determined as of the date of such transfer or assignment; and (viii) the transferee/assignee assumes any and all payment and other obligations of Lessor.

Governing Law

This Summary of Terms and the Documentation will be governed by the laws of the State of New York.

Costs and Expenses

Lessee and Lessor will bear their own costs and expenses incurred in the negotiation and completion of the Documentation. Lessee will also issue, at no cost to Lessor, a customary in-house legal opinion as to Mexican law matters. If Lessor requires an external Mexican legal opinion, Lessor will bear all costs related thereto.

Confidentiality

This Summary of Terms is strictly confidential and must not be revealed by Lessor or Lessee to any person other than those employees, directors, officers, or professional advisers (collectively, "*Related Persons*") of the parties hereto (as applicable) who are responsible for analyzing, negotiating and approving the transaction and who are made aware of the confidential nature of this Summary of Terms. Notwithstanding the

foregoing, the Lessee may disclose this Summary of Terms (i) as may be required to obtain the bankruptcy court's approval of this Summary of Terms or the Documentation; or (ii) to the U.S. Trustee, the Unsecured Creditors Committee, the Ad Hoc Bondholders Group, the Ad Hoc Group of Claimholders or the entities providing the debtor-in-possession financing to the Debtors and any of their respective Related Persons.

Signature Page

AEROVÍAS DE MÉXICO, S.A. DE C.V., as Lessee

By: _____

Printed Name: _____

Title: _____

By: _____

Printed Name: _____

Title: _____

SMBC AERO ENGINE LEASE B.V., as Lessor

By: _____

Printed Name: _____

Title: _____

APPENDIX 1

CERTAIN TERMS

Lessor: SMBC Aero Engine Lease B.V.

Engine: One (1) General Electric model GEnx-1B76A engine bearing manufacturer's serial number 956854

Fixed Rent: \$[REDACTED]

Expiry Date: November 28, 2026 (such day included)

APPENDIX 2

REDELIVERY CONDITIONS

Lessee shall redeliver the Engine to Lessor for technical acceptance (“*Technical Acceptance*”) by delivering the Engine to a OEM-approved maintenance or storage facility in Mexico, or any other location as agreed between Lessee and Lessor (the date of such delivery, the “*Redelivery Date*”), in compliance with the conditions specified below and as stipulated in Existing GTA (the “*Redelivery Conditions*”); provided, however, that to the extent there are any conflicts between the Existing GTA and this Appendix 2, this Appendix 2 shall control. For the avoidance of doubt, there shall be no requirements for Technical Acceptance other than those specified in this Appendix and GTA. Lessee will provide full support, at Lessor’s request and at Lessor’s reasonable cost and risk, with shipping the Engine from Mexico. Pending export and shipping timelines, [REDACTED] on the reasonable request of Lessor post Technical Acceptance and Lessor shall provide full insurance coverage for this period at no cost to Lessee; provided, however, that to the extent [REDACTED]. [REDACTED].

Promptly after Lessee has tendered the Engine for redelivery to Lessor in the required Redelivery Conditions, once Lessor has access to and has completed a physical inspection of the Engine (incl. engine stand and other parts) and Engine records, Lessor shall execute and deliver to Lessee a redelivery acceptance certificate confirming Technical Acceptance and redelivery of the Engine to Lessor. Lessee shall not be obligated to pay rent in respect of any period after the date on which the Engine complies with the required return condition and Lessee has tendered the Engine for redelivery to Lessor in accordance with the Lease.

A. Maintenance Program

The Engine shall be in compliance with the Lessee’s maintenance program (the “*Maintenance Program*”), which shall be based on the manufacturer’s Maintenance Planning Document and approved by the AFAC of Mexico (the “*Aviation Authority*”).

Lessee will comply with any ADs that require compliance on or prior to [REDACTED] past the last day of the Lease Term. However, compliance with such ADs due after the last day of the Lease Term shall not be required should such compliance be waived in writing by the Lessor.

B. General Condition

The Engine shall be in good operating condition, serviceable and with a current dual release or an FAA 8130-3 (or EASA Form 1) attached, with no open or repeat or out-of-phase inspections or restrictions (except those included in the Maintenance Program and/or OEM manuals), normal wear and tear excepted, and returned together with any engine stand on which it was delivered to the Lessee.

The Engine shall be returned together with the original engine stand (or an equivalent or better make and part number), blanks and cover bag on which it was delivered to the Lessee. Such engine stand will be in conformity with OEM maintenance guidelines, including identification of shock mounts replacement. No exchange stand will be accepted without prior approval of Lessor, acting reasonably, in writing [REDACTED] days prior to the end of the Lease.

If the Engine has undergone maintenance, a shop visit, on-wing maintenance and any ratification or repair, and the Engine, Engine LLP and HT Parts / Components are affected, Lessee shall provide a full shop visit report and relevant certification supported by FAA Form 8130-3 or EASA Form 1. The Engine shall have

certified documentation with the next LLP or other limiting event causing removal from service, preservation period, plus the EGTM at Take Off listed.

The Engine shall have the same EBU/QEC configuration (e.g., no missing parts) as at delivery. QEC LRUs may be replaced during the term of the lease with equivalent P/N and modification status parts or better

Lessee shall procure that all parts that have an on condition or condition monitoring maintenance process will be supported by an FAA Form 8130-3 or EASA Form 1. [REDACTED].

Lessee shall further procure that the Engine is not on engineering watch, on a reduced interval inspection or otherwise has any defect that reduces the Flight Hour or Cycles (whichever is more limiting) of remaining life pursuant to OEM's or airworthiness requirement until the next overhaul, unless recommended by the OEM maintenance guidelines.

There shall be no missing parts, assemblies, Line Replaceable Units, Mounts, brackets etc that were present at Delivery. All exchanged LRUs are required to have an ATA 106 accompanying the part as well as the last shop visit report and serviceable tag.

C. Redelivery Check

The Engine shall have completed the Redelivery Check (as defined below), and following such Redelivery Check the Engine shall not be installed or operated and shall be transported and stored per the OEM guidelines and include a certified statement to cover such conditions.

"Redelivery Check" means the inspection checks recommended by the OEM comprising all of the tasks listed in the current revision of the applicable engine manufacturer's maintenance planning document (MPD) corresponding to an aircraft C-Check (or equivalent) and applicable to the Engine. The Redelivery Check shall be carried out in accordance with Lessee's Maintenance Program and the dirty fingerprint (DFPs) to be supplied on request to the extent received by the maintenance performer.

The Engine Fuel and Oil System shall be preserved long term (two years) per the AMM. For the elimination of doubt, the Engine shall be capable of international flight per the dangerous goods requirement of IATA and ATA.

D. Engine LLP Minimum

No Engine LLP shall have fewer than [REDACTED] cycles remaining to reaching the then manufacturer's published Chapter 5 life limit (the *"Engine LLP Hard Life Cycle Minimum"*). Notwithstanding the foregoing, Lessee may request of Lessor, and Lessor shall consider in good faith, the allowance of an extended hard life cycle limit that may be achieved via the incorporation of a service bulletin or other action that may only be incorporated on-wing post-redelivery. OEM inputs may be sought to verify some points of extension criteria.

E. Engine Performance Restoration Hard Time Minimum and Minimum Redelivery Condition

Engine Performance Restoration shall mean the disassembly and rectification required to be carried out to a minimum of the Combustion and HPT Modules on the Engine subject to a shop visit for performance degradation or other issues, as defined in the applicable OEM Workscope Planning Guide (WSPG). Target build life shall be [REDACTED] flight hours, [REDACTED] flight cycles or such other full life engine target as may be applicable per manufacturer guidelines to Lessee's operation (*"Engine Performance Restoration Minimum"*).

Lessor will accept a minimum redelivery of [REDACTED] flight hours or [REDACTED] flight cycles (whichever is the most restrictive) remaining before next shop visit for Performance Restoration or LLP replacement unless otherwise agreed (if such agreement is sought, it is to be at least [REDACTED] months prior to Lease end date). EGTM and life remaining shall be in line with OEM degradation parameters. The HPC Modules shall be treated as an EGTM influencer that could be added to the next Performance Restoration if the requirement shows the EGTM will not be acceptable to project future time on wing under the Existing Lease.

Engine hard time components at redelivery will be of the same part number as the original fitted item or be of higher part number, have no less than [REDACTED] cycles remaining until the next scheduled Engine Performance Restoration visit, and shall not limit the Engine in achieving uninterrupted operation until the next scheduled Engine Performance Restoration visit.

F. Records

All Engine Documents, including DFPs for any and all applicable ADs and mandatory SBs complied shall be delivered to Lessor in English in Lessee's format and at Lessee's expense on the Redelivery Date.

The Engine Documents to be returned to Lessor in hard-copied original where available and electronic format, as agreed between Lessee and Lessor. Subject to any document retention requirements in Lessee's approved maintenance program, where available Lessee shall provide Lessor with the original Engine Document received from any maintenance provider in connection with a shop visit on the Engine.

The Engine Documents shall include a Lessor approved standard Non Incident Statement which covers the Engine and all parts attached to the Engine.

The Engine Documents shall include at least [REDACTED] ECM data for all operations carried out since the last installation, and show no adverse trend indicated of heavy performance degradation at takeoff and cruise and cruise plot observations.

The Engine Document shall include, but not be limited to,

- (i) documents in respect of oil consumption, installation and removal, storage and preservation events, logbook pages where required, and original Delivery documents including the Bill of Sale and Export Certificate;
- (ii) The final preservation DFPs and certificate
- (iii) LLP status including a full back-to-birth traceability for each LLP;
- (iv) Part certificates including the last SV report for any replacement LRU which were not delivered new with the Engine;
- (v) current AD Compliance status including DFP for those complied by Lessee during the Lease;
- (vi) current single listing SB compliance status including DFP for those complied by Lessee during the Lease;
- (vii) Fitted Listing showing all tracked parts including P/N, S/N, TSN, CSN, TSR, CSR where required (hard time part) as per the EMM tracking and record keeping requirements but will include HPT Blades and LP Fan Blades;
- (viii) full shop visit reports including copies of CDRs and OEM issued statements and concessions (if the Equipment has been sent to the shop);
- (ix) full history of preservation which must be in accordance with the AMM and EMM where applicable;
- (x) list of missing parts and Carry Forward action item list;
- (xi) Fluids Statement covering all types of fuel and oils approved and used during the Lease;

- (xii) assignment of any current or obligation warranties and parts;
- (xiii) No PMA and DER Statement;
- (xiv) NIS Statement;
- (xv) Oil consumption Statement.

G. Borescope Inspections; Power Assurance Runs

A hot and cold section full gas path video borescope inspection (“BSI”) of the Engine and its Modules in accordance with the Manufacturer’s Aircraft Maintenance Manual (“AMM”) shall be performed before the Redelivery Date by Lessee or its representative at Lessee’s expense. Lessee shall inform Lessor of such inspection at least [REDACTED] weeks in advance and shall [REDACTED]. The BSI shall include a rotation speed that allows a detailed inspection of each part in clarity, and any damage shall be noted and measured. The final written BSI report shall be detailed to the reasonable satisfaction of the Lessor. Lessee will correct any discrepancies in accordance with the guidelines set out by the OEM manufacturer which may be discovered during such inspection.

In addition, Lessee will provide Lessor the latest trend data for the Engine, based on the last [REDACTED] of operation, or since the last Engine Performance Restoration visit if such event occurred within the [REDACTED] prior to the Redelivery Date. Such trend data shall not show a level of accelerated deterioration or step changes in trend operations in the on-wing performance of the Engine that would indicate that the Engine will fail to meet the Engine Performance Restoration Minimum.

Lessee shall perform a max power on wing power assurance run (“OWPA”) in accordance with the Manufacturer’s Aircraft Maintenance Manual (“AMM”) before the Redelivery Date. Lessee shall inform Lessor of such test at least [REDACTED] in advance and shall [REDACTED]; provided, however, that if at least the last [REDACTED] of consistent, stable and valid Engine trend data per OEM guidelines is supplied before the Expiry Date, the OWPA run may be waived by mutual agreement between Lessee and Lessor.

However, if the trend data or OWPA identifies an anomaly which cannot be explained or corrected and could cause the Engine to fail to meet the Engine Performance Restoration Minimum, then Lessor and Lessee will request the Engine Manufacturer to provide an opinion on the expected time remaining on wing based on Lessee’s operational information and the trend monitoring data. Such opinion shall be substantiated with data and statements reasonably satisfactory to Lessor; otherwise, Lessor shall request Lessee to submit the Engine to a test cell run where a full power performance run will be undertaken to confirm the Engine condition.

H. Liens

The Engine shall be free and clear of liens (other than any Lessor’s Liens).

I. Transportation

Lessee shall (i) cap and plug all openings of the Engine per the OEM requirements and as described in the AMM or EMM as applicable, (ii) cover the Engine with the cover which was supplied with the Engine on delivery (or if no such cover was provided, completely seal the Engine with heavy gauge vinyl plastic), and (iii) install the Engine securely upon its original supplied transportation stand and otherwise prepare the Engine for shipment in accordance with the manufacturer’s specifications and recommendations. Any vehicles and trailers used for shipment of the Engine shall be air-ride equipped. Any vehicle or trailer used to ship the Engine shall be dedicated solely to the Engine, unless other equipment shipped on such vehicle or trailer can be off-loaded without disturbing or repositioning the Engine.

The Engine shipping stand shall be maintained per the OEM recommendations and shall be serviceable and complete with no missing parts or attachments.