

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number 001-38626

MESA AIR GROUP, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or organization)

85-0302351

(I.R.S. Employer Identification No.)

410 NORTH 44TH STREET, SUITE 700

PHOENIX, ARIZONA 85008

(Address of principal executive offices)

85008

(Zip Code)

(602) 685-4000

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange of Which Registered</u>
Common Stock, no par value	MESA	Nasdaq Global Select Market

Securities registered pursuant to section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "**large accelerated filer**," "**accelerated filer**," "**smaller reporting company**" and "**emerging growth company**" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of March 31, 2021, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value the voting and non-voting stock held by non-affiliates of the registrant was approximately \$480,167,165.

As of September 30, 2021, the registrant had 35,958,759 shares of common stock, no par value per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2022 annual meeting of shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The Registrant's definitive proxy statement for its 2022 annual meeting of shareholders will be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year to which this report relates.

MESA AIR GROUP, INC.
ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended September 30, 2021

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Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Many of the forward-looking statements are located in Part II, Item 7 of this Form 10-K under the heading "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as "*future, anticipates, believes, estimates, expects, intends, plans, predicts, will, would, should, could, can, may,*" and similar terms. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of this Annual Report on Form 10-K under the heading "*Risk Factors.*" Unless otherwise stated, references to particular years, quarters, months, or periods refer to our fiscal years ended September 30 and the associated quarters, months, and periods of those fiscal years. Each of the terms "*the Company, Mesa Airlines, Mesa, we, us, and our*" as used herein refers collectively to Mesa Air Group, Inc. and its wholly owned subsidiaries, unless otherwise stated. We do not assume any obligation to revise or update any forward-looking statements.

The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Some of the key factors that could cause actual results to differ from our expectations include:

- public health epidemics or pandemics such as COVID-19;
- the severity, magnitude, and duration of the COVID-19 pandemic, including impacts of the pandemic and of business' and governments' responses to the pandemic on our operations and personnel, and on demand for air travel;
- the supply and retention of qualified airline pilots and mechanics;
- the volatility of pilot and mechanic attrition;
- dependence on, and changes to, or non-renewal of, our capacity purchase and flight services agreements;
- increases in our labor costs;
- reduced utilization (the percentage derived from dividing (i) the number of block hours actually flown during a given month under a particular agreement by (ii) the maximum number of block hours that could be flown during such month under the particular agreement) under our agreements;
- the direct operation of regional jets by our major partners;
- the financial strength of our major partners and their ability to successfully manage their businesses through the unprecedented decline in air travel attributable to the COVID-19 pandemic or any other public health epidemic;
- limitations on our ability to expand regional flying within the flight systems of our major partners' and those of other major airlines;
- our significant amount of debt and other contractual obligations;
- our compliance with ongoing financial covenants under our credit facilities; and
- our ability to keep costs low and execute our growth strategies.

Additionally, the risks, uncertainties and other factors set forth above or otherwise referred to in the reports we have filed with the SEC may be further amplified by the global impact of the COVID-19 pandemic. While we may elect to update these forward-looking statements at some point in the future, whether as a result of any new information, future events, or otherwise, we have no current intention of doing so except to the extent required by applicable law.

PART I

ITEM 1. BUSINESS

General

Mesa Air Group, Inc. is the holding company of Mesa Airlines, Inc., a regional air carrier providing scheduled passenger service to 129 cities in 39 states, the District of Columbia, the Bahamas, and Mexico as well as cargo services out of Cincinnati/Northern Kentucky International Airport. All of our flights are operated as either American Eagle, United Express, or DHL Express flights pursuant to the terms of capacity purchase agreements ("CPAs") entered into with American Airlines, Inc. ("*American*") and United Airlines, Inc. ("*United*"), and pursuant to the terms of a Flight Services Agreement ("*FSA*") with DHL Network Operations (USA), Inc. ("*DHL*") (each, our "*major partner*"). We have a significant presence in several of our major partners' key domestic hubs and focus cities, including Dallas, Houston, Phoenix, and Washington-Dulles.

As of September 30, 2021, we operated under the CPAs and FSA, or maintained as operational spares, a fleet of 153 aircraft with approximately 507 daily departures. We also lease 14 aircraft to a third party, for a total of 167 aircraft. We operate 40 CRJ-900 aircraft under our capacity purchase agreement with American (the "*American CPA*"), 20 E-175LL and 60 E-175 aircraft under our capacity purchase agreement with United (the "*United CPA*"), and two Boeing 737 aircraft under our flight services agreement with DHL (the "*DHL FSA*"). For our fiscal year ended September 30, 2021, approximately 45% of our revenues were earned under the American CPA, approximately 52% were earned under the United CPA, approximately 2% were earned from leases of aircraft to a third party and approximately 1% were earned under the DHL FSA. All our operating revenue in our 2021 fiscal year was derived from operations associated with our American and United CPAs, DHL FSA, or from leases of aircraft to a third party. All our operating revenue in our 2020 and 2019 fiscal years was derived from operations associated with our American and United CPAs.

Our agreements provide us guaranteed monthly revenue for each aircraft under contract, a fixed fee for each block hour (measured from takeoff to landing, including taxi time) and flight actually flown, and reimbursement of certain direct operating expenses in exchange for providing regional flying on behalf of our major partners. Our agreements also shelter us, to an extent, from many of the elements that cause volatility in airline financial performance, including fuel prices, variations in ticket prices, and fluctuations in number of passengers. In providing regional flying and cargo flight services under our agreements, we use the logos, service marks, flight crew uniforms and aircraft paint schemes of our major partners. Our major partners control route selection, pricing, seat inventories, marketing, and scheduling, and provide us with ground support services, airport landing slots and gate access.

Regional aircraft are optimal for short- and medium-haul scheduled flights that connect outlying communities with larger cities and act as "*feeders*" for domestic and international hubs. In addition, regional aircraft are well suited to serve larger city pairs during off-peak times when load factors on larger jets are low. The lower trip costs and operating efficiencies of regional aircraft, along with the competitive nature of the capacity purchase agreement bidding process, provide significant value to major airlines.

COVID-19 Pandemic

Beginning in fiscal 2020, COVID-19 surfaced in nearly all regions around the world and resulted in travel restrictions and business slowdowns or shutdowns in affected areas. The COVID-19 pandemic negatively affected our revenue and operating results during fiscal 2020 and 2021. Any similar outbreaks in the future may have a material impact on our financial condition, liquidity, and results of operations in future periods. See "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for discussion regarding the impact of the COVID-19 pandemic on our financial results. Also, see "Part I. Item 1A. Risk Factors" for discussion of the risks and uncertainties associated with the COVID-19 pandemic.

Our Business Strategy

Our business strategy consists of the following elements:

Maintain Low-Cost Structure

We have established ourselves as a low cost, efficient and reliable provider of regional airline and cargo flight services. We intend to continue our disciplined cost control approach through responsible outsourcing of certain operating functions, by flying large regional aircraft with associated lower maintenance costs and common flight crews across fleet types, and through the diligent control of corporate and administrative costs by implementing company-wide efforts to improve our cost structure. These efficiencies, coupled with the low average seniority of our pilots, has enabled us to compete aggressively on price in our capacity purchase and flight services agreement negotiations.

Attractive Work Opportunities

We believe our employees have been, and will continue to be, a key to our success. Our ability to attract, recruit, and retain pilots has supported our industry-leading fleet growth. We intend to continue to offer competitive compensation packages, foster a positive and supportive work environment and provide opportunities to fly state-of-the-art, large-gauged regional jets to differentiate us from other carriers and make us an attractive place to work and build a career.

Maintain a Prudent and Conservative Capital Structure

We intend to continue to maintain a prudent capital structure, including with respect to the amount of debt we carry. We believe that our balance sheet and credit profile will enable us to optimize terms with lessors and vendors.

Minimize Tail Risk

We have structured our aircraft leases and financing arrangements to minimize or eliminate, as much as possible, so-called "*tail risk*," which is the amount of aircraft-related lease obligations or projected negative equity existing beyond the term of that aircraft's corresponding capacity purchase or flight services agreement. We intend to continue to align the terms of our aircraft leases and financing agreements with the terms of our capacity purchase agreements and flight services agreement in order to maintain low "*tail risk*."

Aircraft Fleet

We fly only large regional jets manufactured by Bombardier Aerospace ("Bombardier") and Embraer S.A. ("*Embraer*"), as well as 737 cargo jets manufactured by Boeing. Mitsubishi Heavy Industries ("MHI"), who acquired the CRJ business from Bombardier, and Embraer are the primary manufacturers of regional jets operated in the United States, which allows us to enjoy operational, recruiting and cost advantages over other regional airlines that operate smaller regional aircraft from less prominent manufacturers.

As of September 30, 2021, we had 167 aircraft (owned and leased) consisting of the following:

	Embraer Regional Jet-175 (70- 76 seats)	Canadair Regional Jet-700 (70 seats)	Canadair Regional Jet-900 (76-79 seats) ⁽¹⁾	Canadair Regional Jet-200 (50 seats) ⁽²⁾	Boeing 737 (Cargo)	Total
American Eagle	—	—	40	—	—	40
United Express	80	—	—	—	—	80
DHL Express	—	—	—	—	2	2
Leased to third party	—	14	—	—	—	14
Subtotal	80	14	40	—	2	136
Unassigned	—	6	24	1	—	31
Total	80	20	64	1	2	167

(1) As of September 30, 2021, the Company is utilizing 24 spare aircraft to support our American CPA.

(2) This CRJ-200 is a spare aircraft not assigned for service under our capacity purchase agreements.

The following table lists the aircraft we own and lease as of September 30, 2021 and the passenger capacity of such aircraft:

Type of Aircraft	Owned	Leased	Total	Passenger Capacity
E-175 Regional Jet	18	62 (1)	80	70-76
CRJ-900 Regional Jet	49	15	64	76-79
CRJ-700 Regional Jet	18	2	20	70
CRJ-200 Regional Jet	1	—	1	50
Boeing 737 Cargo Jet	—	2 (2)	2	
Total	86	81	167	

(1) These aircraft are owned by United and leased to us at nominal amounts.

(2) These aircraft are subleased to us by DHL at nominal amounts.

The MHI (previously Bombardier) and Embraer regional jets are among the quietest commercial jets currently available and offer many of the amenities of larger commercial jet aircraft, including flight attendant service, a stand-up cabin, overhead and under seat storage, lavatories and in-flight snack and beverage service. The speed of MHI and Embraer regional jets is comparable to larger aircraft operated by major airlines, and they have a range of approximately 1,600 miles and 2,100 miles, respectively. We do not currently have any existing arrangements with MHI or Embraer to acquire additional aircraft.

Capacity Purchase and Flight Services Agreements

Our agreements consist of the following:

- Operation of CRJ-900 aircraft under our American CPA;
- Operation of E-175 aircraft under our United CPA;
- Operation of Boeing 737 aircraft under our DHL FSA.

The financial arrangements between the Company and its major partners include a revenue-guarantee arrangement. Under these revenue-guarantee provisions, our major partners pay us a fixed minimum monthly amount per aircraft under contract, plus additional amounts related to departures and block hours flown. We also receive direct reimbursement of certain operating expenses, including insurance. Other expenses, including fuel and ground operations are directly paid to suppliers by our major partners. We believe we are in material compliance with the terms of our capacity purchase agreements and flight services agreement, and enjoy good relationships with our major partners.

We benefit from our capacity purchase agreements, flight services agreement, and revenue guarantees because we are sheltered, to an extent, from some of the elements that cause volatility in airline financial performance, including variations in ticket prices, fluctuations in number of passengers and fuel prices. However, we do not benefit from positive trends in ticket prices (including ancillary revenue programs), the number of passengers enplaned, or reductions in fuel prices. Our major partners retain all revenue collected from passengers carried on our flights. In providing regional flying under our capacity purchase agreements, and cargo flying under our flight services agreement, we use the logos, service marks and aircraft paint schemes of our major partners.

The following table summarizes our available seat miles ("ASMs") flown and contract revenue recognized under our capacity purchase agreements for our fiscal years ended September 30, 2021 and 2020, respectively:

	Year Ended September 30, 2021			Year Ended September 30, 2020		
	Available Seat Miles (in thousands)	Contract Revenue (in thousands)	Contract Revenue per ASM (in cents)	Available Seat Miles (in thousands)	Contract Revenue (in thousands)	Contract Revenue per ASM (in cents)
American	3,271,841	\$ 221,986	¢ 6.78	3,212,283	\$ 276,870	¢ 8.62
United	4,579,957	\$ 198,212	¢ 4.33	4,369,223	\$ 229,720	¢ 5.26
Other	—	\$ 14,320	—	—	\$ —	—
Total	<u>7,851,798</u>	<u>\$ 434,518</u>	<u>¢ 5.53</u>	<u>7,581,506</u>	<u>\$ 506,590</u>	<u>¢ 6.68</u>

American Capacity Purchase Agreement

As of September 30, 2021, we operated 40 CRJ-900 aircraft for American under our American CPA. In exchange for providing flight services under our American CPA, we receive a fixed monthly minimum amount per aircraft under contract plus certain additional amounts based upon the number of flights and block hours flown during each month. In addition, we may also receive incentives or incur penalties based upon our operational performance, including controllable on-time departures and controllable completion percentages. American also reimburses us for certain costs on an actual basis, including passenger liability and hull insurance and aircraft property taxes, all as set forth in our American CPA. Other expenses, including fuel and certain landing fees, are directly paid to suppliers by American. In addition, American also provides, at no cost to us, certain ground handling and customer service functions, as well as airport-related facilities and gates at American hubs and cities where we operate.

On November 19, 2020, we entered into an Amended and Restated American Capacity Purchase Agreement (the "Amended and Restated American CPA" or the "American CPA") which was effective as of January 1, 2021 and amended and restated the Code Share and Revenue Sharing Agreement dated as of March 20, 2001 (as amended, supplemented, and modified, the "Existing CPA"), between Mesa Airlines and American. The Amended and Restated American CPA covers 40 CRJ-900 aircraft and provides for a new five-year term ending December 31, 2025. The Amended and Restated American CPA is subject to termination prior December 31, 2025, subject to our right to cure, in various circumstances including:

- If either American or we become insolvent, file for bankruptcy, or fail to pay our debts as they become due, the non-defaulting party may terminate the agreement;
- Failure by us or American to perform the covenants, conditions, or provisions of our American CPA, subject to certain notice and cure rights;
- If our FAA or DOT certification used in connection with our scheduled flights is for any reason suspended, revoked or materially impaired or otherwise not in full force and effect and we have not resumed operations, except as a result of an emergency airworthiness directive from the FAA affecting all similarly equipped aircraft, American may terminate the CPA;
- If our controllable flight completion rate or our controllable on time departures fall below certain levels for a specified period of time, subject to our right to cure;

- Upon the occurrence of a force majeure event (as defined in the American CPA) that lasts for a specified period of consecutive days and affects our ability to operate scheduled flights, including a future epidemic or pandemic;
- If a labor dispute affects our ability to operate over a specified number of days or we operate in violation of any existing American collective bargaining agreement; or
- Upon a change in our ownership or control without the written approval of American.

Under the American CPA, American has the option in its sole discretion to withdraw up to: (i) 10 aircraft during calendar year 2021, (ii) five aircraft during each of calendar years 2022 and 2023, and (iii) during the period from January 1, 2024 to July 31, 2024, American can remove the first 20 aircraft to the extent not otherwise removed in 2021 – 2023, and thereafter American has the right to remove the last 20 aircraft. American also has the right and option to withdraw one aircraft upon each occurrence of the following: (i) if our controllable flight completion factor falls below certain levels for a specified period of time, (ii) if our controllable on time departures fall below certain levels for a specified period of time, and (iii) if we fail to meet certain cabin interior and refurbishment requirements as defined in the American CPA.

During fiscal year 2021, we entered into amendments to the American CPA. The amendments reflect the following:

- The addition of CRJ-900 aircraft to the American CPA (collectively, the "Incremental Aircraft") in accordance with the following schedule: (i) 3 aircraft, from January 5, 2021 to March 3, 2021, (ii) increasing to a total of 5 aircraft, from March 4, 2021 to May 5, 2021, (iii) decreasing to a total of 3 aircraft, from May 6, 2021 to June 2, 2021, and (iv) increasing to a total of 5 aircraft, from June 3, 2021 to August 17, 2021.
- A temporary reduction in certain rates for the period December 2020 through September 2021.
- The waiver of the operational performance metrics for the month of August 2021, and extension of the deadline for completing certain cabin interior and refurbishment requirements as defined in the American CPA to December 31, 2021.
- Increases to incentive and penalty compensation under the American CPA, effective beginning in October 2021.

United Capacity Purchase Agreement

As of September 30, 2021, we operated 20 E-175LL and 60 E-175 aircraft for United under our United CPA. In exchange for providing flight services under our United CPA, we receive a fixed monthly minimum amount per aircraft under contract plus certain additional amounts based upon the number of flights and block hours flown and the results of passenger satisfaction surveys. United also reimburses us for certain costs on an actual basis, including property tax per aircraft and passenger liability insurance. Other expenses, including fuel and certain landing fees, are directly paid to suppliers by United.

Under our United CPA, United owns 42 of the 60 E-175 aircraft and all of the E-175LL aircraft and leases them to us at nominal amounts. United reimburses us on a pass-through basis for all costs related to heavy airframe and engine maintenance, landing gear, auxiliary power units ("APUs") and component maintenance for the aircraft owned by United. Our United CPA permits United, subject to certain conditions, including the payment of certain costs tied to aircraft type, to terminate the agreement in its discretion, or remove aircraft from service, by giving us notice of 90 days or more. If United elects to terminate our United CPA in its entirety or permanently remove select aircraft from service, we are permitted to return any of the affected aircraft leased from United at no cost to us. In addition, if United removes any of our 18 owned E-175 aircraft from service at its direction, United would remain obligated, at our option, to assume the aircraft ownership and associated debt with respect to such aircraft through the end of the term of the agreement.

On November 26, 2019, we amended and restated our United CPA to, among other things, incorporate the terms of the 14 prior amendments to that Agreement and to extend the term thereof through the addition of twenty (20) new Embraer E-175LL aircraft to the scope of such Agreement. Under this

amendment and restatement, these new aircraft were to be financed and owned by us and operated for a period of twelve (12) years from the in-service date. Deliveries of the new E-175LL aircraft were scheduled to begin in May 2020. In March 2020, the deliveries of the new E-175LL aircraft were negotiated between United and Embraer to begin in September 2020 and be completed by the quarter ended June 30, 2021. Commencing five (5) years after the actual in-service date, United has the right to remove the E-175LL aircraft from service by giving us notice of 90 days or more, subject to certain conditions, including the payment of certain wind-down expenses plus, if removed prior to the ten (10) year anniversary of the in-service date, certain accelerated margin payments.

In addition to adding the 20 new E-175LL aircraft to the amended and restated United CPA, we extended the term of our 42 E-175 aircraft leased from United for an additional five (5) years, which now expire between 2024 and 2028. In addition to the aircraft we lease from United at nominal amounts, we own 18 E-175 aircraft that are operated for United which expire in 2028. As part of the amended and restated United CPA, we agreed to lease our CRJ-700 aircraft (previously operated under our United CPA) to another United Express service provider for a term of nine (9) years and continued to operate such aircraft until they were transitioned to the new service provider. United has a right to purchase the CRJ-700 aircraft at the then fair market value.

On November 4, 2020, we amended and restated our United CPA to, among other things, amend the ownership by United, in lieu of Mesa Airlines, of the 20 new E175LL aircraft. Under this new amendment, these aircraft are financed by United and leased to the Company to operate for a period of twelve (12) years from the aircraft acceptance and in-service date. We agreed to adjusted rates to account for the change in ownership of the E175LL aircraft, granted United relief from certain provisions related to minimum utilization until December 31, 2021 and the additional right to remove one or more E-175LL aircraft in the event that we fail to meet certain financial covenants. We also agreed to a one-time provision for United to prepay \$81.5 million under the United CPA for our future performance (the "Prepayment") and the application of certain discounts to certain payment obligations of United under the United CPA. Weekly payments under the United CPA were discounted following the Prepayment, with \$65.1 million of the Prepayment earned during our first and second quarters of fiscal 2021 and the remaining \$16.4 million repaid to United during the second quarter of fiscal 2021. The terms of the Prepayment also included affirmative and negative covenants and events of default customary for transactions of this type. Proceeds from the Prepayment were used to retire debt on certain airframes and engines that now serve as collateral under the term loan facility provided to Mesa Airlines by the U.S. Department of the Treasury.

In September 2021, we amended our United CPA to, among other things, adjust certain rates to account for the change in ownership of the E-175LL aircraft, and provide for temporary reduced rates during periods in which the Company receives government assistance.

Our United CPA is subject to early termination under various circumstances noted above and including:

- By United if certain operational performance factors fall below a specified percentage for a specified time, subject to notice under certain circumstances;
- By United if we fail to perform the material covenants, agreements, terms or conditions of our United CPA or similar agreements with United, subject to thirty (30) days' notice and cure rights;
- If either United or we become insolvent, file bankruptcy, or fail to pay debts when due, the non-defaulting party may terminate the agreement; or
- By United if we merge with, or if control of us is acquired by another air carrier or a corporation directly or indirectly owning or controlling another air carrier.

DHL Flight Services Agreement

On December 20, 2019, we entered into our DHL FSA. Under the terms of this agreement, we operate two (2) Boeing 737-400F aircraft to provide cargo air transportation services to DHL. In exchange for providing such services, we receive a fee per block hour with a minimum block hour guarantee. We are

also eligible for a monthly performance bonus or subject to a monthly penalty based on timeliness and completion performance. Ground support including fueling and airport fees are paid directly by DHL.

Under our DHL FSA, DHL leases two Boeing 737-400F aircraft and subleases them to us at nominal amounts. DHL reimburses us on a pass-through basis for all costs related to heavy maintenance including C-checks, off-wing engine maintenance and overhauls including Life Limited Parts (LLPs), landing gear overhauls and LLPs, thrust reverser overhauls, and APU overhauls and LLPs. Certain items such as fuel, de-icing fluids, landing fees, aircraft ground handling fees, en-route navigation fees and custom fees are paid directly to suppliers by DHL or otherwise reimbursed if incurred by us.

The DHL FSA expires five (5) years from the commencement date of the first aircraft placed into service, which was in October 2020. DHL has the option to extend the agreement with respect to one or more aircraft for a period of one year with 90 days' advance written notice.

Our DHL FSA is subject to the following termination rights prior to its expiration:

- At any time after the first anniversary of the commencement date of the first aircraft placed in service with 90 day's written notice.
- Failure to comply with performance standards for three consecutive measurement periods.
- DHL may terminate the agreement for a specific aircraft if it is subject to a total loss and we do not provide alternate services at our expense.

Maintenance and Repairs

Airlines are subject to extensive regulation. We have a FAA mandated and approved maintenance program. Aircraft maintenance and repair consists of routine and non-routine maintenance, and work performed is divided into three general categories: line maintenance, heavy maintenance, and component service. We also outsource certain aircraft maintenance and other operating functions. We use competitive bidding among qualified vendors to procure these services. We have long-term maintenance contracts with AAR to provide fixed-rate parts procurement and component overhaul services for our aircraft fleet. Under these agreements, AAR provides maintenance and engineering services on any aircraft that we designate during the term of the agreement, along with access to a spare parts inventory pool, in exchange for a fixed monthly fee.

Line maintenance consists of routine daily and weekly scheduled maintenance checks on our aircraft. Line maintenance is performed at certain locations throughout our system and represents the majority of and most extensive maintenance we perform. Major airframe maintenance checks consist of a series of more complex tasks that can take from one to four weeks to accomplish and typically are required approximately every 28 months, on average, across our fleet. Engine overhauls and engine performance restoration events are quite extensive and can take two months. We maintain an inventory of spare engines to provide for continued operations during engine maintenance events. We expect to begin the initial planned engine maintenance overhauls on our new engine fleet approximately four to six years after the date of manufacture and introduction into our fleet, with subsequent engine maintenance every four to six years thereafter. Due to our current fleet size, we believe outsourcing all of our heavy maintenance, engine restoration, and major part repair is more economical than performing this work using our internal maintenance team.

Competition

We consider our primary competition to be U.S. regional airlines that currently hold or compete for capacity purchase agreements for passenger services with major airlines. Our competition includes, therefore, nearly every other domestic regional airline, including Air Wisconsin Airlines Corporation; Endeavor Air, Inc. (owned by Delta) ("*Endeavor*"); Envoy Air, Inc. ("*Envoy*"), PSA Airlines, Inc. ("*PSA*") and Piedmont Airlines, Inc. ("*Piedmont*") (Envoy, PSA and Piedmont are owned by American); Horizon Air

Industries, Inc. (owned by Alaska Air Group, Inc.) ("*Horizon*"); SkyWest Inc., parent of SkyWest Airlines, Inc.; Republic Airways Holdings Inc.; and Trans States Airlines, Inc.

Major airlines typically offer capacity purchase arrangements to regional airlines on the basis of the following criteria: availability of labor resources; proposed contract economic terms; reliable and on-time flight operations; corporate financial resources including ability to procure and finance aircraft; customer service levels; and other factors.

Certain of our competitors are larger and have significantly greater financial and other resources than we do. Moreover, economic downturns, combined with competitive pressures, have contributed to a number of reorganizations, bankruptcies, liquidations, and business combinations among major and regional carriers. The effect of economic downturns is somewhat mitigated by our reliance on capacity purchase agreements with revenue-guarantee provisions, but the renewal and continued profitability of these partnerships with our major partners is not guaranteed.

Seasonality

Our results of operations for any interim period are not necessarily indicative of those for the entire year since the airline industry is subject to seasonal fluctuations and general economic conditions. Our operations are somewhat favorably affected by increased utilization of our aircraft in the summer months and are unfavorably affected by increased fleet maintenance and by inclement weather during the winter months.

Aircraft Fuel

Our capacity purchase and flight services agreements provide that our major partners source, procure, and directly pay third-party vendors for all fuel used in the performance of those agreements. Accordingly, we do not recognize fuel expenses or revenues for flying under our capacity purchase and flight services agreements and we face very limited exposure to fuel price fluctuations.

Insurance

We maintain insurance policies that we believe are of types customary in the airline industry and as required by the DOT, lessors and other financing parties, and our major partners under the terms of our capacity purchase and flight services agreements. The policies principally provide liability coverage for public and passenger injury; damage to property; loss of or damage to flight equipment; fire; auto; directors' and officers' liability; advertiser and media liability; cyber risk liability; fiduciary; workers' compensation and employer's liability; and war risk (terrorism). Although we currently believe our insurance coverage is adequate, we cannot assure you that the amount of such coverage will not be changed or that we will not be forced to bear substantial losses from accidents.

Human Capital Management

As of September 30, 2021, we employed approximately 3,241 employees, consisting of 1,258 pilots or pilot recruits, 1,143 flight attendants, 42 flight dispatchers, 531 maintenance employees and 267 employees in administrative or other roles. Our continued success is partly dependent on our ability to continue to attract and retain qualified personnel. We have never been the subject of a labor strike or labor action that materially impacted our operations.

FAA regulations require pilots to have an Airline Transport Pilot ("*ATP*") license with specific ratings for the aircraft to be flown, and to be medically certified as physically fit to fly. FAA and medical certifications are subject to periodic renewal requirements including recurrent training and recent flying experience. Mechanics, quality-control inspectors, and flight dispatchers must be certificated and qualified for specific aircraft. Flight attendants must have initial and periodic competency training and qualification. Training

programs are subject to approval and monitoring by the FAA. Management personnel directly involved in the supervision of flight operations, training, maintenance, and aircraft inspection must also meet experience standards prescribed by FAA regulations. All safety-sensitive employees are subject to pre-employment, random, and post-accident drug testing.

The airline industry has from time to time experienced a shortage of qualified personnel, particularly with respect to pilots and maintenance technicians. In addition, as is common with most of our competitors, we have faced considerable turnover of our employees. Regional airline pilots, flight attendants, and maintenance technicians often leave to work for larger airlines, which generally offer higher salaries and better benefit programs than regional airlines are financially able to offer. Should the turnover of employees, particularly pilots and maintenance technicians, sharply increase, the result will be significantly higher training costs than otherwise would be necessary, as well as a shortage in the required number of applicable personnel, and we may need to request a reduced flight schedule with our major partners, which may result in operational performance penalties under our capacity purchase agreements or flight services agreement. We cannot assure that we will be able to recruit, train and retain the qualified employees that we need to carry out our expansion plans or replace departing employees.

As of September 30, 2021, approximately 74.1% of our employees were represented by labor unions under collective-bargaining agreements, as set forth below. No other employees of ours or our subsidiaries are parties to any other collective bargaining agreement or union contracts.

Employee Groups	Number of Employees	Representative	Labor Agreement Amendable As of
Pilots	1,258	Air Line Pilots Association	7/13/2021
Flight Attendants	1,143	Association of Flight Attendants	10/1/2021
Dispatchers	42	N/A	
Maintenance Department	531	N/A	
Administrative	267	N/A	

The Railway Labor Act ("RLA") governs our relations with labor organizations. Under the RLA, the collective bargaining agreements generally do not expire, but instead become amendable as of a stated date. If either party wishes to modify the terms of any such agreement, they must notify the other party in the manner agreed to by the parties. Under the RLA, after receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the National Mediation Board ("NMB") to appoint a federal mediator. The RLA prescribes no set timetable for the direct negotiation and mediation process. It is not unusual for those processes to last for many months, and even for a few years. If no agreement is reached in mediation, the NMB in its discretion may declare at some time that an impasse exists, and if an impasse is declared, the NMB proffers binding arbitration to the parties. Either party may decline to submit to arbitration. If arbitration is rejected by either party, a 30-day "cooling off" period commences. During that period (or after), a Presidential Emergency Board ("PEB") may be established, which examines the parties' positions and recommends a solution. The PEB process lasts for 30 days and is followed by another "cooling off" period of 30 days. At the end of a "cooling off" period, unless an agreement is reached or action is taken by Congress, the labor organization may strike and the airline may resort to "self-help," including the imposition of any or all of its proposed amendments and the hiring of new employees to replace any striking workers. Congress and the President have the authority to prevent "self-help" by enacting legislation that, among other things, imposes a settlement on the parties. The table above sets forth our employee groups and status of the collective bargaining agreements.

Refer to "Impact of COVID-19 Pandemic" included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for information on human capital management actions taken by the Company in response to the COVID-19 pandemic.

Safety and Security

We are committed to the safety and security of our passengers and employees. We have taken many steps, both voluntarily and as mandated by governmental authorities, to increase the safety of our operations. Some of the safety and security measures we have taken with our major partners include aircraft security and surveillance, positive bag matching procedures, enhanced passenger and baggage screening and search procedures, and securing of cockpit doors. We are committed to complying with future safety and security requirements.

Our ongoing focus on safety relies on training our employees to proper standards and providing them with the tools and equipment they require so they can perform their job functions in a safe and efficient manner. Safety in the workplace targets several areas of our operation including dispatch, flight operations and maintenance.

The TSA and the U.S. Customs and Border Protection, each a division of the U.S. Department of Homeland Security, are responsible for certain civil aviation security matters, including passenger and baggage screening at U.S. airports, and international passenger prescreening prior to entry into or departure from U.S. international flights are subject to customs, border, immigration, and similar requirements of equivalent foreign governmental agencies. We are currently in compliance with all directives issued by such agencies. We maintain active, open lines of communication with the TSA at all of our locations to ensure proper standards for security of our personnel, equipment and facilities are exercised throughout our operations.

Facilities

In addition to aircraft, we have office and maintenance facilities to support our operations. Each of our facilities are summarized in the following table:

Type	Location	Ownership	Approximate Square Feet
Corporate Headquarters	Phoenix, Arizona	Leased	33,770
Training Center	Phoenix, Arizona	Leased	23,783
Parts/Stores	Phoenix, Arizona	Leased	12,000
Hangar	Phoenix, Arizona	Leased	22,467
Office, Hangar and Warehouse	El Paso, Texas	Leased	31,292
Office, Hangar	Dallas, Texas	Leased	30,440
Parts Storage	Dallas, Texas	Leased	8,143
Hangar	Houston, Texas	Leased	74,524
Hangar	Louisville, Kentucky	Leased	26,762
Hangar	Dulles, Washington	Leased	28,451
Warehouse	Tucson, Arizona	Leased	10,590
Warehouse, Office	Erlanger, Kentucky	Leased	6,025
Office, Hangar	Kansas City, Missouri	Leased	45,885

Our corporate headquarters and training facilities in Phoenix, Arizona are subject to long-term leases expiring on November 30, 2025 and May 31, 2025, respectively.

We believe our facilities are suitable and adequate for our current and anticipated needs.

Foreign Ownership

Under DOT regulations and federal law, we must be owned and controlled by U.S. citizens. The restrictions imposed by federal law and regulations currently require that at least 75% of our voting stock must be owned and controlled, directly and indirectly, by persons or entities who are U.S. citizens, as defined in the Federal Aviation Act, that our president and at least two-thirds of the members of our Board of Directors and other managing officers be U.S. citizens, and that we be under the actual control of U.S.

citizens. In addition, at least 51% of our total outstanding stock must be owned and controlled by U.S. citizens and no more than 49% of our stock may be held, directly or indirectly, by persons or entities who are not U.S. citizens and are from countries that have entered into "open skies" air transport agreements with the U.S. which allow unrestricted access between the United States and the applicable foreign country and to points beyond the foreign country on flights serving the foreign country. We are currently in compliance with these ownership provisions.

Government Regulation

Aviation Regulation

The DOT and FAA have regulatory authority over air transportation in the United States and all international air service is subject to certain U.S. federal requirements and approvals, as well as the regulatory requirements of the appropriate authorities of the foreign countries involved. The DOT has authority to issue certificates of public convenience and necessity, exemptions and other economic authority required for airlines to provide domestic and foreign air transportation. International routes and international code-sharing arrangements are regulated by the DOT and by the governments of the foreign countries involved. A U.S. airline's ability to operate flights to and from international destinations is subject to the air transport agreements between the United States and the foreign country and the carrier's ability to obtain the necessary authority from the DOT and the applicable foreign government.

The U.S. government has negotiated "open skies" agreements with many countries, which allow broad access between the United States and the applicable foreign country. With certain other countries, however, the United States has a restricted air transportation agreement. Our international flights to Mexico are governed by a recently implemented liberalized bilateral air transport agreement which the DOT has determined has all of the attributes of an "open skies" agreement. Our flights to Canada, Cuba and the Bahamas are governed by bilateral air transport agreements between the United States and such countries. Changes in U.S., Mexican, Canadian, Cuban, or Bahamian aviation policies could result in the alteration or termination of the corresponding air transport agreement, or otherwise affect our operations to and from these countries. In particular, there is still a degree of uncertainty about the future of scheduled commercial flight operations between the United States and Cuba as a result of changes in diplomatic relations between the two governments, as well as travel and trade restrictions implemented by the U.S. government in 2017. We are largely sheltered from the economic impact changes to existing "open skies" agreements or volatility in U.S., Mexican, Canadian, Cuban, or Bahamian aviation policies because our major partners control route selection and scheduling under our capacity purchase agreements.

The FAA is responsible for regulating and overseeing matters relating to the safety of air carrier flight operations, including the control of navigable air space, the qualification of flight personnel, flight training practices, compliance with FAA airline operating certificate requirements, aircraft certification and maintenance requirements and other matters affecting air safety. The FAA requires each commercial airline to obtain and hold an FAA air carrier certificate. We currently hold an FAR-121 air carrier certificate. In July 2013, as directed by the U.S. Congress, the FAA issued more stringent pilot qualification and crew member flight training standards, which increased the required training time for new airline pilots (the "FAA Qualification Standards"). The FAA Qualification Standards, which became effective in August 2013, require first officers to hold an ATP certificate, requiring 1,500 hours total flight time as a pilot. Previously, first officers were required to have only a commercial pilot certificate, which required 250 hours of flight time. The rule also mandates stricter rules to minimize pilot fatigue.

Airport Access

Flights at three major domestic airports are regulated through allocations of landing and takeoff authority (i.e., "slots" and "operating authorizations") or similar regulatory mechanisms, which limit take-offs and landings at those airports. Each slot represents the authorization to land at or take off from the particular airport during a specified time period. In the United States, the FAA currently regulates the allocation of slots, slot exemptions, operating authorizations, or similar capacity allocation mechanisms at two of the airports we serve, Ronald Reagan Washington National Airport (DCA) in Washington, D.C., and New York's

LaGuardia Airport (LGA). In addition, John Wayne Airport (SNA) in Orange County, California, has a locally imposed slot system. Our operations at these airports generally require the allocation of slots or analogous regulatory authorizations, which are obtained by our major partners.

Consumer Protection Regulation

The DOT also has jurisdiction over certain economic issues affecting air transportation and consumer protection matters, including unfair or deceptive practices and unfair methods of competition, lengthy tarmac delays, air carriers, airline advertising, denied boarding compensation, ticket refunds, baggage liability, contracts of carriage, customer service commitments, customer complaints, and transportation of passengers with disabilities. The DOT frequently adopts new consumer protection regulations, such as rules to protect passengers addressing lengthy tarmac delays, chronically delayed flights, capacity purchase disclosure and undisclosed display bias, and is reviewing new guidelines to address the transparency of airline non-ticket fees and refunding baggage fees for delayed checked baggage. The DOT also has authority to review certain joint venture agreements, code-sharing agreements (where an airline places its designator code on a flight operated by another airline) and wet-leasing agreements (where one airline provides aircraft and crew to another airline) between carriers and regulates other economic matters such as slot transactions.

Environmental Regulation

We are subject to various federal, state, local and foreign laws and regulations relating to environmental protection matters. These laws and regulations govern such matters as environmental reporting, storage and disposal of materials and chemicals and aircraft noise. We are, and expect in the future to be, involved in various environmental matters and conditions at, or related to, our properties. We are not currently subject to any environmental cleanup orders or actions imposed by regulatory authorities. We are not aware of any active material environmental investigations related to our assets or properties.

Other Regulations

Airlines are also subject to various other federal, state, local, and foreign laws and regulations. For example, the U.S. Department of Justice has jurisdiction over certain airline competition matters. Labor relations in the airline industry are generally governed by the RLA. The privacy and security of passenger and employee data is regulated by various domestic and foreign laws and regulations.

The U.S. government and foreign governments may consider and adopt new laws, regulations, interpretations, and policies regarding a wide variety of matters that could directly or indirectly affect our results of operations. We cannot predict what laws, regulations, interpretations, and policies might be considered in the future, nor can we judge what impact, if any, the implementation of any of these proposals or changes might have on our business.

Legal Proceedings

The Company is subject to two putative class action lawsuits alleging federal securities law violations in connection with its initial public offering in August 2018 ("*IPO*") — one in the Superior Court of the State of Arizona and one in U.S. District Court of Arizona. These purported class actions were filed in March and April 2020 against the Company, certain current and former officers and directors, and certain underwriters of the Company's IPO. The state and federal lawsuits each make the same or similar allegations of violations of the Securities Act of 1933, as amended, for allegedly making materially false and misleading statements in, or omitting material information from, our IPO registration statement. The plaintiffs seek unspecified monetary damages and other relief. We do not currently believe that this matter is likely to have a material adverse impact on our consolidated results of operations, cash flows, or our financial position. However, any litigation is inherently uncertain, and any judgment or injunctive relief entered against us or any adverse settlement could materially and adversely impact our business, results of operations, financial condition, and prospects.

In addition, from time to time the Company may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. Although the results of such litigation and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not have a material adverse effect on its business, operating results, financial condition, or cash flows. Regardless of the outcome, any such litigation and claims can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors.

Corporate Information

We are a Nevada corporation with our principal executive office located in Phoenix, Arizona. We were founded in 1982 and reincorporated in Nevada in 1996. In addition to operating Mesa Airlines, we also wholly own Mesa Air Group-Airline Inventory Management, LLC. ("MAG-AIM"), an Arizona limited liability company, which was established to purchase, distribute and manage Mesa Airlines' inventory of spare rotatable and expendable parts. MAG-AIM's financial results are reflected in our consolidated financial statements.

Our principal executive offices are located at 410 North 44th Street, Suite 700, Phoenix, Arizona 85008, and our telephone number is (602) 685-4000. Our website is located at www.mesa-air.com. The information on, or accessible through, our website does not constitute part of, and is not incorporated into, this Annual Report on Form 10-K.

Mesa Airlines, the Mesa Airlines logo and our other registered or common law trade names, trademarks, or service marks appearing in this Annual Report on Form 10-K are our intellectual property. This Annual Report on Form 10-K contains additional trade names, trademarks, and service marks of other companies that are the property of their respective owners. We do not intend our use or display of other companies' trade names, trademarks, or service marks to imply a relationship with, or endorsement or sponsorship of us, by these companies. We have omitted the ® and ™ designations, as applicable, for the trademarks used in this Annual Report on Form 10-K.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), are filed with the Securities and Exchange Commission (the "*SEC*"). We are subject to the informational requirements of the Exchange Act, and we file or furnish reports, proxy statements and other information with the SEC. Such reports and other information we file with the SEC are available free of charge at <http://investor.mesa-air.com/financial-information/sec-filings> when such reports are available on the SEC's website. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. We periodically provide other information for investors on our corporate website, www.mesa-air.com, and our investor relations website, investor.mesa-air.com. This includes press releases and other information about financial performance, information on corporate governance and details related to our annual meeting of shareholders. The information contained on the websites referenced in this Annual Report on Form 10-K is not incorporated by reference into this filing. Further, our references to website URLs are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. Certain factors may have a material adverse effect on our business, financial condition, and results of operation. You should carefully consider the risks and uncertainties described below, together with all of the other information included in this Annual Report on Form 10-K, including our financial statements and the related notes, and in our other filings with the SEC. Our business, financial condition, operating results, cash flow, and prospects could be materially and adversely affected by any of these risks or uncertainties. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risk Factor Summary

The following is a summary of the material risk factors that could adversely affect our business, financial condition, and results of operations:

- We are highly dependent on our agreements with our major partners and our operations may be negatively impacted if our major partners experience events that negatively impact their financial strength or operations.
- Reduced utilization levels of our aircraft under our agreements with our major partners would adversely impact our financial results.
- If our major partners experience events that negatively impact their financial strength or operations, our operations may be negatively impacted.
- We have a significant amount of debt and other contractual obligations, certain of which are subject to financial and other covenants.
- The loss of key personnel or the inability to attract additional qualified personnel could adversely affect our business.
- The supply of pilots and mechanics to the airline industry is limited, and pilot and mechanic attrition may negatively affect our operations and financial condition.
- Increases in our labor costs may adversely affect our business, results of operations, and financial condition.
- Our major partners may expand their direct operation of regional jets or seek other independent airlines to service their regional aircraft needs.
- We may be limited from expanding our flying within our major partners' flight systems.
- The residual value of our owned aircraft may be less than estimated in our depreciation policies.
- The amounts we receive under our agreements with our major partners may be less than the corresponding costs we incur.
- Strikes, labor disputes and increased unionization of our workforces may adversely affect our ability to conduct our business and reduce our profitability.
- We face tail risk in that we have aircraft lease commitments that extend beyond our existing contractual terms on certain aircraft, and may incur substantial maintenance costs as part of return obligations on leased aircraft.
- We may become involved in litigation that may materially adversely affect us.
- Maintenance costs will likely increase as the age of our jet fleet increases.
- Disagreements regarding the interpretation of our agreements with our major partners could have an adverse effect on our operating results and financial condition.
- If we face problems with any of our third-party service providers, our operations could be adversely affected.
- Regulatory changes or tariffs could negatively impact our business and financial condition.

- The issuance of operating restrictions applicable to one of the fleet types we operate could negatively impact our business and financial condition.
- If we have a failure in our technology or security breaches of our information technology infrastructure our business and financial condition may be adversely affected.
- We are subject to various environmental and noise laws and regulations.
- Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.
- We may not be able to successfully implement our growth strategy, or make opportunistic acquisitions.
- Our ability to obtain financing or access capital markets may be limited.
- Negative publicity regarding our customer service could have a material adverse effect on our business, results of operations and financial condition.
- Risks associated with our presence in international emerging markets may materially adversely affect us.
- The outbreak and global spread of COVID-19 resulted in a severe decline in demand for air travel. The duration and severity of the COVID-19 pandemic, and similar public health threats that we may face in the future, could result in additional adverse effects on our business, operating results, financial condition, and liquidity.
- The airline industry is highly competitive and has undergone a period of consolidation and transition leaving fewer potential major partners.
- We are subject to significant governmental regulation.
- Airlines are often affected by factors beyond their control including: air traffic congestion at airports; air traffic control inefficiencies; adverse weather conditions, such as hurricanes or blizzards; increased security measures; new travel-related taxes; or the outbreak of disease; any of which could have a material adverse effect on our business, results of operations, and financial condition.
- The occurrence of an aviation accident involving our aircraft would negatively impact our operations and financial condition.
- The market price of our common stock may be volatile, which could cause the value of an investment in our stock to decline.
- Additional issuances of our common stock, whether by us or as a result of the exercise of our outstanding warrants, could materially affect the value of our common stock.
- Our corporate charter limits certain transfers of our stock, which could have an effect on the market price and liquidity of our common stock.

For a more complete discussion of the material risk factors relevant to us, see below.

Risks Related to Our Business

We are highly dependent on our agreements with our major partners.

We derive substantially all of our operating revenue from our capacity purchase agreements with our major partners. American accounted for approximately 45% and 52% of our total revenue for our fiscal years ended September 30, 2021 and 2020, respectively. United accounted for approximately 52% and 48% of our revenue for our fiscal years ended September 30, 2021 and 2020, respectively. A termination of either our American or United capacity purchase agreements would have a material adverse effect on our business prospects, financial condition, results of operations, and cash flows. See “Item 1. Business” for additional information on our capacity purchase agreements with American and United.

If our capacity purchase agreements with American or United were terminated or not renewed, we would be significantly impacted and likely would not have an immediate source of revenue or earnings to offset such loss. Neither American nor United are under any obligation to renew their respective capacity purchase agreements with us. A termination or expiration of either of these agreements would likely have a material adverse effect on our financial condition, cash flows, ability to satisfy debt and lease obligations, operating revenues, and net income unless we are able to enter into satisfactory substitute arrangements for the utilization of the affected aircraft by other airline partners, or, alternatively, obtain the airport facilities, gates, ticketing and ground services and make the other arrangements necessary to fly as an independent airline. We may not be able to enter into substitute capacity purchase arrangements, and any such arrangements we might secure may not be as favorable to us as our current agreements. Operating an airline independently from our major partners would be a significant departure from our business plan and would likely require significant time and resources, which may not be available to us when needed.

Reduced utilization levels of our aircraft under our agreements would adversely impact our financial results.

Historically, our major partners have utilized our flight operations at levels at or near the maximum capacity of our fleet allocations under the applicable agreements, but there can be no assurance that they will continue utilizing our aircraft at that level. As a result of the unprecedented impact of the COVID-19 pandemic on the travel industry, in April 2020 we reported that our major partners asked us to reduce overall block hours in April by approximately 55%. We operated at significantly lower block hours over the remainder of fiscal 2020 and fiscal 2021, though we began to experience a recovery in demand for air travel during the second half of fiscal 2021. If our major partners elect to continue to schedule the utilization of our aircraft below historical levels (including taking into account the stage length and frequency of our scheduled flights), we may not be able to maintain operating efficiencies previously obtained, which would negatively impact our operating results and financial condition.

Our American CPA establishes minimum levels of flight operations. In prior periods, the FAA Qualification Standards have negatively impacted our ability to hire pilots at a rate sufficient to support required utilization levels, and, as a result, we issued credits to American pursuant to the terms of our American CPA. Additionally, American may withdraw covered aircraft under certain circumstances pursuant to the terms of our American CPA.

Our United CPA does not require United to schedule any specified minimum level of flight operations for our aircraft. Additionally, United may remove aircraft from our United CPA with 90 days' prior notice to us. While United pays us a fixed monthly revenue amount for each aircraft under contract, a significant reduction in the utilization levels of our fleet in the future or removal of aircraft from our United CPA at United's election could reduce our revenues based on the number of flights and block hours flown for United.

Continued challenges with hiring, training, and retaining replacement pilots may lead to reduced utilization levels of our aircraft and additional penalties under our capacity purchase agreements and our operations and financial results could be materially and adversely impacted. Additionally, our major partners may change routes and frequencies of flights, which can negatively impact our operating efficiencies. Changes in schedules may increase our flight costs, which could exceed the reimbursed rates paid by our major partners. Reduced utilization levels of our aircraft or other changes to our schedules under our capacity purchase agreements would adversely impact our operating results and financial condition.

If our major partners experience events that negatively impact their financial strength or operations, our operations also may be negatively impacted.

We may be directly affected by the financial and operating strength of our major partners. Any events, such as COVID-19 or other pandemics, that negatively impact the financial strength of our major partners or have a long-term effect on the use of our major partners by airline travelers would likely have a material adverse effect on our business, financial condition, and results of operations. In the event of a decrease in the financial or operational strength of any of our major partners, such partner may seek to reduce, or be

unable to make, the payments due to us under their capacity purchase or flight services agreement. In addition, in some cases, they may reduce utilization of our aircraft. Although we receive guaranteed monthly revenue for each aircraft under contract and a fixed fee for each block hour or flight actually flown, our major partners are not required to schedule any specified level of flight operations for our aircraft. If any of our current or future major partners become bankrupt, our agreement with such partner may not be assumed in bankruptcy and could be terminated. This and other events, which are outside of our control, could have a material adverse effect on our business, financial condition, and results of operations. In addition, any negative events that impact other regional carriers and that affect public perception of such carriers generally could also have a material adverse effect on our business, financial condition, and results of operations.

We have a significant amount of debt and other contractual obligations that could impair our liquidity and thereby harm our business, results of operations and financial condition.

The airline business is a capital-intensive business and, as a result, we are highly leveraged. As of September 30, 2021, we had approximately \$670.3 million in total long-term debt (including current portion of \$111.7 million and \$4.6 million of finance lease obligations) and \$12.1 million available for borrowing under our CIT Revolving Credit Facility. Substantially all of our long-term debt was incurred in connection with the acquisition of aircraft and aircraft engines. During our fiscal years ended September 30, 2021, 2020 and 2019, our principal debt service payments totaled \$271.0 million, \$138.3 million, and \$244.1 million, respectively.

We also have significant long-term lease obligations, primarily relating to our aircraft fleet, office space, and other facilities. At September 30, 2021, we had 17 aircraft under lease (excluding aircraft leased at nominal amounts from United and DHL) in addition to other leases of facilities and equipment, with an average remaining term of 2.7 years. As of September 30, 2021, future minimum lease payments due under all long-term operating leases were approximately \$70.0 million and future debt service obligations were \$754.5 million, including finance lease obligations and interest payments.

The Company's substantial level of indebtedness, non-investment grade credit ratings, and the availability of Company assets as collateral for future loans or other indebtedness, which available collateral would be reduced under other future liquidity-raising transactions and was reduced during our fiscal year ended September 30, 2021 as a result of CARES Act loan program borrowings, may make it difficult for the Company to raise additional capital if required to meet its liquidity needs on acceptable terms, or at all.

Although the Company's cash flows from operations and its available capital, including the proceeds from financing transactions, have been sufficient to meet its obligations and commitments to date, the Company's liquidity has been, and may in the future be, negatively affected by the risk factors discussed in this Annual Report on Form 10-K, including risks related to future results arising from the impact of COVID-19 or similar pandemics. If the Company's liquidity is materially diminished, the Company's cash flow available to fund its working capital requirements, capital expenditures and business development efforts may be materially and adversely affected.

We cannot assure you that our operations will generate sufficient cash flow to make our required payments, or that we will be able to obtain financing to acquire additional aircraft or make other capital expenditures necessary for expansion. Our ability to pay the high level of fixed costs associated with our contractual obligations will depend on our operating performance, cash flow, and ability to secure adequate financing, which will in turn depend on, among other things, the success of our current business strategy, the U.S. economy, availability and cost of financing, as well as general economic and political conditions and other factors that are, to some extent, beyond our control. The amount of our fixed obligations could have a material adverse effect on our business, results of operations and financial condition. The degree to which we are leveraged could have important consequences to holders of our securities, including the following:

- we must dedicate a substantial portion of cash flow from operations to the payment of principal and interest on applicable indebtedness which, in turn, reduces funds available for operations and capital expenditures;
- our flexibility in planning for, or reacting to, changes in the markets in which we compete may be limited;
- we may be at a competitive disadvantage relative to our competitors with less indebtedness;
- we are rendered more vulnerable to general adverse economic and industry conditions;
- we are exposed to increased interest rate risk given that a majority of our indebtedness obligations are at variable interest rates; and
- our credit ratings may be reduced, and our debt and equity securities may significantly decrease in value.

Additionally, failure to pay our operating leases, debt or other fixed cost obligations or a breach of our contractual obligations could result in a variety of further adverse consequences, including the exercise of remedies by our creditors and lessors. In such a situation, it is unlikely that we would be able to cure our breach, fulfill our obligations, make required lease payments, or otherwise cover our fixed costs, which would have a material adverse effect on our business, results of operations and financial condition. In addition, several of the Company's debt agreements contain affirmative and negative covenants that, among other things, restrict the ability of the Company and its subsidiaries to enter into, create, incur, assume, or suffer to exist any liens. See "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this report for additional information regarding the Company's liquidity and capital resources as of September 30, 2021.

We are required to comply with certain ongoing financial and other covenants under certain credit facilities and leases, and if we fail to meet those covenants or otherwise suffer a default thereunder, our lenders and lessors may accelerate the payment of such obligations.

Under our (i) credit and guaranty agreement with CIT ("*CIT Revolving Credit Facility*"), we are required to comply with a minimum consolidated interest and rental coverage ratio at the end of each fiscal quarter during the term of such credit facility, (ii) credit agreement with EDC, we are required to comply with a minimum fixed charge coverage ratio at the end of each fiscal quarter during the term of such credit facility, (iii) aircraft lease facility ("*RASPRO Lease Facility*") with RASPRO we are required to comply with minimum current ratio and debt ratio covenants and a minimum available cash covenant until all amounts outstanding thereunder have been paid in full, and (iv) loan and guarantee agreement with the U.S. Department of the Treasury, we are required to comply with a minimum collateral coverage ratio, measured monthly during the term of such credit facility, and a minimum liquidity level, measured at the close of any business day during the term of such credit facility.

Failure to comply with the terms of these credit facilities and financing arrangements and the ongoing financial and other covenants thereunder would result in an event of default (as defined in the applicable credit facility and financing agreement) and, to the extent the applicable lenders so elect, an acceleration of our existing indebtedness following the expiration of any applicable cure periods, causing such debt to be immediately due and payable. Acceleration of such indebtedness would also trigger cross-default clauses under our other indebtedness. It could also result in the termination of all commitments to extend further credit under the CIT Revolving Credit Facility. We currently do not have sufficient liquidity to repay all of our outstanding debt in full if such debt were accelerated. If we are unable to pay our debts as they come due, or obtain waivers for such payments, our secured lenders could foreclose on any assets securing such debt. These events could materially adversely affect our business, results of operations and financial condition.

The loss of key personnel upon whom we depend to operate our business or the inability to attract additional qualified personnel could adversely affect our business.

We believe that our future success will depend in large part on our ability to retain or attract highly qualified management, technical and other personnel. We may not be successful in retaining key personnel or in attracting other highly qualified personnel. Among other things, the CARES Act imposes significant restrictions on executive compensation, which will remain in place through the date that is one year after the amounts outstanding under our Loan and Guarantee Agreement with the U.S. Department of the Treasury are fully repaid. Such restrictions, over time, will likely result in lower executive compensation in the airline industry than is prevailing in other industries which may present retention challenges in the case of executives presented with alternative, non-airline opportunities. Any inability to retain or attract significant numbers of qualified management and other personnel would have a material adverse effect on our business, results of operations, and financial condition.

The supply of pilots to the airline industry is limited and may negatively affect our operations and financial condition.

The FAA Qualification Standards (and associated regulations) related to pilot qualification and flight training standards discussed in "Item 1. Government Regulation" have dramatically reduced the supply of qualified pilot candidates and has had a negative effect on pilot scheduling, work hours, and the number of pilots required to be employed for our operations. To address the diminished supply of qualified pilot candidates, regional airlines, including us, have implemented significant pilot wage and bonus increases, which has substantially increased our labor costs and may continue to negatively impact our operations and financial condition.

In prior periods, the FAA Qualification Standards negatively impacted our ability to hire pilots at a rate sufficient to support required utilization levels under our American CPA, and, as a result, we issued credits to American pursuant to the terms of our American CPA. In February 2018, we mutually agreed with United to temporarily remove two aircraft from service under our United CPA. These aircraft were placed back into service under our United CPA five months later when we were able to fully staff our flight operations. If we are unable to maintain a sufficient number of qualified pilots to operate our scheduled flights, it could lead to, or we may need to request, reduced flight schedules with our major partners, which would result in monetary performance penalties under our agreements.

In addition, our operations and financial condition may be negatively impacted if we are unable to train pilots in a timely manner. Due to the industry-wide shortage of qualified pilots, driven by the increased flight hours requirements under the FAA Qualification Standards and attrition resulting from the hiring needs of other airlines, pilot training timelines have significantly increased and stressed the availability of flight simulators, instructors, and related training equipment. As a result, the training of our pilots may not be accomplished in a cost-efficient manner or in a manner timely enough to support our operational needs.

Pilot attrition may continue to negatively affect our operations and financial condition.

In recent years, we have experienced significant volatility in our attrition as a result of pilot wage and bonus increases at other regional air carriers, the growth of cargo, low-cost, and ultra-low-cost carriers, and the number of pilots at major airlines reaching the statutory mandatory retirement age of 65 years. In prior periods, these factors caused our pilot attrition rates to be higher than our ability to hire and retain replacement pilots, resulting in our inability to provide flight services at or exceeding the minimum flight operating levels expected by our major airline partners. If our attrition rates are higher than our ability to hire and retain replacement pilots, we may need to request a reduced flight schedule with our major partners, which may result in operational performance penalties under our agreements, and our operations and financial results could be materially and adversely affected.

More recently, the COVID-19 pandemic has negatively impacted the supply and demand for pilots. As the major airlines dramatically reduced their capacity in 2020 due to the pandemic and their corresponding need for pilots, they began providing generous early retirement packages to reduce their

labor costs. More than 1,800 pilots at Delta Airlines accepted these packages, along with hundreds of pilots at American, United, and Southwest Airlines. These programs have had the effect of accelerating certain of the mandatory retirements that would have occurred over the next five years. In addition, fleet upgrades by the major airlines are resulting in the need to retrain pilots. Many of the major airlines have publicly announced their intent to hire a significant number of pilots in the near term as they look to replace those pilots who elected early retirement. As a result of the foregoing, the pilot shortages that existed pre-pandemic may be exacerbated in future periods. As noted above, if our attrition rates are negatively impacted by the foregoing events, we may need to request a reduced flight schedule with our major partners, which may result in operational performance penalties under our agreements, and our operations and financial results could be materially and adversely affected.

Mechanic attrition, together with difficulty recruiting and retaining qualified maintenance technicians, may negatively affect our operations and financial condition.

Our operations rely on qualified personnel, including maintenance technicians. Our maintenance technicians may seek employment at mainline airlines, which generally offer higher salaries and more extensive benefit programs than regional airlines are financially able to offer. Should the turnover of maintenance technicians increase, we may not be able to hire sufficient maintenance technicians to replace those leaving. Additionally, FAA regulations regarding personnel certification and qualifications, and potential future changes in FAA regulations, could limit the number of qualified new entrants that we could hire. In the event we are unable to hire and retain qualified mechanics, our business and financial condition could be adversely affected.

Increases in our labor costs, which constitute a substantial portion of our total operating costs, may adversely affect our business, results of operations and financial condition.

As a result of the FAA Qualification Standards, the supply of qualified pilots has been dramatically reduced. This shortage of pilots has driven up our pilot salaries and sign-on bonuses and resulted in a material increase in our labor costs. A continued shortage of pilots could require us to further increase our labor costs, which would result in a material reduction in our earnings.

Our major partners may expand their direct operation of regional jets or seek other independent airlines to service their regional aircraft needs, thus limiting the expansion of our relationships with them.

We depend on our major partners electing to contract with us instead of operating their own regional jets or operating their own "captive" regional airlines through wholly owned subsidiaries. Currently, the captive regional airlines include Endeavor (owned by Delta), Envoy (owned by American), PSA (owned by American), Piedmont (owned by American), and Horizon (owned by Alaska). These major airlines possess the financial and other resources to acquire and operate their own regional jets, create, or grow their own captive regional airlines, or acquire other regional air carriers instead of entering into contracts with us. In particular, American, which procures approximately 40% of its regional flying from its wholly owned regional subsidiaries, has expressed a goal of increasing its share to a majority of American's regional flying over time. We have no guarantee that in the future our major partners will choose to enter into contracts with us, or renew their existing agreements with us, instead of operating their own regional jets, allocating flying to their captive regional airlines, or entering into relationships with competing regional airlines. A decision by American or United to phase out or limit our capacity purchase agreements or to enter into similar agreements with our competitors could have a material adverse effect on our business, financial condition, or results of operations.

We may be limited from expanding our flying within our major partners' flight systems and there are constraints on our ability to provide services to airlines other than American and United.

Additional growth opportunities within our major partners' flight systems are limited by various factors, including a limited number of independent regional aircraft that each such major partner can operate in its regional network due to "scope" clauses in the current collective bargaining agreements with their pilots

that restrict the number and size of regional jets that may be operated in their flight systems not flown by their pilots. Except as contemplated by our existing agreements, we cannot be sure that our major partners will contract with us to fly any additional aircraft.

We may not have additional growth opportunities or may agree to modifications to our agreements that reduce certain benefits to us in order to obtain additional aircraft, or for other reasons. Given the competitive nature of the airline industry, we believe limited growth opportunities may result in competitors accepting reduced margins and less favorable contract terms in order to secure new or additional capacity purchase operations. Even if we are offered growth opportunities by our major partners, those opportunities may involve economic terms or financing commitments that are unacceptable to us. Additionally, our major partners may reduce the number of regional jets in their system by not renewing or extending existing flying arrangements with regional operators or transitioning those flying arrangements to their own captive regional carriers. Any one or more of these factors may reduce or eliminate our ability to expand our flight operations with our existing major partners.

Additionally, our capacity purchase agreements limit our ability to provide regional flying services to other airlines in certain major airport hubs of American and United. These restrictions may make us a less attractive partner to other major airlines whose regional flying needs do not align with our geographical restrictions.

The residual value of our owned aircraft may be less than estimated in our depreciation policies.

As of September 30, 2021, we had approximately \$1,151.9 million of property and equipment and related assets, net of accumulated depreciation, of which \$952.7 million relates to owned aircraft. In accounting for these long lived assets, we make estimates about the expected useful lives of the assets, the expected residual values of certain of these assets, and the potential for impairment based on the fair value of the assets and the cash flows they generate. Factors indicating potential impairment include, but are not limited to, significant decreases in the market value of the long lived assets, a significant change in the condition of the long lived assets and operating cash flow losses associated with the use of the long lived assets. In the event the estimated residual value of any of our aircraft types is determined to be lower than the residual value assumptions used in our depreciation policies, the applicable aircraft type in our fleet may be impaired and may result in a material reduction in the book value of applicable aircraft types we operate or we may need to prospectively modify our depreciation policies. An impairment on any of the aircraft types we operate or an increased level of depreciation expense resulting from a change to our depreciation policies could result in a material negative impact to our financial results.

The amounts we receive under our agreements may be less than the corresponding costs we incur.

Under our capacity purchase agreements with American and United and flight services agreement with DHL, a portion of our compensation is based upon pre-determined rates typically applied to production statistics (such as departures and block hours flown). The primary operating costs intended to be compensated by the pre-determined rates include labor costs, including crew training costs, certain aircraft maintenance expenses and overhead costs. During our fiscal year ended September 30, 2021, approximately \$70.3 million, or 16%, of our operating costs under our agreements were pass-through costs, excluding fuel which is paid directly to suppliers by our major partners. If our operating costs for labor, aircraft maintenance and overhead costs exceed the compensation earned from our pre-determined rates under our agreements, our financial position and operating results will be negatively affected.

Strikes, labor disputes and increased unionization of our workforces may adversely affect our ability to conduct our business and reduce our profitability.

As of September 30, 2021, approximately 74.1% of our workforce was represented by labor unions, including the Air Line Pilots Association, International ("ALPA") and the Association of Flight Attendants ("AFA"). Our collective bargaining agreement with ALPA became amendable in July 2021 and we are in the early stages of negotiations with respect to such agreement. Our collective bargaining agreement with the AFA became amendable in October 2021 and we are in the early stages of negotiations with respect

to such agreement as well. The inability to negotiate acceptable contracts with existing unions or with new unions could result in work stoppages by the affected workers, lost revenues resulting from the cancellation of flights and increased operating costs as a result of higher wages or benefits paid to union members. The terms and conditions of our future collective bargaining agreements may be affected by the results of collective bargaining negotiations at other airlines that may have a greater ability, due to larger scale, greater efficiency or other factors, to bear higher costs than we can. In addition, if we are unable to reach agreement with any of our unionized work groups in future negotiations regarding the terms of their collective bargaining agreements, we may be subject to work interruptions, stoppages, or shortages. We may also become subject to additional collective bargaining agreements in the future as non-unionized workers may unionize. We are also subject to various ongoing employment disputes outside of the collective bargaining agreements. We consider these disputes to not be material, but any current or future dispute could become material.

Relations between air carriers and labor unions in the United States are governed by the RLA. Under the RLA, collective bargaining agreements generally contain "amendable dates" rather than expiration dates, and the RLA requires that a carrier maintain the existing terms and conditions of employment following the amendable date through a multi-stage and usually lengthy series of bargaining processes overseen by the NMB. This process continues until either the parties have reached agreement on a new collective bargaining agreement, or the parties have been released to "self-help" by the NMB. In most circumstances, the RLA prohibits strikes; however, after release by the NMB, carriers and unions are free to engage in self-help measures such as lockouts and strikes.

Any strike, labor dispute or increased unionization among our employees could disrupt our operations, reduce our profitability, or interfere with the ability of our management to focus on executing our business strategies. For example, if a labor strike were to continue for several consecutive days, our major partners may have cause to terminate the applicable CPA. As a result, our business, results of operations and financial condition may be materially adversely affected.

We face tail risk in that we have aircraft lease commitments that extend beyond our existing contractual terms on certain aircraft.

We currently have aircraft with leases extending past the term of their corresponding agreement. We may not be successful in extending the flying contract terms on these aircraft with our major partners. In that event, we intend to pursue alternative uses for those aircraft over the remaining portions of their leases including, but not limited to, operating the aircraft with another major airline under a negotiated capacity purchase agreement, subleasing the aircraft to another operator or marketing them for sale. Additionally, we may negotiate an early lease return agreement with an aircraft's lessor. In such event, we may incur cash and non-cash early lease termination costs that would negatively impact our operations and financial condition. Additionally, if we are unable to extend a flying contract with an existing major partner but reach an agreement to place an aircraft into service with a different major partner, we likely will incur inefficiencies and incremental costs, such as changing the aircraft livery, which would negatively impact our financial results.

We may incur substantial maintenance costs as part of our leased aircraft return obligations.

Our aircraft lease agreements contain provisions that require us to return aircraft airframes and engines to the lessor in a specified condition or pay an amount to the lessor based on the actual return condition of the equipment. These lease return costs are recorded in the period in which they are incurred. We estimate the cost of maintenance lease return obligations and accrue such costs over the remaining lease term when the expense is probable and can be reasonably estimated. Any unexpected increase in maintenance return costs may negatively impact our financial position and results of operations.

We may become involved in litigation that may materially adversely affect us.

From time to time, we may become involved in various legal proceedings relating to matters incidental to the ordinary course of our business, including employment, commercial, product liability, class action,

whistleblower and other litigation and claims, and governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources, cause us to incur significant expenses or liability and/or require us to change our business practices. Because of the potential risks, expenses, and uncertainties of litigation, we may, from time to time, settle disputes, even where we believe that we have meritorious claims or defenses. Because litigation is inherently unpredictable, we cannot assure you that the results of any of these actions will not have a material adverse effect on our business, results of operations and financial condition.

Disagreements regarding the interpretation of our agreements with our major partners could have an adverse effect on our operating results and financial condition.

To the extent that we experience disagreements regarding the interpretation of our capacity purchase or other agreements, we will likely expend valuable management time and financial resources in our efforts to resolve those disagreements. Those disagreements may result in litigation, arbitration, settlement negotiations, or other proceedings. Furthermore, there can be no assurance that any or all of those proceedings, if commenced, would be resolved in our favor or that we would be able to exercise sufficient leverage in any proceeding relative to our major partner to achieve a favorable outcome. An unfavorable result in any such proceeding could have adverse financial consequences or require us to modify our operations. Such disagreements and their consequences could have an adverse effect on our operating results and financial condition.

We rely on third-party suppliers as the sole manufacturers of our aircraft and aircraft engines.

We depend upon MHI, Boeing, and Embraer as the sole manufacturers of our aircraft and GE as the sole manufacturer of our aircraft engines. Our operations could be materially and adversely affected by the failure or inability of MHI, Boeing, Embraer or GE to provide sufficient parts or related maintenance and support services to us in a timely manner, or the interruption of our flight operations as a result of unscheduled or unanticipated maintenance requirements for our aircraft or engines.

Maintenance costs will likely increase as the age of our jet fleet increases.

The average age of our E-175, CRJ-900, Boeing 737 and CRJ-700 type aircraft is approximately 4.8, 15.0, 26.9, and 17.7 years, respectively. We have incurred relatively low maintenance expenses on our E-175 aircraft because most of the parts are under multi-year warranties and a limited number of heavy airframe checks and engine overhauls have occurred. Our maintenance costs will increase significantly, both on an absolute basis and as a percentage of our operating expenses, as our fleet ages and the E-175 warranties expire. In addition, because our current aircraft were acquired over a relatively short period of time, significant maintenance events scheduled for these aircraft will occur at roughly the same intervals, meaning we will incur our most expensive scheduled maintenance obligations across our present fleet at approximately the same time. These more significant maintenance activities will result in out-of-service periods during which aircraft are dedicated to maintenance activities and unavailable for flying under our agreements. Any unexpected increase in our maintenance costs as our fleet ages or decreased revenues resulting from out-of-service periods could have an adverse effect on our cash flows, operating results, and financial condition.

If we face problems with any of our third-party service providers, our operations could be adversely affected.

Our reliance upon others to provide essential services on behalf of our operations may limit our ability to control the efficiency and timeliness of contract services. We have entered into agreements with contractors to provide various facilities and services required for our operations, including aircraft maintenance, ground facilities and IT services, and expect to enter into additional similar agreements in the future. In particular, we rely on AAR and Aviall to provide fixed-rate parts procurement and component overhaul services for our aircraft fleet and GE to provide engine support. Our agreements with AAR, and other service providers, are subject to termination after notice. If our third-party service providers terminate their contracts with us, or do not provide timely or consistently high-quality service, we may not be able to

replace them in a cost-efficient manner or in a manner timely enough to support our operational needs, which could have a material adverse effect on our business, financial condition, and results of operations. In addition, our operations could be materially and adversely affected by the failure or inability of AAR, Aviall or GE to provide sufficient parts or related maintenance and support services to us in a timely manner.

Regulatory changes or tariffs could negatively impact our business and financial condition.

We import a substantial portion of the equipment we utilize in our operations. For example, the sole manufacturers of our regional aircraft, MHI and Embraer, are headquartered in Japan and Brazil, respectively. We cannot predict the impact of potential regulatory changes or action by U.S. regulatory agencies, including the potential impact of tariffs or changes in international trade treaties on the cost and timing of parts and aircraft. Our business may be subject to additional costs as a result of potential regulatory changes, which could have an adverse effect on our operations and financial results.

The issuance of operating restrictions applicable to one of the fleet types we operate could negatively impact our business and financial condition.

We rely on a limited number of aircraft types, including CRJ-700, CRJ-900, Boeing 737, and E-175 aircraft. The issuance of FAA or manufacturer directives restricting or prohibiting the use of the aircraft types we operate could negatively impact our business and financial results.

If we have a failure in our technology or security breaches of our information technology infrastructure our business and financial condition may be adversely affected.

The performance and reliability of our technology, and the technology of our major partners, are critical to our ability to compete effectively. Any internal technological error or failure or large-scale external interruption in the technological infrastructure we depend on, such as power, telecommunications, or the internet, may disrupt our internal network. Any individual, sustained or repeated failure of our technology or that of our major partners could impact our ability to conduct our business, lower the utilization of our aircraft and result in increased costs. Our technological systems and related data, and those of our major partners, may be vulnerable to a variety of sources of interruption due to events beyond our control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers, and other security issues.

In addition, as a part of our ordinary business operations, we collect and store sensitive data, including personal information of our employees and information of our major partners. Our information systems are subject to an increasing threat of continually evolving cybersecurity risks. Unauthorized parties may attempt to gain access to our systems or information through fraud or other means of deception. The methods used to obtain unauthorized access, disable, or degrade service or sabotage systems are constantly evolving, and may be difficult to anticipate or to detect for long periods of time. We may not be able to prevent all data security breaches or misuse of data. The compromise of our technology systems resulting in the loss, disclosure, misappropriation of, or access to, employees' or business partners' information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disruption to our operations and damage to our reputation, any or all of which could adversely affect our business and financial condition.

We are subject to various environmental and noise laws and regulations, which could have a material adverse effect on our business, results of operations and financial condition.

We are subject to increasingly stringent federal, state, local, and foreign laws, regulations and ordinances relating to the protection of the environment and noise, including those relating to emissions to the air, discharges (including storm water discharges) to surface and subsurface waters, safe drinking water and the use, management, disposal and release of, and exposure to, hazardous substances, oils and waste materials. We are or may be subject to new or proposed laws and regulations that may have a direct effect (or indirect effect through our third-party specialists or airport facilities at which we operate) on our

operations. In addition, U.S. airport authorities are exploring ways to limit de-icing fluid discharges. Any such existing, future, new or potential laws and regulations could have an adverse impact on our business, results of operations, and financial condition.

Similarly, we are subject to environmental laws and regulations that require us to investigate and remediate soil or groundwater to meet certain remediation standards. Under certain laws, generators of waste materials, and current and former owners or operators of facilities, can be subject to liability for investigation and remediation costs at locations that have been identified as requiring response actions. Liability under these laws may be strict, joint and several, meaning that we could be liable for the costs of cleaning up environmental contamination regardless of fault or the amount of wastes directly attributable to us.

Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.

As of September 30, 2021, we had aggregate federal and state net operating loss carryforwards of approximately \$541.3 million and \$235.7 million, which expire in fiscal years 2027-2038 and 2021-2041, respectively. Our unused losses generally carry forward to offset future taxable income, if any, until such unused losses expire. We may be unable to use these losses to offset income before such unused losses expire. However, US federal net operating losses generated in fiscal years 2018 and forward are not subject to expiration and, if not utilized by fiscal 2022, are only available to offset eighty percent of taxable income each year due to changes in tax law attributable to the passage of Tax Cuts and Jobs Act. In addition, if a corporation undergoes an "ownership change" (generally defined as a greater than 50% cumulative change in the equity ownership of certain shareholders over a rolling three-year period) under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset future taxable income or taxes may be limited. We have experienced ownership changes in the past and may experience ownership changes as a result of future changes in our stock ownership (some of which changes may not be within our control). This, in turn, could materially reduce or eliminate our ability to use our losses or tax attributes to offset future taxable income or tax and have an adverse effect on our future cash flows.

We may not be able to successfully implement our growth strategy.

Our growth strategy includes, among other things, providing regional flying to other airlines and/or entering into the cargo and express shipping business. We face numerous challenges in implementing our growth strategy, including our ability to:

- provide regional flying to other airlines with hub cities that overlap with our existing airline partners; and
- enter into relationships with third parties to carry their cargo on terms that are acceptable to us.

Our capacity purchase agreements limit our ability to provide regional flying services to other airlines in certain major airport hubs of American and United. These restrictions may make us a less attractive partner to other major airlines whose regional flying needs do not align with our geographical restrictions.

The potential benefits of entering the air cargo and express shipping sector will depend substantially on our ability to enter into additional relationships with integrated logistics companies and transition our existing business strategies into a new sector. We may be unsuccessful in entering into relationships with integrated logistics companies to carry cargo on terms that are acceptable to us. Additionally, our ability to transition our existing business strategies into a new sector may be costly, complex, and time-consuming, and our management will have to devote substantial time and resources to such effort. As we transition into this new sector, we may experience difficulties or delays in securing gate access and other airport services necessary to operate in the air cargo and express shipping sector. Our inability to successfully implement our growth strategies could have a material adverse effect on our business, financial condition, and results of operations and any assumptions underlying estimates of expected cost savings or expected revenues may be inaccurate.

We may not be able to make opportunistic acquisitions should we elect to do so as part of our growth strategy.

If we elect to pursue an acquisition, our ability to successfully implement this transaction would depend on a variety of factors, including the approval of our acquisition target's major partners, obtaining financing on acceptable terms and compliance with the restrictions contained in our debt agreements. If we need to obtain our lenders' consent prior to an acquisition, they may refuse to provide such consent or condition their consent on our compliance with additional restrictive covenants that limit our operating flexibility. Acquisition transactions involve risks, including those associated with integrating the operations or (as applicable) separately maintaining the operations, financial reporting, disparate technologies and personnel of acquired companies; managing geographically dispersed operations; the diversion of management's attention from other business concerns; unknown risks; and the potential loss of key employees. We may not successfully integrate any businesses we may acquire in the future and may not achieve anticipated revenue and cost benefits relating to any such transactions. Strategic transactions may be expensive, time consuming and may strain our resources. Strategic transactions may not be accretive to our earnings and may negatively impact our results of operations as a result of, among other things, the incurrence of debt, one-time write-offs of goodwill and amortization expenses of other intangible assets. In addition, strategic transactions that we may pursue could result in dilutive issuances of equity securities.

Our ability to obtain financing or access capital markets may be limited.

There are a number of factors that may limit our ability to raise financing or access capital markets in the future, including our significant debt and future contractual obligations, our liquidity and credit status, our operating cash flows, the market conditions in the airline industry, U.S. and global economic conditions, the general state of the capital markets and the financial position of the major providers of commercial aircraft financing. We cannot assure you that we will be able to source external financing for future aircraft acquisitions or for other significant capital needs, and if we are unable to source financing on acceptable terms, or unable to source financing at all, our business could be materially adversely affected. To the extent we finance our activities with additional debt, we may become subject to additional financial and other covenants that may restrict our ability to pursue our business strategy or otherwise constrain our growth and operations.

Negative publicity regarding our customer service could have a material adverse effect on our business, results of operations and financial condition.

Our business strategy includes the implementation of our major partners' brand and product in order to increase customer loyalty and drive future ticket sales. In addition, we also receive certain amounts under our United CPA upon the results of passenger satisfaction surveys. However, we may experience a high number of passenger complaints related to, among other things, our customer service. These complaints, together with delayed and cancelled flights, and other service issues, are reported to the public by the DOT. If we do not meet our major partners' expectations with respect to reliability and service, our and our major partners' brand and product could be negatively impacted, which could result in customers deciding not to fly with our major partners or with us. If we are unable to provide consistently high-quality customer service, it could have an adverse effect on our relationships with our major partners.

Risks associated with our presence in international emerging markets, including political or economic instability, and failure to adequately comply with existing legal requirements, may materially adversely affect us.

Some of our target growth markets include countries with less developed economies, legal systems, financial markets and business and political environments are vulnerable to economic and political disruptions, such as significant fluctuations in gross domestic product, interest and currency exchange rates, civil disturbances, government instability, nationalization and expropriation of private assets, trafficking and the imposition of taxes or other charges by governments. The occurrence of any of these events in markets served by us now or in the future and the resulting instability may have a material adverse effect on our business, results of operations and financial condition.

We emphasize compliance with all applicable laws and regulations and have implemented and continue to implement and refresh policies, procedures and certain ongoing training of our employees, third-party specialists and partners with regard to business ethics and key legal requirements; however, we cannot assure you that our employees, third-party specialists or partners will adhere to our code of ethics, other policies or other legal requirements. If we fail to enforce our policies and procedures properly or maintain adequate recordkeeping and internal accounting practices to record our transactions accurately, we may be subject to sanctions. In the event we believe or have reason to believe our employees, third-party specialists or partners have or may have violated applicable laws or regulations, we may incur investigation costs, potential penalties and other related costs which in turn may materially adversely affect our reputation and could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Industry

The outbreak and global spread of COVID-19 beginning in our 2020 fiscal year resulted in a severe decline in demand for air travel, which has adversely impacted the business of our major partners, and in turn has had an adverse impact that has been material to our business, operating results, financial condition and liquidity. The duration and severity of the COVID-19 pandemic, and similar public health threats that we may face in the future, could result in additional adverse effects on our business, operating results, financial condition, and liquidity.

The COVID-19 outbreak, along with the measures governments and private organizations worldwide implemented in an attempt to contain the spread of this pandemic, resulted in a severe decline in demand for air travel beginning in fiscal 2020 and continuing into fiscal 2021, which has adversely affected the business of our major partners, American and United, from whom we derive substantially all of our operating revenue, and in turn has adversely affected our business, operations and financial condition to an unprecedented extent.

In response to this material deterioration in demand, both American and United made significant cuts in capacity in their domestic and international schedules beginning in the second calendar quarter of 2020. These capacity reductions impacted flights operated by the Company. As a result of this decline in demand and capacity reductions, the Company experienced a material decline in demand in block hours from both American and United and operated at significantly lower block hours in the second half of fiscal year 2020 and first half of fiscal year 2021. The Company believes that the initiatives and measures put in place to limit the spread of the virus has and will continue to have a materially adverse impact on its business. While there has been a recovery in demand in the current fiscal year, the Company anticipates similar schedule reductions may continue for the foreseeable future.

In response to the foregoing events, we implemented cost saving initiatives during fiscal year 2020, including reducing employee-related costs through voluntary unpaid leaves, compensation reductions for executive level employees, a company-wide hiring freeze, delaying non-essential heavy maintenance expense and reducing or suspending discretionary spending. We also took steps to increase liquidity and strengthen our financial position, including reducing planned heavy engine and airframe maintenance, working with our major partners and OEMs to delay the timing of the delivery of our future aircraft and spare engines, and drawing \$23 million under our previously undrawn CIT Revolving Credit Facility. While the severity, magnitude and duration of the COVID-19 pandemic remain uncertain, there can be no assurance that these actions will be sufficient to sustain our business operations through the uncertain duration of this pandemic.

We also took additional actions to improve our financial position, including measures to improve liquidity, such as obtaining financial assistance under the CARES Act and other legislation. In April 2020, we were granted \$92.5 million in emergency relief through the Payroll Support Program ("PSP") of the CARES Act, all of which was received by the Company as of September 30, 2020. In September 2020, we were notified that, based on funding availability, recipients that were currently in compliance with executed PSP agreements would receive an approximate 2% increase in their award amount. As a result, we were granted an additional \$2.7 million through the PSP for a total grant of \$95.2 million, which was received in

October 2020. During fiscal year 2021, we received \$56.0 million and \$52.2 million through the Payroll Support Program Extensions PSP2 and PSP3, respectively. Under the terms of this financial assistance, we are required to comply with certain provisions of the CARES Act, including the requirement that funds provided pursuant to the PSP be used exclusively for the continuation of payment of employee wages, salaries and benefits; the requirement against involuntary furloughs and reductions in employee pay rates and benefits through September 2021; the requirement of continuing essential air service; restrictions on share repurchases and dividends; and limits on the payment of certain executive compensation. The substance and duration of these restrictions may materially affect our operations, and we may not be successful in managing these impacts for the duration of the restrictions. In particular, limitations on executive compensation, which, depending on the form of aid, could extend up to six years, may impact the Company's ability to attract and retain senior management or attract other key employees during this critical time. Additionally, as described in Note 3: "Contract Revenue and Pass-through and Other Revenue", a portion of the Company's reduced labor costs resulting from government assistance was passed on to our major partners in the form of temporary rate reductions during the 2021 fiscal year.

On October 30, 2020, we entered into a five-year Loan and Guarantee Agreement with the U.S. Department of the Treasury (the "U.S. Treasury"), which provided the Company with a secured loan facility of up to \$200.0 million under the CARES Act. On October 30, 2020, the Company borrowed \$43.0 million under the facility and on November 13, 2020, the Company borrowed an additional \$152.0 million. No additional amounts are available for borrowing under this loan facility. Similar to the terms of the PSP, the Company is required to comply with certain provisions of the CARES Act, including the requirement of continuing essential air service; restrictions on share repurchases and dividends; and limits on the payment of certain executive compensation. The substance and duration of these restrictions may materially affect our operations, and we may not be successful in managing these impacts for the duration of the restrictions.

The full extent of the ongoing impact of COVID-19 on our future operational and financial performance will depend on future developments, many of which are outside our control, including the effectiveness of the mitigation strategies discussed above, the severity, magnitude, duration and spread of COVID-19 or other variants of COVID-19, including any recurrence of the pandemic, and related travel advisories and restrictions, the impact of COVID-19 on overall long-term demand for air travel, the impact on demand and capacity which could result from government mandates on air service including, for instance, any requirement for passengers to wear masks while traveling or have their temperature checked or have administered other tests or examinations prior to entering an airport or boarding an airplane, or which would limit the number of seats that can be occupied on an aircraft to allow for social distancing, and the impact of COVID-19 on the financial health and operations of our major partners and future governmental actions, all of which are highly uncertain and cannot be predicted.

In addition, an outbreak of another disease or similar public health threat, or fear of such an event, that affects travel demand, travel behavior or travel restrictions could adversely impact our business, financial condition, and operating results. Outbreaks of other diseases could also result in increased government restrictions and regulation, such as those actions described above or otherwise, which could adversely affect our operations or the operations of our major partners and suppliers.

The airline industry is highly competitive and has undergone a period of consolidation and transition leaving fewer potential major partners.

The airline industry is highly competitive. We compete primarily with other regional airlines, some of which are owned by or operated by major airlines. In certain instances, our competitors are larger than us and possess significantly greater financial and other resources than we do. The airline industry has undergone substantial consolidation, including the mergers between Alaska Airlines and Virgin America Inc. in 2016, American and US Airways in 2013, Southwest Airlines Co. and AirTran Airways in 2011, United and Continental Airlines in 2010 and Delta and Northwest Airlines in 2008. Any additional consolidation or significant alliance activity within the airline industry could further limit the number of potential partners with whom we could enter into capacity purchase agreements.

We are subject to significant governmental regulation.

All interstate air carriers, including us, are subject to regulation by the DOT, the FAA and other governmental agencies, as described in "Item 1. Government Regulation." We cannot predict whether we will be able to comply with all present and future laws, rules, regulations, and certification requirements or that the cost of continued compliance will not have a material adverse effect on our operations. We incur substantial costs in maintaining our current certifications and otherwise complying with the laws, rules, and regulations to which we are subject. A decision by the FAA to ground, or require time consuming inspections of or maintenance on, all or any of our aircraft for any reason may have a material adverse effect on our operations. In addition to state and federal regulation, airports and municipalities enact rules and regulations that affect our operations and require that we incur substantial on-going costs.

Airlines are often affected by factors beyond their control, including: air traffic congestion at airports; air traffic control inefficiencies; adverse weather conditions, such as hurricanes or blizzards; increased security measures; new travel-related taxes; or the outbreak of disease; any of which could have a material adverse effect on our business, results of operations, and financial condition.

Like other airlines, our business is affected by factors beyond our control, including air traffic congestion at airports, air traffic control inefficiencies, increased security measures, new travel-related taxes and fees, adverse weather conditions, natural disasters, and the outbreak of disease. Factors that cause flight delays frustrate passengers and increase operating costs and decrease revenues, which in turn could adversely affect profitability. The federal government singularly controls all U.S. airspace, and airlines are completely dependent on the FAA to operate that airspace in a safe, efficient, and affordable manner. The air traffic control system, which is operated by the FAA, faces challenges in managing the growing demand for U.S. air travel. U.S. and foreign air-traffic controllers often rely on outdated technologies that routinely overwhelm the system and compel airlines to fly inefficient, indirect routes resulting in delays. In addition, there are currently proposals before Congress that could potentially lead to the privatization of the United States' air traffic control system, which could adversely affect our business. Further, implementation of the Next Generation Air Transport System by the FAA would result in changes to aircraft routings and flight paths that could lead to increased noise complaints and lawsuits, resulting in increased costs. There are additional proposals before Congress that would treat a wide range of consumer protection issues, including, among other things, proposals to regulate seat size, which could increase the costs of doing business.

Adverse weather conditions and natural disasters, such as hurricanes, winter snowstorms, or earthquakes, can cause flight cancellations or significant delays. Cancellations or delays due to adverse weather conditions or natural disasters, air traffic control problems or inefficiencies, breaches in security or other factors may affect us to a greater degree than other, larger airlines that may be able to recover more quickly from these events, and therefore could have a material adverse effect on our business, results of operations, and financial condition to a greater degree than other air carriers. Any general reduction in airline passenger traffic could have a material adverse effect on our business, results of operations, and financial condition.

Terrorist activities or warnings have dramatically impacted the airline industry and will likely continue to do so.

The terrorist attacks of September 11, 2001 and their aftermath have negatively impacted the airline industry in general, including our operations. If additional terrorist attacks are launched against the airline industry, there will be lasting consequences of the attacks, which may include loss of life, property damage, increased security and insurance costs, increased concerns about future terrorist attacks, increased government regulation and airport delays due to heightened security. We cannot provide any assurance that these events will not harm the airline industry generally or our operations or financial condition in particular.

The occurrence of an aviation accident involving our aircraft would negatively impact our operations and financial condition.

An accident or incident involving our aircraft could result in significant potential claims of injured passengers and others, as well as repair or replacement of a damaged aircraft and its consequential temporary or permanent loss from service. In the event of an accident, our liability insurance may not be adequate to offset our exposure to potential claims and we may be forced to bear substantial losses from the accident. Substantial claims resulting from an accident in excess of our related insurance coverage would harm our operational and financial results. Moreover, any aircraft accident or incident, even if fully insured, could cause a public perception that our operations are less safe or reliable than other airlines.

Risks Related to Owning Our Common Stock

The market price of our common stock may be volatile, which could cause the value of an investment in our stock to decline.

The market price of our common stock may fluctuate substantially due to a variety of factors, many of which are beyond our control, including: (i) announcements concerning our major partners, competitors, the airline industry, or the economy in general; (ii) strategic actions by us, our major partners, or our competitors, such as acquisitions or restructurings; (iii) media reports and publications about the safety of our aircraft or the types of aircraft we operate; (iv) new regulatory pronouncements and changes in regulatory guidelines; (v) announcements concerning the availability of the types of aircraft we use; (vi) significant volatility in the market price and trading volume of companies in the airline industry; (vii) changes in financial estimates or recommendations by securities analysts or failure to meet analysts' performance expectations; (viii) sales of our common stock or other actions by insiders or investors with significant shareholdings, including sales by our principal shareholders; and (ix) general market, political and other economic conditions.

The stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of particular companies. Broad market fluctuations may materially adversely affect the trading price of our common stock. In the past, shareholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. Any similar litigation against us could result in substantial costs, divert management's attention and resources, and have a material adverse effect on our business, results of operations and financial condition.

If securities or industry analysts do not publish research or reports about our business or publish negative reports about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities and industry analysts may publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, the trading price of our common stock would likely decline. If one or more of these analysts ceases to cover our company or fails to publish reports on us regularly, demand for our stock could decrease, which may cause the trading price of our common stock and the trading volume of our common stock to decline.

The value of our common stock may be materially adversely affected by additional issuances of common stock underlying our outstanding warrants.

As of September 30, 2021, we had outstanding warrants to purchase an aggregate of 4,899,497 shares of our common stock, all of which were issued to the U.S. Treasury pursuant to the terms of the Loan and Guarantee Agreement dated October 30, 2020. The warrants have a term of five years from the date of issuance and an initial exercise price of \$3.98 per share. Any future warrant exercises by the U.S. Treasury, or any authorized transferee of the U.S. Treasury, will be dilutive to our existing common shareholders. Sales of substantial amounts of our common stock in the public or private market, a perception in the market that such sales could occur, or the issuance of securities exercisable into our common stock, could adversely affect the prevailing price of our common stock.

Provisions in our charter documents might deter acquisition bids for us, which could adversely affect the price of our common stock.

Our second amended and restated articles of incorporation and amended and restated bylaws contain provisions that, among other things:

- authorize our Board of Directors, without shareholder approval, to designate and fix the voting powers, designations, preferences, limitations, restrictions, and relative rights of one or more series of preferred stock so designated, or right to acquire such preferred stock;
- dilute the interest of, or impair the voting power of, holders of our common stock and could also have the effect of discouraging, delaying, or preventing a change of control;
- establish advance notice procedures that shareholders must comply with in order to nominate candidates to our Board of Directors and propose matters to be brought before an annual or special meeting of our shareholders, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company;
- authorize a majority of our Board of Directors to appoint a director to fill a vacancy created by the expansion of our Board of Directors or the resignation, death or removal of a director, which may prevent shareholders from being able to fill vacancies on our Board of Directors;
- restrict the number of directors constituting our Board of Directors to within a set range, and give our Board of Directors exclusive authority to increase or decrease the number of directors within such range, which may prevent shareholders from being able to fill vacancies on our Board of Directors; and
- restrict the ability of shareholders to call special meetings of shareholders.

Our corporate charter includes provisions limiting ownership by non-U.S. citizens.

To comply with restrictions imposed by federal law on foreign ownership of U.S. airlines, our second amended and restated articles of incorporation restrict the ownership and voting of shares of our common stock by people and entities who are not "*citizens of the United States*" as that term is defined in 49 U.S.C. § 40102(a). That statute defines "*citizen of the United States*" as, among other things, a U.S. corporation, of which the president and at least two-thirds of the board of directors and other managing officers are individuals who are citizens of the United States, which is under the actual control of citizens of the United States and in which at least 75% of the voting interest is owned or controlled by persons who are citizens of the United States. Our second amended and restated articles of incorporation prohibit any non-U.S. citizen from owning or controlling more than 24.9% of the aggregate votes of all outstanding shares of our common stock or 49.0% of the total number of outstanding shares of our capital stock. The restrictions imposed by the above-described ownership caps are applied to each non-U.S. citizen in reverse chronological order based on the date of registration on our foreign stock record. At no time may shares of our capital stock held by non-U.S. citizens be voted unless such shares are reflected on the foreign stock record. The voting rights of non-U.S. citizens having voting control over any shares of our capital stock are subject to automatic suspension to the extent required to ensure that we are in compliance with applicable law. In the event any transfer or issuance of shares of our capital stock to a non-U.S. citizen would result in non-U.S. citizens owning more than the above-described cap amounts, such transfer or issuance will be void and of no effect.

As of September 30, 2021, we had outstanding warrants to purchase 4,899,497 shares of our common stock, all of which were held by the U.S. Treasury. We are currently in compliance with all applicable foreign ownership restrictions.

Our corporate charter limits certain transfers of our stock, which limits are intended to preserve our ability to use our net operating loss carryforwards, and these limits could have an effect on the market price and liquidity of our common stock.

To reduce the risk of a potential adverse effect on our ability to use our net operating loss carryforwards for federal income tax purposes, our second amended and restated articles of incorporation prohibit the transfer of any shares of our capital stock that would result in (i) any person or entity owning 4.75% or more of our then-outstanding capital stock, or (ii) an increase in the percentage ownership of any person or entity owning 4.75% or more of our then-outstanding capital stock. These transfer restrictions expire upon the earliest of (i) the repeal of Section 382 of the Code or any successor statute if our Board of Directors determines that such restrictions are no longer necessary to preserve our ability to use our net operating loss carryforwards, (ii) the beginning of a fiscal year to which our Board of Directors determines that no net operating losses may be carried forward, or (iii) such other date as determined by our Board of Directors. These transfer restrictions apply to the beneficial owner of the shares of our capital stock. The clients of an investment advisor are treated as the beneficial owners of stock for this purpose if the clients have the right to receive dividends, if any, the power to acquire or dispose of the shares of our capital stock, and the right to proceeds from the sale of our capital stock. Certain transactions approved by our Board of Directors, such as mergers and consolidations meeting certain requirements set forth in our articles of incorporation, are exempt from the above-described transfer restrictions. Our Board of Directors also has the ability to grant waivers, in its discretion, with respect to transfers of our stock that would otherwise be prohibited.

The transfer restrictions contained in our second amended and restated articles of incorporation may impair or prevent a sale of common stock by a shareholder and may adversely affect the price at which a shareholder can sell our common stock. In addition, this limitation may have the effect of delaying or preventing a change in control of the Company, creating a perception that a change in control cannot occur or otherwise discouraging takeover attempts that some shareholders may consider beneficial, which could also adversely affect the market price of our common stock. We cannot predict the effect that this provision in our second amended and restated articles of incorporation may have on the market price of our common stock.

We currently do not intend to pay dividends on our common stock and, consequently, your only opportunity to achieve a return on your investment is if the price of our common stock appreciates.

We have not historically paid dividends on shares of our common stock and do not expect to pay dividends on such shares in the foreseeable future. Additionally, certain of our aircraft lease facilities and our loan with the U.S. Treasury contain restrictions that limit our ability to or prohibit us from paying dividends to holders of our common stock. Any future determination to pay dividends will be at the discretion of our Board of Directors and will depend on our results of operations, financial condition, capital requirements, restrictions contained in current or future leases and financing instruments, business prospects and such other factors as our Board of Directors deems relevant, including restrictions under applicable law. Consequently, your only opportunity to achieve a positive return on your investment in us will be if the market price of our common stock appreciates.

General Risk Factors

We are an "emerging growth company," and the reduced disclosure and regulatory requirements applicable to "emerging growth companies" may make our common stock less attractive to investors.

We qualify as an **"emerging growth company"** as defined in the Jumpstart Our Business Startups Act of 2012 (the **"JOBS Act"**), and therefore we may take advantage of reduced disclosure and regulatory requirements that are otherwise generally applicable to public companies. As an emerging growth company:

- we are not required to obtain an attestation and report from our independent registered public accounting firm on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act;
- we may present reduced disclosure regarding executive compensation in our periodic reports and proxy statements; and
- we are not required to hold nonbinding advisory shareholder votes on executive compensation or golden parachute arrangements.

We may take advantage of these reduced requirements until we are no longer an "*emerging growth company*," which will occur upon the earliest of (i) the last day of our fiscal year following the fifth anniversary of our IPO (i.e. September 30, 2023), (ii) the last day of the first fiscal year in which our annual gross revenue is \$1.07 billion or more, (iii) the date on which we have, during the previous rolling three-year period, issued more than \$1.0 billion in non-convertible debt securities and (iv) the date on which we are deemed to be a "*large accelerated filer*" as defined in the Exchange Act. Investors may find our common stock less attractive or our company less comparable to certain other public companies because we will rely on these reduced requirements.

In addition, the JOBS Act permits an "*emerging growth company*" to take advantage of an extended transition period to comply with new or revised accounting standards. This effectively permits the delayed adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we have elected to "**opt out**" of such extended transition period and, as a result, we will comply with new or revised accounting standards on the dates for which compliance is required for non-emerging growth companies. This election is irrevocable.

The requirements of being a public company may strain our resources, increase our operating costs, divert management's attention, and affect our ability to attract and retain qualified board members or executive officers.

We became a public company in August 2018. As a public company, we incur significant legal, accounting, and other expenses, including costs associated with public company reporting requirements. We also have incurred and will continue to incur costs associated with the Sarbanes-Oxley Act of 2002, as amended, the Dodd-Frank Wall Street Reform and Consumer Protection Act and related rules implemented or to be implemented by the SEC and the Nasdaq Global Select Market. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly and divert management's time and attention from revenue-generating activities to compliance activities. It could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees, or as our executive officers and may divert management's attention. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

We are required to assess our internal control over financial reporting on an annual basis, and any future adverse findings from such assessment could result in a loss of investor confidence in our financial reports, result in significant expenses to remediate any internal control deficiencies and have a material adverse effect on our business, results of operations and financial condition.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for our fiscal year ended September 30, 2021 and each subsequent year. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Our independent registered public accounting firm is not required to attest to the effectiveness of our internal control over financial reporting until our first annual report required to be filed with the SEC following the

later of the date we are deemed to be an "accelerated filer" or a "large accelerated filer," each as defined in the Exchange Act, or the date we are no longer an "emerging growth company," as defined in the JOBS Act. We are required to disclose, to the extent material, changes made in our internal control over financial reporting on a quarterly basis.

To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff. Management assessed the effectiveness of our internal control over financial reporting at September 30, 2021. In making these assessments, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on our assessments and those criteria, management determined that we maintained effective internal control over financial reporting as of September 30, 2021.

In future periods, if we fail to achieve and maintain an effective internal control environment, it could result in material misstatements in our financial statements and failure to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information and adversely impact our stock price.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Flight Equipment

As of September 30, 2021, our aircraft fleet consisted of the following:

Aircraft Type	Owned	Leased	Total	Passenger Capacity	Flight Range (miles)	Average Cruising Speed (mph)	Average Age (years)
E-175 Regional Jet	18	62	80	70-76	2,100	530	4.8
CRJ-900 Regional Jet	49	15	64	76-79	1,500	530	15.0
CRJ-700 Regional Jet	18	2	20	70	1,600	530	17.7
CRJ-200 Regional Jet	1	—	1	50	1,500	530	27.7
Boeing 737 Cargo Jet	—	2	2		2,600	530	26.9
Total	86	81	167				

Several factors impact our fleet size, including contract expirations, lease expirations, growth opportunities and opportunities to transition to an alternative airline partner. Below is a summary of our fleet by aircraft type. Our actual future fleet size and mix of aircraft types will likely vary, and may vary materially, from our current fleet size.

- E-175s – As of September 30, 2021, we operated 60 E-175 and 20 E-175LL aircraft under our United CPA. As part of our amended and restated United CPA, we agreed to extend the term of 42 of our E-175 aircraft (owned by United) for an additional five (5) years which will now expire between 2024 and 2028, subject to United's early termination rights. United also has the right to extend the term of these aircraft for four additional three-year increments. In addition, 18 of the E-175 aircraft (owned by us) operating under our United CPA expire between January 2028 and November 2028, subject to United's early termination rights. In the current period, we added 20 E-175LL aircraft under the United CPA with a term of 12 years. Our United CPA permits United, subject to certain conditions, including the payment of certain costs tied to aircraft type, to terminate the United CPA in its discretion, or remove aircraft from service, by giving us 90 days' notice.
- CRJ-900s – As of September 30, 2021, we operated 40 CRJ-900 aircraft under our American CPA and 24 CRJ-900 aircraft as operational spares. Our American CPA will expire in 2025

unless otherwise extended or amended. Our American CPA is subject to termination prior to that date, subject to our right to cure, in various circumstances.

- CRJ-700s – As of September 30, 2021, our fleet included 20 CRJ-700 aircraft which are currently leased or will be leased to a third party. 14 of these CRJ-700 aircraft are currently leased to another United Express service provider for a term of nine (9) years, and the remaining six aircraft are expected to be leased beginning in fiscal year 2022.
- CRJ-200s – As of September 30, 2021, our fleet included one spare CRJ-200 aircraft.
- Boeing 737 Cargo Jets – As of September 30, 2021, we subleased two Boeing 737 aircraft from DHL under our DHL FSA. The DHL FSA expires five years from the commencement date of the first aircraft placed into service. The first revenue generating flight took place in October 2020.

Facilities

In addition to aircraft, we have office and maintenance facilities to support our operations. Each of our facilities are summarized in the following table:

Type	Location	Ownership	Approximate Square Feet
Corporate Headquarters	Phoenix, Arizona	Leased	33,770
Training Center	Phoenix, Arizona	Leased	23,783
Parts/Stores	Phoenix, Arizona	Leased	12,000
Hangar	Phoenix, Arizona	Leased	22,467
Office, Hangar and Warehouse	El Paso, Texas	Leased	31,292
Office, Hangar	Dallas, Texas	Leased	30,440
Parts Storage	Dallas, Texas	Leased	8,143
Hangar	Houston, Texas	Leased	74,524
Hangar	Louisville, Kentucky	Leased	26,762
Hangar	Dulles, Washington	Leased	28,451
Warehouse	Tucson, Arizona	Leased	10,590
Warehouse, Office	Erlanger, Kentucky	Leased	6,025
Office, Hangar	Kansas City, Missouri	Leased	45,885

We believe our facilities are suitable and adequate for our current and anticipated needs.

ITEM 3. LEGAL PROCEEDINGS

We are subject to two putative class action lawsuits alleging federal securities law violations in connection with our IPO, one in the Superior Court of the State of Arizona and one in U.S. District Court of Arizona. These purported class actions were filed in March and April 2020 against the Company, certain current and former officers and directors, and certain underwriters of the Company's IPO. The state and federal lawsuits each make the same or similar allegations of violations of the Securities Act of 1933, as amended, for allegedly making materially false and misleading statements in, or omitting material information from, our IPO registration statement. The plaintiffs seek unspecified monetary damages and other relief.

In addition, we are subject to certain legal actions which we consider routine to our business activities. As of September 30, 2021, our management believed that the ultimate outcome of the two putative class action lawsuits and such other routine legal matters are not likely to have a material adverse effect on our financial position, liquidity, or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has traded on The Nasdaq Global Select Market under the symbol "MESA" since August 10, 2018. Prior to that date, there was no public market for our common stock.

Holders of Record

As of November 12, 2021, there were approximately 60 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, as a result, we are unable to estimate the total number of stockholders represented by these record holders.

The transfer agent and registrar for our common stock is ComputerShare Trust Company, N.A.

Dividends

We have not declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any cash dividends on our common stock for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our Board of Directors, subject to applicable laws, and will depend on our financial condition, operating results, capital requirements, general business conditions, and other factors that our Board of Directors considers relevant.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item with respect to our equity compensation plans is incorporated by reference to our definitive proxy statement for our 2022 Annual Meeting of Shareholders ("*2022 Proxy Statement*") to be filed with the SEC within 120 days of our fiscal year ended September 30, 2021.

Stock Performance Graph

The following Performance Graph and related information shall not be deemed "soliciting material" or "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent we specifically incorporate it by reference into such filing.

The following graph compares the cumulative total return on our common stock with that of the Nasdaq Stock Market (U.S. Companies) and the Nasdaq Stock Market Transportation Index. The period shown commences on August 10, 2018, and ends on September 30, 2021, the end of our fiscal year. The graph assumes an investment of \$100.00 in each of the above on the close of market on August 10, 2018. The stock performance shown on the graph below represents historical stock performance and is not necessarily indicative of future stock price performance.



This performance graph is not deemed to be incorporated by reference into any of our other filings under the Exchange Act, or the Securities Act, except to the extent we specifically incorporate it by reference into such filings.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the three months ended September 30, 2021, the Company repurchased a total of 15,278 shares of its common stock for \$0.1 million to cover the income tax obligation on vested employee equity awards. The Company repurchased a total of 155,174 shares of its common stock for \$1.5 million to cover the income tax obligation on vested employee equity awards during the fiscal year ended September 30, 2021.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements, the accompanying notes, and the other financial information included elsewhere in this Annual Report on Form 10-K. The following discussion contains forward-looking statements that involve risks and uncertainties such as our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements below. Factors that could cause or contribute to those differences in our actual results include, but are not limited to, those discussed below and those discussed elsewhere in this Annual Report on Form 10-K, particularly in the sections "Cautionary Notes Regarding Forward-Looking Statements" and Part I, Item 1A. "Risk Factors" above.

Overview

Mesa Airlines is a regional air carrier providing scheduled passenger service to 129 cities in 39 states, the District of Columbia, the Bahamas, and Mexico, as well as cargo services out of Cincinnati/Northern Kentucky International Airport. All of our flights are operated as either American Eagle, United Express, or DHL Express flights pursuant to the terms of capacity purchase agreements with American and United and a flight services agreement with DHL. We have a significant presence in several of our major partners' key domestic hubs and focus cities, including Dallas, Houston, Phoenix, and Washington-Dulles.

As of September 30, 2021, we operated under the CPAs and FSA, or maintained as operational spares, a fleet of 153 aircraft with approximately 507 daily departures. We also lease 14 aircraft to a third party. We operate 40 CRJ-900 aircraft under our American CPA and 20 E-175LL and 60 E-175 aircraft under our United CPA. We operate two Boeing 737-400F aircraft under the DHL FSA. For our fiscal year ended September 30, 2021, approximately 33% of our aircraft in scheduled service were operated for American, 65% were operated for United, and 2% were operated for DHL. All our operating revenue in our 2021 fiscal year was derived from operations associated with our American and United CPAs, DHL FSA, or from leases of aircraft to a third party. All our operating revenue in our 2020 and 2019 fiscal years was derived from operations associated with our American and United CPAs.

Our long-term agreements provide us guaranteed monthly revenue for each aircraft under contract, a fixed fee for each block hour and flight actually flown, and reimbursement of certain direct operating expenses in exchange for providing regional flying on behalf of our major partners. Our capacity purchase and flight services agreements also shelter us from many of the elements that cause volatility in airline financial performance, including fuel prices, variations in ticket prices, and fluctuations in number of passengers. In providing regional flying under our capacity purchase agreements, and cargo flight services under our flight services agreement, we use the logos, service marks, flight crew uniforms and aircraft paint schemes of our major partners. Our major partners control route selection, pricing, seat inventories, marketing, and scheduling, and provide us with ground support services, airport landing slots and gate access.

Under our DHL FSA, we receive a fee per block hour with a minimum block hour guarantee in exchange for providing cargo services. Ground support including fueling and airport fees are paid directly by DHL.

Impact of the COVID-19 Pandemic

The unprecedented and rapid spread of COVID-19 and the related travel restrictions and social distancing measures implemented throughout the world significantly reduced demand for air travel beginning in our fiscal year 2020. This reduction in demand had an unprecedented and materially adverse impact on our revenues and financial position in the prior year that continued into fiscal year 2021. However, we experienced improvement in our operating results in fiscal year 2021 resulting from lessening of travel and gathering restrictions in the United States, particularly in the second half of our fiscal year. Since a portion of the consideration we receive under our capacity purchase agreements is fixed, the impact to us

from the COVID-19 pandemic was partially mitigated. In addition, we have limited exposure to fluctuations in passenger traffic, ticket, and fuel prices under the terms of our capacity purchase agreements with American and United.

While our fixed contract consideration was mostly unchanged, our variable revenue based on number of block hours flown was significantly impacted in 2020 resulting in a material decline in revenues. Beginning in March 2020, we experienced capacity reductions resulting in a material decline in demand in block hours from our major partners and operated at significantly lower block hours in the second half of fiscal year 2020 and first half of fiscal year 2021. The funds we received under the Payroll Support Program (and related extensions) and our Loan and Guarantee Agreement with the U.S. Treasury, coupled with diligent cost saving measures during fiscal year 2020, have helped to partially offset the negative impacts of COVID-19 on our business.

In response to the COVID-19 pandemic, we implemented various measures to protect our employees as they have continued to provide safe and reliable transportation to the passengers of American and United under our CPAs and cargo flight services under our FSA with DHL. The safety of our employees and passengers remains our primary focus and, to that end, measures that we have taken include but are not limited to:

- Both on our own, and in coordination with our major partners, we have taken steps to ensure that high touch areas used by both employees and customers are routinely and comprehensively cleaned and disinfected to prevent transmission of the virus on surfaces. To assist our crewmembers in keeping the aircraft clean and disinfected, we have increased the supply of sanitizing wipes onboard.
- Mandated face covering for all employees working onboard aircraft, at corporate and training facilities and locations where social distancing cannot be maintained.
- In coordination with our major partners (and to satisfy the federal mask mandate), we've implemented a policy that requires all crewmembers to wear face coverings while on duty. We have provided, and continue to resupply, our employees with personal protective equipment (PPE) consisting of gloves and face coverings for use whenever social distancing cannot be maintained or when working with our customers. All employees have been directed to self-monitor their temperature before reporting for duty and twice daily.
- Based on recommendations from the Centers for Disease Control and Prevention (CDC), we increased facility cleaning and disinfection protocols at all of our facilities and have implemented social distancing measures including extending our current remote working policy for many of our corporate personnel. We also enhanced a previous protocol to increase physical distance between workers who remain working at our corporate facilities.
- Enhanced protocols that exceed CDC guidance for the handling of employees who are positive for, or suspected of, COVID-19 to ensure that they have the necessary time off. Additionally, we have implemented protocols to ensure that proper notification is made to any affected employees. Protocols have also been put into place for the immediate disinfection of any affected aircraft above and beyond routine cleaning and disinfection protocols.

Balance Sheet, Cash Flow and Liquidity. As of September 30, 2021, our cash and cash equivalents totaled \$120.5 million. Beginning in the prior year we took the following actions to increase liquidity and strengthen our financial position.

- Drew \$23.0 million from our previously undrawn CIT Revolving Credit Facility.

- In April 2020, we were granted \$92.5 million in emergency relief through the Payroll Support Program of the CARES Act, which was received as of September 30, 2020. In September 2020, we were notified that, based on funding availability, recipients that were currently in compliance with signed payroll support program agreements would receive an approximate 2% increase in their award amount. As a result, we received an additional \$2.7 million in October 2020 for a total grant of \$95.2 million under this program. We utilized \$83.8 million of these proceeds to offset payroll expenses in the year ended September 30, 2020 and the remaining \$11.4 million was utilized in the first quarter of fiscal 2021. During fiscal 2021, we received aggregate proceeds of \$56.0 million and \$52.2 million under Payroll Support Program Extensions PSP2 and PSP3, respectively, all of which was utilized and recognized as an offset to payroll expenses in the current fiscal year. Additionally, as described in Note 3: "Contract Revenue and Pass-through and Other Revenue", a portion of the Company's reduced labor costs resulting from government assistance was passed on to our major partners in the form of temporary rate reductions during the 2021 fiscal year.
- The CARES Act also provided for up to \$25 billion in secured loans to the airline industry. In October 2020, the Company entered into a five-year Loan and Guarantee Agreement (the "*Loan Agreement*") with the U.S. Department of the Treasury (the "U.S. Treasury") which provided the Company with a secured loan facility of up to \$200.0 million. On October 30, 2020, the Company borrowed \$43.0 million under the facility and on November 13, 2020, the Company borrowed an additional \$152.0 million. No further borrowings are available under the Loan Agreement. All principal amounts outstanding under the Loan Agreement are due and payable in a single installment on October 30, 2025 (the "*Maturity Date*") and all accrued interest is payable in arrears on the first business day following the 14th day of each March, June, September and December (beginning December 15, 2020), and on the Maturity Date. Interest during the first twelve months was paid-in-kind by increasing the principal amount of the loan by the amount of such interest due on an interest payment date. The obligations under the Loan Agreement are guaranteed by the Company and Mesa Air Group Inventory Management and secured by certain assets of the Company. The proceeds were used for general corporate purposes and operating expenses, to the extent permitted by the CARES Act. Prior to the November 13, 2020 funding of the \$152.0 million portion of the Treasury Loan, the Company also repaid \$167.7 million in existing aircraft debt as described in Note 9: "Long-Term Debt, Finance Leases, and Other Borrowings".

The actions above, combined with cost saving initiatives implemented in fiscal 2020 by the Company in response to the pandemic, enabled the Company to respond to the increase in flight operations and maintenance costs during the latter half of fiscal 2021 associated with the increase in demand for air travel.

2021 Financial Highlights

For our fiscal year ended September 30, 2021, we had total operating revenues of \$503.6 million, a 7.6% decrease, compared to \$545.1 million for our fiscal year ended September 30, 2020. Net income for our fiscal year ended September 30, 2021 was \$16.6 million, or \$0.43 per diluted share, compared to net income of \$27.5 million, or \$0.78 per diluted share, for our fiscal year ended September 30, 2020.

During our September 30, 2021 fiscal year ended, our completed block hours increased by 10,109, or 3.2%, compared to our fiscal year ended September 30, 2020.

Industry Trends

We believe our operating and business performance is driven by various factors that typically affect regional airlines and their markets, including trends which affect the broader airline and travel industries, though our capacity purchase and flight services agreements reduce our exposure to fluctuations in certain trends. The following key factors may materially affect our future performance.

Availability and Training of Qualified Pilots. On July 8, 2013, as directed by the U.S. Congress, the FAA issued more stringent pilot qualification and crew member flight training standards, which, among other things, increased the required training time for new airline pilots from 250 hours to 1,500 hours of flight time. With these changes, the supply of qualified pilot candidates eligible for hiring by the airline industry has been dramatically reduced. To address the diminished supply of qualified pilot candidates, regional airlines implemented significant pilot wage and bonus increases.

In prior periods, these factors caused our pilot attrition rates to be higher than our ability to hire and retain replacement pilots and resulted in being unable to provide flight services at or exceeding the minimum flight operating levels expected by our major partners. However, in July 2017, we reached a new four-year collective bargaining agreement with our pilots that provided increases in our pilots' wages, premium pay for flying on scheduled days off, and competitive signing bonuses for prospective new pilots. Our results of operations may be negatively impacted if we are unable to hire and train our pilots in a timely manner.

Pilot and Mechanic Attrition. In recent years, we have experienced significant volatility in our attrition as a result of pilot wage and bonus increases at other regional air carriers, the growth of cargo, low-cost and ultra-low-cost carriers, and the number of pilots at major airlines reaching the statutory mandatory retirement age of 65 years. If our actual pilot attrition rates are materially different than our projections, our operations and financial results could be materially and adversely affected. Although we target maintenance staffing levels above our projected needs in order to account for attrition, which is widespread in the industry, from time to time we have experienced attrition with our maintenance technicians, who have the option to seek employment at mainline airlines, which generally offer higher salaries and more extensive benefit programs than regional airlines are financially able to offer. Attrition of maintenance technicians has sometimes required us to supplement our staff with qualified temporary employees.

Economic Conditions, Challenges and Risks

Market Volatility. The airline industry is volatile and affected by economic cycles and trends. Consumer confidence and discretionary spending, spread of a virus, fear of terrorism or war, weakening economic conditions, fare initiatives, fluctuations in fuel prices, labor actions, changes in governmental regulations on taxes and fees, weather and other factors have contributed to a number of reorganizations, bankruptcies, liquidations, and business combinations among major and regional airlines. The effect of economic cycles and trends may be somewhat mitigated by our reliance on capacity purchase agreements. If, however, any of our major partners experiences a prolonged decline in the number of passengers or is negatively affected by low ticket prices or high fuel prices, it may seek rate reductions in future capacity purchase agreements, or materially reduce our scheduled flights in order to reduce its costs. Our financial performance could be negatively impacted by any adverse changes to the rates, number of aircraft or utilization under our capacity purchase agreements.

Labor. The airline industry is heavily unionized. The wages, benefits and work rules of unionized airline industry employees are determined by collective bargaining agreements. As of September 30, 2021, approximately 74.1% of our workforce was represented by the ALPA and AFA. Our pilots and flight attendants most recently ratified new four-year collective bargaining agreements during calendar 2017 which became amendable in July 2021 and October 2021, respectively. The agreements include rate increases for three years and two years, respectively, after the amendable dates. The agreements are amendable following their four-year term and include labor rate structures for two years (flight attendants) and three years (pilots), respectively, after the amendable dates. The terms and conditions of our future collective bargaining agreements may be affected by the results of collective bargaining negotiations at other airlines that may have a greater ability, due to larger scale, greater efficiency or other factors, to bear higher costs than we can. In addition, conflicts between airlines and their unions can lead to work slowdowns or stoppages. A strike or other significant labor dispute with our unionized employees may adversely affect our ability to conduct business.

Competition. The airline industry is highly competitive. We compete principally with other regional airlines. Major airlines typically award capacity purchase agreements to regional airlines based on the following criteria: ability to fly contracted schedules, availability of labor resources including pilots, low

operating cost, financial resources, geographical infrastructure, overall customer service levels relating to on-time arrival and flight completion percentages, and the overall image of the regional airline. Our ability to renew our existing agreements and earn additional flying opportunities in the future will depend, in significant part, on our ability to maintain a low-cost structure competitive with other regional air carriers.

Maintenance Contracts, Costs and Timing. Our employees perform routine airframe and engine maintenance along with periodic inspections of equipment at their respective maintenance facilities. We also use third-party vendors, such as AAR, Aviall, MHI, GE, and StandardAero, for certain heavy airframe and engine maintenance work, along with parts procurement and component overhaul services for our aircraft fleet. As of September 30, 2021, \$59.8 million of parts inventory was consigned to us by AAR and Aviall under long-term contracts that is not reflected in our consolidated balance sheet.

The average age of our E-175, CRJ-900, Boeing 737, and CRJ-700 type aircraft is approximately 4.8, 15.0, 26.9, and 17.7 years, respectively. Due to the relatively young age of our E-175 aircraft, they require less maintenance now than they will in the future. In prior periods, we incurred relatively low maintenance expenses on our E-175 aircraft because most of the parts are under multi-year warranties and a limited number of heavy airframe checks and engine overhauls have occurred. As our E-175 aircraft age and these warranties expire, we expect that maintenance costs will increase in absolute terms and as a percentage of revenue. In addition, because our current aircraft were acquired over a relatively short period of time, significant maintenance events scheduled for these aircraft will occur at roughly the same intervals, meaning we will incur our most expensive scheduled maintenance obligations across our present fleet at approximately the same time. These more significant maintenance activities result in out-of-service periods during which aircraft are dedicated to maintenance activities and unavailable for flying under our capacity purchase agreements.

We use the direct expense method of accounting for our maintenance of regional jet engine overhauls, airframe, auxiliary power units and landing gear for the majority of our fleets, with the exception of Mesa-owned E-175 aircraft. Heavy maintenance and major overhaul costs on our owned E-175 fleet are deferred and amortized until the earlier of the end of the useful life of the related asset or the next scheduled heavy maintenance event. Normal recurring maintenance is expensed when the maintenance work is completed, or over the repair period, if materially different. Our maintenance policy is determined by fleet when major maintenance is incurred. While we keep a record of expected maintenance events, the actual timing and costs of major engine maintenance expense are subject to variables such as estimated usage, government regulations and the level of unscheduled maintenance events and their actual costs. Accordingly, we cannot reliably quantify the costs or timing of future maintenance-related expenses for any significant period of time.

Aircraft Leasing and Finance Determinations. We have generally funded aircraft acquisitions through a combination of operating leases and debt financing. Our determination to lease or finance the acquisition of aircraft may be influenced by a variety of factors, including the preferences of our major partners, the strength of our balance sheet and credit profile and those of our major partners, the length and terms of the available lease or financing alternatives, the applicable interest rates, and any lease return conditions. When possible, we prefer to finance aircraft through debt rather than operating leases, due to lower operating costs, extended depreciation period, opportunity for aircraft equity, absence of lease return conditions and greater flexibility in renewing the aircraft under our capacity purchase agreements with our major partners after paying off the principal balance.

Subsequent to the initial acquisition of an aircraft, we may also refinance the aircraft or convert one form of financing to another (e.g., replacing an aircraft lease with debt financing). The purchase of leased aircraft allows us to lower our operating costs and avoid lease-related use restrictions and return conditions.

As of September 30, 2021, we had 81 aircraft in our fleet under lease, including 62 E-175 aircraft owned by United and leased to us at nominal amounts and two Boeing 737 cargo jets subleased to us by DHL at nominal amounts. In order to determine the proper classification of our leased aircraft as either operating leases or finance leases, we must make certain estimates at the inception of the lease relating to the economic useful life and the fair value of an asset as well as select an appropriate discount rate to

be used in discounting future lease payments. These estimates are utilized by management in making computations as required by existing accounting standards that determine whether the lease is classified as an operating lease or a finance lease. All of our aircraft leases have been classified as operating leases, which results in rental payments being charged to expense over the terms of the related leases.

We are also subject to lease return provisions that require a minimum portion of eligible flight time for certain components remain when the aircraft is returned at the lease expiration. We estimate the cost of maintenance lease return obligations and accrue such costs over the remaining lease term when the expense is probable and can be reasonably estimated.

See "*Risk Factors*" for a discussion of these factors and other risks.

Seasonality

Our results of operations for any interim period are not necessarily indicative of those for the entire year since the airline industry is subject to seasonal fluctuations and general economic conditions. Our operations are somewhat favorably affected by increased utilization of our aircraft in the summer months and are unfavorably affected by increased fleet maintenance and by inclement weather during the winter months.

Glossary of Airline Terms

Set forth below is a glossary of industry terms used in this Annual Report on Form 10-K:

"**Available seat miles**" or "**ASMs**" means the number of seats available for passengers multiplied by the number of miles the seats are flown.

"**Average stage length**" means the average number of statute miles flown per flight segment.

"**Block hours**" means the number of hours during which the aircraft is in revenue service, measured from the time of gate departure before take-off until the time of gate arrival at the destination.

"**CRASM**" means contract revenue divided by ASMs.

"**DOT**" means the United States Department of Transportation.

"**FAA**" means the United States Federal Aviation Administration.

"**FTE**" means full-time equivalent employee.

"**Load factor**" means the percentage of aircraft seat miles actually occupied on a flight (RPMs divided by ASMs).

"**NMB**" means the National Mediation Board.

"**Pass-through and other revenue**" means costs from our major partners under our agreements that we equally recognize as both a revenue and an expense, including passenger and hull insurance, aircraft property taxes, landing fees, catering and certain maintenance costs related to our E-175 aircraft.

"**Revenue Passenger Miles**" or "**RPMs**" means the number of miles traveled by paying passengers.

"**TSA**" means the United States Transportation Security Administration.

"**Utilization**" means the percentage derived from dividing (i) the number of block hours actually flown during a given month under a particular capacity purchase agreement by (ii) the maximum number of block hours that could be flown during such month under the particular capacity purchase agreement.

Components of Our Results of Operations

The following discussion summarizes the key components of our consolidated statements of operations.

Operating Revenues

Our consolidated operating revenues consist of contract revenue as well as pass-through and other revenue.

Contract Revenue. Contract revenue consists of the fixed monthly amounts per aircraft received pursuant to our capacity purchase agreements and flight services agreement with our major partners, along with the additional amounts received based on the number of flights and block hours flown, and rental revenue for aircraft leased to a third party. Contract revenues we receive from our major partners are paid on a weekly basis and recognized over time consistent with the delivery of service under our agreements.

Pass-Through and Other Revenue. Pass-through and other revenue consists of passenger and hull insurance, aircraft property taxes, landing fees, and other aircraft and traffic servicing costs received pursuant to our agreements with our major partners, as well as certain maintenance costs related to our E-175 aircraft.

Operating Expenses

Our operating expenses consist of the following items:

Flight Operations. Flight operations expense includes costs related to salaries, bonuses and benefits earned by our pilots, flight attendants, and dispatch personnel, as well as costs related to technical publications, lodging of our flight crews, and pilot training expenses.

Fuel. Fuel expense includes fuel and related fueling costs for flying we undertake outside of our capacity purchase agreements and flight services agreement, including aircraft repositioning and maintenance. All aircraft fuel and related fueling costs for flying under our capacity purchase agreements were directly paid and supplied by our major partners. The fuel and related cost for flying under our DHL FSA were directly paid and supplied by DHL. Accordingly, we do not record an expense or the related revenue for fuel supplied by American and United for flying under our capacity purchase agreements or DHL under our flight services agreement.

Maintenance. Maintenance expense includes costs related to engine overhauls, airframe, landing gear and normal recurring maintenance, which includes pass-through maintenance costs related to our E-175 aircraft. Heavy maintenance and major overhaul costs on our owned E-175 fleet are deferred and amortized until the earlier of the end of the useful life of the related asset or the next scheduled heavy maintenance event. All other maintenance costs are expensed as incurred, except for certain maintenance contracts where labor and materials price risks have been transferred to the service provider and require payment on a utilization basis, such as flight hours. Costs incurred for maintenance and repair for utilization maintenance contracts where labor and materials price risks have been transferred to the service provider are charged to maintenance expense based on contractual payment terms. As a result of using the direct expense method for heavy maintenance on the majority of our fleets, the timing of maintenance expense reflected in the financial statements may vary significantly from period to period.

Aircraft Rent. Aircraft rent expense includes costs related to leased engines and aircraft.

Aircraft and Traffic Servicing. Aircraft and traffic servicing expense includes expenses related to our capacity purchase agreements and flight services agreement, including aircraft cleaning, passenger disruption reimbursements, international navigation fees and wages of airport operations personnel, a portion of which are reimbursable by our major partners.

General and Administrative. General and administrative expense includes insurance and taxes, the majority of which are pass-through costs, non-operational administrative employee wages and related expenses, building rents, real property leases, utilities, legal, audit and other administrative expenses.

Depreciation and Amortization. Depreciation expense is a periodic non-cash charge primarily related to aircraft, engine, and equipment depreciation. Amortization expense is a periodic non-cash charge related to our customer relationship intangible asset.

Other Income (Expense), Net

Interest Expense. Interest expense is interest on our debt to finance purchases of aircraft, engines, and equipment, including amortization of debt financing costs and discounts.

Interest Income. Interest income includes interest income on our cash and cash equivalent balances.

Loss on Investments, Net. Loss on investments consists of losses on our investments in equity securities.

Other Expense. Other expense includes expense derived from activities not classified in any other area of the consolidated statements of income.

Results of Operations

Comparison of our Fiscal Years Ended September 30, 2021 and 2020

Operating Revenues

	Year Ended September 30,		Change	
	2021	2020		
Operating revenues (\$ in thousands):				
Contract	\$ 434,518	\$ 506,590	\$ (72,072)	(14.2)%
Pass-through and other	69,073	38,480	30,593	79.5%
Total operating revenues	<u>\$ 503,591</u>	<u>\$ 545,070</u>	<u>\$ (41,479)</u>	(7.6)%
Operating data⁽¹⁾:				
Available seat miles—ASMs (thousands)	7,851,798	7,581,506	270,292	3.6%
Block hours	323,219	313,110	10,109	3.2%
Revenue passenger miles—				
RPMs (thousands)	5,893,195	5,128,875	764,320	14.9%
Average stage length (miles)	661	597	64	10.7%
Contract revenue per available seat mile—CRASM (in cents)	¢ 5.53	¢ 6.68	¢ (1.15)	(17.2)%
Passengers	8,881,431	8,500,072	381,359	4.5%

(1) The definitions of certain terms related to the airline industry used in the table can be found under "Glossary of Airline Terms" above.

Total operating revenue decreased by \$41.5 million, or 7.6%, during our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. Contract revenue decreased by \$72.1 million, or 14.2%, primarily due to temporary reductions in rates provided to our major partners as a result of lower labor costs from government assistance received during the current year, and flying fewer covered aircraft under the American CPA. Our block hours flown during our fiscal year ended September 30, 2021 increased 3.2% compared to our fiscal year ended September 30, 2020, due to an increase in demand for air travel and loosening of certain travel restrictions particularly during the second half of the year, and block hours flown under our DHL Flight Services Agreement which commenced in fiscal 2021. Our pass-through and other revenue increased during our fiscal year ended September 30, 2021 by \$30.6 million, or 79.5%, primarily due to an increase in pass-through maintenance related to our E-175 fleet.

Operating Expenses

	Year Ended September 30,		Change	
	2021	2020		
Operating expenses (\$ in thousands):				
Flight operations	\$ 162,137	\$ 169,242	\$ (7,105)	(4.2)%
Fuel	898	672	226	33.6%
Maintenance	217,646	192,123	25,523	13.3%
Aircraft rent	39,345	48,802	(9,457)	(19.4)%
Aircraft and traffic servicing	2,638	3,356	(718)	(21.4)%
General and administrative	49,855	52,246	(2,391)	(4.6)%
Depreciation and amortization	82,847	82,296	551	0.7%
Lease termination	4,508	—	4,508	100.0%
Government grant recognition	(119,479)	(83,834)	(35,645)	42.5%
Total operating expenses	\$ 440,395	\$ 464,903	\$ (24,508)	(5.3)%
Operating data:				
Available seat miles—ASMs (thousands)	7,851,798	7,581,506	270,292	3.6%
Block hours	323,219	313,110	10,109	3.2%
Average stage length (miles)	661	597	64	10.7%
Departures	160,019	166,776	(6,757)	(4.1)%

Flight Operations. Flight operations expense decreased \$7.1 million, or 4.2%, to \$162.1 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. The decrease was primarily driven by a decrease in pilot and flight attendant wages and related expenses due to lower departures as well as lower pilot training costs.

Fuel. Fuel expense increased \$0.2 million, or 33.6%, to \$0.9 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. The increase was primarily driven by fuel expense related to C-checks and ferry flights. All fuel costs related to flying under our capacity purchase agreements and flight services agreement during our fiscal years ended September 30, 2021 and 2020 were directly paid to suppliers by our major partners.

Maintenance. Aircraft maintenance expense increased \$25.5 million, or 13.3%, to \$217.6 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. This increase was primarily driven by an increase in C-check expense, labor, rotatable and expendable parts, and pass through maintenance on our E-175 fleet due to more maintenance events at higher costs. This increase was partially offset by a decrease in engine overhauls and component contracts. Total pass-through maintenance expenses reimbursed by our major partners increased by \$30.0 million during fiscal year 2021, compared to fiscal year 2020.

The following table presents information regarding our aircraft maintenance costs during our fiscal years ended September 30, 2021 and 2020:

	<u>Year Ended September 30,</u>		<u>Change</u>	
	<u>2021</u>	<u>2020</u>		
Engine overhaul	\$ 14,598	\$ 33,472	\$ (18,874)	(56.4)%
Pass-through engine overhaul	16,815	7,048	9,767	138.6%
C-check	30,593	16,279	14,314	87.9%
Pass-through C-check	20,549	7,194	13,355	185.6%
Component contracts	25,890	31,105	(5,215)	(16.8)%
Rotable and expendable parts	26,741	23,302	3,439	14.8%
Other pass-through	15,963	9,075	6,888	75.9%
Labor and other	66,497	64,648	1,849	2.9%
Total	<u>\$ 217,646</u>	<u>\$ 192,123</u>	<u>\$ 25,523</u>	<u>13.3%</u>

Aircraft Rent. Aircraft rent expense decreased \$9.5 million, or 19.4%, to \$39.3 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. This decrease was primarily attributable to a decrease in engine rent due to fewer leased engines as well as a decrease in rent expense from aircraft leases due to the Company's purchase of a previously leased aircraft in March 2021.

Aircraft and Traffic Servicing. Aircraft and traffic servicing expense decreased \$0.7 million, or 21.4%, to \$2.6 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. This decrease was primarily due to a decrease in interrupted trip expense, partially offset by an increase in pass-through legal fees related to our leases of CRJ-700 aircraft to a third party. For our fiscal years ended September 30, 2021 and 2020, 53.0% and 31.4%, respectively, of our aircraft and traffic servicing expenses were reimbursed by our major partners.

General and Administrative. General and administrative expense decreased \$2.4 million, or 4.6%, to \$49.9 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. This decrease was primarily due to a decrease in general and administrative wages and related expenses, and a decrease in property taxes. For our fiscal years ended September 30, 2021 and 2020, \$15.1 million and \$17.5 million, respectively, of our insurance and property tax expenses were reimbursed by our major partners.

Depreciation and Amortization. Depreciation and amortization expense increased \$0.6 million, or 0.7%, to \$82.8 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. The increase is primarily attributable to an increase in aircraft, rotatable parts, deferred heavy maintenance, and spare engine depreciation expense, partially offset by a decrease in amortization of intangible assets.

Lease Termination. Lease termination expense increased \$4.5 million, or 100.0%, to \$4.5 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. We incurred a lease termination expense for a CRJ-900 aircraft purchased in March 2021 that was previously leased from Bombardier Capital.

Government Grant Recognition. Government grant funds increased \$35.6 million, or 42.5%, to \$119.5 million for our fiscal year ended September 30, 2021 compared to our fiscal year ended September 30, 2020. Under the Consolidated Appropriations Act, the government provided the Company with a grant of \$56.0 million in payroll support for the period of December 2020 through March 2021, and an additional \$52.2 million in payroll support under the American Recovery Plan Act for the period of April 2021 through September 2021. We also received a total of \$95.2 million under the CARES Act during the period April 2020 through October 2020, \$83.8 million of which was utilized during fiscal 2020 and \$11.4 million of which was utilized and recognized as an offset to operating expenses during the first quarter of fiscal 2021.

Other Expense

Other expense decreased \$2.4 million, or 5.5%, to \$40.8 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. The decrease is primarily a result of a decrease in interest expense of \$9.4 million due to a decrease in outstanding aircraft principal balances and lower interest rates resulting from the Loan and Guarantee Agreement with the U.S. Treasury, offset by losses on investments in equity securities of \$6.8 million as a result of a reduction in the market price of our investments in common stock and warrants of Archer Aviation, Inc. See Note 7: "Balance Sheet Information" in the notes to the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of our investments in equity securities.

Income Taxes

In our fiscal year ended September 30, 2021, our effective tax rate was 26.0% compared to 25.8% in our fiscal year ended September 30, 2020. Our tax rate can vary depending on changes in tax laws, adoption of accounting standards, the amount of income we earn in each state and the state tax rate applicable to such income, as well as any valuation allowance required on our state net operating losses.

We recorded an income tax provision of \$5.8 million and \$9.5 million for the fiscal years ended September 30, 2021 and 2020, respectively.

The income tax provision for our fiscal year ended September 30, 2021 resulted in an effective tax rate of 26.0%, which differed from the U.S. federal statutory rate of 21%, primarily due to the impact of state taxes and permanent differences between financial statement and taxable income. In addition to the state effective tax rate impact, other state impacts include changes in the valuation allowance against state net operating losses, expired state attributes, disallowed unrealized losses, and changes in state apportionment and statutory rates.

The income tax provision for our fiscal year ended September 30, 2020 resulted in an effective tax rate of 25.8%, which differed from the U.S. federal statutory rate of 21% primarily due to the impact of state taxes and permanent differences between financial statement and taxable income. In addition to the state effective tax rate impact, other state impacts include changes in the valuation allowance against state net operating losses, expired state attributes, and changes in state apportionment and statutory rates.

We continue to maintain a valuation allowance on a portion of our state net operating losses in jurisdictions with shortened carryforward periods or in jurisdictions where our operations have significantly decreased as compared to prior years in which the net operating losses were generated.

As of September 30, 2021, we had aggregate federal and state net operating loss carryforwards of approximately \$541.3 million and \$235.7 million, which expire in 2027-2038 and 2021-2041, respectively, with approximately \$0.7 million of state net operating loss carryforwards that expired in 2021.

See Note 12: "Income Taxes" in the notes to the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Comparison of our Fiscal Years Ended September 30, 2020 and 2019

Operating Revenues

	Year Ended September 30,		Change	
	2020	2019		
Operating revenues (\$ in thousands):				
Contract	\$ 506,590	\$ 682,834	\$ (176,244)	(25.8)%
Pass-through and other	38,480	40,523	(2,043)	(5.0)%
Total operating revenues	\$ 545,070	\$ 723,357	\$ (178,287)	(24.6)%
Operating data⁽¹⁾:				
Available seat miles—ASMs (miles in thousands)	7,581,506	10,863,623	(3,282,117)	(30.2)%
Block hours	313,110	456,247	(143,137)	(31.4)%
Revenue passenger miles—RPMs (miles in thousands)	5,128,875	8,587,223	(3,458,348)	(40.3)%
Average stage length (miles)	597	579	18	3.1%
Contract revenue per available seat mile—CRASM (in cents)	¢ 6.68	¢ 6.29	¢ 0.39	6.2%
Passengers	8,500,072	14,664,441	(6,164,369)	(42.0)%

(1) The definitions of certain terms related to the airline industry used in the table can be found under "Glossary of Airline Terms" above.

Total operating revenue decreased by \$178.3 million, or 24.6%, during our fiscal year ended September 30, 2020, compared to our fiscal year ended September 30, 2019. Contract revenue decreased by \$176.2 million, or 25.8%, primarily due to a decrease in flying on our CRJ-900, CRJ-700, and E-175 fleets as a result of COVID-19. Our block hours flown during our fiscal year September 30, 2020 decreased 31.4% compared to our fiscal year ended September 30, 2019, due to decreased flying with our E-175, CRJ-900 and CRJ-700 fleets. Our pass-through and other revenue decreased during our fiscal year ended September 30, 2020 by \$2.0 million, or 5.0%, primarily due to a reduction in pass-through maintenance costs related to our E-175 fleet.

Operating Expenses

	Year Ended September 30,		Change	
	2020	2019		
Operating expenses (\$ in thousands):				
Flight operations	\$ 169,242	\$ 210,879	\$ (41,637)	(19.7)%
Fuel	672	588	84	14.3%
Maintenance	192,123	196,514	(4,391)	(2.2)%
Aircraft rent	48,802	52,206	(3,404)	(6.5)%
Aircraft and traffic servicing	3,356	3,972	(616)	(15.5)%
General and administrative	52,246	50,527	1,719	3.4%
Depreciation and amortization	82,296	77,994	4,302	5.5%
Lease termination	—	9,540	(9,540)	(100.0)%
Government grant recognition	(83,834)	—	(83,834)	100.0%
Total operating expenses	\$ 464,903	\$ 602,220	\$ (137,317)	(22.8)%
Operating data:				
Available seat miles—ASMs (miles in thousands)	7,581,506	10,863,623	(3,282,117)	(30.2)%
Block hours	313,110	456,247	(143,137)	(31.4)%
Average stage length (miles)	597	579	18	3.1%
Departures	166,776	246,634	(79,858)	(32.4)%

Flight Operations. Flight operations expense decreased \$41.6 million, or 19.7%, to \$169.2 million for our fiscal year ended September 30, 2020, compared to our fiscal year ended September 30, 2019. The decrease was primarily driven by a decrease in pilot and flight attendant wages and pilot training expense due to less flying.

Fuel. Fuel expense increased \$0.1 million, or 14.3%, to \$0.7 million for our fiscal year ended September 30, 2020, compared to our fiscal year ended September 30, 2019. The increase was primarily driven by an increased number of ferry flights for maintenance events and maintenance fuel in our Phoenix hub. All fuel costs related to flying under our capacity purchase agreements during our fiscal years ended September 30, 2020 and 2019 were directly paid to suppliers by our major partners.

Maintenance. Aircraft maintenance expense decreased \$4.4 million, or 2.2%, to \$192.1 million for our fiscal year ended September 30, 2020, compared to our fiscal year ended September 30, 2019. This decrease was primarily driven by a decrease in component contracts, rotatable and expendable parts, and labor and other expense. This decrease was partially offset by an increase in engine and pass-through engine and pass-through C-check expense. During fiscal year 2020, \$7.0 million of engine overhaul expenses were reimbursable by our major partners. Total pass-through maintenance expenses reimbursed by our major partners increased by \$4.1 million during our fiscal 2020, compared to fiscal year 2019.

The following table presents information regarding our aircraft maintenance costs during our fiscal years ended September 30, 2020 and 2019:

	<u>Year Ended September 30,</u>		<u>Change</u>	
	<u>2020</u>	<u>2019</u>		
	(in thousands)			
Engine overhaul	\$ 33,472	\$ 24,077	\$ 9,395	39.0%
Pass-through engine overhaul	7,048	5,960	1,088	18.3%
C-check	16,279	16,807	(528)	(3.1)%
Pass-through C-check	7,194	396	6,798	1,716.7%
Component contracts	31,105	37,572	(6,467)	(17.2)%
Rotable and expendable parts	23,302	29,853	(6,551)	(21.9)%
Other pass-through	9,075	12,885	(3,810)	(29.6)%
Labor and other	64,648	68,964	(4,316)	(6.3)%
Total	<u>\$ 192,123</u>	<u>\$ 196,514</u>	<u>\$ (4,391)</u>	<u>(2.2)%</u>

Aircraft Rent. Aircraft rent expense decreased \$3.4 million, or 6.5%, to \$48.8 million for our fiscal year ended September 30, 2020, compared to our fiscal year ended September 30, 2019. This decrease was primarily attributable to \$9.9 million decrease in aircraft lease expense due to the purchase of ten CRJ-700 aircraft, previously leased under the GECAS Lease Facility in June 2019. This decrease was partially offset by an increase in engine rent expense.

Aircraft and Traffic Servicing. Aircraft and traffic servicing expense decreased \$0.6 million, or 15.5%, to \$3.4 million for our fiscal year ended September 30, 2020, compared to our fiscal year ended September 30, 2019. This decrease was primarily due to a decrease in pass-through regulatory charges. For our fiscal years ended September 30, 2020 and 2019, 31.4% and 52.6%, respectively, of our aircraft and traffic servicing expenses were reimbursed by our major partners.

General and Administrative. General and administrative expense increased \$1.7 million, or 3.4%, to \$52.2 million for our fiscal year ended September 30, 2020, compared to our fiscal year ended September 30, 2019. This increase was primarily due to an increase in pass-through property tax, partially offset by a decrease in share-based compensation expense. For our fiscal year ended September 30, 2020 and 2019, \$17.5 million and \$15.7 million, respectively, of our insurance and property tax expenses were reimbursed by our major partners.

Depreciation and Amortization. Depreciation and amortization expense increased \$4.3 million, or 5.5%, to \$82.3 million for our fiscal year ended September 30, 2020, compared to our fiscal year ended September 30, 2019. This increase was primarily attributable to an increase in aircraft depreciation expense related to the purchase of ten CRJ-700 aircraft, previously leased under the GECAS Lease Facility in June 2019.

Lease Termination. Lease termination expense decreased \$9.5 million, or 100.0%, for our fiscal year ended September 30, 2020, compared to our fiscal year ended September 30, 2019. We incurred a lease termination expense for the ten CRJ-700 aircraft purchased in June 2019 that were previously leased under the GECAS facility.

Government Grant Recognition. Government grant funds increased \$83.8 million, or 100.0%, to \$83.8 million for our fiscal year ended September 30, 2020 compared to our fiscal year ended September 30, 2019. Under the CARES Act, the Company was granted \$95.2 million in payroll support for the period of April through September 2020, of which \$83.8 million was recognized as of September 30, 2020.

Other Expense

Other expense decreased \$14.7 million, or 25.4%, to \$43.2 million for our fiscal year ended September 30, 2020, compared to our fiscal year ended September 30, 2019. The decrease is primarily a

result of a decrease in outstanding aircraft principal balances, a decrease in interest expense related to our Spare Engine Facility, and a one-time extinguishment of debt expense of \$3.6 million related to the repayment of our Spare Engine Facility recorded in 2019. Additionally, interest income decreased by \$1.4 million in the year ended September 30, 2020, compared to the same period in 2019.

Income Taxes

In our fiscal year ended September 30, 2020, our effective tax rate was 25.8% compared to 25.0% in our fiscal year ended September 30, 2019. Our tax rate can vary depending on changes in tax laws, adoption of accounting standards, the amount of income we earn in each state and the state tax rate applicable to such income, as well as any valuation allowance required on our state net operating losses.

We recorded an income tax provision of \$9.5 million and \$15.7 million for the years ended September 30, 2020 and 2019, respectively.

The income tax provision for our fiscal year ended September 30, 2020 resulted in an effective tax rate of 25.8%, which differed from the U.S. federal statutory rate of 21%, primarily due to the impact of state taxes and permanent differences between financial statement and taxable income. In addition to the state effective tax rate impact, other state impacts include changes in the valuation allowance against state net operating losses, expired state attributes, and changes in state apportionment and statutory rates.

The income tax provision for our fiscal year ended September 30, 2019 resulted in an effective tax rate of 25.0%, which differed from the U.S. federal statutory rate of 21% primarily due to the impact of state taxes and permanent differences between financial statement and taxable income. In addition to the state effective tax rate impact, other state impacts include changes in the valuation allowance against state net operating losses, expired state attributes, and changes in state apportionment and statutory rates.

We continue to maintain a valuation allowance on a portion of our state net operating losses in jurisdictions with shortened carryforward periods or in jurisdictions where our operations have significantly decreased as compared to prior years in which the net operating losses were generated.

As of September 30, 2020, we had aggregate federal and state net operating loss carryforwards of approximately \$512.4 million and \$223.9 million, which expire in 2027-2038 and 2021-2040, respectively, with approximately \$3.1 million of state net operating loss carryforwards that expired in 2020.

See Note 12: "Income Taxes" in the notes to the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K

Cautionary Statement Regarding Non-GAAP Measures

We present Adjusted EBITDA and Adjusted EBITDAR in this Annual Report on Form 10-K, which are not recognized financial measures under accounting principles generally accepted in the United States of America ("GAAP"), as supplemental disclosures because our senior management believes that they are well-recognized valuation metrics in the airline industry that are frequently used by companies, investors, securities analysts, and other interested parties in comparing companies in our industry.

Adjusted EBITDA. We define Adjusted EBITDA as net income or loss before interest, income taxes, depreciation and amortization, adjusted for gains and losses on investments, lease termination costs, loss on extinguishment of debt, and write-off of associated financing fees.

Adjusted EBITDAR. We define Adjusted EBITDAR as net income or loss before interest, income taxes, depreciation and amortization, and aircraft rent, adjusted for gains and losses on investments, lease termination costs, loss on extinguishment of debt, and write-off of associated financing fees.

You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA and Adjusted EBITDAR, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in our presentation of Adjusted EBITDA and Adjusted EBITDAR. Gains and losses on investments, which are presented as adjustments to EBITDA and EBITDAR because they are non-cash gains and losses driven by changes in stock prices and other valuation techniques and are not reflective of our core operations, will occur in periods where the Company has investments in equity securities with readily determinable fair values. Our presentation of Adjusted EBITDA and Adjusted EBITDAR should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA or Adjusted EBITDAR and any such modification may be material.

Adjusted EBITDA and Adjusted EBITDAR have limitations as analytical tools. Some of the limitations applicable to these measures include: (i) Adjusted EBITDA and Adjusted EBITDAR do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; (ii) Adjusted EBITDA and Adjusted EBITDAR do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments; (iii) Adjusted EBITDA and Adjusted EBITDAR do not reflect changes in, or cash requirements for, our working capital needs; (iv) Adjusted EBITDA and Adjusted EBITDAR do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debts; (v) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future; (vi) Adjusted EBITDA and Adjusted EBITDAR do not reflect gains and losses on investments, which are non-cash gains and losses but will occur in periods when there are changes in the value of the Company's investments in equity securities; and (vii) Adjusted EBITDA and Adjusted EBITDAR do not reflect any cash requirements for such replacements and other companies in our industry may calculate Adjusted EBITDA and Adjusted EBITDAR differently than we do, limiting its usefulness as a comparative measure. Because of these limitations, Adjusted EBITDA and Adjusted EBITDAR should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. In addition, Adjusted EBITDAR should not be viewed as a measure of overall performance because it excludes aircraft rent, which is a normal, recurring cash operating expense that is necessary to operate our business. For the foregoing reasons, each of Adjusted EBITDA and Adjusted EBITDAR has significant limitations which affect its use as an indicator of our profitability. Accordingly, you are cautioned not to place undue reliance on this information.

Adjusted EBITDA and Adjusted EBITDAR

The following table presents a reconciliation of net income to Adjusted EBITDA and Adjusted EBITDAR for the period presented:

	Year Ended September 30,		
	2021	2020	2019
	(in thousands)		
Reconciliation:			
Net income	\$ 16,588	\$ 27,464	\$ 47,580
Income tax expense	5,828	9,531	15,706
Income before taxes	\$ 22,416	\$ 36,995	\$ 63,286
Adjustments ⁽¹⁾⁽²⁾	3,558	—	13,156
Loss on investments, net ⁽³⁾	6,816	—	—
Adjusted income before taxes	\$ 32,790	\$ 36,995	\$ 76,442
Interest expense	34,730	44,120	55,717
Interest income	(365)	(105)	(1,501)
Depreciation and amortization	82,847	82,296	77,994
Adjusted EBITDA	<u>150,002</u>	<u>163,306</u>	<u>208,652</u>
Aircraft rent	39,345	48,802	52,206
Adjusted EBITDAR	<u>\$ 189,347</u>	<u>\$ 212,108</u>	<u>\$ 260,858</u>

- (1) Our financial results include lease termination expense of \$4.5 million and \$9.5 million for the year ended September 30, 2021 and 2019, respectively, related to our purchase of one CRJ-900 aircraft (2021) previously leased from Bombardier Capital and ten CRJ-700 aircraft (2019) which were previously leased under our GECAS Lease Facility.
- (2) Our financial results reflect loss on extinguishment of debt of \$3.6 million related to repayment of the Company's Spare Engine Facility for the year ended September 30, 2019. This loss includes a \$1.9 million write-off of financing fees. We also recorded a gain on debt extinguishment of \$1.0 million related to repayment of the Company's aircraft debts during the fiscal year ended September 30, 2021.
- (3) Our financial results reflect losses on our investments in stock and warrants of \$6.8 million for the fiscal year ended September 30, 2021.

Liquidity and Capital Resources

On April 9, 2020, the Company entered into a letter amendment with lender, Export Development Canada ("EDC"), which provided for the deferral of scheduled principle payments beginning on March 19, 2020 through September 30, 2020. In November 2020, the Company repaid \$164 million of existing debt, which included repayment of \$19.9 million of the previously deferred principal payments owed to EDC as of September 30, 2020.

In June 2020, the Company amended its RASPRO aircraft agreement to defer a \$4.0 million lease payment otherwise due in June 2020. Per the amended agreement dated June 5, 2020, the Company is required to pay this amount over the period of September 2021 through March 2024. The Company made the accounting election available for COVID-19 related concessions provided by a lessor resulting in no change to the related lease accounting.

In April 2020, we were granted \$92.5 million in emergency relief through the Payroll Support Program of the CARES Act, which was received as of September 30, 2020. In September 2020 we were notified that, based on funding availability, recipients that were currently in compliance with signed payroll support program agreements would receive an approximate 2% increase in their award amount. As a result, we were granted an additional \$2.7 million for a total grant of \$95.2 million, which was received in October 2020. Of this amount, \$83.8 million was utilized to offset payroll expenses in the year ended September 30, 2020 and the remainder was utilized in the first quarter of fiscal year 2021.

In February 2021, the Company was granted \$48.7 million in financial assistance by the U.S. Department of the Treasury under the Payroll Support Program Extension ("PSP2") under the Consolidated Appropriations Act of 2021. In March 2021, the Company was notified that, based on funding availability, recipients that were currently in compliance with executed PSP agreements would receive an additional award amount. As a result, the Company received an additional \$7.3 million through PSP2 in April 2021 for a total grant of \$56.0 million. PSP2 funding was required to be used exclusively for the continuation of payment of employee wages, salaries, and benefits and is conditioned on our agreement to refrain from conducting involuntary employee layoffs or furloughs from the date of the extension agreement through March 2021. Other conditions include prohibitions on share repurchases and dividends through March 2022 and certain limitations on executive compensation until October 2022. The Department of Transportation also has the authority until March 1, 2022 to require airlines that received payroll support program funds to maintain scheduled air service deemed necessary to any point served by the airline before March 1, 2020.

On April 15, 2021, the Company was notified by the U.S. Department of the Treasury that it was eligible to receive funds under the third Payroll Support Program ("PSP3"), which was created under the American Recovery Plan Act of 2021 ("ARP"), enacted on March 11, 2021. PSP3 provides additional funding for passenger air carriers and contractors that received financial assistance under PSP2. The funding must be used exclusively for the continuation of payment of employee wages, salaries, and benefits. The Company was granted \$52.2 million and received the first PSP3 installment of \$26.1 million in April 2021 and the second installment of \$26.1 million in May 2021. These payments are conditioned on our agreement to refrain from conducting involuntary employee layoffs or furloughs through September 2021. Other conditions include prohibitions on share repurchases and dividends through September 2022 and certain limitations on executive compensation until April 2023.

On October 30, 2020, the Company entered into a Loan and Guarantee Agreement with the U.S Treasury under the CARES Act. The loan agreement provides for a secured term loan facility of up to \$200.0 million (the "Treasury Loan"). On October 30, 2020, the Company borrowed \$43.0 million under the Treasury Loan and on November 13, 2020, the Company borrowed an additional \$152.0 million. No additional sums are available for borrowing under the Treasury Loan. The obligations under the Treasury Loan are secured by certain aircraft, aircraft engines, accounts receivable, ground service equipment, and tooling (collectively, the "Collateral"). All principal amounts outstanding under the Treasury Loan are due and payable in a single installment on October 30, 2025 (the "Maturity Date") and all accrued interest is payable in arrears on the first business day following the 14th day of each March, June, September and December (beginning with December 15, 2020), and on the Maturity Date. For the first 12 months, interest was paid-in-kind by increasing the principal amount of the loan by the amount of such interest due on an interest payment date. The obligations under the Treasury Loan are guaranteed by the Company and Mesa Air Group Inventory Management. The proceeds may be used for general corporate purposes and operating expenses, to the extent permitted by the CARES Act. Voluntary prepayments of loans under the Treasury Loan may be made, in whole or in part, without premium or penalty, at any time. Amounts prepaid may not be reborrowed. Mandatory prepayments of amounts outstanding under the Treasury Loan are required, without premium or penalty, to the extent necessary to comply with the covenants discussed below, certain dispositions of the Collateral, certain debt issuances secured by liens on the Collateral and certain insurance payments related to the Collateral. In addition, if a "change of control" (as defined in the Treasury Loan) occurs with respect to Mesa Airlines, Mesa Airlines will be required to repay the loans outstanding under the Treasury Loan.

The Treasury Loan requires the Company, under certain circumstances, including within ten (10) business days prior to the last business day of March and September of each year, beginning March 2021, to appraise the value of the Collateral and recalculate the collateral coverage ratio. If the calculated collateral coverage ratio is less than 1.6 to 1.0, Mesa Airlines will be required either to provide additional Collateral (which may include cash collateral) to secure its obligations under the Treasury Loan or repay the term loans under the Treasury Loan, in such amounts that the recalculated collateral coverage ratio, after giving effect to any such additional Collateral or repayment, is at least 1.6 to 1.0.

The Treasury Loan contains two financial covenants, a minimum collateral coverage ratio and a minimum liquidity level. The Treasury Loan also contains customary negative and affirmative covenants for

credit facilities of this type, including, among others: (a) limitations on dividends and distributions; (b) limitations on the creation of certain liens; (c) restrictions on certain dispositions, investments and acquisitions; (d) limitations on transactions with affiliates; (e) restrictions on fundamental changes to the business, and (f) restrictions on lobbying activities. Additionally, the Company is required to comply with the relevant provisions of the CARES Act, including limits on employment level reductions after September 30, 2020, restrictions on dividends and stock buybacks, limitations on executive compensation, and requirements to maintain certain levels of scheduled service.

The CARES Act provides for deferred payment of the employer portion of social security taxes through the end of 2020. The Company deferred approximately \$5.5 million of such taxes, with 50% of the deferred amount to be repaid on December 31, 2021 and the remaining 50% to be repaid on December 31, 2022.

These aforementioned forms of relief provided by the CARES Act and other legislation, combined with cost saving initiatives implemented by the Company during the prior fiscal year, provided liquidity during the current and prior year periods.

We expect to meet our cash needs for the next twelve months with cash and cash equivalents, financing arrangements, and cash flows from operations. As of September 30, 2021, we had \$120.5 million in unrestricted liquidity. Though our financial and operating results reflect the recovery in air travel demand during the second half of our 2021 fiscal year, we continue to monitor the longer-term impact of the pandemic, including its adverse effect on customer demand for air travel, the general economy, and our major partners. Should the effects of COVID-19, variants thereof or a similar pandemic continue long-term, our capital requirements and sources of capital may be adversely impaired. See "Part II, Item 1A, Risk Factors" for additional discussion.

Sources and Uses of Cash

We require cash to fund our operating expenses and working capital requirements, including outlays for capital expenditures, aircraft and engine pre-delivery payments, maintenance, aircraft rent and debt service obligations, including principal and interest payments. Our cash needs vary from period to period primarily based on the timing and costs of significant maintenance events. Our principal sources of liquidity are cash on hand, cash generated from operations and funds from external borrowings. In the near term, we expect to fund our primary cash requirements through cash generated from operations and cash and cash equivalents on hand.

As discussed above, we entered into the Treasury Loan on October 30, 2020 pursuant to which we borrowed an aggregate of \$195.0 million.

We believe that the key factors that could affect our internal and external sources of cash include:

- Factors that affect our results of operations and cash flows, including the impact on our business and operations as a result of changes in demand for our services, competitive pricing pressures, and our ability to achieve further reductions in operating expenses; and
- Factors that affect our access to bank financing and the debt and equity capital markets that could impair our ability to obtain needed financing on acceptable terms or to respond to business opportunities and developments as they arise, including interest rate fluctuations, macroeconomic conditions, sudden reductions in the general availability of lending from banks or the related increase in cost to obtain bank financing, and our ability to maintain compliance with covenants under our debt agreements in effect from time to time.

Our ability to service our long-term debt obligations, including our equipment notes, to remain in compliance with the various covenants contained in our debt agreements and to fund our working capital, capital expenditures and business development efforts will depend on our ability to generate cash from operating activities, which is subject to, among other things, our future operating performance, as well as to other factors, some of which may be beyond our control.

If we fail to generate sufficient cash from operations, we may need to raise additional equity or borrow additional funds to achieve our longer-term objectives. There can be no assurance that such equity or borrowings will be available or, if available, will be at rates or prices acceptable to us.

We believe that cash flow from operating activities coupled with existing cash and cash equivalents, existing credit facilities, financing arrangements, and government assistance, will be adequate to fund our operating and capital needs, as well as enable us to maintain compliance with our various debt agreements, through at least the next 12 months. To the extent that results or events differ from our financial projections or business plans, our liquidity may be adversely impacted.

During the ordinary course of business, we evaluate our cash requirements and, if necessary, adjust operating and capital expenditures to reflect the current market conditions and our projected demand. Our capital expenditures, net of purchases of rotatable spare parts and aircraft and spare engines for the year ended September 30, 2021 were approximately 0.4% of annual revenues. We expect to continue to incur capital expenditures to support our business activities. Future capital expenditures may be impacted by events and transactions that are not currently forecasted.

As of September 30, 2021, our principal sources of liquidity were cash and cash equivalents of \$120.5 million. In addition, we had restricted cash of \$3.4 million as of September 30, 2021. Restricted cash includes certificates of deposit that secure letters of credit issued for particular airport authorities as required in certain lease agreements. Furthermore, as of September 30, 2021, we also had \$665.8 million in secured indebtedness incurred primarily in connection with our financing of aircraft. Our primary uses of liquidity are capital expenditures, operating lease payments, and debt repayments. As of September 30, 2021, we had \$109.4 million of short-term debt, excluding finance leases, and \$556.4 million of long-term debt excluding finance leases.

Sources of cash for our fiscal year ended September 30, 2021 were primarily cash flows from operations of \$132.9 million. The positive cash flow from operations was driven by receipts from performance under our capacity purchase agreements and flight services agreement and receipt of funds under the Payroll Support Program and related extensions, partially offset by operating expenses including payroll and related costs, aircraft maintenance, rent, interest, and general and administrative costs.

Debt and Other Obligations

As of September 30, 2021, we had \$824.5 million of long-term debt (including principal and projected interest obligations) and finance and operating lease obligations (including current maturities). This amount consists of \$548.5 million in notes payable principal payments related to owned aircraft used in continuing operations, \$94.3 million in notes payable principal payments related to spare engines and engine kits, \$4.6 million in finance lease obligations, \$22.9 million in principal outstanding under our working capital line of credit, and an aggregate of \$84.2 million in projected interest costs through our fiscal 2028. As of September 30, 2021, we also had \$70.0 million of operating lease obligations through fiscal 2026 primarily related to aircraft flown under our capacity purchase agreements, as well as office and hangar space, and other facilities.

As of September 30, 2021, we had variable rate debt representing 73.7% of our total long-term debt. Actual interest commitments will change based on the actual variable interest.

Operating Leases

We have significant long-term lease obligations primarily relating to our aircraft fleet, as well as leases of office and hangar space. As of September 30, 2021, we had 17 aircraft on lease (excluding aircraft leased from United) with remaining lease terms of up to 2.5 years. Future minimum lease payments due under all long-term operating leases were approximately \$70.0 million as of September 30, 2021.

A majority of our leased aircraft are leased through trusts formed for the sole purpose of purchasing, financing, and leasing aircraft to us. Because these are single-owner trusts in which we do not participate, we are not at risk for losses and we are not considered the primary beneficiary. We believe that our maximum exposure under the leases are the remaining lease payments and any return condition obligations.

RASPRO Lease Facility. On September 23, 2005, Mesa Airlines, as lessee, entered into the RASPRO Lease Facility, with RASPRO as lessor, for 15 of our CRJ-900 aircraft. The obligations under the RASPRO Lease Facility are guaranteed by us, and basic rent is paid quarterly on each aircraft. On each of March 10, 2014, June 5, 2014, and December 8, 2017, the RASPRO Lease Facility was amended to defer certain payments of basic rent (the "*Deferred Amounts*"). Until the principal of and accrued interest on the *Deferred Amounts* are paid in full: (i) we and Mesa Airlines are prohibited from paying any dividends to holders of our common stock, (ii) we are prohibited from repurchasing any of our warrants or other equity interests, (iii) Mesa Airlines must maintain a minimum of \$35.0 million of cash, cash equivalents and availability under lines of credit, (iv) Mesa Airlines must provide RASPRO with periodic monthly, quarterly and annual reports containing certain financial information and forecasted engine repair costs and (v) we must maintain a minimum debt-to-assets ratio.

In June 2020, the Company amended its RASPRO aircraft lease agreement to defer a \$4.0 million lease payment otherwise due in June 2020. Per the amended agreement dated June 5, 2020, the Company is required to pay this amount over the period of September 2021 through March 2024. The Company made the accounting election available for COVID-19 related concessions provided by a lessor. This event is not a lease modification and requires no changes to current accounting treatment. As of September 30, 2021, we were in compliance with the covenants in the RASPRO Lease Facility.

Finance Leases

On February 7, 2018, Mesa Airlines, as lessee, entered into two agreements for the lease of two spare aircraft engines (the "*Engine Leases*"). Basic rent on the engines is paid monthly and at the end of the lease term. At the end of the lease term, Mesa Airlines will have the option to purchase the engines for \$0.9 million. The Engine Leases are reflected as finance lease obligations of \$4.6 million on our consolidated balance sheet as of September 30, 2021. The Engine Leases set forth specific redelivery requirements and conditions, but do not contain operational or financial covenants.

Working Capital Line of Credit

In August 2016, we, as guarantor, our wholly owned subsidiaries, Mesa Airlines and MAG-AIM, as borrowers, CIT, as administrative agent, and the lenders party thereto (the "*CIT Lenders*"), entered into the CIT Revolving Credit Facility, pursuant to which the CIT Lenders committed to lend to Mesa Airlines and MAG-AIM revolving loans in the aggregate principal amount of up to \$35.0 million. The borrowers' and guarantor's obligations under the CIT Revolving Credit Facility are secured primarily by a first priority lien on certain engines, spare parts, and related collateral, including engine warranties and proceeds of the foregoing. The CIT Revolving Credit Facility contains affirmative, negative, and financial covenants that are typical in the industry for similar financings, including, but not limited to, covenants that, subject to exceptions described in the CIT Revolving Credit Facility, restrict our ability and the ability of Mesa Airlines and MAG-AIM and their subsidiaries to: (i) enter into, create, incur, assume or suffer to exist any liens; (ii) merge, dissolve, liquidate, consolidate or sell or transfer substantially all of its assets; (iii) sell assets; (iv) enter into transactions with affiliates; (v) amend certain material agreements and organizational documents; (vi) make consolidated unfinanced capital expenditures; or (viii) maintain a consolidated interest and rental coverage ratio above the amount specified in the CIT Revolving Credit Facility. As of September 30, 2021, we were in compliance with the financial covenants under the CIT Revolving Credit Facility. The CIT Revolving Credit Facility also includes customary events of defaults, including but not limited to: (i) payment defaults; (ii) breach of covenants; (iii) breach of representations and warranties; (iv) cross-defaults; (v) certain bankruptcy-related defaults; (vi) change of control; and (vii) revocation of instructions with respect to certain controlled accounts.

On September 25, 2019, the Company extended the term on its \$35.0 million working capital draw loan by three years, which now terminates in September 2022. Interest is assessed on drawn amounts at one-month LIBOR plus 3.75%. In June 2020, \$23.0 million was drawn to cover operational needs. As of September 30, 2021, \$22.9 million remained outstanding under the working capital draw loan.

Engine Purchase Commitments

On February 26, 2021, the Company and General Electric Company ("GE"), acting through its GE-Aviation business unit, entered into an Amended and Restated Letter Agreement No. 13-3. The Company agreed to purchase and take delivery of ten (10) new CF34-8C5 or CF34-8E5 engines with delivery dates starting from July 1, 2021 through November 1, 2022. During the quarter ended March 31, 2021, a \$7.0 million non-refundable purchase deposit was made for the first five engines to be delivered in calendar 2021. The Company has options to purchase an additional ten (10) similar engines beyond 2022. The total purchase commitment related to these ten (10) engines is approximately \$52.2 million. As of September 30, 2021, the Company had completed the purchase of one engine.

If the Company fails to accept delivery of the spare engines when duly tendered, the Company may be assessed a minimum cancellation charge based on the engine price determined as of the date of scheduled engine delivery to the Company.

Electric Aircraft Forward Purchase Commitments

As described in Note 7, in February 2021, the Company entered into a forward purchase contract with Archer Aviation, Inc. ("Archer") for a number of electrically-powered vertical takeoff and landing aircraft ("eVTOL aircraft"). The aggregate base commitment for the eVTOL aircraft is \$200.0 million, with an option to purchase additional aircraft. The Company's obligation to purchase the eVTOL aircraft is subject to the Company and Archer first agreeing in the future to a number of terms and conditions, which may or may not be met.

As described in Note 7, in July 2021, the Company entered into a forward purchase contract with Heart Aerospace Incorporated ("Heart") for a number of fully electric aircraft. The maximum aggregate base commitment for the aircraft is \$1,200.0 million, with an option to purchase additional aircraft. The Company's obligation to purchase the aircraft is subject to the Company and Heart first agreeing in the future to a number of terms and conditions, which may or may not be met.

Maintenance Commitments

In August 2005, we entered into a ten-year agreement with AAR for the maintenance and repair of certain of our CRJ-200, CRJ-700, and CRJ-900 aircraft. The agreement has since been amended to include a term extending through 2025, and to provide certain E-175 aircraft rotatable spare parts with a term through December 2027. Under the agreements, we pay AAR a monthly access fee per aircraft for certain consigned inventory as well as a fixed "*cost per flight hour*" fee on a monthly basis for repairs on certain repairable parts during the term of the agreement, which fees are subject to annual adjustment based on increases in the cost of labor and component parts.

In July 2013, we entered into an engine maintenance contract with GE to perform heavy maintenance on certain CRJ-700, CRJ-900, and E-175 engines based on a fixed pricing schedule. The pricing may escalate annually in accordance with GE's spare parts catalog for engines. The engine maintenance contract extends through 2024.

In 2014, we entered into a ten-year contract with Aviall to provide maintenance and repair services on the wheels, brakes and tires of our CRJ-700 and CRJ-900 aircraft. Under the agreement, we pay Aviall a fixed "*cost per landing*" fee for all landings of our aircraft during the term of the agreement, which fee is subject to annual adjustment based on increases in the cost of labor and component parts.

We entered into an engine maintenance contract with StandardAero, which became effective on June 1, 2015, to perform heavy maintenance on certain CRJ-700 and CRJ-900 engines based on a fixed pricing schedule. The pricing may escalate annually in accordance with the GE's spare parts catalog for engines.

Our employees perform routine airframe and engine maintenance along with periodic inspections of equipment at their respective maintenance facilities. We also use third-party vendors, such as AAR, Ascent, Embraer, Aviall, and GE, for certain heavy airframe and engine maintenance work, along with parts procurement and component overhaul services for our aircraft fleet. As of September 30, 2021, \$59.8 million of parts inventory was consigned to us by AAR and Aviall under long-term contracts that is not reflected on our balance sheet.

The Company accounts for heavy maintenance and major overhaul costs on its owned E-175 fleet under the deferral method whereby the cost of heavy maintenance and major overhaul is deferred and amortized until the earlier of the end of the useful life of the related asset or the next scheduled heavy maintenance event. For all other fleets, we use the direct expense method of accounting for our maintenance of regional jet engine overhauls, airframe, landing gear, and normal recurring maintenance wherein we recognize the expense when the maintenance work is completed, or over the repair period, if materially different, except for certain maintenance contracts where labor and materials price risks have been transferred to the service provider and require payment on a utilization basis, such as flight hours. Costs incurred for maintenance and repair for utilization maintenance contracts where labor and materials price risks have been transferred to the service provider are charged to maintenance expense based on contractual payment terms. Our maintenance policy is determined by fleet when major maintenance is incurred. While we keep a record of expected maintenance events, the actual timing and costs of major engine maintenance expense are subject to variables such as estimated usage, government regulations and the level of unscheduled maintenance events and their actual costs. Accordingly, we cannot reliably quantify the costs or timing of future maintenance-related expenses for any significant period of time.

Restricted Cash

As of September 30, 2021, we had \$3.4 million in restricted cash. We have an agreement with a financial institution for a \$6.0 million letter of credit facility and to issue letters of credit for landing fees, worker's compensation insurance and other business needs. Pursuant to the agreement, \$3.4 million of outstanding letters of credit are required to be collateralized by amounts on deposit.

Cash Flows

The following table presents information regarding our cash flows for each of our fiscal years ended September 30, 2021, 2020, and 2019:

	Year Ended September 30,		
	2021	2020	2019
	(in thousands)		
Net cash provided by operating activities	\$ 132,871	\$ 174,662	\$ 151,676
Net cash used in investing activities	(33,471)	(26,667)	(104,842)
Net cash used in financing activities	(78,374)	(117,655)	(81,467)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 21,026	\$ 30,340	\$ (34,633)
Cash, cash equivalents and restricted cash at beginning of period	102,841	72,501	107,134
Cash, cash equivalents and restricted cash at end of period	<u>\$ 123,867</u>	<u>\$ 102,841</u>	<u>\$ 72,501</u>

Net Cash Flow Provided by Operating Activities

During our fiscal year ended September 30, 2021, we had cash flow provided by operating activities of \$132.9 million. We had net income of \$16.6 million adjusted for the following significant non-cash items: depreciation and amortization of \$82.8 million, stock-based compensation expense of \$3.1 million, deferred income taxes of \$5.7 million, losses on investments in equity securities of \$6.8 million, amortization of deferred credits of \$(2.4) million, amortization of debt discount and issuance costs and accretion of interest of \$11.4 million, gain on extinguishment of debt of \$(1.0) million, and loss on lease termination of \$4.5 million. We had net change of \$4.8 million within other net operating assets and liabilities largely driven by accrued liabilities, accounts payable, deferred revenue, receivables, and operating leases during our fiscal year ended September 30, 2021.

During our fiscal year ended September 30, 2020, we had cash flow provided by operating activities of \$174.7 million. We had net income of \$27.5 million adjusted for the following significant non-cash items: depreciation and amortization of \$82.3 million, stock-based compensation expense of \$4.4 million, deferred income taxes of \$9.2 million, amortization of deferred credits of \$(3.7) million, and amortization of debt discount and issuance costs and accretion of interest of \$4.2 million. We had net change of \$50.4 million within other net operating assets and liabilities largely driven by increases in accrued liabilities and deferred revenue during our fiscal year ended September 30, 2020.

During our fiscal year ended September 30, 2019, we had cash flow provided by operating activities of \$151.7 million. We had net income of \$47.6 million adjusted for the following significant non-cash items: depreciation and amortization of \$78.0 million, stock-based compensation expense of \$5.5 million, deferred income taxes of \$15.5 million, amortization of unfavorable lease liabilities and deferred credits of \$(10.8) million, amortization of debt discount and issuance costs and accretion of interest of \$4.2 million, loss on extinguishment of debt of \$3.6 million, and loss on lease termination of \$9.5 million. We had net change of \$(2.1) million within other net operating assets and liabilities largely driven by expendable parts, accounts receivable, and accounts payable during our fiscal year ended September 30, 2019.

Net Cash Flows Used in Investing Activities

During our fiscal year ended September 30, 2021, our net cash flow used in investing activities was \$33.5 million. We invested \$3.5 million in spare engines, \$1.6 million in aircraft, \$9.9 million in inventory, \$2.1 million in tools, vehicles, equipment and other miscellaneous projects, and \$6.3 million in net payments on equipment and other deposits. Additionally, we invested a total of \$10.0 million in equity securities.

During our fiscal year ended September 30, 2020, our net cash flow used in investing activities was \$26.7 million. We invested \$11.0 million in two spare engines and \$3.8 million in aircraft improvements, \$9.4 million in inventory, and \$2.5 million in tools and miscellaneous projects.

During our fiscal year ended September 30, 2019, our net cash flow used in investing activities was \$104.8 million. We invested \$125.4 million in capital expenditures on ten aircraft and seven spare engines and aircraft improvements, offset by proceeds of \$20.1 million from net sales of investment securities, and \$0.4 million in net returns on equipment deposits.

Net Cash Flows Used in Financing Activities

During our fiscal year ended September 30, 2021, our net cash flow used in financing activities was \$78.4 million. We received \$195.0 million of proceeds from borrowings under the Treasury Loan. We made \$271.0 million of principal repayments on long-term debt during the period. We incurred \$1.3 million of costs related to debt financing and \$1.5 million of costs related to the repurchase of shares of our common stock. We received \$0.5 million in proceeds from the issuance of common stock under our ESPP.

During our fiscal year ended September 30, 2020, our net cash flow used in financing activities was \$117.7 million. We drew \$23.0 million from our \$35.0 million working capital draw loan for operational needs. We made \$138.3 million of principal repayments on long-term debt during the period. We incurred

\$1.8 million of costs related to debt financing and \$0.6 million of costs related to the repurchase of shares of our common stock.

During our fiscal year ended September 30, 2019, our net cash flow used in financing activities was \$81.5 million. We received \$171.7 million in proceeds from long-term debt primarily related to purchasing ten aircraft, and spare aircraft engine and aircraft engine kit financing. We made \$244.1 million of principal repayments on long-term debt during the period. We incurred \$5.7 million of costs related to debt financing, \$1.7 million of costs related to debt prepayments, and \$1.9 million of costs related to the repurchase of shares of our common stock.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with GAAP. In doing so, we must make estimates and assumptions that affect our reported amounts of assets, liabilities, revenue, and expenses, as well as related disclosure of contingent assets and liabilities. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting estimates, which we discuss below.

The discussion below is not intended to be a comprehensive list of our accounting policies. Our significant accounting policies are more fully described in Note 2: "*Summary of Significant Accounting Policies*" to the consolidated financial statements.

Leases

Effective October 1, 2019, we adopted ASU No. 2016-02, Leases (Topic 842) ("*ASU 2016-02*" or "*ASC 842*") which provides guidance requiring lessees to recognize a right-of-use asset and a lease liability on the balance sheet for substantially all leases, with the exception of short-term leases with terms of less than 12 months. From a lessee perspective, our leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. We determine if an arrangement is a lease at inception. Our operating lease activities are recorded in operating lease right-of-use ("ROU") assets, current maturities of operating leases, and noncurrent operating lease liabilities in the consolidated balance sheets. Finance leases are included in property and equipment, net, current portion of long-term debt and finance leases, and long-term debt and finance leases, excluding current portion.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Variable lease payments are not included in the calculation of the right-of-use assets and lease liability due to uncertainty of the payment amount and are recorded as lease expense in the period incurred. As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

In addition to the aircraft we lease from United under our United CPA and from DHL under our DHL FSA, approximately 10% of our aircraft are leased from third parties. All of our aircraft leases have been classified as operating leases, which results in rental payments being charged to expense over the term of the related leases. In the event that we or one of our major partners decide to exit an activity involving leased aircraft, losses may be incurred. In the event that we exit an activity that results in exit losses, these losses are accrued as each aircraft is removed from operations for early termination penalties, lease settle up, and other charges. Additionally, any remaining ROU assets and lease liabilities will be written off.

As a lessee, we elected a short-term lease exception policy on all classes of underlying assets, permitting us to not apply the recognition requirements of this standard to short-term leases (i.e. leases with terms of 12 months or less).

From a lessor perspective, our capacity purchase agreements identify the "right of use" of a specific type and number of aircraft over a stated period-of-time. A portion of the compensation in the capacity purchase agreements is designed to reimburse the Company for certain aircraft ownership costs of these aircraft. We account for the non-lease component of our capacity purchase agreements under ASC 606 and account for the lease component under ASC 842. We allocate the consideration in the contract between the lease and non-lease components based on their stated contract prices, which is based on a cost-basis approach representing our estimate of the stand-alone selling prices.

The Company entered into lease agreements with GoJet Airlines LLC ("GoJet") to lease 14 CRJ-700 aircraft as of September 30, 2021. The lease agreements are accounted for as operating leases and have a term of nine (9) years beginning on the delivery date of each aircraft. Under the lease agreements, GoJet pays fixed monthly rent per aircraft and variable lease payments for supplemental rent based on monthly aircraft utilization at fixed rates. Supplemental rent payments are subject to reimbursement following GoJet's completion of qualifying maintenance events defined in the lease agreements. Lease revenue for fixed monthly rent payments is recognized on a straight-line basis within contract revenue. Lease revenue for supplemental rent is deferred and recognized within contract revenue when it is probable that amounts received will not be reimbursed for future qualifying maintenance events over the lease term.

The Company mitigates the residual asset risks through supplemental rent payments and by leasing aircraft and engine types that can be operated by the Company in the event of a default. Additionally, the operating leases have specified lease return condition requirements and the Company maintains inspection rights under the leases. As of September 30, 2021, the Company recognized \$12.4 million of lease incentive assets, net of amortization, and \$9.7 million of related lease incentive obligations for reimbursement of certain aircraft maintenance costs defined within the lease agreements. Lease incentive assets are amortized on a straight-line basis and recognized as a reduction to lease revenue over the lease term.

Revenue Recognition

The Company recognizes revenue when the service is provided under its capacity purchase agreements and flight services agreement. Under these agreements, the major partners generally pay a fixed monthly minimum amount per aircraft, plus certain additional amounts based upon the number of flights and block hours flown. The contracts also include reimbursement of certain costs incurred by the Company in performing flight services. These costs, known as "*pass-through costs*," may include passenger and hull insurance as well as aircraft property taxes and other flight service expenditures defined in our agreements with our major partners. Additionally, for the E-175 aircraft owned by United, the capacity purchase agreement provides that United will reimburse the Company for heavy airframe and engine maintenance, landing gear, APUs and component maintenance. The Company also receives compensation under its agreements for heavy maintenance expenses at a fixed hourly rate or per aircraft rate for all aircraft in scheduled service other than the E-175 aircraft owned by United. The contracts also include a profit margin on certain reimbursable costs, as well as a profit margin, incentives and penalties based on certain operational benchmarks. The Company is eligible to receive incentive compensation upon the achievement of certain performance criteria defined in the agreements. At the end of each period during the term of an agreement, the Company calculates the incentives achieved during that period and recognizes revenue attributable to the agreement during the period accordingly, subject to the variable constraint guidance under ASC 606. All revenue recognized under these contracts is presented as the gross amount billed to the major partners.

Under the capacity purchase and flight services agreements, the Company has committed to perform various activities that can be generally classified into in-flight services and maintenance services. When evaluating these services, the Company determined that the nature of its promise is to provide a single integrated service, flight services, because its contracts require integration and assumption of risk

associated with both services to effectively deliver and provide the flights as scheduled over the contract term. Therefore, the in-flight services and maintenance services are inputs to that combined integrated flight service. Both services occur over the term of the agreement and the performance of maintenance services significantly affects the utility of the in-flight services. The Company's individual flights flown under the capacity purchase and flight services agreements are deemed to be distinct and the flight service promised in the capacity purchase and flight services agreements represents a series of services that is accounted for as a single performance obligation. This single performance obligation is satisfied over time as the flights are completed. Therefore, revenue is recognized when each flight is completed.

In allocating the transaction price, variable payments (i.e. billings based on flights and block hours flown, pass-through costs, etc.) that relate specifically to the Company's efforts in performing flight services are recognized in the period in which the individual flight is completed. The Company has concluded that allocating the variability directly to the individual flights results in an overall allocation meeting the objectives in ASC 606. This results in a pattern of revenue recognition that follows the variable amounts billed from the Company to their customers.

A portion of the Company's compensation under its capacity purchase agreements with American and United is designed to reimburse the Company for certain aircraft ownership costs. The Company has concluded that a component of its revenue under these agreements is deemed to be lease revenue, as such agreements identify the "right of use" of a specific type and number of aircraft over a stated period-of-time. The lease revenue associated with the Company's capacity purchase agreements is accounted for as an operating lease and is reflected as contract revenue on the Company's consolidated statements of operations. The Company recognized \$170.2 million, \$208.9 million, and \$219.0 million of lease revenue for the year ended September 30, 2021, 2020 and 2019, respectively. The Company has not separately stated aircraft rental income and aircraft rental expense in the consolidated statements of operations because the use of the aircraft is not a separate activity of the total service provided.

The Company's capacity purchase agreements and flight services agreement are renewable periodically and contain provisions pursuant to which the parties could terminate their respective agreements, subject to certain conditions, as described in Note 1. The capacity purchase agreements and flight services agreement also contain terms with respect to covered aircraft, services provided, and compensation as described in Note 1. The capacity purchase agreements and flight services agreement are amended from time to time to change, add, or delete terms of the agreements.

The Company's revenues could be impacted by a number of factors, including amendment or termination of its capacity purchase agreements or flight services agreement, contract modifications resulting from contract renegotiations, its ability to earn incentive payments contemplated under applicable agreements, and settlement of reimbursement disputes with the Company's major partners. In the event contracted rates are not finalized at a quarterly or annual financial statement date, the Company evaluates the enforceability of its contractual terms and when it has an enforceable right, it estimates the amount the Company expects to be entitled subject to the variable constraint guidance under ASC 606.

The Company's capacity purchase agreements and flight services agreement contain an option that allows its major partners to assume the contractual responsibility for procuring and providing the fuel necessary to operate the flights that it operates for them. The Company's major partners have exercised this option. Accordingly, the Company does not record an expense or revenue for fuel and related fueling costs for flying under its capacity purchase agreements or flight services agreement. In addition, the Company's major partners also provide, at no cost to the Company, certain ground handling and customer service functions, as well as airport-related facilities and gates at their hubs and other cities. Services and facilities provided by the Company's major partners at no cost are presented net in its consolidated financial statements; hence, no amounts are recorded for revenue or expense for these items.

The Company records deferred revenue when cash payments are received or are due from our major partners in advance of the Company's performance. The deferred revenue balance as of September 30, 2021 of \$34.5 million (current and non-current portion) represents our aggregate remaining performance

obligations that will be recognized as revenue over the period in which the performance obligations are satisfied (as flights are completed over the remaining contract term).

Property and Equipment

The Company's property and equipment, which primarily consists of aircraft and related flight equipment, had a net book value of \$1,151.9 million as of September 30, 2021. The Company monitors for any indicators of impairment of its property and equipment and other long-lived assets whenever events or changes in circumstances indicate that the related carrying amount may be impaired. Factors which could be indicators of impairment include, but are not limited to: (i) significant adverse changes in the extent or manner in which an asset is being used, including permanently removing a long-lived asset or assets from operations; (ii) significant changes in the estimated useful life of an asset; (iii) significant changes in estimated future cash flows or a history of operating or cash flow losses; (iv) permanent and significant declines in market prices of an asset; and (v) changes to the regulatory environment or business climate. The Company records an impairment loss if (i) the undiscounted future cash flows are found to be less than the carrying amount of the asset or asset group, and (ii) the carrying amount of the asset or asset group exceeds its fair value. If an impairment loss has occurred, a charge is recorded to reduce the carrying amount of the asset to its estimated fair value.

We group assets at the capacity purchase agreement, flight services agreement, and fleet-type level (i.e., the lowest level for which there are identifiable cash flows). If impairment indicators exist with respect to any of our asset groups, we estimate future cash flows based on projections of capacity purchase or flight services agreement, block hours, maintenance events, labor costs and other relevant factors. The Company's assumptions about future conditions important to its assessment of potential impairment of its long-lived assets, including the impact of the COVID-19 pandemic to its business, are subject to uncertainty, and the Company will continue to monitor these conditions in future periods as new information becomes available, and will update its analyses accordingly.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which we cannot conclude that it is more likely than not that such deferred tax assets will be realized.

In determining the amount of the valuation allowance, estimated future taxable income as well as feasible tax planning strategies for each taxing jurisdiction are considered. If we determine it is more likely than not that all or a portion of the remaining deferred tax assets will not be realized, the valuation allowance will be increased with a charge to income tax expense. Conversely, if we determine we are more likely than not to be able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been provided, the related portion of the valuation allowance will be recorded as a reduction to income tax expense.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax positions will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not to be sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon settlement. Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. Significant judgment is required to evaluate uncertain tax positions. Evaluations are based upon a number of factors, including changes in

facts or circumstances, changes in tax law, correspondence with tax authorities during the course of tax audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in income tax expense in the period in which the change is made, which could have a material impact to our effective tax rate. See Note 12: "Income Taxes" in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information. See also "Management's Discussion and Analysis—Results of Operations—Income Taxes" for additional information.

For a further listing and discussion of our accounting policies, see Note 2: "Summary of Significant Accounting Policies" in the notes to our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Emerging Growth Company Status

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act (the JOBS Act). The JOBS Act permits us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have irrevocably elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards when they are required to be adopted by public companies that are not emerging growth companies.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Note 4: "Recent Accounting Pronouncements" in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks in the ordinary course of our business. These risks include interest rate risk and, on a limited basis, commodity price risk with respect to foreign exchange transactions. The adverse effects of changes in these markets could pose a potential loss as discussed below. The sensitivity analysis provided does not consider the effects that such adverse changes may have on overall economic activity, nor does it consider additional actions we may take to mitigate our exposure to such changes. Actual results may differ.

Interest Rate Risk. We are subject to market risk associated with changing interest rates on our variable rate long-term debt; the variable interest rates are based on LIBOR. The interest rates applicable to variable rate notes may rise and increase the amount of interest expense on our variable rate long-term debt. We do not purchase or hold any derivative instruments to protect against the effects of changes in interest rates.

As of September 30, 2021, we had \$496.2 million of variable rate debt including current maturities. A hypothetical 50 basis point change in market interest rates would have increased interest expense by approximately \$2.5 million in our fiscal year ended September 30, 2021.

As of September 30, 2021, we had \$177.1 million of fixed rate debt, including current maturities. A hypothetical 50 basis point change in market interest rates would not impact interest expense or have a material effect on the fair value of our fixed rate debt instruments as of September 30, 2021.

Foreign Currency Risk. We have *de minimis* foreign currency risks related to our station operating expenses denominated in currencies other than the U.S. dollar, primarily the Canadian dollar. Our revenue is U.S. dollar denominated. To date, foreign currency transaction gains and losses have not been material to our financial statements and we have not had a formal hedging program with respect to foreign currency. A 10% increase or decrease in current exchange rates would not have a material effect on our financial results.

Fuel Price Risk. Unlike other airlines, our capacity purchase agreements and flight services agreement largely shelter us from volatility related to fuel prices, which are directly paid and supplied by our major partners.

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The information set forth below should be read together with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," appearing elsewhere in this Annual Report on Form 10-K.

To the Stockholders and the Board of Directors of Mesa Air Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Mesa Air Group, Inc. (the Company) as of September 30, 2021 and 2020, the related consolidated statements of operations and comprehensive income, stockholders' equity and cash flows for each of the two years in the period ended September 30, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2021 and 2020 and the results of its operations and its cash flows for each of the two years in the period ended September 30, 2021, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2019.

Phoenix, Arizona
December 10, 2021

To the shareholders and the Board of Directors of Mesa Air Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of operations, shareholders' equity, and cash flows of Mesa Air Group, Inc. and subsidiaries (the "Company") for the year ended September 30, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the year ended September 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Phoenix, Arizona
December 16, 2019

We began serving as the Company's auditor in fiscal year 2000. In fiscal year 2020 we became the predecessor auditor.

MESA AIR GROUP, INC.
Consolidated Balance Sheets
(in thousands, except share amounts)

	<u>September 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 120,517	\$ 99,395
Restricted cash	3,350	3,446
Receivables, net	3,167	13,712
Expendable parts and supplies, net	24,467	22,971
Prepaid expenses and other current assets	6,885	16,067
Total current assets	<u>158,386</u>	<u>155,591</u>
Property and equipment, net	1,151,891	1,212,415
Intangible assets, net	6,792	8,032
Lease and equipment deposits	6,808	1,899
Operating lease right-of-use assets	93,100	123,251
Deferred heavy maintenance, net	3,499	—
Other assets	36,121	742
Total assets	<u>\$ 1,456,597</u>	<u>\$ 1,501,930</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and finance leases	\$ 111,710	\$ 189,268
Current portion of deferred revenue	6,298	9,389
Current maturities of operating leases	32,652	43,932
Accounts payable	61,476	53,229
Accrued compensation	12,399	12,030
Other accrued expenses	33,657	45,478
Total current liabilities	<u>258,192</u>	<u>353,326</u>
Long-term debt and finance leases, excluding current portion	539,700	542,456
Noncurrent operating lease liabilities	33,991	62,531
Deferred credits	3,934	5,705
Deferred income taxes	69,940	64,275
Deferred revenue, net of current portion	28,202	14,369
Other noncurrent liabilities	34,591	1,409
Total noncurrent liabilities	<u>710,358</u>	<u>690,745</u>
Total liabilities	<u>968,550</u>	<u>1,044,071</u>
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock of no par value, 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock of no par value and additional paid-in capital, 125,000,000 shares authorized; 35,958,759 (2021) and 35,526,918 (2020) shares issued and outstanding, and 4,899,497 (2021) and 0 (2020) warrants issued and outstanding	256,372	242,772
Retained earnings	231,675	215,087
Total stockholders' equity	<u>488,047</u>	<u>457,859</u>
Total liabilities and stockholders' equity	<u>\$ 1,456,597</u>	<u>\$ 1,501,930</u>

See accompanying notes to these consolidated financial statements.

MESA AIR GROUP, INC.
Consolidated Statements of Operations and Comprehensive Income

(in thousands, except per share amounts)

	Year Ended September 30,		
	2021	2020	2019
Operating revenues:			
Contract revenue (\$376,506 from related party (2019))	\$ 434,518	\$ 506,590	\$ 682,834
Pass-through and other revenue (\$7,257 from related party (2019))	69,073	38,480	40,523
Total operating revenues	<u>503,591</u>	<u>545,070</u>	<u>723,357</u>
Operating expenses:			
Flight operations	162,137	169,242	210,879
Fuel	898	672	588
Maintenance	217,646	192,123	196,514
Aircraft rent	39,345	48,802	52,206
Aircraft and traffic servicing	2,638	3,356	3,972
General and administrative	49,855	52,246	50,527
Depreciation and amortization	82,847	82,296	77,994
Lease termination	4,508	—	9,540
Government grant recognition	(119,479)	(83,834)	—
Total operating expenses	<u>440,395</u>	<u>464,903</u>	<u>602,220</u>
Operating income	<u>63,196</u>	<u>80,167</u>	<u>121,137</u>
Other income (expense), net:			
Interest expense	(34,730)	(44,120)	(55,717)
Interest income	365	105	1,501
Loss on extinguishment of debt	—	—	(3,616)
Loss on investments, net	(6,816)	—	—
Other income (expense), net	401	843	(19)
Total other expense, net	<u>(40,780)</u>	<u>(43,172)</u>	<u>(57,851)</u>
Income before taxes	22,416	36,995	63,286
Income tax expense	5,828	9,531	15,706
Net income and comprehensive income	<u>\$ 16,588</u>	<u>\$ 27,464</u>	<u>\$ 47,580</u>
Net income per share			
Basic	<u>\$ 0.46</u>	<u>\$ 0.78</u>	<u>\$ 1.37</u>
Diluted	<u>\$ 0.43</u>	<u>\$ 0.78</u>	<u>\$ 1.36</u>
Weighted-average common shares outstanding			
Basic	<u>35,713</u>	<u>35,237</u>	<u>34,764</u>
Diluted	<u>38,843</u>	<u>35,308</u>	<u>35,064</u>

See accompanying notes to these consolidated financial statements.

MESA AIR GROUP, INC.
Consolidated Statements of Stockholders' Equity

(in thousands, except share amounts)

	Number of Shares	Number of Warrants	Common Stock and Additional Paid-In Capital	Retained Earnings	Total
Balance at September 30, 2018	23,902,903	10,614,990	\$ 234,683	\$ 139,784	\$ 374,467
Stock compensation expense	—	—	5,508	—	5,508
Stock issuance costs	—	—	185	—	185
Repurchased shares	(205,235)	—	(1,872)	—	(1,872)
Warrants converted to common stock	7,014,037	(7,014,037)	—	—	—
Restricted shares issued	701,582	—	—	—	—
Net income	—	—	—	47,580	47,580
Balance at September 30, 2019	<u>31,413,287</u>	<u>3,600,953</u>	<u>\$ 238,504</u>	<u>\$ 187,364</u>	<u>\$ 425,868</u>
Adoption of ASU 2018-09, Stock compensation- income taxes	—	—	—	259	259
Stock compensation expense	—	—	4,414	—	4,414
Repurchased shares	(142,439)	—	(586)	—	(586)
Warrants converted to common stock	3,600,953	(3,600,953)	—	—	—
Restricted shares issued	555,473	—	—	—	—
Employee share purchases	99,644	—	440	—	440
Net income	—	—	—	27,464	27,464
Balance at September 30, 2020	<u>35,526,918</u>	<u>—</u>	<u>\$ 242,772</u>	<u>\$ 215,087</u>	<u>\$ 457,859</u>
Stock compensation expense	—	—	3,126	—	3,126
Repurchased shares	(155,174)	—	(1,486)	—	(1,486)
Issuance of warrants, net of issuance costs	—	4,899,497	11,489	—	11,489
Restricted shares issued	492,465	—	—	—	—
Employee share purchases	94,550	—	471	—	471
Net income	—	—	—	16,588	16,588
Balance at September 30, 2021	<u>35,958,759</u>	<u>4,899,497</u>	<u>\$ 256,372</u>	<u>\$ 231,675</u>	<u>\$ 488,047</u>

See accompanying notes to these consolidated financial statements.

MESA AIR GROUP, INC.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended September 30,		
	2021	2020	2019
Cash flows from operating activities:			
Net income	\$ 16,588	\$ 27,464	\$ 47,580
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	82,847	82,296	77,994
Stock compensation expense	3,126	4,414	5,508
Loss on investments, net	6,816	—	—
Deferred income taxes	5,665	9,234	15,503
Amortization of deferred credits	(2,357)	(3,742)	(5,121)
Unfavorable lease liabilities	—	—	(5,718)
Amortization of debt discount and issuance costs and accretion of interest into long-term debt	11,379	4,202	4,203
Loss (gain) on extinguishment of debt	(950)	—	3,616
Loss (gain) on disposal of assets	78	401	(5)
Provision for obsolete expendable parts and supplies	380	—	642
Loss on lease termination	4,508	—	9,540
Changes in assets and liabilities:			
Receivables	10,545	9,368	(9,275)
Expendable parts and supplies	(1,865)	(1,529)	(6,310)
Prepaid expenses and other operating assets and liabilities	(56)	(1,368)	(713)
Accounts payable	7,861	3,418	12,119
Deferred heavy maintenance, net	(3,857)	—	—
Deferred revenue	10,742	23,758	—
Accrued expenses and other liabilities	(8,911)	20,801	2,113
Change in operating lease right-of-use assets and liabilities	(9,668)	(4,055)	—
Net cash provided by operating activities	<u>132,871</u>	<u>174,662</u>	<u>151,676</u>
Cash flows from investing activities:			
Capital expenditures	(17,149)	(26,667)	(125,350)
Investments in equity securities	(10,000)	—	—
Purchases of short-term investment securities	—	—	(14,884)
Sales of short-term investment securities	—	—	34,961
Net returns (payments) on equipment & other deposits	(6,322)	—	431
Net cash used in investing activities	<u>(33,471)</u>	<u>(26,667)</u>	<u>(104,842)</u>
Cash flows from financing activities:			
Proceeds from long-term debt	195,000	23,000	171,658
Principal payments on long-term debt and finance leases	(271,033)	(138,289)	(244,087)
Payments of debt and warrant issuance costs	(1,326)	(1,780)	(5,680)
Debt prepayment costs	—	—	(1,672)
Proceeds from issuance of common stock under ESPP	471	—	—
Stock issuance costs	—	—	185
Repurchase of stock	(1,486)	(586)	(1,871)
Net cash used in financing activities	<u>(78,374)</u>	<u>(117,655)</u>	<u>(81,467)</u>
Net change in cash, cash equivalents and restricted cash	21,026	30,340	(34,633)
Cash, cash equivalents and restricted cash at beginning of period	102,841	72,501	107,134
Cash, cash equivalents and restricted cash at end of period	<u>\$ 123,867</u>	<u>\$ 102,841</u>	<u>\$ 72,501</u>
Supplemental cash flow information			
Cash paid for interest	\$ 32,767	\$ 41,501	\$ 53,503
Cash paid for income taxes, net	\$ 404	\$ 398	\$ 419
Operating lease payments in operating cash flows	\$ 47,612	\$ 44,173	\$ —
Supplemental disclosure of non-cash transactions			
Right-of-use assets obtained in exchange for lease liabilities	\$ 4,309	\$ 145,054	\$ —
Accrued capital expenditures	\$ 439	\$ 61	\$ 179
Warrants received for entering into agreements with Archer Aviation Inc. ("Archer")	\$ 21,964	\$ —	\$ —
Debt issuance cost related to loan agreement with U.S. Department of the Treasury	\$ (1,887)	\$ —	\$ —

See accompanying notes to these consolidated financial statements.

1. Organization and Operations

The Company

Mesa Air Group, Inc. ("**Mesa**" or the "**Company**") is a holding company whose principal subsidiary operates as a regional air carrier, providing scheduled passenger service and cargo flight service. As of September 30, 2021, the Company served 129 cities in 39 states, the District of Columbia, the Bahamas, and Mexico as well as cargo services out of Cincinnati/Northern Kentucky International Airport, and operated under the Company's Capacity Purchase Agreements, Flight Services Agreement or as operational spares, a fleet of 153 aircraft with approximately 507 daily departures. As of September 30, 2021, Company also leased 14 aircraft to a third party.

The Company's operations are conducted by its regional airline subsidiary, Mesa Airlines, Inc. ("**Mesa Airlines**"), providing passenger flight services to major air carriers under capacity purchase agreements and cargo flight services under a flight services agreement. Mesa Airlines operates as American Eagle under a capacity purchase agreement with American Airlines, Inc. ("**American**"), as United Express under a capacity purchase agreement with United Airlines, Inc. ("**United**"), and as DHL Express under a flight services agreement with DHL Network Operations (USA), Inc. ("**DHL**"). All of the Company's consolidated contract revenues for the fiscal years ended September 30, 2021, 2020 and 2019 were derived from operations associated with these two capacity purchase agreements, flight services agreement, and leases of aircraft to a third party.

The financial arrangements between the Company and its major partners involve a revenue-guarantee arrangement (i.e. a "**capacity purchase agreement**") whereby the major partner pays a monthly guaranteed amount for each aircraft under contract, departure, flight hour (measured from takeoff to landing, excluding taxi time) or block hour (measured from takeoff to landing, including taxi time), and reimbursement of certain direct operating expenses in exchange for providing flight services. The major partners also pay certain expenses directly to suppliers, such as fuel, ground operations and certain landing fees. Under the terms of these capacity purchase agreements, the major partner controls route selection, pricing, and seat inventories, thereby reducing the Company's exposure to fluctuations in passenger traffic, fare levels, and fuel prices.

On August 8, 2018, the Company filed its Second Amended and Restated Articles of Incorporation, which, among other things: (i) effected a 2.5-for-1 stock split of its common stock; and (ii) increased the authorized number of shares of its common and preferred stock to 125,000,000 and 5,000,000, respectively. All references to share and per share amounts in the Company's consolidated financial statements have been retrospectively revised to reflect the stock split and increase in authorized shares.

On August 14, 2018, the Company completed an initial public offering ("**IPO**") of its common stock, in which it issued and sold 9,630,000 shares (the "**Firm Shares**") of common stock at a public offering price of \$12.00 per share, resulting in gross proceeds to the Company of approximately \$115.6 million. Additionally, in connection with the IPO, the Company granted the underwriters an option to purchase up to an additional 1,444,500 shares of common stock at the same price. On September 11, 2018, the Company closed the sale of 1,344,500 shares ("**Option Shares**") of its common stock, in connection with the partial exercise of the overallotment option granted to the underwriters in its IPO. Of the 1,344,500 Option Shares sold, 723,985 were purchased directly from the Company and the remaining 620,515 shares were purchased directly from the selling shareholders. The Firm Shares and Option Shares were sold to the public for a price of \$12.00 per share.

The sale of these shares raised gross proceeds of approximately \$124,247,820. The Company did not receive any proceeds from the sale of the Option Shares by the selling shareholders.

As part of the IPO, stock appreciation rights ("**SARs**") previously issued under the Mesa Air Group, Inc. Amended and Restated Stock Appreciation Rights Plan (the "**SAR Plan**"), which settled only in cash, were cancelled and exchanged for an aggregate of 1,266,034 shares of restricted common stock under the Company's 2018 Equity Incentive Plan (the "**2018 Plan**") (see Note 13: "*Share-Based Compensation*"), of which 966,022 were fully vested upon issuance and are included in the number of shares of common stock outstanding after the IPO. Of the 966,022 fully vested shares, 314,198 shares were retained by the Company to satisfy tax withholding obligations, resulting in a net issuance of 651,824 shares. Additionally, 983,113 shares of restricted common stock were issued to certain of its employees and directors under its 2018 Plan in exchange for the cancellation of 491,915 shares of existing unvested restricted phantom stock units and 491,198 shares of restricted stock under the 2011 and 2017 Plans, respectively.

Impact of the COVID-19 Pandemic

The unprecedented and rapid spread of COVID-19 and the related travel restrictions and social distancing measures implemented throughout the world significantly reduced demand for air travel beginning in our fiscal year 2020. This reduction in demand had an unprecedented and materially adverse impact on our revenues and financial position in the prior year that continued into fiscal year 2021. The Company has seen increased demand for air travel in fiscal year 2021 resulting from lessening of travel and gathering restrictions in the United States, particularly in the second half of our fiscal year; however as the duration of the impact of the pandemic remains uncertain, the pandemic has continued to negatively impact demand for air travel. Since a portion of the consideration we receive under our capacity purchase agreements is fixed, the impact to Mesa from the COVID-19 pandemic was partially mitigated. In addition, we have limited exposure to fluctuations in passenger traffic, ticket, and fuel prices under the terms of our capacity purchase agreements with American and United. While our fixed contract consideration remained mostly unchanged, the variable revenue based on number of block hours was significantly reduced beginning in the last few weeks in March and during the remainder of fiscal year 2020, as well as the first half of fiscal year 2021. The funds the Company received under the Payroll Support Program (and related extensions) and its Loan and Guarantee Agreement with the U.S. Treasury, coupled with the Company's diligent cost saving measures, helped to partially offset the negative impacts of COVID-19 on the Company's business. Additionally, the Company introduced cost saving initiatives in the prior period which contributed to current period liquidity as the demand for air travel increased during fiscal 2021. As described in Note 3: "Contract Revenue and Pass-through and Other Revenue", a portion of the Company's reduced labor costs resulting from government assistance was passed on to our major partners in the form of temporary rate reductions during the 2021 fiscal year.

Balance Sheet, Cash Flow and Liquidity. As of September 30, 2021, our cash and cash equivalents totaled \$120.5 million. Beginning in the prior year, we took the following actions to increase liquidity and strengthen our financial position:

- Drew \$23.0 million from our previously undrawn revolving credit facility with CIT Bank, N.A.
- In April 2020, we were granted \$92.5 million in emergency relief through the Payroll Support Program of the CARES Act, which was received as of September 30, 2020. In September 2020, we were notified that, based on funding availability, recipients that were currently in compliance with signed payroll support program agreements would receive an approximate 2% increase in their award amount. As a result, we were granted an additional \$2.7 million for a total grant of \$95.2 million, which was received in October 2020. We utilized \$83.8 million of these proceeds to offset payroll expenses in the year ended September 30, 2020 and the remaining \$11.4 million was utilized in Q1 2021. During fiscal year 2021, we received aggregate proceeds of \$56.0 million and \$52.2 million under Payroll Support Program Extensions PSP2 and PSP3, respectively, all of which was utilized and recognized as an offset to payroll expenses in the current fiscal year.
- The CARES Act also provided for up to \$25 billion in secured loans to the airline industry. In October 2020, the Company entered into a five-year Loan and Guarantee Agreement (the "Treasury Loan") with the U.S. Department of the Treasury which provided the Company with a secured loan facility to borrow up to \$200.0 million under the CARES Act. On October 30,

2020, the Company borrowed \$43.0 million under the Treasury Loan and on November 13, 2020, the Company borrowed an additional \$152.0 million for a total of \$195.0 million. No further borrowings are available under the Treasury Loan. All borrowings under the Treasury Loan bear interest at an annual rate based on Adjusted LIBO (as defined in the Loan Agreement) plus 3.5%. Accrued interest on the loans is payable in arrears on the first business day following the 14th day of each March, June, September and December (beginning with December 15, 2020), and on the maturity date. The proceeds were used for general corporate purposes and operating expenses, to the extent permitted by the CARES Act. As described in Note 9, the Treasury Loan is subject to certain financial and other covenants.

American Capacity Purchase Agreement

As of September 30, 2021, the Company operated 40 CRJ-900 aircraft for American under a capacity purchase agreement (the "American CPA"). In exchange for providing flight services under our American CPA, we receive a fixed monthly minimum amount per aircraft under contract plus certain additional amounts based upon the number of flights and block hours flown during each month. In addition, we may also receive incentives or incur penalties based upon our operational performance, including controllable on-time departures and controllable completion percentages. American also reimburses us for certain costs on an actual basis, including passenger liability and hull insurance and aircraft property taxes. Other expenses, including fuel and certain landing fees, are directly paid to suppliers by American. In addition, American also provides, at no cost to us, certain ground handling and customer service functions, as well as airport-related facilities and gates at American hubs and cities where we operate.

On November 19, 2020, we entered into an Amended and Restated American Capacity Purchase Agreement (the "Amended and Restated American CPA" or the "American CPA") which was effective as of January 1, 2021 and amended and restated the Code Share and Revenue Sharing Agreement dated as of March 20, 2001 (as amended, supplemented and modified, the "Existing CPA"), between Mesa Airlines and American. The Amended and Restated American CPA included the following amendments to the Existing CPA:

- Extended the American CPA for a five-year term, commencing January 1, 2021 to December 31, 2025;
- Reduced the number of aircraft operated under the agreement to 40 CRJ-900 aircraft; and
- Provided American the option in its sole discretion to withdraw up to: (a) 10 aircraft during calendar year 2021, (b) 5 aircraft during each of calendar years 2022 and 2023, and (c) during the period from January 1, 2024 to July 31, 2024, American can remove the first 20 aircraft to the extent not otherwise removed in 2021 – 2023, and thereafter American has the right to remove the last 20 aircraft.

During fiscal year 2021, we entered into amendments to the Amended and Restated American CPA. The amendments reflect the following:

- The addition of CRJ-900 aircraft to the American CPA (collectively, the "Incremental Aircraft") in accordance with the following schedule: (i) 3 aircraft, from January 5, 2021 to March 3, 2021, (ii) increasing to a total of 5 aircraft, from March 4, 2021 to May 5, 2021, (iii) decreasing to a total of 3 aircraft, from May 6, 2021 to June 2, 2021, and (iv) increasing to a total of 5 aircraft, from June 3, 2021 to August 17, 2021.
- A temporary reduction in certain rates for the period December 2020 through September 2021.
- The waiver of the operational performance metrics for the month of August 2021, and extension of the deadline for completing certain cabin interior and refurbishment requirements as defined in the American CPA to December 31, 2021.

- Increases to incentive and penalty compensation under the American CPA, effective beginning in October 2021.

Our American CPA is subject to termination prior to its expiration, subject to our right to cure, in various circumstances including:

- If either American or we become insolvent, file for bankruptcy, or fail to pay the debts as they become due, the non-defaulting party may terminate the agreement;
- Failure by us or American to perform the covenants, conditions, or provisions of our American CPA, subject to 15 days' notice and cure rights;
- If we are required by the FAA or the DOT to suspend operations and we have not resumed operations within three business days, except as a result of an emergency airworthiness directive from the FAA affecting all similarly equipped aircraft, American may terminate the agreement;
- If our controllable flight completion factor ("CCF") or controllable on time departures ("CD0") fall below certain levels for a specified period of time, subject to our right to cure;
- Upon the occurrence of a force majeure event (as defined in the American CPA) that lasts for a specified period of consecutive days and affects our ability to operate scheduled flights, including a future epidemic or pandemic;
- If a labor dispute affects our ability to operate over a specified number of days or we operate in violation of any existing American collective bargaining agreement; or
- Upon a change in our ownership or control without the written approval of American.

Our American CPA is also subject to withdrawal rights, in addition to the withdrawal rights discussed above, providing American with the right and option to withdraw one aircraft upon each occurrence of the following:

- If our CCF falls below certain levels for a specified period of time;
- If our CD0 falls below certain levels for a specified period of time; or
- Failure to meet certain cabin interior and refurbishment requirements as defined in the American CPA.

American had a 0.0%, 0.0% and 7.1% ownership interest in the Company, calculated on a fully diluted basis as of September 30, 2021, 2020 and 2019, respectively. The related party amounts presented on the consolidated statements of operations and comprehensive income pertain to American as of and for the year ended September 30, 2019.

United Capacity Purchase Agreement

As of September 30, 2021, we operated 20 E-175LL and 60 E-175 aircraft for United under our United Capacity Purchase Agreement (the "United CPA"). In exchange for providing flight services under our United CPA, we receive a fixed monthly minimum amount per aircraft under contract plus certain additional amounts based upon the number of flights and block hours flown and the results of passenger satisfaction surveys. United also reimburses us for certain costs on an actual basis, including property tax per aircraft and passenger liability insurance. Other expenses, including fuel and certain landing fees, are directly paid to suppliers by United.

Under our United CPA, United owns 42 of the 60 E-175 and all of the E-175LL aircraft and leases them to us at nominal amounts. United reimburses us on a pass-through basis for all costs related to heavy airframe and engine maintenance, landing gear, auxiliary power units ("APUs"), and component maintenance for the aircraft owned by United.

On November 26, 2019, we amended and restated our United CPA to, among other things, incorporate the terms of the 14 prior amendments to the CPA and to extend the term thereof through the addition of twenty (20) new Embraer E-175LL aircraft to the scope of the CPA. These new aircraft were to be financed and owned by us and operated for a period of twelve (12) years from the in-service date. Deliveries of the new E-175LL aircraft were scheduled to begin in May 2020. In March 2020, the deliveries of the new E-175LL aircraft were negotiated between United and Embraer to begin in September 2020 and be completed by the quarter ended June 30, 2021. Deliveries of all twenty of the E-175LL aircraft took place during our fiscal year 2021.

In addition to adding the 20 new E-175LL aircraft to the United CPA, we extended the term of our 42 E-175 aircraft leased from United for an additional five (5) years, which now expire between 2024 and 2028. The Company also owns 18 E-175 aircraft that expire in 2028. As part of the amended and restated United CPA, we agreed to lease our CRJ-700 aircraft to another United Express service provider for a term of nine (9) years. We ceased operating our CRJ-700 fleet in February 2021 in connection with the transfer of those aircraft into a lease agreement, and as of September 30, 2021, had entered into agreements to lease 14 of the 20 CRJ-700 aircraft.

On November 4, 2020, we amended and restated our United CPA to, among other things, amend the ownership by United, in lieu of Mesa, of the 20 E-175LL aircraft. The new aircraft are financed by United and leased to the Company at nominal amounts to operate for a period of twelve (12) years from the aircraft acceptance and in-service date, expiring between November 2032 and June 2033. We agreed to adjusted rates to account for the change in ownership of the E-175LL aircraft, relief from certain provisions related to minimum utilization until December 31, 2021, and an additional right of United to remove one or more E-175LL aircraft in the event that Mesa fails to meet certain financial covenants. We also agreed to a one-time provision for United to prepay \$81.5 million under the United CPA for future performance by Mesa (the "Prepayment") and the application of certain discounts to certain payment obligations of United under the United CPA. Weekly payments under the United CPA were discounted following the Prepayment, with \$65.1 million of the Prepayment earned during our first and second quarters of fiscal 2021 and the remaining \$16.4 million repaid to United during the second quarter of fiscal 2021. The terms of the Prepayment also included affirmative and negative covenants and events of default customary for transactions of this type. Proceeds from the Prepayment were used to retire debt on certain airframes and engines that serve as collateral under the term loan facility provided to Mesa Airlines by the U.S. Treasury.

In September 2021, we amended our United CPA to, among other things, adjust certain rates to account for the change in ownership of the E-175LL aircraft, and provide for temporary reduced rates during periods in which the Company receives government assistance.

Our United CPA is subject to termination rights prior to its expiration, including:

- By United if certain operational performance factors fall below a specified percentage for a specified time, subject to notice under certain circumstances;
- By United if we fail to perform the material covenants, agreements, terms or conditions of our United CPA or similar agreements with United, subject to thirty (30) days' notice and cure rights;
- If either United or we become insolvent, file bankruptcy, or fail to pay debts when due, the non-defaulting party may terminate the agreement;
- By United if we merge with, or if control of us is acquired by another air carrier or a corporation directly or indirectly owning or controlling another air carrier;
- United, subject to certain conditions, including the payment of certain costs tied to aircraft type, may terminate the agreement in its discretion, or remove E-175 aircraft from service, by giving us notice of 90 days or more;
- If United elects to terminate our United CPA in its entirety or permanently remove select aircraft from service, we are permitted to return any of the affected E-175 aircraft leased from United at no cost to us; and

- Commencing five (5) years after the actual in-service date, United has the right to remove the E-175 aircraft from service by giving us notice of 90 days or more, subject to certain conditions, including the payment of certain wind-down expenses plus, if removed prior to the ten (10) year anniversary of the in-service date, certain accelerated margin payments.

DHL Flight Services Agreement

On December 20, 2019, the Company entered into a Flight Services Agreement ("FSA") with DHL. Under the terms of this agreement, Mesa operates two Boeing 737-400F aircraft to provide cargo air transportation services to DHL. In exchange for providing such services, the Company receives a fee per block hour with a minimum block hour guarantee. The Company is eligible for a monthly performance bonus or subject to a monthly penalty based on timeliness and completion performance. Ground support including fueling and airport fees are paid directly by DHL.

Under our DHL FSA, DHL leases two Boeing 737-400F aircraft and subleases them to us at nominal amounts. DHL reimburses us on a pass-through basis for all costs related to heavy maintenance including C-checks, off-wing engine maintenance and overhauls including LLPs, landing gear overhauls and LLPs, thrust reverser overhauls, and APU overhauls and LLPs. Certain items such as fuel, de-icing fluids, landing fees, aircraft ground handling fees, en-route navigation fees, and custom fees are paid directly to suppliers by DHL or otherwise reimbursed if incurred by the Company.

The DHL FSA expires five (5) years from the commencement date of the first aircraft placed into service, which was in October 2020. DHL has the option to extend the agreement with respect to one or more aircraft for a period of one year with 90 days' advance written notice.

Our DHL FSA is subject to following termination rights prior to its expiration:

- At any time after the first anniversary of the commencement date of the first aircraft placed in service with 90 day's written notice.
- Failure to comply with performance standards for three consecutive measurement periods.
- DHL may terminate the agreement for a specific aircraft if it is subject to a total loss and the Company does not provide alternate services.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("**GAAP**") and include the accounts of the Company and its wholly owned operating subsidiaries. Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification ("**ASC**") and Accounting Standards Update ("**ASU**") of the Financial Accounting Standards Board ("**FASB**"). All intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications of certain immaterial prior period amounts have been made to conform to the current period presentation.

The Company is an "**emerging growth company**," as defined in the Jumpstart Our Business Startups Act of 2012 (the "**JOBS Act**") and may remain an emerging growth company until the last day of our fiscal year following the fifth anniversary of the IPO, subject to specified conditions. The JOBS Act provides that an emerging growth company can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. The Company has elected to "**opt out**" of such extended transition period, which means that when a standard is issued or revised and

it has different application dates for public or private companies, the Company will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

Segment Reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing operating performance. In consideration of ASC 280, "**Segment Reporting**," we are not organized around specific services or geographic regions. We currently operate in one service line providing scheduled flying services in accordance with our capacity purchase agreements and flight services agreement.

While we operate under two separate capacity purchase agreements and a flight services agreement, we do not manage our business based on any performance measure at the individual contract level. Additionally, our chief operating decision maker uses consolidated financial information to evaluate our performance, which is the same basis on which he communicates our results and performance to our Board of Directors. He bases all significant decisions regarding the allocation of our resources on a consolidated basis. Based on the information described above and in accordance with the applicable literature, management has concluded that we are organized and operated as one operating and reportable segment.

All of our operating revenue in our 2021, 2020 and 2019 fiscal years was derived from operations associated with our American and United CPAs, DHL FSA, and from leases of aircraft to a third party. It is currently impractical to provide certain information on our revenue from our customers for each of our services and geographic information on our revenues and long-lived assets.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

Restricted cash primarily includes deposits in trust accounts to collateralize letters of credit and to fund workers' compensation claims, landing fees, and other business needs. Restricted cash is stated at cost, which approximates fair value.

The Company has an agreement with a financial institution for a \$6.0 million letter of credit facility to issue letters of credit for landing fees, workers' compensation insurance, and other business needs. Pursuant to such agreement, \$3.4 million and \$3.4 million of outstanding letters of credit are required to be collateralized by amounts on deposit as of September 30, 2021 and 2020, respectively, which are classified as restricted cash.

Expendable Parts and Supplies

Expendable parts and supplies are stated at cost, less an allowance for obsolescence. The Company provides an allowance for obsolescence for such parts and supplies over the useful life of its aircraft after considering the useful life of each aircraft fleet, the estimated cost of expendable parts

expected to be on hand at the end of the useful life, and the estimated salvage value of the parts. This allowance was \$3.2 million and \$2.8 million as of September 30, 2021 and 2020, respectively.

Property and Equipment

Property and equipment are stated at cost, net of manufacturer incentives, and depreciated over their estimated useful lives to their estimated salvage values, which are 20% for aircraft and rotatable spare parts, using the straight-line method.

Estimated useful lives of the various classifications of property and equipment are as follows:

Property and Equipment	Estimated Useful Life
Buildings	30 years
Aircraft	25 years from the manufacture date
Flight equipment	7-20 years
Equipment	5-9 years
Furniture and fixtures	3-5 years
Vehicles	5 years
Rotatable spare parts	Life of the aircraft or term of the lease, whichever is less
Leasehold improvements	Life of the aircraft or term of the lease, whichever is less

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may be impaired. The Company records an impairment loss if (i) the undiscounted future cash flows are found to be less than the carrying amount of the asset or asset group, and (ii) the carrying amount of the asset or asset group exceeds its fair value. If an impairment loss has occurred, a charge is recorded to reduce the carrying amount of the asset to its estimated fair value. The Company recognized no impairment charges on property and equipment or other long-lived assets for the years ended September 30, 2021 and 2020.

Fair Value Measurements

The Company accounts for assets and liabilities in accordance with accounting standards that define fair value and establish a consistent framework for measuring fair value on either a recurring or a nonrecurring basis. Fair value is an exit price representing the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

Accounting standards include disclosure requirements relating to the fair values used for certain financial instruments and establish a fair value hierarchy. The hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels:

- Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data, requiring an entity to develop its own assumptions.

Debt Financing Costs

Debt financing costs consist of payments made to issue debt related to the purchase of aircraft, flight equipment, and certain flight equipment maintenance costs. The Company defers the costs and

amortizes them to interest expense over the term of the debt agreement. Debt financing costs related to a recognized debt liability are presented as a direct deduction from the carrying amount of the related long-term debt on the consolidated balance sheet. Debt financing costs with no related recognized debt liability are presented as assets, with the current portion included in prepaid expenses and other current assets and the noncurrent portion included in other assets on the consolidated balance sheet.

Unutilized Manufacturer Credits

Manufacturer credits received in connection with aircraft purchases that can be used for the future purchase of certain goods and services are recorded as a prepaid asset based on the value of the credits expected to be utilized, and the Company reduces the asset as the credits are utilized to fund such purchases. The current portion is included in prepaid expenses and other current assets and the noncurrent portion is included in other assets on the consolidated balance sheet.

Intangible Assets

Customer relationships are amortized over their estimated life useful lives. In accordance with ASC 360, Property, Plant, and Equipment, an intangible asset with a finite life that is being amortized is reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may be impaired. The Company records an impairment loss if the undiscounted future cash flows are found to be less than the carrying amount of the asset and if the carrying amount of the asset exceeds fair value. If an impairment loss has occurred, a charge is recorded to reduce the carrying amount of the asset to its estimated fair value.

Other Assets

Other noncurrent assets primarily consist of the non-current portion of lease incentives related to our aircraft which Mesa leases to third parties and investments in equity securities.

Lease incentives represent amounts paid or payable by Mesa to the lessee and are amortized as a reduction of lease revenue over the term of the lease. The current portion of the lease incentive assets is included in prepaid expenses and other current assets, and the non-current portion is included in other assets on the consolidated balance sheet.

Investments in equity securities with readily determinable fair values are adjusted to reflect the market value of the investments each reporting period, with corresponding gains and losses reflected in the statement of operations. Investments in equity securities without readily determinable values are measured at cost less impairment, if any, and are adjusted when there are observable prices of similar or identical investments from the same issuer.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in future years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records deferred tax assets for the value of benefits expected to be realized from the utilization of state and federal net operating loss carryforwards. The Company periodically reviews these assets to determine the likelihood of realization. To the extent the Company believes some portion of the benefit may not be realizable based on the available sources of income, an estimate of the unrealized position is made, and a valuation allowance is recorded. The Company and its consolidated subsidiaries file a consolidated federal income tax return.

Other Noncurrent Liabilities

Other noncurrent liabilities primarily consist of the non-current portion of lease incentive obligations and deposits related to the aircraft which Mesa leases to third parties and vendor credit liabilities for future purchases of electric aircraft.

Revenue Recognition

The Company recognizes revenue when the service is provided under its capacity purchase agreements and flight services agreement. Under these agreements, the Company's major partners generally pay a fixed monthly minimum amount per aircraft, plus certain additional amounts based upon the number of departures and block hours or flight hours flown. The agreements also include reimbursement of certain direct costs incurred by the Company in performing flight services. These costs, known as "**pass-through costs**," may include passenger and hull insurance as well as aircraft property taxes. Additionally, for the E-175 aircraft owned by United, United reimburses the Company for heavy airframe and engine maintenance, landing gear maintenance, APU maintenance, and component maintenance. The Company also receives compensation under its agreements for heavy maintenance expenses at a fixed hourly rate or per aircraft rate for all aircraft in scheduled service other than the E-175 aircraft owned by United. The contracts also include a profit margin on certain reimbursable costs, as well as incentives and penalties based on certain operational benchmarks. The Company is eligible to receive incentive compensation upon the achievement of certain performance criteria defined in the agreements. At the end of each period during the term of an agreement, the Company calculates the incentives or penalties achieved during that period and recognizes revenue attributable to the agreement during the period accordingly, subject to the variable constraint guidance in accordance ASC 606. All revenue recognized under these contracts is presented as the gross amount billed to the major partners. See Note 3: "*Contract Revenue and Pass-through and Other Revenue*" for further information.

The Company has committed to perform various activities that can be generally classified into in-flight services and maintenance services. When evaluating these services, the Company determined that the nature of its promise is to provide a single integrated service, flight services, because its contracts require integration and assumption of risk associated with both services to effectively deliver and provide the flights as scheduled over the contract term. Therefore, the in-flight services and maintenance services are inputs to that combined integrated flight service. Both the services occur over the term of the agreement and the performance of maintenance services significantly affects the utility of the in-flight services. The Company's individual flights flown under the capacity purchase agreements and flight services agreement are deemed to be distinct and the flight service promised in the agreements represents a series of services that should be accounted for as a single performance obligation. This single performance obligation is satisfied over time as the flights are completed. Therefore, revenue is recognized when each flight is completed.

In allocating the transaction price, variable payments (i.e. billings based on departures and block hours or flight hours flown, pass-through costs, etc.) that relate specifically to the Company's efforts in performing flight services are recognized in the period in which the individual flight is completed. The Company has concluded that allocating the variability directly to the individual flights results in an overall allocation meeting the objectives in ASC 606. This results in a pattern of revenue recognition that follows the variable amounts billed from the Company to its customers.

A portion of the Company's compensation under its capacity purchase agreements with American and United is designed to reimburse the Company for certain aircraft ownership costs. Such costs include aircraft principal and interest debt service costs, aircraft depreciation, and interest expense or aircraft lease expense costs while the aircraft is under contract. The Company has concluded that a component of its revenue under these agreements is deemed to be lease revenue, as such agreements identify the "**right of use**" of a specific type and number of aircraft over a stated period-of-time. The lease revenue associated with the Company's capacity purchase agreements is accounted for as an operating lease and is reflected as contract revenue on the Company's consolidated statements of operations.

The Company recognized \$170.2 million, \$208.9 million and \$219.0 million of lease revenue for the year ended September 30, 2021, 2020, and 2019, respectively. The Company has not separately stated aircraft rental income and aircraft rental expense in the consolidated statements of operations because the use of the aircraft is not a separate activity of the total service provided under our capacity purchase agreements.

The Company's capacity purchase agreements and flight services agreement are renewable periodically and contain provisions pursuant to which the parties could terminate their respective agreements, or withdraw aircraft under their respective agreements, subject to certain conditions as described in Note 1. The agreements also contain terms with respect to covered aircraft, services provided, and compensation as described in Note 1. The agreements are amended from time to time to change, add, or delete terms of the agreements.

The Company's revenues could be impacted by a number of factors, including amendment or termination of its agreements with its major partners, contract modifications resulting from contract renegotiations, its ability to earn incentive payments contemplated under applicable agreements, and settlement of reimbursement disputes with the Company's major partners. In the event contracted rates are not finalized at a quarterly or annual financial statement date, the Company evaluates the enforceability of its contractual terms and when it has an enforceable right, it estimates the amount the Company expects to be entitled to that is subject to the variable constraint guidance within ASC 606.

The Company's agreements contain an option that allows its major partners to assume the contractual responsibility for procuring and providing the fuel necessary to operate the flights that it operates for them. All of the Company's major partners have exercised this option. Accordingly, the Company does not record an expense or revenue for fuel and related fueling costs for flying under its capacity purchase agreements or flight services agreement. In addition, the Company's major partners also provide, at no cost to the Company, certain ground handling and customer service functions, as well as airport-related facilities and gates at their hubs and other cities. Services and facilities provided by the Company's major partners at no cost are presented net in its consolidated financial statements; hence, no amounts are recorded as revenue or operating expense for these items.

Contract Liabilities

Contract liabilities consist of deferred credits representing upfront payments received from major partners related to aircraft modifications associated with capacity purchase agreements and pilot training. The deferred credits are recognized over time depicting the pattern of transfer of the related services over the term of the capacity purchase agreements.

Current and non-current deferred credits are recorded to other accrued expenses and non-current deferred credits in the consolidated balance sheets, respectively. The Company's total current and non-current deferred credit balances at September 30, 2021, September 30, 2020, and September 30, 2019 were \$4.8 million, \$8.5 million, and \$12.1 million, respectively. The Company recognized \$2.4 million, \$3.7 million and \$5.1 million of the deferred credits within contract revenue in the consolidated statements of operations during the year ended September 30, 2021, 2020, and 2019, respectively.

Contract Assets

The Company recognizes assets from the incremental costs incurred to obtain contracts with major partners including aircraft painting, aircraft reconfiguration, and flight service personnel training costs. These costs are amortized based on the pattern of transfer of the services in relation to flight hours over the term of the contract. Contract assets are recorded as other assets in the consolidated balance sheets. The Company's contract assets balances at September 30, 2021, September 30, 2020, and September 30, 2019 were \$0.0 million, \$2.0 million and \$3.9 million, respectively. Contract cost amortization was \$2.0 million, \$1.9 million and \$2.4 million for the year ended September 30, 2021, 2020, and 2019, respectively.

Maintenance Expense

The Company operates under an FAA approved continuous inspection and maintenance program. The cost of non-major scheduled inspections and repairs and routine maintenance costs for all aircraft and engines are charged to maintenance expense as incurred.

The Company accounts for heavy maintenance and major overhaul costs on its owned E-175 fleet under the deferral method whereby the cost of heavy maintenance and major overhaul is deferred and amortized until the earlier of the end of the useful life of the related asset or the next scheduled heavy maintenance event. Amortization of heavy maintenance and major overhaul costs charged to depreciation and amortization expense was \$0.4 million, \$0.0 million, and \$0.0 million for the fiscal year ended September 30, 2021, 2020, and 2019, respectively. At September 30, 2021 and September 30, 2020, the Company had a deferred heavy maintenance balance, net of accumulated amortization, of \$3.5 million and \$0.0 million, respectively. The Company accounts for heavy maintenance and major overhaul costs for all other fleets under the direct expense method whereby costs are expensed to maintenance expense as incurred, except for certain maintenance contracts where labor and materials price risks have been transferred to the service provider and require payment on a utilization basis, such as flight hours. Costs incurred for maintenance and repair for utilization maintenance contracts where labor and materials price risks have been transferred to the service provider are charged to maintenance expense based on contractual payment terms. Our maintenance policy is determined by fleet when major maintenance is incurred.

Under the Company's aircraft operating lease agreements and FAA operating regulations, it is obligated to perform all required maintenance activities on its fleet, including component repairs, scheduled airframe checks and major engine restoration events. The Company estimates the timing of the next major maintenance event based on assumptions including estimated usage, FAA-mandated maintenance intervals, and average removal times as recommended by the manufacturer. The timing and the cost of maintenance are based on estimates, which can be impacted by changes in utilization of its aircraft, changes in government regulations and suggested manufacturer maintenance intervals. Major maintenance events consist of overhauls to major components.

Engine overhaul expense totaled \$31.4 million, \$40.5 million and \$30.0 million for the years ended September 30, 2021, 2020 and 2019, respectively, of which \$16.8 million, \$7.0 million, and \$6.0 million, respectively, was pass-through expense. Airframe check expense totaled \$51.1 million, \$23.5 million and \$17.2 million for the years ended September 30, 2021, 2020, and 2019, respectively, of which \$20.5 million, \$7.2 million, and \$0.4 million, respectively, was pass-through expense.

Pursuant to the United CPA, United reimburses the Company for heavy maintenance on certain E-175 aircraft. Those reimbursements are included in pass-through and other revenue. See Note 1: "*Organization and Operations*" for further information.

Leases

We determine if an arrangement is a lease at inception. As a lessee, we have lease agreements with lease and non-lease components and have elected to account for such components as a single lease component. Our operating lease activities are recorded in operating lease right-of-use assets, current maturities of operating leases, and noncurrent operating lease liabilities in the consolidated balance sheets. Finance leases are reflected in property and equipment, net, current portion of long-term debt and finance leases, and long-term debt and finance leases, excluding current portion in the consolidated balance sheets.

Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Variable lease payments are not included in the calculation of the right-of-use assets and lease liability due to uncertainty of the payment amount and are recorded as lease

expense in the period incurred. As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease costs are recognized on a straight-line basis over the lease term, while finance leases result in a front-loaded expense pattern.

As a lessee, we have elected a short-term lease practical expedient on all classes of underlying assets, permitting us to not apply the recognition requirements of this standard to leases with terms of 12 months or less.

Our capacity purchase agreements identify the "right of use" of a specific type and number of aircraft over a stated period-of-time. A portion of the compensation under our capacity purchase agreements are designed to reimburse the Company, as lessor, for certain aircraft ownership costs of these aircraft. We account for the non-lease component under ASC 606 and account for the lease component under ASC 842. We allocate the consideration in the contract between the lease and non-lease components based on their stated contract prices, which is based on a cost basis approach representing our estimate of the stand-alone selling prices.

As discussed in Note 1, we lease, at nominal rates, certain aircraft from United and DHL under our United CPA and DHL FSA, which are excluded from operating lease assets and liabilities as they do not represent embedded leases under ASC 842. Other than nominal leases with our major partners, approximately 10% of our aircraft are leased from third parties. All of our aircraft leases have been classified as operating leases, which results in rental payments being charged to expense over the term of the related leases. In the event that we or one of our major partners decide to exit an activity involving leased aircraft, losses may be incurred. In the event that we exit an activity that results in exit losses, these losses are accrued as each aircraft is removed from operations for early termination penalties, lease settle up and other charges. Additionally, any remaining ROU assets and lease liabilities will be written off.

The majority of the Company's leased aircraft are leased through trusts that have a sole purpose to purchase, finance, and lease these aircraft to the Company; therefore, they meet the criteria of a variable interest entity. However, since these are single-owner trusts in which the Company does not participate, the Company is not at risk for losses and is not considered the primary beneficiary. Management believes that the Company's maximum exposure under these leases is the remaining lease payments.

In March 2021, the Company purchased a leased CRJ-900 aircraft prior to the expiration of the lease term resulting in the lease termination expenses of \$4.5 million. Termination expenses primarily related to maintenance deposits on the aircraft that were no longer recoverable from the lessor upon termination of the lease.

Government Grant

In February 2021, the Company was granted \$48.7 million in financial assistance by the U.S. Department of the Treasury under the Payroll Support Program Extension ("PSP2") under the Consolidated Appropriations Act of 2021. In March 2021, the Company was notified that, based on funding availability, recipients that were currently in compliance with executed PSP agreements would receive an additional award amount. As a result, the Company received an additional \$7.3 million through PSP2 in April 2021 for a total grant of \$56.0 million. PSP2 funding was required to be used exclusively for the continuation of payment of employee wages, salaries, and benefits and was conditioned on our agreement to refrain from conducting involuntary employee layoffs or furloughs from the date of the extension agreement through March 2021. Other conditions include prohibitions on share repurchases and dividends through March 2022 and certain limitations on executive compensation until October 2022. The Department of Transportation also has the authority until March 1, 2022 to require airlines that received payroll support program funds to maintain scheduled air service deemed necessary to any point served by the airline before March 1, 2020.

On April 15, 2021, the Company was notified by the U.S. Department of the Treasury that it was eligible to receive funds under the third Payroll Support Program ("PSP3"), which was created under the American Recovery Plan Act of 2021 ("ARP"), enacted on March 11, 2021. PSP3 provided additional funding for passenger air carriers and contractors that received financial assistance under PSP2. The funding must be used exclusively for the continuation of payment of employee wages, salaries, and benefits. The Company was granted \$52.2 million and received the first PSP3 installment of \$26.1 million in April 2021 and the second installment of \$26.1 million in May 2021. These payments were conditioned on our agreement to refrain from conducting involuntary employee layoffs or furloughs through September 2021. Other conditions include prohibitions on share repurchases and dividends through September 2022 and certain limitations on executive compensation until April 2023.

For the years ended September 30, 2021 and 2020, the Company recognized \$119.5 million and \$83.8 million, respectively, for the payroll support government funds reflected within government grant recognition on the Company's consolidated statement of operations. As of September 30, 2021 and 2020, there were \$0 and \$11.4 million, respectively, of deferred PSP funds representing payments received to offset future payroll costs reflected within other accrued liabilities in the consolidated balance sheets.

3. Contract Revenue and Pass-through and Other Revenue

The Company recognizes contract revenue when the service is provided under its capacity purchase agreements and flight services agreement. Under the capacity purchase agreements and flight services agreement, our major partners generally pay for each departure, flight hour (measured from takeoff to landing, excluding taxi time) or block hour (measured from takeoff to landing, including taxi time) incurred, and an amount per aircraft in service each month with additional incentives based on flight completion, on-time performance, and other operating metrics. The Company's performance obligation is met when each flight is completed, and revenue is recognized and reflected in contract revenue.

The Company's contract revenue also includes temporary rate reductions during fiscal year 2021 under our capacity purchase agreements. The basis for the reductions is temporary improvements in our cost structure being passed on to our major partners, primarily from lower labor costs due to the grants received under the Payroll Support Program and its extensions through the period ended September 30, 2021.

The Company recognizes pass-through revenue when the service is provided under its capacity purchase agreements and flight services agreement. Pass-through revenue represents reimbursements for certain direct expenses incurred including passenger liability and hull insurance, property taxes, other direct costs defined within the agreements, and major maintenance on aircraft leased at nominal rates. The Company's performance obligation is met when each flight is completed or as the maintenance services are performed, and revenue is recognized and reflected in pass-through and other revenue.

The Company records deferred revenue when cash payments are received or are due from our major partners in advance of the Company's performance, including amounts that are refundable. The Company deferred \$10.7 million and \$23.8 million of revenue during the years ended September 30, 2021 and September 30, 2020, respectively, which was billed to and paid by our major partners. Deferred revenue is recognized as flights are completed over the remaining contract term.

The deferred revenue balance as of September 30, 2021 represents our aggregate remaining performance obligations that will be recognized as revenue over the period in which the performance obligations are satisfied, and is expected to be recognized as revenue as follows (in thousands):

Periods Ending September 30,	Total Revenue
2022	\$ 6,298
2023	10,210
2024	9,997
2025	4,974
2026	1,758
Thereafter	1,263
Total	\$ 34,500

A portion of the Company's compensation under its capacity purchase agreements with American and United is designed to reimburse the Company for certain aircraft ownership costs. Such costs include aircraft principal and interest debt service costs, aircraft depreciation, and interest expense or aircraft lease expense costs while the aircraft is under contract. The Company has concluded that a component of its revenue under these agreements is deemed to be lease revenue, as such agreements identify the "right of use" of a specific type and number of aircraft over a stated period-of-time.

The lease revenue associated with the Company's capacity purchase agreements is accounted for as an operating lease and is reflected as contract revenue on the Company's consolidated statements of operations. The Company recognized \$170.2 million, \$208.9 million, and \$219.0 million of lease revenue for the years ended September 30, 2021, 2020, and 2019, respectively. The Company has not separately stated aircraft rental income and aircraft rental expense in the consolidated statements of operations because the use of the aircraft is not a separate activity from the total service provided under our capacity purchase agreements.

The Company entered into lease agreements with GoJet Airlines LLC ("GoJet") to lease 14 CRJ-700 aircraft as of September 30, 2021. The lease agreements are accounted for as operating leases and have a term of nine (9) years beginning on the delivery date of each aircraft. Under the lease agreements, GoJet pays fixed monthly rent per aircraft and variable lease payments for supplemental rent based on monthly aircraft utilization at fixed rates. Supplemental rent payments are subject to reimbursement following GoJet's completion of qualifying maintenance events defined in the agreements. Lease revenue for fixed monthly rent payments is recognized on a straight-line basis within contract revenue. Lease revenue for supplemental rent is deferred and recognized within contract revenue when it is probable that amounts received will not be reimbursed for future qualifying maintenance events over the lease term.

The Company mitigates the residual asset risks through supplemental rent payments and by leasing aircraft and engine types that can be operated by the Company in the event of a default. Additionally, the operating leases have specified lease return condition requirements and the Company maintains inspection rights under the leases. As of September 30, 2021, the Company recognized \$12.4 million of lease incentive assets, net of amortization, and \$9.7 million of related lease incentive obligations for reimbursement of certain aircraft maintenance costs defined within the lease agreements. Lease incentive assets are amortized on a straight-line basis and recognized as a reduction to lease revenue over the lease term.

Lease revenue recognized under the GoJet agreements, net of amortization of the lease incentive assets, was \$9.5 million for the year ended September 30, 2021. Amounts deferred for supplemental rent payments totaled \$0.8 million as of September 30, 2021. The following table summarizes future minimum rental income under operating leases related to leased aircraft that had remaining non-cancelable lease terms as of September 30, 2021 (in thousands):

	Periods Ending September 30,	Total Payments
2022		\$ 15,288
2023		15,288
2024		15,288
2025		15,288
2026		15,288
Thereafter		54,467
Total		\$ 130,907

4. Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). This ASU introduced a new accounting model known as Credit Expected Credit Losses ("CECL"). CECL requires earlier recognition of credit losses, while also providing additional transparency about credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized. The new standard also applies to receivables arising from revenue transactions such as contract assets and accounts receivables. There are other provisions within the standard affecting how impairments of other financial assets may be recorded and presented, as well as expanded disclosures. Our adoption of this guidance on a modified retrospective basis on October 1, 2020 did not have a material impact as credit losses have not been, and are not expected to be, significant based on historical collection trends, the financial condition of our major partners and external market factors.

In August 2018, the FASB issued new guidance aligning the accounting for implementation costs incurred in cloud computing arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. We adopted this guidance on a prospective basis on October 1, 2020. Amounts capitalized are immaterial.

In December 2019, the FASB issued new guidance to simplify the accounting for income taxes by eliminating certain exceptions allowable under the existing guidance related to the approach for intraperiod tax allocations, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. The guidance is effective for annual and interim reporting periods beginning after December 15, 2020, and interim periods within those fiscal periods. We are currently evaluating the impact that the new guidance will have on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848) ("ASU 2020-04"). This ASU provides optional expedients and exceptions for a limited period of time for accounting for contracts, hedging relationships, and other transactions affected by the London Interbank Offered Rate (LIBOR) or other reference rates expected to be discontinued. Optional expedients can be applied from March 12, 2020 through December 31, 2022. We are currently evaluating the impact that the new guidance will have on our consolidated financial statements.

5. Concentrations of Credit Risk

Financial instruments that potentially expose the Company to a concentration of credit risk consist principally of cash and cash equivalents that are primarily held by financial institutions in the United States and accounts receivable. Amounts on deposit with a financial institution may at times exceed federally insured limits. The Company maintains its cash accounts with high credit quality financial institutions and, accordingly, minimal credit risk exists with respect to the financial institutions. As of September 30, 2021,

the Company had \$3.4 million in restricted cash. We have an agreement with a financial institution for a letter of credit facility and to issue letters of credit for particular airport authorities, worker's compensation insurance, property and casualty insurance and other business needs as required in certain lease agreements. Pursuant to the terms of this agreement, \$3.4 million of outstanding letters of credit are required to be collateralized by amounts on deposit.

Significant customers are those which represent more than 10% of the Company's total revenue or net accounts receivable balance at each respective balance sheet date. At September 30, 2021, the Company had capacity purchase agreements with American and United and a flight services agreement with DHL. Substantially all of the Company's consolidated revenue for the years ended September 30, 2021, 2020 and 2019 and accounts receivable at the end of September 30, 2021 and 2020 was derived from these agreements. In certain cases, the terms of these agreements are not aligned with the lease obligations on the aircraft performing services under such agreements.

Amounts billed by the Company under these agreements are subject to the Company's interpretation of the applicable agreement and are subject to audit by the Company's major partners. Periodically, the Company's major partners dispute amounts billed and pay amounts less than the amount billed. Ultimate collection of the remaining amounts not only depends upon the Company prevailing under the applicable audit, but also upon the financial well-being of the major partner. As such, the Company reviews amounts due based on historical collection trends, the financial condition of major partners and current external market factors and records a reserve for amounts estimated to be uncollectible. The allowance for doubtful accounts was \$0.3 million and \$0.8 million at September 30, 2021 and 2020, respectively. If the Company's ability to collect these receivables and the financial viability of our major partners is materially different than estimated, the Company's estimate of the allowance could be materially impacted.

American accounted for approximately 45%, 52% and 53% of the Company's total revenue for the years ended September 30, 2021, 2020 and 2019, respectively. United accounted for approximately 52%, 48% and 47% of the Company's total revenue for the years ended September 30, 2021, 2020 and 2019, respectively. A termination of either the American or the United capacity purchase agreement would have a material adverse effect on the Company's business prospects, financial condition, results of operations, and cash flows.

6. Intangible Assets

The Company monitors for any indicators of impairment of intangible assets. When certain conditions or changes in the economic situation exist, the assets may be impaired if the carrying amount of the assets is not recoverable and that carrying amount exceeds the asset's fair value.

Information about the intangible assets of the Company at September 30, 2021 and 2020, is as follows (in thousands):

	<u>September 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>
Customer relationship	\$ 43,800	\$ 43,800
Accumulated amortization	(37,008)	(35,768)
Net carrying value	<u>\$ 6,792</u>	<u>\$ 8,032</u>

Total amortization expense recognized was approximately \$1.2 million, \$1.5 million and \$1.8 million for the fiscal years ended September 30, 2021, 2020 and 2019. The Company's intangible assets have a remaining amortization period of 14 years. The Company expects to record amortization expense of \$1.0 million, \$0.9 million, \$0.8 million, \$0.7 million and \$0.6 million for fiscal years 2022, 2023, 2024, 2025, and 2026, respectively, and \$2.8 million of amortization expense thereafter.

7. Balance Sheet Information

Certain significant amounts included in the Company's consolidated balance sheet as of September 30, 2021 and 2020, consisted of the following (in thousands):

	<u>September 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>
Expendable parts and supplies, net:		
Expendable parts and supplies	\$ 29,297	\$ 27,431
Less: obsolescence and other	(4,830)	(4,460)
	<u>\$ 24,467</u>	<u>\$ 22,971</u>
Prepaid expenses and other current assets:		
Deferred offering and reimbursed costs	\$ —	\$ 1,261
Prepaid aviation insurance	2,171	2,396
Other	4,714	12,410
	<u>\$ 6,885</u>	<u>\$ 16,067</u>
Property and equipment, net:		
Aircraft and other flight equipment substantially pledged	\$ 1,611,544	\$ 1,596,174
Other equipment	4,934	5,147
Leasehold improvements	2,776	2,763
Vehicles	1,184	1,032
Building	699	699
Furniture and fixtures	300	302
Total property and equipment	1,621,437	1,606,117
Less: accumulated depreciation	(469,546)	(393,702)
	<u>\$ 1,151,891</u>	<u>\$ 1,212,415</u>
Other assets:		
Investments in equity securities	\$ 25,149	\$ —
Lease incentives	10,957	—
Other	15	742
	<u>\$ 36,121</u>	<u>\$ 742</u>
Other accrued expenses:		
Accrued property taxes	\$ 8,783	\$ 11,354
Accrued interest	2,565	3,268
Accrued vacation	5,936	5,975
Deferred PSP payments	—	11,311
Other	16,373	13,570
	<u>\$ 33,657</u>	<u>\$ 45,478</u>
Other noncurrent liabilities:		
Warrant liabilities	\$ 21,964	\$ —
Lease incentive obligations	6,358	—
Other	6,269	1,409
	<u>\$ 34,591</u>	<u>\$ 1,409</u>

The Company monitors for any indicators of impairment of the long-lived fixed assets. When certain conditions or changes in the economic situation exist, the assets may be impaired and the carrying amount of the assets exceed its fair value. The assets are then tested for recoverability of carrying amount. The Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired, the undiscounted net cash flows estimated to be generated by those assets are less than the carrying amount of those assets, and the net book value of the assets exceeds their estimated fair value.

We group assets at the capacity purchase agreement, flight services agreement, and fleet-type level (i.e., the lowest level for which there are identifiable cash flows). If impairment indicators exist with respect to any of the asset groups, we estimate future cash flows based on projections of capacity purchase or flight services agreement, block hours, maintenance events, labor costs and other relevant factors.

The Company has assessed whether any impairment of its long-lived assets existed and has determined that no charges were deemed necessary under applicable accounting standards as of September 30, 2021. The Company's assumptions about future conditions important to its assessment of potential impairment of its long-lived assets, including the impact of the COVID-19 pandemic to its business, are subject to uncertainty, and the Company will continue to monitor these conditions in future periods as new information becomes available, and will update its analyses accordingly.

Property and Equipment, Net

Depreciation expense on property and equipment totaled \$81.2 million, \$80.8 million and \$76.2 million for the years ended September 30, 2021, 2020, and 2019, respectively.

Other Assets

In connection with a negotiated forward purchase contract for electrically-powered vertical takeoff and landing aircraft ("eVTOL aircraft") executed in February 2021, we obtained equity warrant assets giving us the right to acquire a number shares of common stock in Archer Aviation, Inc. ("Archer"), which at the time of our initial investment was a private, venture-backed company. As the initial investment in Archer did not have a readily determinable fair value, we accounted for this investment using the measurement alternative under ASC 321 and measured the investments at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments from the same issuer. We estimated the initial equity warrant asset value to be \$16.4 million based on publicly available information as of the grant date. In September 2021, the merger between Archer and a special purpose acquisition company ("SPAC") was completed, resulting in a readily determinable fair value of our investments in Archer. Accordingly, gains and losses associated with changes in the fair value of our investments in Archer are measured in earnings, in accordance with ASC 321.

The initial grant date value of the warrants, \$16.4 million, was recognized as a vendor credit liability within other noncurrent liabilities. The liability related to the warrant assets will be settled in the future, as a reduction of the acquisition date value of the eVTOL aircraft contemplated in the related aircraft purchase agreement.

In connection with closing of the merger between Archer and the SPAC described above, in September 2021, we purchased 500,000 Class A common shares in Archer for \$5.0 million, and obtained an additional warrant to purchase shares of Archer with a total grant date value of \$5.6 million. The initial value of the warrants was recognized as a vendor credit liability within other noncurrent liabilities, and will be settled in the future, as a reduction of the acquisition date value of the eVTOL aircraft contemplated in the related aircraft purchase agreement. Because these investments have readily determinable fair values, gains and losses resulting from changes in fair value of the investments are reflected in earnings, in accordance with ASC 321.

Losses on our investments in Archer totaled \$6.8 million during the fiscal year ended September 30, 2021 and are reflected in loss on investments, net in our consolidated statement of operations.

The fair values of the Company's investments in Archer are Level 1 within the fair value hierarchy as the values are determined using quoted prices for the equity securities.

In connection with a negotiated forward purchase contract for fully electric aircraft executed in July 2021, we obtained \$5.0 million of preferred stock in Heart Aerospace Incorporated ("Heart"), a privately held company. Our investment in Heart does not have a readily determinable fair value, so we account for the investment using the measurement alternative under ASC 321 and measure the investment at initial

cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments from the same issuer. We consider a range of factors when adjusting the fair value of these investments, including, but not limited to, the term and nature of the investment, local market conditions, values for comparable securities, current and projected operating performance, financing transactions subsequent to the acquisition of the investment, or other features that indicate a change to fair value is warranted. Any changes in fair value from the initial cost of the investment in preferred stock are recognized as increases or decreases on our balance sheet and as net gains or losses on investments in equity securities, in other income (expense), net. The initial investment in preferred stock was measured at cost of \$5.0 million. There were no observable price changes or transactions as of September 30, 2021 and as such, no adjustments to the initial cost of the equity investment have been recorded.

Unfavorable Lease Liabilities

Prior to the Company's adoption of Topic 842 on October 1, 2019, the Company recorded amortization of an unfavorable lease liability amounting to \$5.7 million for the year ended September 30, 2019 as a reduction to lease expense. Upon the Company's adoption of Topic 842, the unfavorable lease liability is now included in its ROU asset balance and amortized therein. During the year ended September 30, 2019 the Company wrote off \$0.8 million of unfavorable lease liability related to the lease termination of its aircraft lease facility with Wells Fargo Bank Northwest, National Association, as owner trustee and lessor (the "GECAS Lease Facility"), which was accounted for as lease termination expense.

8. Fair Value Measurements

Apart from the equity investments described in Note 7, the Company did not measure any of its assets or liabilities at fair value on a recurring or nonrecurring basis as of September 30, 2021 and 2020.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable included on the consolidated balance sheets approximated fair value at September 30, 2021 and 2020 because of the immediate or short-term maturity of these financial instruments.

The Company's debt agreements are not traded on an active market. The Company has determined the estimated fair value of its debt to be Level 3, as certain inputs used to determine the fair value of these agreements are unobservable and, therefore, could be sensitive to changes in inputs. The Company utilizes the discounted cash flow method to estimate the fair value of Level 3 debt.

The carrying value and estimated fair value of the Company's long-term debt, including current maturities, were as follows (in millions):

	September 30, 2021		September 30, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities ⁽¹⁾	\$ 670.3	\$ 676.8	\$ 743.3	\$ 768.7

⁽¹⁾ Current and prior period long-term debts' carrying and fair values exclude net debt issuance costs.

9. Long-Term Debt, Finance Leases, and Other Borrowings

Long-term debt as of September 30, 2021 and 2020, consisted of the following (in thousands):

	<u>September 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>
Notes payable to financial institution, collateralized by the underlying aircraft, due 2022(1)(2)	\$ —	\$ 41,472
Notes payable to financial institution, collateralized by the underlying aircraft, due 2024(3)	—	55,674
Senior and subordinated notes payable to secured parties, collateralized by the underlying aircraft, due 2027(4)	86,551	105,887
Notes payable to secured parties, collateralized by the underlying aircraft, due 2028(5)	152,100	172,137
Senior and subordinated notes payable to secured parties, collateralized by the underlying aircraft, due 2028(6)	122,762	138,114
Senior and subordinated notes payable to secured parties, collateralized by the underlying aircraft, due 2022(7)	—	47,319
Senior and subordinated notes payable to secured parties, collateralized by the underlying aircraft, due 2022(8)	—	29,682
Notes payable to financial institution due 2020(9)	—	1,523
Notes payable to financial institution, collateralized by the underlying equipment, due 2020(10)	—	4,182
Other obligations due to financial institution, collateralized by the underlying equipment, due 2023(11)	4,581	6,864
Notes payable to financial institution, collateralized by the underlying equipment, due 2024(12)	45,559	63,341
Notes payable to financial institution, collateralized by the underlying aircraft, due 2023(13)	30,625	48,125
Notes payable to financial institution due 2023(14)	4,000	6,000
Revolving credit facility(15)	22,930	22,930
Notes payable to financial institution due 2025(16)	201,227	—
Gross long-term debt, including current maturities	670,335	743,250
Less unamortized debt issuance costs	(9,295)	(11,526)
Less notes payable warrants	(9,630)	—
Net long-term debt, including current maturities	651,410	731,724
Less current portion, net of unamortized debt issuance costs	(111,710)	(189,268)
Net long-term debt	<u>\$ 539,700</u>	<u>\$ 542,456</u>

- (1) In fiscal 2007, the Company financed three CRJ-900 and three CRJ-700 aircraft for \$120.3 million. The debt bears interest at the monthly LIBOR plus 2.25% and requires monthly principal and interest payments. The loan was paid in full during the quarter ended December 31, 2020.
- (2) In fiscal 2014, the Company financed ten CRJ-900 aircraft for \$88.4 million. The debt bears interest at the monthly LIBOR plus 1.95% and requires monthly principal and interest payments. The loan was paid in full during the quarter ended December 31, 2020.
- (3) In fiscal 2014, the Company financed eight CRJ-900 aircraft with \$114.5 million in debt. The debt bears interest at 5.00% and requires monthly principal and interest payments. The loan was paid in full during the quarter ended December 31, 2020.
- (4) In fiscal 2015, the Company financed seven CRJ-900 aircraft with \$170.2 million in debt. The senior notes payable of \$151.0 million bear interest at monthly LIBOR plus 2.71% and require monthly principal and interest payments. The subordinated notes payable is non-interest-bearing and becomes payable in full on the last day of the term of the notes. The Company has imputed an interest rate of 6.25% on the subordinated notes payable and recorded a related discount of \$8.1 million, which is being accreted to interest expense over the term of the notes.

- (5) In fiscal 2016, the Company financed ten E-175 aircraft with \$246.0 million in debt under an EETC financing arrangement (see discussion below). The debt bears interest ranging from 4.75% to 6.25% and requires semi-annual principal and interest payments.
- (6) In fiscal 2016, the Company financed eight E-175 aircraft with \$195.3 million in debt. The senior notes payable of \$172.0 million bear interest at the three-month LIBOR plus a spread ranging from 2.20% to 2.32% and require quarterly principal and interest payments. The subordinated notes payable bear interest at 4.50% and require quarterly principal and interest payments.
- (7) In June 2018, the Company refinanced six CRJ-900 aircraft with \$27.5 million in debt and financed nine CRJ-900 aircraft, which were previously leased, with \$69.6 million in debt. The senior notes payable of \$65.8 million bear interest at the three-month LIBOR plus 3.50% and require quarterly principal and interest payments. The subordinated notes payable of \$29.8 million bear interest at three-month LIBOR plus 7.50% and require quarterly principal and interest payments. The loan was paid in full during the quarter ended December 31, 2020.
- (8) In December 2017, the Company refinanced nine CRJ-900 aircraft with \$74.9 million in debt. The senior notes payable of \$46.9 million bear interest at the three-month LIBOR plus 3.50% and require quarterly principal and interest payments. The subordinated notes payable bear interest at the three-month LIBOR plus 4.50% and require quarterly principal and interest payments. The loan was paid in full during the quarter ended December 31, 2020.
- (9) In fiscal 2015 and 2016, the Company financed certain flight equipment maintenance costs with \$10.2 million in debt. The debt bears interest at the three-month LIBOR plus 3.07% and requires quarterly principal and interest payments.
- (10) In fiscal 2016-2019, the Company financed certain flight equipment. The debt bears interest at the three-month LIBOR plus a spread ranging from 2.93% to 3.21% and requires quarterly principal and interest payments. The loan was paid in full during the quarter ended December 31, 2020.
- (11) In February 2018, the Company leased two spare engines. The leases were determined to be finance leases as the leases contain a bargain purchase option at the end of the term. Imputed interest is 9.128% and the leases require monthly payments.
- (12) In January 2019, the Company financed certain flight equipment with \$91.2 million in debt. The debt bears interest at the monthly LIBOR plus 3.10% and requires monthly principal and interest payments.
- (13) In June 2019, the Company financed ten CRJ-700 aircraft with \$70.0 million in debt, which were previously leased. The debt bears interest at the monthly LIBOR plus 5.00% and requires monthly principal and interest payments.
- (14) On September 27, 2019, the Company financed certain flight equipment for \$8.0 million. The debt bears interest at the monthly LIBOR plus 5.00% and requires monthly principal and interest payments.
- (15) On September 25, 2019, the company extended the term on its \$35.0 million working capital draw loan by three years, which now terminates in September 2022. Interest is assessed on drawn amounts at one-month LIBOR plus 3.75%. During fiscal year 2020, \$23.0 million was drawn to cover operational needs, \$22.9 million of which remained outstanding as of September 30, 2021.
- (16) On October 30, 2020, the Company entered into a Loan and Guarantee Agreement with the U.S. Department of the Treasury for a secured loan facility of up to \$200.0 million that matures on October 30, 2025. On October 30, 2020, the Company borrowed \$43.0 million and on November 13, 2020, the Company borrowed an additional \$152.0 million. These amounts bear interest at the three-month LIBOR plus 3.50% which was paid-in-kind and capitalized into the balance of the loans for the first interest payment date on December 15, 2020. No further borrowings are available under the Loan and Guarantee Agreement.

Principal maturities of long-term debt as of September 30, 2021, and for each of the next five years are as follows (in thousands):

Periods Ending September 30,	Total Principal Amount
2022	\$ 113,682
2023	89,462
2024	61,209
2025	56,526
2026	260,045
Thereafter	89,411
	<u>\$ 670,335</u>

The net book value of collateralized aircraft and equipment as of September 30, 2021 was \$1,027.9 million.

Enhanced Equipment Trust Certificate ("EETC")

In December 2015, an Enhanced Equipment Trust Certificate ("EETC") pass-through trust was created to issue pass-through certificates to obtain financing for new E-175 aircraft. At September 30, 2021, Mesa has \$152.1 million of equipment notes outstanding issued under the EETC financing included in long-term debt on the consolidated balance sheets. The structure of the EETC financing consists of a pass-through trust created by Mesa to issue pass-through certificates, which represent fractional undivided interests in the pass-through trust and are not obligations of Mesa.

The proceeds of the issuance of the pass-through certificates were used to purchase equipment notes which were issued by Mesa and secured by its aircraft. The payment obligations under the equipment notes are those of Mesa. Proceeds received from the sale of pass-through certificates were initially held by a depository in escrow for the benefit of the certificate holders until Mesa issued equipment notes to the trust, which purchased such notes with a portion of the escrowed funds.

Mesa evaluated whether the pass-through trust formed for its EETC financing is a variable interest entity ("VIE") and required to be consolidated. The pass-through trust was determined to be a VIE; however, the Company has determined that it is not the primary beneficiary of the pass-through trust, and therefore, has not consolidated the pass-through trust with its financial statements.

On January 28, 2019, the Company entered into a Term Loan Agreement (the "*Term Loan*") pursuant to which the lenders thereunder lent the Company term loans in the aggregate principal amount of \$91.2 million. Borrowings under the Term Loan bear interest at LIBOR plus 3.10%. This interest rate is significantly lower than the interest rate under the Company's Spare Engine Facility, which the Term Loan refinanced and replaced. The Spare Engine Facility accrued interest at LIBOR plus 7.25%. The Term Loan has a term of five years, with principal and interest payments due monthly over the term of the loan in accordance with an amortization schedule. The Company recorded a loss on extinguishment of debt of \$3.6 million, due to a \$1.9 million write-off of financing fees and \$1.7 million in prepayment penalties, in connection with the repayment of the Spare Engine Facility in fiscal 2019.

On June 14, 2019, the Company completed the purchase of ten CRJ-700 aircraft, which were previously leased under the GECAS Lease Facility, for \$70.0 million. The Company financed the aircraft purchase with \$70.0 million in new debt. The notes payable of \$70.0 million require monthly payments of principal and interest through fiscal 2023 bearing interest at LIBOR plus 5.00%. The Company recorded non-cash lease termination expense of \$9.5 million in connection with the lease buyout in fiscal 2019.

On September 25, 2019, the Company extended the term on its \$35.0 million working capital draw loan by three years, which now terminates in September 2022. Interest is assessed on drawn amounts at one-month LIBOR plus 3.75%. In the 2nd quarter 2020, \$23.0 million was drawn to cover operational needs.

As of September 30, 2021, \$22.9 million of the draw loan remained outstanding. Future borrowings, if any, under this facility are subject to, among other things, the Company having sufficient unencumbered assets to meet the borrowing base requirements under the facility.

On September 27, 2019, the Company financed certain flight equipment for \$8.0 million in new debt. The debt of \$8.0 million require monthly payments of principal and interest through fiscal 2023 bearing interest at Libor plus 5.0%.

On April 9, 2020, the Company entered into a letter amendment with its lender, Export Development Canada (“EDC”), which provided for the deferral of scheduled principle payments beginning on March 19, 2020 through September 30, 2020. During fiscal 2020, the Company deferred \$28.0 million of scheduled principal payments. On October 29, 2020 and November 12, 2020, the Company entered into subsequent letter amendments with EDC extending the principal deferrals through and including August 2, 2021. Amounts deferred were due in lump sum payment on August 2, 2021. There were no other amendments to the terms of the debt agreement with EDC resulting from the letter amendments. As further discussed below, the Company repaid \$167.7 million of existing aircraft debt during the first quarter of fiscal 2021, which included repayment of \$19.9 million of the previously deferred principal payments owed to EDC as of September 30, 2020.

On October 30, 2020, the Company entered into a Loan and Guarantee Agreement with U.S. Department of the Treasury (the “U.S. Treasury”) for a secured loan facility of up to \$200.0 million that matures in October 2025 (“the Treasury Loan”). On October 30, 2020, the Company borrowed \$43.0 million and on November 13, 2020, the Company borrowed an additional \$152.0 million. No further borrowings are available under the Treasury Loan. The Company also issued warrants to purchase shares of common stock to the U.S. Treasury.

The Treasury Loan bears interest at a variable rate equal to (a)(i) the LIBOR rate divided by (ii) one minus the Eurodollar Reserve Percentage plus (b) 3.50%. Accrued interest on the loans is payable in arrears on the first business day following the 14th day of each March, June, September, and December, beginning with December 15, 2020.

All principal amounts outstanding under the Treasury Loan are due and payable in a single installment on October 30, 2025 (the “Maturity Date”). Interest is paid in kind by increasing the principal amount of the loan by the amount of such interest due on an interest payment date for the first 12 months of the loan. Mesa’s obligations under the Treasury Loan are secured by certain aircraft, aircraft engines, accounts receivable, ground service equipment, and tooling (collectively, the “Collateral”). The obligations under the Treasury Loan are guaranteed by the Company and Mesa Air Group Inventory Management. The proceeds were used for general corporate purposes and operating expenses, to the extent permitted by the CARES Act. Voluntary prepayments of loans under the Treasury Loan may be made, in whole or in part, by Mesa Airlines, without premium or penalty, at any time and from time to time. Amounts prepaid may not be reborrowed. Mandatory prepayments of loans under the Treasury Loan are required, without premium or penalty, to the extent necessary to comply with the covenants discussed below, certain dispositions of the Collateral, certain debt issuances secured by liens on the Collateral and certain insurance payments related to the Collateral. In addition, if a “change of control” (as defined in the Treasury Loan) occurs with respect to Mesa Airlines, Mesa Airlines will be required to repay the loans outstanding under the Treasury Loan.

The Treasury Loan requires the Company, under certain circumstances, including within ten (10) business days prior to the last business day of March and September of each year beginning March 2021, to appraise the value of the Collateral and recalculate the collateral coverage ratio. If the calculated collateral coverage ratio is less than 1.6 to 1.0, Mesa Airlines will be required either to provide additional Collateral (which may include cash collateral) to secure its obligations under the Treasury Loan or repay the term loans under the Treasury Loan, in such amounts that the recalculated collateral coverage ratio, after giving effect to any such additional Collateral or repayment, is at least 1.6 to 1.0.

The Treasury Loan contains two financial covenants, a minimum collateral coverage ratio and a minimum liquidity level. The Treasury Loan also contains customary negative and affirmative covenants for credit facilities of this type, including, among others: (a) limitations on dividends and distributions; (b) limitations on the creation of certain liens; (c) restrictions on certain dispositions, investments and acquisitions; (d) limitations on transactions with affiliates; (e) restrictions on fundamental changes to the business, and (f) restrictions on lobbying activities. Additionally, the Company is required to comply with the relevant provisions of the CARES Act, including limits on employment level reductions after September 30, 2020, restrictions on dividends and stock buybacks, limitations on executive compensation, and requirements to maintain certain levels of scheduled service.

In connection with the Treasury Loan and as partial compensation to the U.S. Treasury for the provision of financial assistance under the Treasury Loan, the Company issued to the U.S. Treasury warrants to purchase an aggregate of 4,899,497 shares of the Company's common stock at an exercise price of \$3.98 per share, which was the closing price of the Common Stock on The Nasdaq Stock Market on April 9, 2020. The exercise price and number of shares of common stock issuable under the Warrants are subject to adjustment as a result of anti-dilution provisions contained in the Warrants for certain stock issuances, dividends, and other corporate actions. The warrants expire on the fifth anniversary of the date of issuance and are exercisable either through net share settlement or net cash settlement, at the Company's option. For accounting purposes, the fair value for the Warrant was estimated using a Black-Scholes option pricing model and recorded in stockholders' equity with an offsetting debt discount to the Treasury Loan in the condensed consolidated balance sheet.

The Company incurred \$3.1 million in debt issuance costs relating to the Treasury Loan. In accordance with the applicable guidance, Mesa allocated the debt issuance costs between the Treasury Loan and related warrants. At funding on October 30, 2020, the initial \$43.0 million was recorded net of \$0.7 million in capitalized debt issuance costs. At funding on November 13, 2020, the remaining \$152.0 million was recorded net of \$2.3 million in capitalized debt issuance costs. The remaining \$0.1 million in debt issuance costs was allocated to the warrants as a reduction to the warrant value within additional paid-in capital. Debt issuance costs allocated to the debt are amortized into interest expense using the effective interest method over the term of the related loan.

Prior to the November 13, 2020 funding of the \$152.0 million portion of the Treasury Loan, the Company repaid \$167.7 million in existing aircraft debt covering 44 aircraft, including indebtedness under its (a) Senior Loan Agreements, dated June 27, 2018, (b) Junior Loan Agreements, also dated June 27, 2018, (c) Credit Agreements, dated January 31, 2007, April 16, 2014, and May 23, 2014, (d) Senior Loan Agreements, dated December 27, 2017, and (e) Junior Loan Agreements, also dated December 27, 2017 (collectively, "the EDC Loans"). The Company made payments totaling \$164.2 million to repay the EDC Loans, consisting of principal of \$167.7 million, and a \$3.5 million discount on the balance owed. Additionally, in connection with the repayment, \$2.5 million of unamortized original issue discount and deferred financing costs were recorded as a loss on debt extinguishment, resulting in a net gain on extinguishment of \$1.0 million recorded within other income.

As of September 30, 2021, the Company is in compliance with all debt covenants.

10. Earnings Per Share

Calculations of net income per common share were as follows (in thousands, except per share data):

	Year Ended September 30,		
	2021	2020	2019
Net income	\$ 16,588	\$ 27,464	\$ 47,580
Basic weighted average common shares outstanding	35,713	35,237	34,764
Add: Incremental shares for:			
Dilutive effect of warrants	2,543	—	—
Dilutive effect of restricted stock	587	71	300
Diluted weighted average common shares outstanding	38,843	35,308	35,064
Net income per common share			
Basic	\$ 0.46	\$ 0.78	\$ 1.37
Diluted	\$ 0.43	\$ 0.78	\$ 1.36

Basic income per common share is computed by dividing net income attributable to Mesa Air Group by the weighted average number of common shares outstanding during the period.

The number of incremental shares from the assumed issuance of shares relating to restricted stock and exercise of warrants (excluding warrants with a nominal conversion price) is calculated by applying the treasury stock method. Share-based awards and warrants whose impact is considered to be anti-dilutive under the treasury stock method were excluded from the diluted net income per share calculation. In loss periods, these incremental shares are excluded from the calculation of diluted loss per share, as the inclusion of unvested restricted stock and warrants would have an anti-dilutive effect. There were no anti-dilutive shares relating to restricted stock and exercise of warrants that were excluded from the calculation of diluted net income per share for the years ended September 30, 2021, 2020, and 2019.

11. Common Stock

The Company previously issued warrants to third parties, which had a five-year term to be converted to common stock at an exercise price of \$0.004 per share. Persons who were not U.S. citizens held certain of these outstanding warrants. The warrants are exercisable if consistent with federal law, which requires that no more than 24.9% of the Company's stock be voted, directly or indirectly, or controlled by persons who are not U.S. citizens. The warrants can be converted to common stock upon warrant holders demonstrating U.S. citizenship or if consistent with above described federal law ownership limitations. In June 2018, the Company and holders agreed to extend the term of outstanding warrants set to expire by five years (through fiscal year 2023). By fiscal 2020, all outstanding warrants had been fully exercised.

On June 28, 2018, the Company agreed with GE Capital Aviation Services LLC ("*GE Capital*") to terminate a warrant to purchase 250,000 shares of common stock held by GE Capital.

In July 2018, the Company's Board of Directors and Compensation Committee approved the issuance of shares of restricted common stock under its 2018 Plan immediately following completion of the Company's IPO to certain of its employees and directors in exchange for the cancellation of existing restricted phantom stock units, unvested restricted shares, and stock appreciation rights ("*SARs*"). The shares of restricted common stock issued under the 2018 Plan in exchange for the cancellation of restricted phantom stock units, unvested restricted shares, and *SARs* are subject to vesting on the same terms set forth in the prior vesting schedules and are not subject to acceleration in connection with the 2018 Plan issuances.

On August 8, 2018, the Company filed its Second Amended and Restated Articles of Incorporation, which, among other things: (i) effected a 2.5-for-1 stock split of its common stock; and (ii) increased the authorized number of shares of its common and preferred stock to 125,000,000 and 5,000,000, respectively. All references to share and per share amounts in the Company's consolidated financial statements have been retrospectively revised to reflect the stock split and increase in authorized shares.

On August 14, 2018, the Company completed its IPO, in which it issued and sold 9,630,000 shares of common stock, no par value, at a public offering price of \$12.00 per share (the "*Firm Shares*"). Additionally, in connection with the IPO, the Company granted the underwriters an option to purchase up to an additional 1,444,500 shares of common stock at the same price. On September 11, 2018, the Company closed the sale of 1,344,500 shares ("*Option Shares*") of its common stock, in connection with the partial exercise of the overallotment option granted to the underwriters in its IPO. Of the 1,344,500 Option Shares sold, 723,985 were purchased directly from the Company and the remaining 620,515 shares were purchased directly from the selling shareholders. The Firm Shares and Option Shares were sold to the public for a price of \$12.00 per share. The aggregate gross proceeds to us from the IPO were approximately \$124.2 million. We received \$111.7 million in net proceeds after deducting \$8.7 million of underwriting discounts and commissions and \$3.6 million in offering costs.

On April 9, 2019, and pursuant to Section 4.4 of the 2018 Plan, the board of directors approved an increase in the number of shares authorized for issuance under the 2018 Plan by 1,000,000 shares of common stock resulting in a total of 3,500,000 authorized shares.

On October 30, 2020, the Company entered into the Loan and Guarantee Agreement (the "*Treasury Loan*") with the U.S. Treasury and the Bank of New York Mellon, as Administrative and Collateral Agent, under the Coronavirus Aid, Relief, and Economic Security Act ("*CARES Act*").

In connection with the Treasury Loan and as partial compensation to the U.S. Treasury for the provision of financial assistance under the Treasury Loan, the Company issued warrants to the U.S. Treasury to purchase shares of the Company's common stock, no par value, at an exercise price of \$3.98 per share (the "*Exercise Price*"), which was the closing price of the common stock on The Nasdaq Stock Market on April 9, 2020. The warrants were issued pursuant to the terms of a Treasury Warrant Agreement entered into by the Company and the U.S. Treasury. The exercise price and number of warrant shares issuable under the warrants are subject to adjustment as a result of anti-dilution provisions contained in the warrants for certain stock issuances, dividends, and other corporate actions. The warrants expire on the fifth anniversary of the date of issuance and are exercisable either through net share settlement or net cash settlement, at the Company's option. The warrants are accounted for within equity at a grant date fair value determined under the Black Scholes Option Pricing Model. As of September 30, 2021, 4,899,497 warrants were issued and outstanding.

The Company has not historically paid dividends on shares of its common stock. Additionally, the Treasury Loan and the Company's aircraft lease facility (the "*RASPRO*" Lease Facility) with RASPRO Trust 2005, a pass-through trust contains restrictions that limit the Company's ability to or prohibit it from paying dividends to holders of its common stock.

12. Income Taxes

The provision for income taxes consists of the following:

	Years Ended September 30,		
	2021	2020	2019
	(in thousands)		
Current			
Federal	\$ (39)	\$ —	\$ (138)
State	202	297	341
	<u>\$ 163</u>	<u>\$ 297</u>	<u>\$ 203</u>
Deferred			
Federal	4,494	8,404	13,238
State	1,171	830	2,265
	<u>\$ 5,665</u>	<u>\$ 9,234</u>	<u>\$ 15,503</u>
Provision for income taxes	<u>\$ 5,828</u>	<u>\$ 9,531</u>	<u>\$ 15,706</u>

The reconciliation between the effective tax rate on income from continuing operations and the statutory tax rate is as follows:

	Years Ended September 30,		
	2021	2020	2019
	(in thousands)		
Income tax expense at federal statutory rate	\$ 4,707	\$ 7,769	\$ 13,290
Increase (reduction) in income taxes resulting from:			
State taxes, net of federal tax benefit	669	968	1,785
Nondeductible stock compensation expenses	(241)	524	(21)
Permanent items	292	314	261
Change in valuation allowances	(140)	1,173	(50)
162(m) limitation	12	14	119
Impact of changing rates on deferred tax assets	509	(2,313)	484
Expired tax attributes	152	633	111
Other	(132)	449	(273)
Income tax expense	<u>\$ 5,828</u>	<u>\$ 9,531</u>	<u>\$ 15,706</u>

The components of the Company's deferred taxes as of September 30, 2021 and 2020 are as follows:

	Years Ended September 30,	
	2021	2020
	(in thousands)	
Net operating loss carryforwards	\$ 121,604	\$ 113,402
Deferred credits	899	1,485
Other accrued expenses	2,682	2,842
Prepays and other	1,969	1,632
Warrant liabilities	5,018	—
State alternative minimum tax	1	1
Other reserves and estimated losses	729	641
Operating lease liabilities	15,226	24,263
Deferred revenue	1,439	—
Gross deferred tax assets	\$ 149,567	\$ 144,266
Less: valuation allowance	(2,922)	(3,063)
Total net deferred tax assets	\$ 146,645	\$ 141,203
Intangible assets	(1,552)	(1,830)
Operating lease right-of-use assets	(11,467)	(19,210)
Property and equipment	(200,105)	(184,438)
Unrealized losses on equity investments	(3,461)	—
Total deferred tax liabilities	\$ (216,585)	\$ (205,478)
Net deferred tax liability	\$ (69,940)	\$ (64,275)

The Company has federal and state income tax NOL carryforwards of \$541.3 million and \$235.7 million, which expire in fiscal years 2027-2038 and 2021-2041, respectively. Approximately \$130.7 million of our federal NOL carryforwards are not subject to expiration. These NOL carryovers are only available to offset 80% of taxable income in years in which they are utilized due to tax law changes as a result of the Tax Cuts and Jobs Act.

The Company believes that it is more likely than not that the benefit from certain state NOL carryforwards will not be realized. In recognition of this risk, the Company has provided a valuation allowance of \$2.9 million as of September 30, 2021 and \$3.1 million as of September 30, 2020 on the deferred tax assets related to these state NOL carryforwards. If or when recognized, the tax benefits related to any reversal of the valuation allowance on deferred tax assets will be recognized as a reduction of income tax expense.

The federal and state NOL carryforwards in the income tax returns filed included unrecognized tax benefits. The deferred tax assets recognized for those NOLs are presented net of these unrecognized tax benefits.

Because of the change of ownership provisions of the Tax Reform Act of 1986, the use of a portion of our NOL and tax credit carryforwards may be limited in future periods. Further, a portion of the carryforwards may expire before being applied to reduce future income tax liabilities. The Company determined it had an ownership change in February of 2009. Based on the study conducted at that time, a portion of the federal NOLs were determined to be limited by IRC Section 382, resulting in the Company writing off a portion of its NOLs at that time. Additionally, the Company's initial public offering in August of 2018 resulted in a change in ownership under Section 382 of the Internal Revenue Code. The Company completed an update to the analysis of any potential limitation on the use of its net operating losses under Section 382 for the fiscal year ended September 30, 2021. Based on such analysis, the Company does not believe any ownership changes during the review period will further limit its ability to use its current net operating losses to offset future taxable income, if any.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits:

	Years Ended September 30,		
	2021	2020	2019
	(in thousands)		
Unrecognized tax benefits — October 1	\$ 4,866	\$ 4,688	\$ 4,688
Gross decreases — tax positions in prior period	—	—	—
Gross increases — tax positions in prior period	—	178	—
Unrecognized tax benefits — September 30	\$ 4,866	\$ 4,866	\$ 4,688

The Company's unrecognized tax benefits of \$4.9 million, \$4.9 million and \$4.7 million as of September 30, 2021, 2020 and 2019, respectively, is included as an offset to the net deferred tax asset balance. If recognized, the balance of the uncertain tax benefits would impact the effective tax rate.

We recognize interest accrued related to unrecognized tax benefits and penalties as income tax expense. We have not recorded accrued penalties or interest related to the unrecognized tax benefits noted above as the amounts would result in an adjustment to NOL carryforwards.

We are subject to taxation in the United States and various states. As of September 30, 2021, the Company is no longer subject to U.S. federal or state examinations by taxing authorities for fiscal years prior to 2001.

13. Share-Based Compensation

Restricted Stock

In July 2018, the Company's Board of Directors and Compensation Committee approved the issuance of shares of restricted common stock under its 2018 Plan immediately following the IPO to certain of its employees and directors in exchange for the cancellation of existing restricted phantom stock units, unvested restricted shares, and SARs. The shares of restricted common stock issued under the 2018 Plan in exchange for the cancellation of restricted phantom stock units, unvested restricted shares, and SARs are subject to vesting on the same terms set forth in the prior vesting schedules and are not subject to acceleration in connection with the 2018 Plan issuances. There were 966,022 vested SARs which were cancelled, exchanged for shares of restricted common stock, and issued as restricted stock upon completion of the IPO. Immediately following the IPO, 2,249,147 shares were issued to certain of its employees and directors under the 2018 Plan in exchange for the cancellation of 491,915 unvested restricted phantom stock units, 491,198 unvested restricted shares issued under the 2011 and 2017 Plans and 1,266,034 SARs (966,022 vested and 300,012 unvested). The Company has the right to withhold shares to satisfy tax withholding obligations and the withheld shares become available for future grants. The shares are valued at the grant date based upon recent share transactions. In April 2019, the Company's Board of Directors increased the number of authorized shares of common stock to management under the 2018 Plan from 2,500,000 to 3,500,000. The maximum aggregate number of shares of common stock that may be issued under our 2018 Plan will be cumulatively increased on January 1, 2020 and on each subsequent January 1 through and including January 1, 2028, by a number of shares equal to the smaller of (a) 1% of the number of shares issued and outstanding on the immediately preceding December 31, or (b) an amount determined by our Board. From inception of the 2018 Plan, 3,827,493 shares have been awarded, 2,748,042 shares have vested and 73,245 shares have been cancelled.

The restricted stock activity for our years ended September 30, 2021, 2020 and 2019 is summarized as follows:

2018 Plan	Number of Shares	Weighted- Average Grant Date Fair Value
Restricted shares unvested at September 30, 2018	1,250,625	\$ 9.59
Granted	321,926	8.94
Vested	(701,582)	9.25
Cancelled	(22,995)	12.00
Restricted shares unvested at September 30, 2019	847,974	\$ 9.56
Granted	910,297	3.97
Vested	(555,473)	9.21
Cancelled	(7,250)	7.89
Restricted shares unvested at September 30, 2020	1,195,548	\$ 5.47
Granted	346,123	9.53
Vested	(492,465)	6.89
Cancelled	(43,000)	4.57
Restricted shares unvested at September 30, 2021	1,006,206	\$ 6.22

The Company has granted restricted stock units ("RSUs") as part of its long-term incentive compensation to employees and non-employee members of the Board of Directors. RSUs generally vest over a period of 3 to 5 years for employees and one year for members of the Board of Directors. The restricted common stock underlying RSUs are not deemed issued or outstanding upon grant, and do not carry any voting rights. RSUs are measured based on the fair market value of the underlying common stock on the grant date.

As of September 30, 2021, there was \$5.1 million of total unrecognized compensation cost related to unvested share-based compensation arrangements, which is expected to be recognized over a weighted-average period of 1.9 years.

Compensation cost for share-based awards are recognized on a straight-line basis over the vesting period. The Company recognizes forfeitures of share-based awards as they occur. Share-based compensation expense for the years ended September 30, 2021, 2020, and 2019 was \$3.1 million, \$4.4 million, and \$5.5 million, respectively. Share-based compensation expense is recorded in general and administrative expenses in the consolidated statements of operations.

The Company repurchased 155,174 shares of its common stock for \$1.5 million to cover the income tax obligation on vested employee equity awards during the fiscal year ended September 30, 2021. The Company repurchased 142,439 shares of its common stock for \$0.6 million to cover the income tax obligation on vested employee equity awards and warrant conversions during the fiscal year ended September 30, 2020. During the fiscal year ended September 30, 2019, the Company repurchased 205,235 shares of its common stock for \$1.9 million to cover the income tax obligation on vested employee equity awards.

14. Employee Stock Purchase Plan

2019 ESPP

The Mesa Air Group, Inc. 2019 Employee Stock Purchase Plan (the "2019 ESPP") is a nonqualified plan that provides eligible employees of Mesa Air Group, Inc. with an opportunity to purchase Mesa Air

Group, Inc. ordinary shares through payroll deductions. Under the 2019 ESPP, eligible employees may elect to contribute 1% to 15% of their eligible compensation during each semi-annual offering period to purchase Mesa Air Group, Inc. ordinary shares at a 10% discount.

A maximum of 500,000 Mesa Air Group, Inc. ordinary shares may be issued under the 2019 ESPP. As of September 30, 2021, eligible employees purchased and the Company issued an aggregate of 194,194 Mesa Air Group, Inc. ordinary shares under the 2019 ESPP, 94,550 of which were purchased and issued during the current fiscal year.

15. Leases

At September 30, 2021, the Company leased 17 aircraft, airport facilities, office space, and other property and equipment under non-cancelable operating leases. The leases require the Company to pay taxes, maintenance, insurance, and other operating expenses. Rental expense is recognized on a straight-line basis over the lease term, net of lessor rebates and other incentives. The Company expects that, in the normal course of business, such operating leases that expire will be renewed or replaced by other leases, or the property may be purchased rather than leased. Aggregate rental expense under all operating aircraft, equipment and facility leases totaled approximately \$44.6 million, \$51.4 million, and \$57.3 million for the year ended September 30, 2021, 2020, and 2019, respectively.

The components of our operating lease costs were as follows (in thousands):

	<u>Year Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Operating lease costs	\$ 37,929	\$ 40,116
Variable and short-term lease costs	6,708	11,277
Total lease costs	<u>\$ 44,637</u>	<u>\$ 51,393</u>

As of September 30, 2021, the Company's operating lease right-of-use assets were \$93.1 million, the Company's current maturities of operating lease liabilities were \$32.7 million, and the Company's noncurrent lease liabilities were \$34.0 million.

The Company's operating lease payments included in operating cash flows for the year ended September 30, 2021 and 2020 was \$47.6 million and \$44.2 million, respectively.

The table below presents the weighted average remaining terms and discount rates for our operating leases as of September 30, 2021:

<u>As of September 30, 2021</u>	
Weighted average remaining lease term	2.7 years
Weighted average discount rate	4.2%

The following table summarizes future minimum rental payments, primarily related to leased aircraft, required under operating leases that had initial or remaining non-cancelable lease terms as of September 30, 2021 (in thousands):

Periods Ending September 30,	Total Maturities
2022	\$ 34,556
2023	17,070
2024	15,418
2025	2,129
2026	796
Total lease payments	69,969
Less: imputed interest	(3,326)
Amounts recorded in the consolidated balance sheet	\$ 66,643

RASPRO Lease Facility. On September 23, 2005, Mesa Airlines, as lessee, entered into the RASPRO Lease Facility, with RASPRO as lessor, for 15 of our CRJ-900 aircraft. The obligations under the RASPRO Lease Facility are guaranteed by us, and basic rent is paid quarterly on each aircraft. On each of March 10, 2014, June 5, 2014, and December 8, 2017, the RASPRO Lease Facility was amended to defer certain payments of basic rent (the "*Deferred Amounts*"). Until the principal of and accrued interest on the *Deferred Amounts* are paid in full: (i) we and Mesa Airlines are prohibited from paying any dividends to holders of our common stock, (ii) we are prohibited from repurchasing any of our warrants or other equity interests, (iii) Mesa Airlines must maintain a minimum of \$35.0 million of cash, cash equivalents and availability under lines of credit, (iv) Mesa Airlines must provide RASPRO with periodic monthly, quarterly and annual reports containing certain financial information and forecasted engine repair costs and (v) we must maintain a minimum debt-to-assets ratio.

In June 2020, the Company amended its RASPRO aircraft lease agreement to defer a \$4.0 million lease payment otherwise due in June 2020. Per the amended agreement dated June 5, 2020, the Company is required to pay this amount over the period of September 2021 through March 2024. The Company made the accounting election available for COVID-19 related concessions provided by a lessor and accordingly, this was not a lease modification and required no changes to current accounting treatment. As of September 30, 2021, we were in compliance with the covenants in the RASPRO Lease Facility.

16. Commitments and Contingencies

Litigation

The Company is subject to two putative class action lawsuits alleging federal securities law violations in connection with our IPO, one in the Superior Court of the State of Arizona and one in U.S. District Court of Arizona. These purported class actions were filed in March and April 2020 against the Company, certain current and former officers and directors, and certain underwriters of the Company's IPO. The state and federal lawsuits each make the same or similar allegations of violations of the Securities Act of 1933, as amended, for allegedly making materially false and misleading statements in, or omitting material information from, our IPO registration statement. The plaintiffs seek unspecified monetary damages and other relief. In addition, we are subject to certain legal actions which we consider routine to our business activities. As of September 30, 2021, our management believed that the ultimate outcomes of the two putative class action lawsuits and such other routine legal matters are not likely to have a material adverse effect on our financial position, liquidity, or results of operations.

The Company is involved in various legal proceedings (including, but not limited to, insured claims) and FAA civil action proceedings that the Company does not believe will have a material adverse effect

upon its business, financial condition, or results of operations, although no assurance can be given to the ultimate outcome of any such proceedings. See Item 3: "Legal Proceedings".

Engine Purchase Commitments

On February 26, 2021, the Company and General Electric Company ("GE"), acting through its GE-Aviation business unit, entered into an Amended and Restated Letter Agreement No. 13-3. The Company agreed to purchase and take delivery of ten (10) new CF34-8C5 or CF34-8E5 engines with delivery dates starting from July 1, 2021 through November 1, 2022. During the quarter ended March 31, 2021, a \$7.0 million non-refundable purchase deposit was made for the first five engines to be delivered in calendar year 2021. The Company has options to purchase an additional ten (10) similar engines beyond 2022. The total purchase commitment related to these ten (10) engines is approximately \$52.2 million. In July 2021, the Company completed the purchase of one engine.

If the Company fails to accept delivery of the spare engines when duly tendered, the Company may be assessed a minimum cancellation charge based on the engine price determined as of the date of scheduled engine delivery to the Company.

Electric Aircraft Forward Purchase Commitments

As described in Note 7, in February 2021, the Company entered into a forward purchase contract with Archer for a number of electrically-powered vertical takeoff and landing aircraft ("eVTOL aircraft"). The aggregate base commitment for the eVTOL aircraft is \$200.0 million, with an option to purchase additional aircraft. The Company's obligation to purchase the eVTOL aircraft is subject to the Company and Archer first agreeing in the future to a number of terms and conditions, which may or may not be met.

As described in Note 7, in July 2021, the Company entered into a forward purchase contract with Heart for a number of fully electric aircraft. The maximum aggregate base commitment for the aircraft is \$1,200.0 million, with an option to purchase additional aircraft. The Company's obligation to purchase the aircraft is subject to the Company and Heart first agreeing in the future to a number of terms and conditions, which may or may not be met.

Other Commitments

We have certain contracts for goods and services that require us to pay a penalty, acquire inventory specific to us or purchase contract-specific equipment, as defined by each respective contract, if we terminate the contract without cause prior to its expiration date. Because these obligations are contingent on our termination of the contract without cause prior to its expiration date, no obligation would exist unless such a termination occurs.

ITEM 9.CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A.CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The term “disclosure controls and procedures” is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Under the supervision and with the participation of our management, including our Chief Executive Officer “CEO” and Chief Financial Officer “CFO”, we performed an evaluation of our disclosure controls and procedures, which have been designed to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported accurately and within the time periods specified in the SEC rules and forms. Our management, including our CEO and CFO, concluded that, as of September 30, 2021, those controls and procedures were, in design and operation, effective at the reasonable assurance level to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our CEO and CFO concluded that there has not been any change in our internal control over financial reporting during that quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs

Management's Annual Report on Internal Control Over Financial Reporting

As required by SEC rules and regulations implementing Section 404 of the Sarbanes-Oxley Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company,
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect errors or misstatements in our financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of our internal control over financial reporting at September 30, 2021. In making these assessments, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on our assessments and those criteria, management determined that we maintained effective internal control over financial reporting as of September 30, 2021.

Attestation Report of the Registered Public Accounting Firm

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm on our internal control over financial reporting due to an exemption established by the JOBS Act for “emerging growth companies”.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required to be disclosed by this item is incorporated herein by reference to our 2022 Proxy Statement, which we expect to file with the SEC within 120 days after the end of our fiscal year ended September 30, 2021.

We have a code of conduct and ethics that applies to all employees, including our principal executive officer and principal financial officer, as well as to the members of our Board of Directors. The code is available at investor.mesa-air.com/corporate-governance/governance-overview. We intend to disclose any changes in, or waivers from, this code by posting such information on the same website or by filing a Current Report on Form 8-K, in each case to the extent such disclosure is required by rules of the SEC or The Nasdaq Global Select Market.

ITEM 11. EXECUTIVE COMPENSATION

The information required to be disclosed by this item is incorporated herein by reference to our 2022 Proxy Statement which we expect to file with the SEC within 120 days after the end of our fiscal year ended September 30, 2021.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required to be disclosed by this item is incorporated herein by reference to our 2022 Proxy Statement which we expect to file with the SEC within 120 days after the end of our fiscal year ended September 30, 2021.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required to be disclosed by this item is incorporated herein by reference to our 2022 Proxy Statement which we expect to file with the SEC within 120 days after the end of our fiscal year ended September 30, 2021.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required to be disclosed by this item is incorporated herein by reference to our 2022 Proxy Statement which we expect to file with the SEC within 120 days after the end of our fiscal year ended September 30, 2021.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. *Consolidated Financial Statements*

The financial statements filed as part of this Annual Report on Form 10-K are listed in the "*Index to Consolidated Financial Statements*" under Part II, Item 8 of this Annual Report on Form 10-K.

2. *Financial Statement Schedules*

All schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or notes to the consolidated financial statements under Part II, Item 8 of this Annual Report on Form 10-K.

3. *Exhibits*

The exhibits listed below are filed as part of this Annual Report. References under the caption "*Incorporated by Reference*" to exhibits or other filings indicate that the exhibit or other filing has been filed, that the indexed exhibit and the exhibit referred to are the same and that the exhibit referred to is incorporated by reference. Management contracts and compensatory plans or arrangements filed as exhibits to this Annual Report are identified by the "#" sign.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1	Second Amended and Restated Articles of Incorporation of the Registrant	8-K	August 14, 2018	3.1	
3.2	Amended and Restated Bylaws of the Registrant	8-K	August 14, 2018	3.2	
3.3	Second Amended and Restated Bylaws of the Registrant	8-K	December 10, 2020	3.1	
4.1	Form of Common Stock Certificate	S-1/A	August 6, 2018	4.1	
4.2	Description of Capital Stock				X
4.3	Warrant Agreement, dated October 30, 2020, between Mesa Air Group, Inc. and the United States Department of the Treasury.	10-K	December 14, 2020	4.3	
4.4	Form of Warrant (incorporated by reference to Annex B to Exhibit 4.3)	10-K	December 14, 2020	4.4	
10.5#	Mesa Air Group, Inc. 2018 Equity Incentive Plan and related forms of agreement	S-8	August 16, 2019	99.1	
10.6#	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers	S-1	July 13, 2018	10.5	
10.7#	Amended and Restated Employment Agreement between the Registrant and Jonathan G. Ornstein, dated July 26, 2018	S-1/A	July 30, 2018	10.7	
10.8#	Amended and Restated Employment Agreement between the Registrant and Michael J. Lotz, dated July 26, 2018	S-1/A	July 30, 2018	10.8	
10.9#	Amended and Restated Employment Agreement between the Registrant and Brian S. Gillman, dated July 26, 2018	S-1/A	July 30, 2018	10.9	
10.10#	Employment Agreement between the Registrant and Torque Zubeck, dated February 23, 2021				X
10.11.1††	Amended and Restated United Capacity Purchase Agreement between United Airlines, Inc. and Mesa Airlines, Inc., dated as of November 25, 2019	10-Q	February 10, 2020	10.1	
10.11.2††	First Amendment to the Amended and Restated United Capacity Purchase Agreement between United Airlines, Inc., and Mesa Airlines, Inc. dated September 10, 2020, effective as of April 1, 2020	10-K	December 14, 2020	10.10.14	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.11.3††	Second Amended and Restated United Capacity Purchase Agreement between United Airlines, Inc. and Mesa Airlines, Inc. dated November 4, 2020	10-K	December 14, 2020	10.10.15	
10.11.4††	First Amendment to the Second Amended and Restated United Capacity Purchase Agreement between United Airlines, Inc. and Mesa Airlines, Inc. dated September 22, 2021				X
10.12.1††	Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated November 19, 2020, effective as of January 1, 2021	10-Q	February 9, 2021	10.1.1	
10.12.2††	First Amendment to the Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated November 19, 2020, effective January 1, 2021	10-Q	February 9, 2021	10.1.2	
10.12.3††	Amendment No. 2 to the Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated April 9, 2021	10-Q	August 9, 2021	10.2.1	
10.12.4††	Amendment No. 3 to the Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated April 19, 2021	10-Q	August 9, 2021	10.2.2	
10.12.5††	Amendment No. 4 to the Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated June 9, 2021	10-Q	August 9, 2021	10.2.3	
10.12.6††	Amendment No. 5 to the Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated August 9, 2021				X
10.13.1	Credit and Guaranty Agreement among the Registrant, Mesa Airlines, Inc., Mesa Air Group Airline Inventory Management, L.L.C., the other guarantors party thereto from time to time, CIT Bank, N.A. and the other lenders party thereto, dated August 12, 2016	S-1/A	July 30, 2018	10.12.1	
10.13.2	Amendment No. 1 to Credit Agreement among the Registrant, Mesa Airlines, Inc., Mesa Air Group Airline Inventory Management, L.L.C. and CIT Bank, N.A., dated June 5, 2017	S-1/A	July 30, 2018	10.12.2	
10.13.3	Amendment No. 2 to Credit Agreement among the Registrant, Mesa Airlines, Inc., Mesa Air Group Airline Inventory Management, L.L.C. and CIT Bank, N.A., dated June 27, 2017	S-1/A	July 30, 2018	10.12.3	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.13.4	Amendment No. 3 to Credit Agreement among the Registrant, Mesa Airlines, Inc., Mesa Air Group Airline Inventory Management, L.L.C. and CIT Bank, N.A., dated September 19, 2017	S-1/A	July 30, 2018	10.12.4	
10.13.5	Amendment No. 4 to Credit Agreement among the Registrant, Mesa Airlines, Inc., Mesa Air Group Airline Inventory Management, L.L.C. and CIT Bank, N.A., dated April 27, 2018.	S-1/A	July 30, 2018	10.12.5	
10.14.1	Mortgage and Security Agreement among Mesa Airlines, Inc., Mesa Air Group Airline Inventory Management, L.L.C., the other grantors referred to therein and CIT Bank, N.A., dated August 12, 2016	S-1/A	July 30, 2018	10.13.1	
10.14.2	Mortgage and Security Agreement Supplement No. 1 between Mesa Airlines, Inc. and CIT Bank, N.A., dated August 12, 2016	S-1/A	July 30, 2018	10.13.2	
10.14.3	Mortgage and Security Agreement Supplement No. 2 between Mesa Air Group Airline Inventory Management, L.L.C. and CIT Bank, N.A., dated August 12, 2016	S-1/A	July 30, 2018	10.13.3	
10.14.4	Mortgage and Security Agreement Supplement No. 3 between Mesa Airlines, Inc. and CIT Bank, N.A., dated November 23, 2016	S-1/A	July 30, 2018	10.13.4	
10.15.1	Credit Agreement among Mesa Airlines, Inc., the lenders named therein, Obsidian Agency Services, Inc. and Cortland Capital Markets Services LLC, dated December 14, 2016	DRS	May 7, 2018	10.14.1	
10.15.2	Amendment No. 1 to Credit Agreement among Mesa Airlines, Inc., the lenders named therein, Obsidian Agency Services, Inc. and Cortland Capital Markets Services LLC, dated February 26, 2018	DRS	May 7, 2018	10.14.2	
10.16.1	Mortgage and Security Agreement between Mesa Airlines, Inc. and Obsidian Agency Services, Inc., dated December 14, 2016	DRS	May 7, 2018	10.15.1	
10.16.2	Mortgage Supplement No. 1 between Mesa Airlines, Inc. and Obsidian Agency Services, Inc., dated December 14, 2016	DRS	May 7, 2018	10.15.2	
10.16.3	Mortgage Supplement No. 2 between Mesa Airlines, Inc. and Obsidian Agency Services, Inc., dated February 2, 2017	DRS	May 7, 2018	10.15.3	
10.16.4	Mortgage Supplement No. 3 between Mesa Airlines, Inc. and Obsidian Agency Services, Inc., dated July 5, 2017	DRS	May 7, 2018	10.15.4	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.16.5	Mortgage Supplement No. 4 between Mesa Airlines, Inc. and Obsidian Agency Services, Inc., dated September 29, 2017	DRS	May 7, 2018	10.15.5	
10.16.6	Mortgage Supplement No. 5 between Mesa Airlines, Inc. and Obsidian Agency Services, Inc., dated March 1, 2018	DRS	May 7, 2018	10.15.6	
10.17	Credit Agreement between Mesa Airlines, Inc. and Export Development Canada, dated August 12, 2015	S-1/A	July 30, 2018	10.16	
10.18.1	Credit Agreement between Mesa Airlines, Inc. and Export Development Canada, dated January 18, 2016	S-1/A	July 30, 2018	10.17.1	
10.18.2	Amendment No. 1 to Credit Agreement between Mesa Airlines, Inc. and Export Development Canada, dated March 30, 2017	S-1/A	July 30, 2018	10.17.2	
10.18.3	Omnibus Amendment Agreement among the Registrant, Mesa Airlines, Inc. and Export Development Canada, dated April 30, 2018	S-1/A	July 30, 2018	10.17.3	
10.19	Credit Agreement between Mesa Airlines, Inc. and Export Development Canada, dated June 27, 2016	S-1/A	July 30, 2018	10.18	
10.20.1	Office Lease Agreement between the Registrant and DMB Property Ventures Limited Partnership, dated October 16, 1998	DRS	May 7, 2018	10.20.1	
10.20.2	First Amendment to Lease between the Registrant and DMB Property Ventures Limited Partnership, dated March 9, 1999	DRS	May 7, 2018	10.20.2	
10.20.3	Second Amendment to Lease between the Registrant and DMB Property Ventures Limited Partnership, dated November 8, 1999	DRS	May 7, 2018	10.20.3	
10.20.4	Lease Amendment Three between the Registrant and CMD Realty Investment Fund IV, L.P., dated November 7, 2000	DRS	May 7, 2018	10.20.4	
10.20.5	Lease Amendment Four between the Registrant and CMD Realty Investment Fund IV, L.P., dated May 15, 2001	DRS	May 7, 2018	10.20.5	
10.20.6	Lease Amendment Five between the Registrant and CMD Realty Investment Fund IV, L.P., dated October 11, 2002	DRS	May 7, 2018	10.20.6	
10.20.7	Lease Amendment Six between the Registrant and CMD Realty Investment Fund IV, L.P., dated April 1, 2003	DRS	May 7, 2018	10.20.7	
10.20.8	Amended and Restated Lease Amendment Seven between the Registrant and CMD Realty Investment Fund IV, L.P., dated April 15, 2005	DRS	May 7, 2018	10.20.8	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.20.9	Lease Amendment Eight between the Registrant and CMD Realty Investment Fund IV, L.P., dated October 12, 2005	DRS	May 7, 2018	10.20.9	
10.20.10	Lease Amendment Nine between the Registrant and Transwestern Phoenix Gateway, L.L.C., dated November 4, 2010	DRS	May 7, 2018	10.20.10	
10.20.11	Lease Amendment Eleven between the Registrant and Phoenix Office Grand Avenue Partners, LLC, dated July 31, 2014	DRS	May 7, 2018	10.20.11	
10.20.12	Lease Amendment Twelve between the Registrant and Phoenix Office Grand Avenue Partners, LLC, dated November 20, 2014	DRS	May 7, 2018	10.20.12	
10.21.1††	Letter Agreement No. 12 between the Registrant and General Electric Company, acting through its GE-Aviation business unit, dated October 22, 2019, and effective as of October 9, 2019	10-K	December 14, 2020	10.20.1	
10.21.2††	Letter Agreement No. 13 between the Registrant and General Electric Company, acting through its GE-Aviation business unit, dated December 11, 2019, and effective as of December 13, 2019	10-K	December 14, 2020	10.20.2	
10.21.3††	Letter Agreement No. 13-1 between the Registrant and General Electric Company, acting through its GE-Aviation business unit, dated March 26, 2020	8-K	March 31, 2020	10.1	
10.21.4††	Letter Agreement No. 12-1 between the Registrant and General Electric Company, acting through its GE-Aviation business unit, dated March 26, 2020	8-K	March 31, 2020	10.2	
10.21.5††	Amended and Restated Letter Agreement No. 13-2 between the Registrant and General Electric Company, acting through its GE-Aviation business unit, dated October 8, 2020	10-K	December 14, 2020	10.20.5	
10.22.1	Payroll Support Program Agreement between The Department of the Treasury and Mesa Airlines, Inc., dated as of April 16, 2020	10-Q	May 11, 2020	10.1	
10.22.2	Payroll Support Program Extension Agreement between The Department of the Treasury and Mesa Airlines, Inc., dated as of February 3, 2021	10-Q	May 11, 2021	10.1	
10.22.3	Payroll Support Program 3 Agreement by and between The Department of the Treasury and Mesa Airlines, Inc., dated as of April 21, 2021	10-Q	August 9, 2021	10.1	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.23.1	Loan and Guarantee Agreement, dated as of October 30, 2020, among Mesa Airlines, Inc., as Borrower, the Guarantors party hereto from time to time, the United States Department of the Treasury, and The Bank of New York Mellon, as Administrative Agent and Collateral Agent.	10-K	December 14, 2020	10.22.1	
21.1	List of subsidiaries of the Registrant				X
23.1	Consent of Ernst and Young LLP				X
23.2	Consent of Deloitte LLP				X
31.1	Certification of Principal Executive Officer pursuant to Rule 13(a)-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002				X
31.2	Certification of Principal Financial Officer pursuant to Rule 13(a)-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002				X
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	Inline XBRL Instance Document				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

* This certification will not be deemed "**filed**" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent specifically incorporated by reference into such filing.

- ** The exhibits and schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(b)(2). The Registrant agrees to furnish supplementally a copy of any omitted exhibit or schedule to the SEC upon its request.
- # Management contract or compensatory plan.
- † Confidential treatment has been granted with respect to certain portions of this agreement.
- †† Certain confidential information contained in this agreement has been omitted because it (i) is not material and (ii) would be competitively harmful if publicly disclosed.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MESA AIR GROUP, INC.

Date: December 10, 2021

By: /s/ Torque Zubeck
Torque Zubeck
Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on December 10, 2021 by the following persons on behalf of the registrant and in the capacities indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/Jonathan G. Ornstein</u> Jonathan G. Ornstein	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	December 10, 2021
<u>/s/Torque Zubeck</u> Torque Zubeck	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	December 10, 2021
<u>/s/Ellen N. Artist</u> Ellen N. Artist	Director	December 10, 2021
<u>/s/Mitchell Gordon</u> Mitchell Gordon	Director	December 10, 2021
<u>/s/Dana J. Lockhart</u> Dana J. Lockhart	Director	December 10, 2021
<u>/s/Daniel McHugh</u> Daniel McHugh	Director	December 10, 2021
<u>/s/Harvey W. Schiller</u> Harvey W. Schiller	Director	December 10, 2021
<u>/s/Spyridon Skiados</u> Spyridon Skiados	Director	December 10, 2021

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

Mesa Air Group, Inc. ("Mesa," "we," "our," or "us") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock.

DESCRIPTION OF CAPITAL STOCK

The following summary of the terms of our capital stock is based upon our Second Amended and Restated Articles of Incorporation (our "Articles") and our Amended and Restated Bylaws (our "Bylaws"). The summary is not complete, and is qualified by reference to our Articles and our Bylaws, which are filed as exhibits to this Annual Report on Form 10-K and are incorporated by reference herein. We encourage you to read our Articles, our Bylaws and the applicable provisions of the Nevada Revised Statutes (the "NRS") for additional information.

Authorized Shares of Capital Stock

Our authorized capital stock consists of 125,000,000 shares of common stock, no par value per share, and 5,000,000 shares of preferred stock, no par value per share. As of December [•], [•], there were [•] shares of common stock issued and outstanding and no shares of preferred stock issued and outstanding. The outstanding shares of our common stock are duly authorized, validly issued, fully paid and nonassessable.

Listing

Our common stock trades on the Nasdaq Global Select Market under the symbol "MESA."

Voting Rights

Each holder of our common stock is entitled to one vote for each share on all matters submitted to a vote of the shareholders, including the election of directors, subject to any exclusive voting or director designation rights of the holders of shares of any series of our preferred stock that we may designate in the future. The rights, preferences and privileges that may be granted to holders of our preferred stock, were we to issue such preferred stock, could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of common stock. Our issuance of preferred stock could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control of Mesa or other corporate action. We have no present plan to issue any such shares of preferred stock, although our board of directors (our "Board") has the authority to do so without any action by our shareholders, and to fix the rights, preferences, privileges and restrictions of such preferred stock. Our shareholders do not have cumulative voting rights in the election of directors.

Dividend Rights

Holders of our common stock are entitled to receive dividends, if any, as may be declared from time to time by our Board out of legally available funds, subject to preferences that may be applicable to any then-outstanding preferred stock and limitations under certain of our existing credit facilities and the NRS.

Rights upon Liquidation

In the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to the net assets legally available for distribution to shareholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then-outstanding shares of preferred stock.

Other Rights and Preferences

Our common stock has no sinking fund, redemption provisions, or preemptive, conversion, subscription or exchange rights. Holders of our common stock entitled to vote on a matter, other than with respect to the election of directors, may only take action at special or annual meetings of the shareholders where the number of votes cast in favor of the action exceeds the number of votes cast in opposition to the action, unless voting by classes or series is required for any action of the shareholders by the NRS, our Articles or our Bylaws, in which case the number of votes cast in favor of the action by the voting power of each such class or series must exceed the number of votes cast in opposition to the action by the voting power of each such class or series. Shareholders entitled to vote on the election of directors at a special or annual meeting of the shareholders at which a quorum is present may elect directors by a plurality of the votes cast. We reserve the right at any time, and from time to time, to amend, alter, change or repeal any provision contained in our Articles, with the exception of Article 11, in the manner, and subject to approval by shareholders as now or hereafter prescribed by statute, and all rights conferred upon holders of our common stock are granted subject to this reservation.

Transfer Agent and Registrar

ComputerShare is the transfer agent and registrar for our common stock and its telephone number is (212) 805-7100.

Certain Transfer Restrictions

Our Articles impose limits on certain transfers of our stock, which limits are intended to preserve our ability to use our net operating loss carryforwards. Specifically, our Articles prohibit the transfer of any shares of our capital stock that would result in (i) any person or entity owning 4.75% or more of our then-outstanding capital stock, or (ii) an increase in the percentage ownership of any person or entity owning 4.75% or more of our then-outstanding capital stock. These transfer restrictions expire upon the earliest of (i) the repeal of Section 382 of the Internal Revenue Code of 1986, as amended, or any successor statute if our Board determines that such restrictions are no longer necessary to preserve our ability to use our net operating loss carryforwards, (ii) the beginning of a fiscal year to which our Board determines that no net operating losses may be carried forward, or (iii) such other date as determined by our Board. These transfer restrictions apply to the beneficial owner of the shares of our capital stock. The clients of an investment advisor are treated as the beneficial owners of stock for this purpose if the clients have the right to receive dividends, if any, the power to acquire or dispose of the shares of our capital stock, and the right to proceeds from the sale of our capital stock. Certain transactions approved by our Board, such as mergers and consolidations meeting certain requirements set forth in our Articles, are exempt from the above-described transfer restrictions. Our Board also has the ability to grant waivers, in its discretion, with respect to transfers of our stock that would otherwise be prohibited. Our Board has agreed to waive the above-referenced restrictions in our Articles to those persons or entities that acquire shares of our common stock in excess of the 4.75% threshold in this offering. Any transfer of common stock in violation of these restrictions will be void and will be treated as if such transfer never occurred.

Limited Ownership and Voting by Foreign Owners

To comply with restrictions imposed by federal law on foreign ownership of U.S. airlines, our Articles restrict the ownership and voting of shares of our common stock by people and entities who are not “citizens of the United States” as that term is defined in 49 U.S.C. § 40102(a). That statute defines “citizen of the United States” as, among other things, a U.S. corporation, of which the president and at least two-thirds of the board of directors and other managing officers are individuals who are citizens of the United States, which is under the actual control of citizens of the United States and in which at least 75% of the voting interest is owned or controlled by persons who are citizens of the United States. Our Articles prohibit any non-U.S. citizen from owning or controlling more than 24.9% of the aggregate votes of all outstanding shares of our common stock or 49.0% of the total number of outstanding shares of our capital stock. The restrictions imposed by the above-described ownership caps are applied to each non-U.S. citizen in reverse chronological order based on the date of registration on our foreign stock record. At no time may shares of our capital stock held by non-U.S. citizens be voted unless such shares are reflected on the foreign stock record. The voting rights of non-U.S. citizens having voting control over any shares of our capital stock are subject to automatic suspension to the extent required to ensure that we are in compliance with applicable law. In the event any transfer or issuance of shares of our capital stock to a non-U.S. citizen would result in non-U.S. citizens owning more than the above-described cap amounts, such transfer or issuance will be void and of no effect.

Anti-Takeover Provisions of Our Articles, Our Bylaws and the NRS

Certain provisions of the NRS deter hostile takeovers. Specifically, NRS 78.411 through 78.444 prohibit a publicly held Nevada corporation from engaging in a “combination” with an “interested stockholder” for a period of two years following the date the person first became an interested shareholder, unless (with certain exceptions) the “combination” or the transaction by which the person became an interested shareholder is approved in a prescribed manner. Generally, a “combination” includes a merger, asset or stock sale, or certain other transactions resulting in a financial benefit to the interested shareholder. Generally, an “interested stockholder” is a person who, together with affiliates and associates, beneficially owns or within two years prior to becoming an “interested shareholder” did own, 10% or more of a corporation’s voting power. Our Articles exclude us from the restrictions imposed by these statutes. Nevada’s “acquisition of controlling interest” statutes, NRS 78.378 through 78.3793, contain provisions governing the acquisition of a controlling interest in certain Nevada corporations. These “control share” laws provide generally that any person that acquires a “controlling interest” in certain Nevada corporations may be denied voting rights, unless a majority of the disinterested stockholders of the corporation elects to restore such voting rights. These statutes provide that a person acquires a “controlling interest” whenever a person acquires shares of a subject corporation that, but for the application of these provisions of the NRS, would enable that person to exercise (1) one-fifth or more, but less than one-third, (2) one-third or more, but less than a majority or (3) a majority or more, of all of the voting power of the corporation in the election of directors. Once an acquirer crosses one of these thresholds, shares that it acquired in the transaction taking it over the threshold and within the 90 days immediately preceding the date when the acquiring person acquired or offered to acquire a controlling interest become “control shares” to which the voting restrictions described above apply. Our Articles provide that these statutes do not apply to us or to any acquisition of our common stock.

Section 78.139 of the NRS, to which we are subject, provides that directors may resist a change or potential change in control if the directors, by majority vote of a quorum, determine that the change is opposed to, or not in, the best interests of the corporation.

In order to ensure that our capacity purchase agreements are not subject to early termination, our Articles prohibit the sale, transfer or assignment of our capital stock to the extent that such transfer would result in a change of control. Our Articles also grant our Board the ability to establish one or more series of preferred stock (including convertible preferred stock), to determine, with respect to any series of preferred stock, the voting powers, designations, preferences, limitations, restrictions and relative rights of each such series, and to authorize the issuance of shares of any such series, making it possible for our Board to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of Mesa. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of Mesa.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the “Agreement”) made and entered into this 23rd day of February, 2021, effective as of March 1, 2021 (the “Effective Date”) by and between Mesa Air Group, Inc., a Nevada corporation (the “Company”), and Torque Zubeck (“Executive”).

RECITALS

The Company and Executive have agreed to enter into this Agreement, which shall supersede any prior agreement or understanding between the parties.

**ARTICLE I
DUTIES AND TERM**

1.1 **EMPLOYMENT.** In consideration of their mutual covenants and other good and valuable consideration, the receipt, adequacy and sufficiency of which are acknowledged, the Company agrees to hire Executive, and Executive agrees to remain in the employ of the Company, upon the terms provided in this Employment Agreement.

1.2 **POSITION AND RESPONSIBILITIES.**

(a) Executive shall serve as the Senior Vice President, Finance of the Company. Executive agrees to perform services, not inconsistent with his position, as are from time to time assigned to him by the President and Chief Financial Officer (“CFO”) of the Company or by the Chief Executive Officer (“CEO”).

(b) During the period of his employment under this Employment Agreement, Executive shall devote substantially all of his business time, attention, skill and efforts to the faithful performance of his duties under this Employment Agreement, but Executive shall have the right to engage in personal business and to participate in charitable and civic activities, during normal business hours and otherwise, as long as such business and activities do not unreasonably interfere with Executive’s duties to the Company.

1.3 **TERM.** The Company may terminate Executive’s employment at any time, subject to providing Executive with written notice (in accordance with Section 6.6) of not less than one fourteen (14) days. For the avoidance of doubt, the Company’s election to terminate Executive in accordance with this Section 1.3 shall trigger the payments set forth in Section 4.5 of the Employment Agreement.

(a) **LOCATION.** During the period of his employment under this Employment Agreement, Executive shall not be required, except with his prior written consent (which may be withheld in his discretion), to relocate his principal place of employment outside of the Phoenix, Arizona metropolitan area. The foregoing notwithstanding, Executive shall have up to six months from the date of this Employment Agreement to relocate to the Phoenix, Arizona metropolitan area (such period referred to as the “Relocation Period”). In addition to the foregoing, in connection with Executive’s initial relocation to the Phoenix, Arizona metropolitan area Executive shall be provided with a relocation, pursuant to which Executive shall be reimbursed for reasonable

and customary relocation expenses, subject to receipt by the Company of reasonably detailed supporting receipts and related documentation. In the event Executive resigns or is terminated for Cause at any time during the 12-month period following the date of this Employment Agreement, Executive shall repay to the Company the full amount of all relocation expenses received by Executive no later than 90 days following the effective date of such resignation or termination for Cause.

1.4 During the Relocation Period, Executive may commute on a regular basis, work remotely, or a combination of the foregoing, in his reasonable discretion. Required travel on the Company's business following the Relocation Period shall not be deemed a relocation so long as Executive is not required to provide his services under this Employment Agreement outside of Maricopa County, Arizona, for more than 50% of his working days during any consecutive six-month period.

ARTICLE II COMPENSATION

For all services rendered by Executive in any capacity during his employment under this Employment Agreement, including, without limitation, services as a director or officer or of the board of directors of any subsidiary of the Company, the Company shall compensate Executive as set forth in this Article II.

2.1 **BASE SALARY.** The Company shall pay to Executive an annual base salary of \$275,000, less all appropriate taxes and withholdings (the "Base Salary"). Executive's Base Salary shall be paid every other week in equal installments. The Base Salary shall be reviewed annually by the Board (or a committee designated by the Board) or the President and CFO, and the Board or CEO may, in its discretion, increase the Base Salary. The Company may reduce the Base Salary under circumstances in which the Company has imposed cuts in salary of other officers on an across the board basis, but any such reduction may not be at a greater percentage than the reduction imposed on any other officer (an "Across the Board Reduction"). The Base Salary shall be increased to \$300,000 upon the earlier to occur of: (i) Executive's promotion to CFO, and (ii) Executive's 18-month anniversary of the date of this Employment Agreement, provided Executive is then an employee in good standing.

2.2 **BONUS PAYMENTS.** During the period of Executive's employment under this Employment Agreement, Executive shall be entitled to an annual bonus payment of up to \$175,000. The annual bonus will be based both individual and company performance. At the discretion of the Chief Executive Officer or Board of Directors, the Company may pay bonuses to Executive in excess of the annual bonus amount. The annual bonus shall be increased to \$225,000 upon the earlier to occur of: (i) Executive's promotion to CFO, and (ii) Executive's 18-month anniversary of the date of this Employment Agreement, provided Executive is then an employee in good standing.

2.3 **EQUITY PARTICIPATION.** During the Employment Period, Executive shall receive an annual equity award (consisting of restricted stock, restricted stock unites (RSUs), or similar equity units) pursuant to the terms of the Company's then existing equity incentive plan (or similarly titled plan), as determined by the Board or its Compensation Committee in its sole

discretion, provided that the annual equity grant during the term of this Employment Agreement shall have a grant date value of not less than \$100,000 with the first grant occurring on the first anniversary of the Effective Date. This annual incentive award shall be increased from \$100,000 to \$150,000 upon the earlier to occur of: (i) Executive's promotion to CFO, and (ii) Executive's 18-month anniversary of the date of this Employment Agreement, provided Executive is then an employee in good standing. The agreements governing such equity grants shall provide for vesting of such equity over a three-year period. Upon the effective date of this Employment Agreement Executive shall be granted a one-time RSU grant of thirty-six thousand (36,000) shares. The agreement governing such equity award shall provide for vesting ratably, on an annual basis, over a five-year period.

2.4 ADDITIONAL BENEFITS.

(a) GENERAL BENEFITS. During the term of this Employment Agreement, Executive shall be entitled (i) to participate in all employee benefit and welfare programs, plans and arrangements (including, without limitation, pension, profit sharing, supplemental pension and other retirement plans, insurance, hospitalization, medical and group disability benefits, travel or accident insurance plans) and (ii) to receive fringe benefits, such as dues and fees of professional organizations and associations, in each case under (i) and (ii) to the extent that such programs, plans, arrangements, and benefits are from time to time available to the Company's executive personnel (the programs and benefits in (i) and (ii) are referred to as "General Benefits"). During the period of his employment under this Employment Agreement, the Company shall continue to provide the General Benefits to Executive at a level which shall in no event be less, in any material respect, than the General Benefits made available to Executive by the Company as of the date of this Employment Agreement; provided, however, the Company may reduce the General Benefits under circumstances in which the Company has imposed reductions in coverage of the General Benefits of other officers on an across the board basis, but any such reduction may not be disproportionately greater than the reduction imposed on any other officer.

(b) RELOCATION EXPENSES. During the term of this Employment Agreement, if Executive's principal place of employment is relocated outside Maricopa County, Arizona (following Executive's relocation to the Phoenix, Arizona metropolitan area), in accordance with Section 1.4, the Company shall reimburse Executive for all usual relocation expenses incurred by Executive and his household in moving to the new location, including, without limitation, moving expenses and rental payments for temporary living quarters in the area of relocation for a period not to exceed six months, real estate brokerage commissions incurred by Executive in the sale of his then existing principal residence, and loan financing charges and closing costs incurred in connection with the acquisition and financing of a new residence

(c) REIMBURSEMENT OF BUSINESS EXPENSES. During the term of this Employment Agreement, the Company shall, upon submission of documentation by executive in accordance with standard Company policies from time to time, pay, or reimburse Executive for, all reasonable travel and other expenses incurred by Executive in performing his obligations under this Employment Agreement, including for investigation of business opportunities and strategic allegiances for the Company and for client and customer development.

(d) VACATIONS. During the term of this Employment Agreement, Executive shall be entitled to vacations with pay, and to such personal and sick leave with pay, in accordance with the policy of the Company as may be established from time to time by the Company and as applies to other executive officers of the Company. In no event shall Executive be entitled to fewer than three weeks annual vacation. Any vacation days which remain unused at the end of a calendar year that are in excess of such three weeks annual vacation shall expire and shall thereafter no longer be useable by Executive, but the Company shall compensate Executive for any such unused vacation days in accordance with the formula set forth in Section 4.1(b), by payment in January of the next year. Similarly, any unused paid holidays may be carried over from one year to the next but not in excess of an aggregate of five days of paid holidays may be carried over from one year to the next; to the extent any paid holidays remain unused at the end of a calendar year that are in excess of such five paid holidays, such paid holidays shall expire and shall thereafter no longer be useable by Executive, but the Company shall compensate Executive for any such unused paid holidays in accordance with the formula set forth in Section 4.1(b), by payment in January of the next year.

(e) DIRECTOR FEES. During the term of this Employment Agreement, Executive shall not be entitled to be paid any fees for attendance at meetings of the Board of Directors or any committee of the Board of Directors (or the board or committee of the board of any subsidiary).

(f) AIRLINE PASSES. During the term of this Employment Agreement, the Company shall use its reasonable efforts to obtain for the benefit of Executive and Executive's immediate family (Executive's spouse or partner, Executive's children, and the spouse and children of any of Executive's children), the right to fly on a complimentary basis on the aircraft of other airlines. Such efforts shall include negotiating in good faith with other carriers for such rights and offering reciprocal rights to the executives (and their immediate family members) of such other carriers. The Company shall use its reasonable efforts to cause any successor or subsequent successor to the business or assets of the Company to grant such rights as to all routes operated by such successor (or subsequent successor) and any of its affiliates,

2.5 PAYMENT OF EXCISE TAXES. If any payment received by Executive under this Employment Agreement, as a result of or following any termination of employment under this Employment Agreement is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986 (as amended from time to time, the "Code"), or any successor or similar provision of the Code (the "Excise Tax"), the Company shall pay Executive an additional cash amount (the "Gross Up") such that the net after-tax amount received by Executive under this Employment Agreement is the same as if the Excise Tax had not applied to any payments made under this Employment Agreement. The Company shall pay such amounts promptly after the calculation referred to in Section 2.6 has been made, subject, however, to the six month delay of payment described in Section 6.10, but no later than December 31 of the year following the year in which the Executive remits the related taxes.

2.6 CERTAIN ADJUSTMENT PAYMENTS. For purposes of determining the Gross Up, Executive shall be deemed to pay the federal income tax at the highest marginal rate of taxation (currently 39.6%) in the calendar year in which the payment to which the Gross Up applies is to be made. The determination of whether such Excise Tax is payable and the amount of the Excise

Tax shall be made upon the opinion of a national accounting firm selected by Executive and reasonably acceptable to the Company. If such opinion is not finally accepted by the Internal Revenue Service upon audit or otherwise, then appropriate adjustments shall be computed (with interest at the rate required to be paid by Executive under the Code and with Gross Up, if applicable) by such tax counsel based upon the final amount of the Excise Tax so determined, and (a) any additional amount due Executive as a result of such adjustment shall be paid to Executive by the Company in cash in a lump sum within 30 days after such computation, or (b) any amount due the Company as a result of such adjustment shall be paid to the Company by Executive in cash in a lump sum within 30 days after such computation. The Gross Up payment shall be subject to the six month delay of payment described in Section 6.10, but shall be made by December 31 of the year following the year in which the Executive remits the related taxes.

ARTICLE III TERMINATION OF EMPLOYMENT

3.1 DEATH OR RETIREMENT OF EXECUTIVE. Executive's employment under this Employment Agreement shall automatically terminate upon the death or Retirement of Executive.

3.2 BY EXECUTIVE. Executive shall be entitled to terminate his employment under this Employment Agreement by giving Notice of Termination to the Company:

- (a) for Good Reason;
- (b) at any time without Good Reason.

3.3 BY COMPANY. The Company shall be entitled to terminate Executive's employment under this Employment Agreement by giving Notice of Termination to Executive:

- (a) in the event of Executive's Total Disability;
- (b) for Cause; and
- (c) at any time without Cause.

ARTICLE IV COMPENSATION UPON TERMINATION OF EMPLOYMENT

If Executive's employment under this Employment Agreement is terminated, then except for any other rights or benefits specifically provided for in this Employment Agreement following his period of employment, the Company shall be obligated to provide compensation and benefits to Executive only as follows and only after execution by Executive of a general release of claims in favor of the Company and all related parties in a form provided by the Company.

4.1 UPON TERMINATION FOR DEATH OR TOTAL DISABILITY. If Executive's employment under this Employment Agreement is terminated by reason of his death or Total Disability, the Company shall:

- (a) pay Executive (or his estate) any Base Salary which has been earned but not been paid as of the termination date (the "Accrued Base Salary");
- (b) pay Executive (or his estate) for unused vacation days and paid holidays accrued as of the termination date in an amount equal to his Base Salary multiplied by a fraction the numerator of which is the number of accrued unused vacation days and paid holidays, and the denominator of which is 260 (the "Accrued Vacation Payment");
- (c) reimburse Executive (or his estate) for expenses incurred by him prior to the date of termination which are subject to reimbursement pursuant to this Employment Agreement (the "Accrued Reimbursable Expenses");
- (d) provide to Executive (or his estate) any accrued and vested benefits required to be provided by the terms of any Company-sponsored benefit plans or programs (the "Accrued Benefits"), together with any benefits required to be paid or provided in the event of Executive's death or disability under applicable law;
- (e) pay Executive (or his estate) any annual or other bonus which has been earned but has not been paid; and

4.2 UPON TERMINATION BY COMPANY FOR CAUSE OR BY EXECUTIVE WITHOUT GOOD REASON. If Executive's employment is terminated by the Company for Cause, or if Executive terminates his employment with the Company, other than (x) upon Executive's death or Total Disability or (y) for Good Reason, the Company shall:

- (a) pay Executive the Accrued Base Salary;
- (b) pay Executive the Accrued Vacation Payment;
- (c) reimburse Executive for the Accrued Reimbursable Expenses;
- (d) provide Executive the Accrued Benefits, together with any benefits required to be paid or provided under applicable law;
- (e) pay Executive (or his estate) any annual or other bonus which has been earned but has not been paid; and

4.3 UPON TERMINATION BY THE COMPANY WITHOUT CAUSE OR BY THE EXECUTIVE FOR GOOD REASON. If Executive's employment is terminated by the Company without Cause or by the Executive for Good Reason, the Company shall:

- (a) pay Executive the Accrued Base Salary;
- (b) pay Executive the Accrued Vacation Payment;

- (c) reimburse Executive the Accrued Reimbursable Expenses;
- (d) provide Executive the Accrued Benefits, together with any benefits required to be paid or provided under applicable law;
- (e) pay Executive any annual or other bonus which has been earned but has not been paid; and
- (f) subject to the six month delay of payment described in Section 6.10, pay Executive an amount equal to (A) the sum of (1) Executive's Base Salary in effect immediately prior to the time such termination occurs, plus (2) the annual bonus amount; and
- (g) maintain in full force and effect, for Executive's and his eligible beneficiaries' continued benefit, continued health insurance coverage, for a period of 12 months following the termination date of his employment under this Employment Agreement, except to the extent that, as to any such coverage, Executive receives the substantial equivalent of such coverage as a result of his employment with another employer after the termination date. Notwithstanding the foregoing, if Executive's continued participation in the health insurance plan is not permitted under the terms of the plan, program or arrangement under which the benefit was provided to Executive by the Company, or may result in negative tax effects for the Company, the Company shall arrange to provide Executive with health insurance coverage substantially similar to the coverage which Executive would have been entitled to receive under such plan, program or arrangement a portion of which may be provided by the Company paying Executive's COBRA premiums (which may be included in Executive's taxable income); and
- (h) cause all unvested Equity to immediately vest.

4.4 UPON TERMINATION BY THE COMPANY WITHOUT CAUSE OR BY THE EXECUTIVE FOR GOOD REASON FOLLOWING A CHANGE OF CONTROL. If Executive's employment is terminated by the Company or its successor-in-interest without Cause or by Executive for Good Reason within 12 months following a Change of Control, the Company shall:

- (a) pay Executive the Accrued Base Salary;
- (b) pay Executive the Accrued Vacation Payment;
- (c) reimburse Executive the Accrued Reimbursable Expenses;
- (d) provide Executive the Accrued Benefits, together with any benefits required to be paid or provided under applicable law;
- (e) pay Executive any annual or other bonus which has been earned but has not been paid; and
- (f) subject to the six month delay of payment described in Section 6.10 for a payment due to the Executive's termination of employment, or if payment is made due to a Change of Control, within thirty (30) days after the Change of Control, pay Executive an amount equal to

the sum of (1) Executive's Base Salary in effect immediately prior to the time such termination or Change of Control occurs, plus (2) an amount equal to the annual bonus; and

(g) maintain in full force and effect, for Executive's and his eligible beneficiaries' continued benefit, continued health insurance coverage, for a period of 12 months following the termination date of his employment under this Employment Agreement, except to the extent that, as to any such coverage, Executive receives the substantial equivalent of such coverage as a result of his employment with another employer after the termination date. Following the expiration of such 12 month period, the Company shall permit Executive, or his eligible beneficiaries, as the case may be, to purchase such continued health insurance coverage for an additional period of 12 months. Notwithstanding the foregoing, if Executive's continued participation in the health insurance plan is not permitted under the terms of the plan, program or arrangement under which the benefit was provided to Executive by the Company, or may result in negative tax effects for the Company, the Company shall arrange to provide Executive with health insurance coverage substantially similar to the coverage which Executive would have been entitled to receive under such plan, program or arrangement a portion of which may be provided by the Company paying Executive's COBRA premiums (which may be included in Executive's taxable income); and

(h) cause all unvested Equity to immediately vest.

ARTICLE V RESTRICTIVE COVENANTS

5.1 **CONFIDENTIAL INFORMATION AND MATERIALS.** Executive agrees that during the course of his employment with the Company, he has obtained and shall likely obtain in the future "Confidential Information." "Confidential Information" is information concerning the Company which the Company attempts to keep confidential, has not been publicly disclosed by the Company, is not a matter of common knowledge in the airline industry, and was not known by Executive prior to his employment by the Company, including, but not limited to, certain information relating to the business plans, trade practices, finances, accounting methods, methods of operations, trade secrets, marketing plans or programs, forecasts, statistics relating to routes and markets, contracts, customers, compensation arrangements, and business opportunities. Executive agrees that the Confidential Information is proprietary to the Company, and agrees to sign and be bound by the terms of the Company's Proprietary Information and Inventions Agreement ("Proprietary Information Agreement").

5.2 **GENERAL KNOWLEDGE.** The general skills and experience gained by Executive during Executive's employment or engagement by the Company, and information publicly available without breach of any duty owed by any person to the Company or generally known within the airline industry, is not considered Confidential Information. Executive is not restricted from working with a person or entity which has independently developed information or materials similar to the Confidential Information, but in such a circumstance, Executive agrees not to disclose the fact that any similarity exists between the Confidential Information and the independently developed information and materials, and Executive understands that such similarity does not excuse Executive from the non-disclosure and other obligations in this Employment Agreement.

5.3 EXECUTIVE OBLIGATIONS AS TO CONFIDENTIAL INFORMATION AND MATERIALS. During Executive's employment or engagement by the Company, Executive shall have access to the Confidential Information and shall occupy a position of trust and confidence with respect to the Confidential Information and the Company's affairs and business. Executive agrees to take the following steps to preserve the confidential and proprietary nature of the Confidential Information:

(a) NON-DISCLOSURE. During Executive's Employment or engagement by the Company and for a period of two years after the termination of Executive's Employment or engagement by the Company for any reason, Executive shall not use, disclose or otherwise permit any person or entity access to any of the Confidential Information other than as required in the performance of Executive's duties with the Company and other than is required to be disclosed by law or by any court, administrative agency, or arbitration panel.

(b) PREVENT DISCLOSURE. During and for a period of two years after the termination of Executive's Employment or engagement by the Company, except as provided in Section 5.3(a), Executive shall take all reasonable precautions to prevent disclosure of the Confidential Information to unauthorized persons or entities, other than is required to be disclosed by law or by any court, administrative agency, or arbitration panel.

(c) RETURN ALL MATERIALS. Upon termination of Executive's employment or engagement by the Company for any reason whatsoever, or earlier if requested by the Company, Executive shall deliver to the Company all tangible materials relating to, but not limited to, the Confidential Information and any other information regarding the Company, including any documentation, records, listings, notes, data, sketches, drawings, memoranda, models, accounts, reference materials, samples, machine-readable media and equipment which in any way relate to the Confidential Information and shall not retain any copies of any of the above materials.

ARTICLE VI MISCELLANEOUS

6.1 DEFINITIONS. For purposes of this Employment Agreement, the following terms shall have the following meanings:

- (a) "Across the Board Reduction" — as defined in Section 2.1;
- (b) "Accrued Base Salary" — as defined in Section 4.1(a);
- (c) "Accrued Benefits" — as defined in Section 4.1(d);
- (d) "Accrued Reimbursable Expenses" — as defined in Section 4.3(c);
- (e) "Accrued Vacation Payment" — as defined in Section 4.1(b);
- (f) "Base Salary" — as defined in Section 2.1;
- (g) "Board" — shall mean the Board of Directors of the Company;

(h) “Cause” shall mean the occurrence of any of the following:

(i) Executive’s willful misconduct, including, but not limited to, Executive’s misappropriation of trade secrets, fraud or embezzlement;

(ii) Executive commits a felony offense or any crime involving dishonesty or physical harm to any person; or

(iii) Executive commits a material breach of this Employment Agreement, which breach, if curable, is not cured within thirty (30) days following written notice to Executive from the Company; or

(iv) If Executive willfully refuses to implement or follow a lawful policy or directive of the Company, which refusal is not cured within thirty (30) days following written notice to Executive from the Company;

(v) No failure of Executive to satisfy any goals, forecasts or other financial or business criteria established by the Company, standing alone, shall constitute Cause.

(i) “Change of Control” shall mean and shall be deemed to have occurred if one of the following occurs and the event is also a “change in control event” as defined in Section 409A (defined below):

(i) After the date of this Employment Agreement, any “person” (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or any successor provision), or any other persons who the Board of Directors determines in good faith is acting as a group, becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act or any successor provision) directly or indirectly of securities of the Company representing more than 50% of the combined voting power of the Company’s then outstanding securities ordinarily having the right to vote at an election of directors;

(ii) A majority of the members of the Company’s Board of Directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the Company’s Board of Directors before the date of appointment or election;

(iii) A tender offer or exchange offer is made where the intent of such offer is to take over control of the Company, and such offer is consummated for the equity securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company’s then outstanding voting securities over a twelve month period; or

(iv) Consummation of

(A) a reorganization, merger, consolidation, or sale or other disposition of all or substantially all of the assets of the Company, in each case, with or to a corporation or other person or entity

(1) of which persons who were the holders of each class of the Company's capital stock immediately prior to such transaction do not receive voting securities, as a result of their ownership of such capital stock immediately prior to such transaction, that constitute both

(x) more than 51% of each class of capital stock and

(y) more than 51% of the combined voting power of the outstanding voting securities entitled to vote generally in the election of directors of the reorganized, merged, consolidated or purchasing corporation (or in the case of a non-corporate person or entity, functionally equivalent voting power).

(j) "Confidential Information" — as defined in Section 5.1;

(k) "Good Reason" shall mean the occurrence of any of the following if not cured within 20 days following receipt of a Notice of Termination by Executive:

(i) Any change by the Company in Executive's title, excluding a promotion to CFO, or any significant diminishment in Executive's function, duties or responsibilities from those associated with his functions, duties or responsibilities as of the date of this Employment Agreement;

(ii) Any material breach of this Employment Agreement or any other agreement between the Company and Executive (and for purposes of this Employment Agreement, any default by the Company to make any payment or to provide any fringe benefit shall be considered material) which remains uncured for a period of 10 days after Executive gives the Company notice of such breach specifying in reasonable detail the event(s) constituting such breach;

(iii) Except with Executive's prior written consent, relocation of Executive's principal place of employment to a location greater than 50 miles from Phoenix, Arizona, or requiring Executive to travel on the Company's business more than is required by Section 1.4; or

(iv) Other than an Across the Board Reduction, any reduction by the Company in Executive's Base Salary, bonus opportunity or benefits to which Executive is entitled under this Employment Agreement.

(l) "Market Price" means the officially quoted closing price of the common stock of the Company, as reported by the principal exchange on which the common stock of the Company is traded for the date in question. If there are no transactions on such date, the Market Price shall be determined as of the immediately preceding date on which there were transactions. If no such prices are reported on such exchange, then Market Price shall mean the average of the high and low sale prices for the common stock of the Company (or if no sales prices are reported, the average of the high and low bid prices) as reported by a quotation system of general circulation to brokers and dealers. If the common stock of the Company is not traded on any exchange or in the over-the-counter market, the Market Price of the common stock of the Company on any date shall be determined in good faith by the parties;

(m) "Notice of Termination" shall mean a notice which shall indicate the specific termination provision of this Employment Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated. Each Notice of Termination shall be delivered at least 30 days prior to the effective date of termination;

(n) "Prime Rate" means the prime rate announced by The Wall Street Journal from time to time;

(o) "Retirement" shall mean normal retirement at age 65;

(p) "Total Disability" or "Totally Disabled" shall mean that (i) Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) if applicable, that for at least three months the Executive is receiving income replacement benefits under a Company sponsored plan by reason of any medically determinable physical or mental impairment expected to last at least twelve consecutive months or result in death, or (iii) the Executive is determined to be disabled under a Company disability plan with the same or substantially similar definition of disability, as described in Section 409A (defined below), If there is a dispute as to whether Executive is Totally Disabled, such dispute shall be submitted for resolution to a licensed physician selected by Executive but subject to the reasonable approval of the Company. If such a dispute arises, Executive shall submit to such examinations and shall provide such information as such physician may request, and the determination of the physician as to whether Executive is Totally Disabled under this definition shall be binding and conclusive.

6.2 **SUCCESSORS, BINDING AGREEMENT.** This Employment Agreement shall be binding upon and run to the benefit of the Company, its successors and assigns, and shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, beneficiaries, designees, executors, administrators, heirs, distributees, devisees and legatees.

6.3 **MODIFICATION; NO WAIVER.** This Employment Agreement may not be modified or amended except by an instrument in writing signed by the parties to this Employment Agreement. No term or condition of this Employment Agreement shall be deemed to have been waived, nor shall there be any estoppel against the enforcement of any provision of this Employment Agreement, except by written instrument by the party charged with such waiver or

estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated in such waiver, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any other term or condition. No amendment agreed by the parties in writing shall be deemed to give rise to "Good Reason".

6.4 SEVERABILITY. The covenants and agreements contained in this Employment Agreement are separate and severable and the invalidity or unenforceability of any one or more of such covenants or agreements, if not material to the employment arrangement that is the basis for this Employment Agreement, shall not affect the validity or enforceability of any other covenant or agreement contained in this Employment Agreement. If, in any judicial proceeding, a court shall refuse to enforce one or more of the covenants or agreements contained in this Employment Agreement because the duration thereof is too long, or the scope thereof is too broad, it is, expressly agreed between the parties to this Employment Agreement that such duration or scope shall be deemed reduced to the extent necessary to permit the enforcement of such covenants or agreements.

6.5 NOTICES. All the notices and other communications required or permitted under this Employment Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, to the parties to this Employment Agreement at the following addresses:

If to the Company, to it at:

Mesa Air Group, Inc.
410 North 44th Street, Suite 700
Phoenix, AZ 85008
Attn: Chief Executive Officer

If Executive, to him at:

[_____]

Notices shall be deemed to have been given and received upon personal delivery or three business days after having been deposited, if sent by registered or certified mail.

6.6 ASSIGNMENT. This Employment Agreement and any rights under this Employment Agreement shall not be assignable by either party without the prior written consent of the other party except that the Company may assign this Employment Agreement to its successor in interest in a Change in Control transaction, provided that such successor in interest expressly assumes the terms of this Employment Agreement.

6.7 ENTIRE UNDERSTANDING. This Employment Agreement (together with the Exhibits incorporated as a part of this Employment Agreement) constitutes the entire understanding between the parties to this Employment Agreement and no agreement,

representation, warranty or covenant has been made by either party except as expressly set forth in this Employment Agreement.

6.8 EXECUTIVE'S REPRESENTATIONS. Executive represents and warrants that neither the execution and delivery of this Employment Agreement nor the performance of his duties under this Employment Agreement violates the provisions of any other agreement to which he is a party or by which he is bound.

6.9 SECTION 409A. This Employment Agreement is intended to comply with, or otherwise be exempt from, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and any regulations and Treasury guidance promulgated thereunder ("Section 409A"). If the Company determines in good faith that any provision of this Employment Agreement would cause the Executive to incur an additional tax, penalty, or interest under Section 409A, the Compensation Committee and the Executive shall use reasonable efforts to reform such provision, if possible, in a mutually agreeable fashion to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A or causing the imposition of such additional tax, penalty, or interest under Section 409A. The preceding provisions, however, shall not be construed as a guarantee by the Company of any particular tax effect to Executive under this Employment Agreement.

For purposes of Section 409A, the right to a series of installment payments under this Employment Agreement shall be treated as a right to a series of separate payments.

With respect to any reimbursement of expenses of, or any provision of in-kind benefits to, the Executive, as specified under this Employment Agreement, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (1) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code; (2) the reimbursement of an eligible expense shall be made no later than the end of the year after the year in which such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

"Termination of employment," or words of similar import, as used in this Employment Agreement means, for purposes of any payments under this Employment Agreement that are payments of deferred compensation subject to Section 409A, the Executive's "separation from service" as defined in Section 409A.

If a payment obligation under this Employment Agreement arises on account of the Executive's separation from service while the Executive is a "specified employee" (as defined under Section 409A and determined in good faith by the Compensation Committee), any payment of "deferred compensation" (as defined under Treasury Regulation Section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation Sections 1.409A-1(b)(3) through (b)(12)) that is scheduled to be paid within six (6) months after such separation from service shall accrue with interest as described in Section 6.11 and shall be paid within 15 days after the end of the six-month period beginning on the date of such separation from service or, if earlier, within 15 days

after the appointment of the personal representative or executor of the Executive's estate following his death.

6.10 INTEREST ON PAST DUE AMOUNTS; ATTORNEYS FEES. All amounts under this Employment Agreement that are not paid when due shall bear interest at the rate of 4% plus Libor per annum, from the date such payments were due until paid. In the event Libor is no longer in effect at any time during the term of this Employment Agreement, the Company shall determine in its reasonable discretion a substitute benchmark rate for purposes of this Section 6.10. In addition, any party who breaches this Employment Agreement shall be obligated to pay the reasonable attorney's fees and costs incurred by the other party in seeking to enforce the terms of this Employment Agreement.

6.11 GOVERNING LAW. This Employment Agreement shall be construed in accordance with and governed for all purposes by the laws of the State of Arizona applicable to contracts executed and wholly performed within such state.

[SIGNATURE PAGES FOLLOW]

MESA AIR GROUP, INC.,
a Nevada corporation

By: _____
Name: _____
Title: _____

TORQUE ZUBECK

[Signature Page to Employment Agreement]

Certain confidential information contained in this document, marked by brackets, has been omitted because it (i) is not material and (ii) would be competitively harmful if publicly disclosed

Execution Version

September 22, 2021

VIA FEDEX AND E-MAIL

Mesa Airlines, Inc.
410 N. 44th Street
Suite 700
Phoenix, AZ 85008
Attention: President & General Counsel

Re: First Amendment (this "Amendment") to the Second Amended and Restated Capacity Purchase Agreement

Ladies and Gentlemen:

As you are aware, Mesa Airlines, Inc. ("Contractor"), Mesa Air Group, Inc. ("Parent") and United Airlines, Inc. ("United" and, together with Contractor and Parent, the "Parties"), are each a party to that certain Second Amended and Restated Capacity Purchase Agreement dated as of November 4, 2020 (the "CPA"). Capitalized terms used but not defined herein shall be defined as provided in the CPA.

SECTION 1. Certain Amendments. The Parties hereby agree to amend the CPA as follows in full compliance with Section 11.3 of the CPA:

1.1 Section 2.5(c) – CRJ Lease Notice. The reference in the first sentence of Section 2.5(c) of the CPA to "[***] years" is hereby deleted and replaced with "[***] years".

1.2 Section 2.5(c) – Form of CRJ Lease to CRJ Third Party Lessee. The final proviso in Section 2.5(c) (including sub-clauses (i) through (ix) of such proviso, inclusive) of the CPA is hereby deleted and replaced with:

“provided, further, that, with respect to each leased CRJ700 Covered Aircraft, such lease will be substantially in the form attached hereto as either Exhibit V-1 (in the case of Treasury Aircraft) or Exhibit V-2 (in the case of non-Treasury Aircraft), as applicable, unless United agrees otherwise in a signed writing.”

Further, Section 2.5(c) of the CPA is hereby amended to include a new final sentence as follows:

[***]

1.3 Section 3.1 – Compensation for Carrier Controlled Costs. The reference in the last sentence of the paragraph to “First Amendment” is hereby deleted and replaced with “[***] Amendment”.

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

1.4 Section 3.1 – Compensation for Carrier Controlled Costs. Section 3.1 of the CPA is hereby amended to add the following sentence at the end of the paragraph:

“Notwithstanding anything to the contrary in this Agreement, (i) the parties acknowledge and agree that, solely with respect to the period beginning on [***] and ending [***], the Compensation for Carrier Controlled Costs shall be [***]

1.5 Section 3.6(a)(i). Section 3.6(a)(i) of the CPA is hereby amended and restated in its entirety as follows:

“(i) [***]

1.6 Section 3.6(c)(ii) – Payment of Reconciled Items. The second sentence of Section 3.6(c)(ii) of the CPA is hereby amended and restated in its entirety as follows:

[***]

1.7 Section 3.6(f). Each reference in Section 3.1(c) of the CPA to “First Amendment” is hereby deleted and replaced with “[***] Amendment”.

1.8 Section 3.7 – Government Assistance. Section 3.7 of the CPA is hereby amended and restated in its entirety as follows:

“3.7 Government Assistance.

[***]

1.9 Section 3.8 – United Quarterly Adjustment. The CPA is amended to add the following provision as a new Section 3.8:

“3.8 United Quarterly Adjustment.

[***]

[***]

[***]

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

1.13 Schedule 2D – [***] Compensation for Carrier Controlled Costs. A new Schedule 2D is added to the CPA in the form set forth on Attachment 3 hereto.

1.14 Exhibit A – Defined Terms. Exhibit A to the CPA is hereby amended to delete the following definition in its entirety:

“First Amendment” means the First Amendment to this Agreement dated on or around September 15, 2020.”

1.15 Exhibit A – Defined Terms. Exhibit A to the CPA is hereby amended to add new definitions as follows:

[***]

“CARES 1.0” – means the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136 (March 27, 2020), as amended, and any implementing regulations, policies, or U.S. Government agency practices.

“CARES 2.0” – means the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020), including but not limited to (i) Division M—Coronavirus Response and Relief Supplemental Appropriations Act, 2021 and (ii) Division N—Additional Coronavirus Response and Relief, as amended, and any implementing regulations, policies, or U.S. Government agency practices.

“CARES 3.0” – means the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (March 11, 2021), including but not limited to Title VII, Subtitle C, as amended, and any implementing regulations, policies, or U.S. Government agency practices.

“E175LL United Equity Cost Factor” – is defined in Section 3.8.

“First Amendment” – means the First Amendment to this Agreement dated as of July 28, 2021.

“First Amendment Effective Date” – means July 28, 2021.

“PGL Freight Charges” – [***]

“September 2020 Amendment” – means the First Amendment to that certain Amended and Restated Capacity Purchase Agreement, dated as of November 26, 2019, dated on or about September 15, 2020, by and among the Parties.

“Treasury Aircraft” – [***]

[***]

1.16 Exhibit V-1 – Form of CRJ Lease to CRJ Third Party Lessee (Treasury Aircraft). The CPA is hereby amended to add a new “Exhibit V-1 – Form of CRJ Lease to CRJ Third Party Lessee (Treasury Aircraft)” in the form attached to this Amendment as Attachment 4.

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

1.17 Exhibit V-2 – Form of CRJ Lease to CRJ Third Party Lessee (non-Treasury Aircraft). The CPA is hereby amended to add a new “Exhibit V-2 – Form of CRJ Lease to CRJ Third Party Lessee (non- Treasury Aircraft)” in the form attached to this Amendment as Attachment 5.

SECTION 2. Miscellaneous.

This Amendment may be executed in counterparts, each of which is deemed an original hereof. The Parties shall become bound by this Amendment immediately upon execution hereof by each Party. Except as expressly amended in this Amendment, the CPA will remain in full force and effect. Notwithstanding anything to the contrary in this Amendment, the terms and provisions of this Amendment are intended solely for the benefit of the Parties, and it is not the intention of the Parties to confer third party beneficiary rights upon any other person. This Amendment (together with the attached exhibits) constitutes the entire agreement between the Parties, and supersedes any other agreements, representations, warranties, covenants, communications, or understandings, whether oral or written (including, but not limited to, e- mail and other electronic correspondence), that may have been made or entered into by or between the Parties or any of their respective affiliates or agents relating in any way to the transactions contemplated by this Amendment.

[Signature page follows]

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

If Contractor is in agreement with the above, please indicate its agreement by having an authorized representative sign below in the space provided and return a signed copy of this Amendment to the undersigned.

Very truly yours,

UNITED AIRLINES, INC.

By: /s/ Sarah Rae Murphy

Name: Sarah Rae Murphy

Title: SVP, United Express

ACCEPTED AND AGREED:

MESA AIRLINES, INC.

By: /s/ Michael Lotz

Name: Michael Lotz

Title: President & CFO

MESA AIR GROUP, INC.

By: /s/ Michael Lotz

Name: Michael Lotz

Title: President & CFO

ATTACHMENT 3

SCHEDULE 2A

[***]

The following rates shall apply during the corresponding years and months to the applicable Covered Aircraft flown under this Agreement during the period beginning on [***] and ending [***]:

[***]

EXHIBIT V-1

Form of CRJ Lease to CRJ Third Party Lessee (Treasury Aircraft)

[Agreed form to be inserted]

AIRCRAFT LEASE AGREEMENT

Dated as of March 12, 2021

BETWEEN

MESA AIRLINES, INC.
as Lessor

and

GOJET AIRLINES LLC
as Lessee

One (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C10 Aircraft
Manufacturer's Serial Number 10070

This Aircraft Lease Agreement may be executed in several counterparts. To the extent, if any, that this Aircraft Lease Agreement constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction) no security interest in this Aircraft Lease Agreement may be created through the transfer of possession of any counterpart other than the original counterpart so marked "Chattel Paper Original" on the signature page thereof.

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THIS AIRCRAFT LEASE AGREEMENT is made as of March 12, 2021 by and between:

1. **MESA AIRLINES, INC.**, a company organized and existing under the applicable laws of the State of Nevada, U.S.A. and having its principal place of business at 410 N. 44th Street, Suite 700, Phoenix, Arizona 85008, and
2. **GOJET AIRLINES LLC**, a limited liability company organized and existing under the laws of the State of Delaware, U.S.A. and having its principal place of business at 11495 Navaid Road, Bridgeton, Missouri 63044 ("**Lessee**").

WHEREAS:

Lessee wishes to lease from Lessor and Lessor wishes to lease to Lessee the Aircraft on the terms and subject to the conditions of this Lease.

NOW THEREFORE IT IS AGREED as follows:

DEFINITIONS AND INTERPRETATION

1.1 Unless the context otherwise requires, all capitalized terms used in this Lease shall have the meanings given such terms in Appendix 1 or as may otherwise be defined in this Lease.

1.2 References to Articles, Sections and Appendices are to be construed as references to the articles, sections and appendices of and to this Lease and references to this Lease include the Appendices.

1.3. Words importing the plural shall include the singular and vice versa.

1.4. Reference to "Lessee", "Lessor", "Owner", "Owner Participant", "Financing Party" or any other Person shall include the successors, assigns and transferees of such Person.

1.5. The headings in this Lease are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

1.6. References to (or to any specified provision of) this Lease or any other Operative Document shall mean this Lease or such other Operative Document as in force for the time being and as amended, novated, substituted or supplemented from time to time in accordance with this Lease or such Operative Document.

1.7. References to "hereby", "herein", "hereof", "hereunder", and other like words shall refer to this Lease including, without limitation, as supplemented by the Lease Supplement.

LEASE TERM; NATURE OF LEASE; SUBJECT AND SUBORDINATE TO MORTGAGE

Lease Term.

Lessor shall lease the Aircraft to Lessee for the period stated in Appendix 2A.

The Lease Term shall commence at Delivery and shall end on the Termination Date.

Nature of Lease. At all times during the Lease Term, full legal title to the Aircraft and each Item of Equipment shall remain vested in Owner to the exclusion of Lessee, notwithstanding the delivery of the Aircraft to, and the possession and use thereof by, Lessee. This Lease and the Lease Supplement, together, transfer to Lessee with respect to the Aircraft a leasehold interest only and Owner is the owner and lessor of the Aircraft, and Lessee is the lessee of the Aircraft, for all purposes, including for purposes of the application of all relevant laws, regulations, rules, administrative practices and policies, and all relevant financial accounting principles.

Subject and Subordinate to Existing Mortgage. NOTWITHSTANDING ANY OTHER PROVISION HEREOF, THIS LEASE AND LESSEE'S RIGHTS HEREUNDER SHALL BE SUBJECT AND SUBORDINATE TO ALL THE TERMS OF THE EXISTING MORTGAGE, INCLUDING, WITHOUT LIMITATION, THE SECURITY TRUSTEE'S RIGHT TO AVOID THIS LEASE IN THE EXERCISE OF ITS RIGHTS TO REPOSSESSION OF THE AIRFRAME AND ANY ENGINE UNDER THE EXISTING MORTGAGE. Lessee agrees to and shall comply with Section 3.06 of the Existing Mortgage, shall possess and use the Aircraft subject to the limitations on possession and use applicable to Lessor under the Existing Mortgage and shall not take any action hereunder not permitted to be taken by Lessor under the Existing Mortgage. Lessee agrees to execute and deliver such further documents (in each case in form and substance reasonably acceptable to Lessee) to effectuate a security assignment of this Lease in favor of the Security Trustee under the Existing Mortgage and such other documents and instruments as may be reasonably requested in connection therewith or to further document the subordination of this Lease as may be reasonably requested by Lessor. The documents to be entered into by Lessee pursuant to the immediately preceding sentence (i) that are entered into prior to Delivery shall be at Lessee's cost and expense without reimbursement or contribution from Lessor and (ii) that are entered into by Lessee at Lessor's or the Security Trustee's request after Delivery shall, notwithstanding anything to the contrary in the security assignment (or the notice and acknowledgment to the security assignment) indicating the same shall be performed at Lessee's cost and expense, be subject to reimbursement by Lessor for any out-of-pocket cost and expense incurred by the Lessee (without mark-up for profit) in connection therewith. Lessee agrees to provide its consent to the registration on the International Registry of the subordination of this Lease to the Existing Mortgage and to the filing with the FAA of the security assignment of this Lease contemplated by this Section 2.3. Lessee acknowledges that the UCC financing statement filed in respect of this Lease will be assigned to the Security Trustee. Lessee acknowledges receipt of an executed copy of the Existing Mortgage (as in effect on the date of this Lease). Lessee further acknowledges that Lessor shall be entitled to enter into a refinancing of the Aircraft and a subsequent mortgage in connection therewith and Lessee shall cooperate with any reasonable requests made by Lessor in connection with such refinancing in accordance with Sections 25.4 and 25.5 hereof.

RENT

Agreement to Pay Rent. As rental for the Aircraft, Lessee shall pay to Lessor Basic Rent, in advance, on each Rent Payment Date in respect of each Rent Period.

Basic Rent. The amount of Basic Rent due and payable by Lessee for each Rent Period is set forth in paragraph 1 of Appendix 2B. If the

Delivery Date is on or after the 15th day of the calendar month, Lessee's first payment of Basic Rent due at Delivery shall include Lessee's payment of Basic Rent due and payable for the second Rent Period of the Lease Term.

Utilization Rent. Lessee shall pay to Lessor the Utilization Rent when due in accordance with Section 13 of this Lease.

Supplemental Rent. Lessee shall pay to Lessor, or to whomsoever shall be entitled thereto, any and all Supplemental Rent within ten (10) days after demand or such other relevant period as may be provided herein.

Obligation to Perform Unconditional. This Lease is a net lease and Lessee's obligation to pay Rent and to perform its other Obligations shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation:

any withholding, set-off, counterclaim, recoupment, defense or other right which Lessee may have against Lessor or any other Person for any reason whatsoever (whether in connection with the transactions contemplated hereby or any other transactions), including, without limitation, any breach by Lessor of its warranties, agreements or covenants contained herein or in any of the other Operative Documents;

any defect in the title, registration, airworthiness, condition, design, operation, or fitness for use of, or any damage to or loss or destruction of, the Aircraft, or any interruption or cessation in the use or possession thereof by Lessee or any other Person for any reason whatsoever;

any Liens with respect to the Aircraft;

an Event of Loss with respect to the Aircraft or any Item of Equipment;

the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease or any absence of right, power or authority of Lessor or Lessee to enter into this Lease;

any insolvency, bankruptcy, examinership, reorganization, administration, liquidation or similar proceedings affecting the enforcement of creditor's rights generally by or against Lessor or Lessee;

any other circumstance or happening of any nature whatsoever, whether or not similar to any of the foregoing;
or

any imposition of Taxes.

COMMITMENT FEE; FUEL AT DELIVERY

Commitment Fee Amount. Lessee shall pay the Commitment Fee in cash into Lessor's bank account in accordance with the provisions of paragraph 2 of Appendix 2B.

Nature of Commitment Fee. From and after receipt by Lessor the Commitment Fee will be non-refundable and the sole, absolute and unconditional property of Lessor.

Fuel at Delivery. Lessee shall pay Lessor for the amount of fuel onboard the Aircraft at the delivered price of such fuel at the Delivery Location on the Delivery Date.

PAYMENTS

Lessor's Account; Nature of Payments. All payments of Rent, Commitment Fee and Utilization Rent shall be made by Lessee to Lessor's bank account identified in Appendix 2B, Section 3 or to such other account designated in writing by Lessor. Lessee shall, together with such payment, identify the source of such payment and refer to the make, model and Manufacturer's serial number of the Aircraft. All payments of Rent received by Lessor are the sole, absolute and unconditional property of Lessor.

Payments on Non-Business Days. When any payment under any Operative Document would otherwise be due to Lessor on a day that is not a Business Day, the due date for payment shall be the

preceding Business Day.

Timing of Payments. Payments due under this Lease shall be made by Lessee for credit to Lessor not later than 2:00 P.M. New York, New York, USA time on the due date.

Late Payment. If Lessee fails to pay to Lessor any sum on its due date for payment under this Lease or any other Operative Document, including any payment of Supplemental Rent, Lessee shall pay to Lessor on demand interest on such sum from the due date up to the date of actual payment (including non-payment following the issuance of a judgment) at the Past Due Rate.

Calculation of Interest and Prorating of other Payments.

All interest payable under this Lease or any other Operative Document shall accrue from day to day and be calculated on the basis of actual days elapsed and a 360 day year.

All payments of a monthly nature under this Lease and any other Operative Document, including, but not limited to payments of Basic Rent and in respect of Utilization Rent, that accrue on a monthly basis and for which the payment due is for less than a complete month shall be prorated on a daily basis based on a month consisting of thirty (30) days.

Payments in United States Dollars. All amounts to be paid hereunder shall be paid in Dollars, in immediately available funds. The specification of Dollars in this transaction is of the essence and Dollars shall be the currency of account in any and all events. The obligations of Lessee hereunder shall not be discharged by an amount paid in another currency, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on prompt conversion to Dollars and transfer to Lessor at Lessor's account under normal banking procedures does not yield the amount of Dollars owing to Lessor. If Lessor receives an amount in respect of Lessee's liability under this Lease or if such liability is converted into a claim, proof, judgment or order in a currency other than Dollars, Lessee will indemnify Lessor, on an After-Tax Basis, as an independent obligation against any loss arising out of or as a result of such receipt or conversion. If the amount received by Lessor, when converted into Dollars (at the market rate at which Lessor is able on the relevant date to purchase Dollars in New York with that other currency) is less than the amount owed in Dollars Lessee will, forthwith on demand, pay to Lessor an amount in Dollars equal to the deficit. In addition, Lessee waives any right it may have in any jurisdiction to pay any amount due or to become due hereunder in a currency other than Dollars.

Retention of Certain Payments. Any amount referred to in any Operative Document which is payable to or retainable by Lessee shall not be paid to or retained by Lessee at any time when a Payment Default or an Event of Default shall have occurred and be continuing, but instead such amount shall be paid to or held by Lessor as security for the Obligations and Related Obligations to be held and applied in accordance with the provisions of this Lease. At such time as there shall not be continuing any Payment Default or Event of Default, such amount shall be paid to Lessee to the extent not applied in accordance with the preceding sentence. Where Lessor would, but for this Section 5.7 or any similar provision, be obliged to make any payment to Lessee, Lessor may elect in its absolute discretion to make such payment but shall be entitled to deduct or withhold from such payment any amount then due and payable but unpaid by Lessee under or in respect of the Obligations or Related Obligations.

Application of Payments. Lessor may apply any payment received from Lessee under any Operative Document which is less than the full amount then due and owing to Lessor in respect of the Obligations or Related Obligations in such proportions, order and manner as Lessor may, in its absolute discretion, determine, notwithstanding any designation or instruction for application that may have been made by Lessee.

AIRCRAFT DELIVERY CONDITION; LESSEE'S INSPECTION

Aircraft Delivery Condition. The Aircraft shall be delivered to Lessee by Lessor on the Delivery Date in the condition set forth in Appendix 2D.

Lessee's Inspection of Aircraft; No Lessor Liability.

Lessee acknowledges that in accepting the Aircraft it is relying on its own inspection and knowledge of the Aircraft and each Item of Equipment in determining whether they meet the requirements of this Lease and specifically disclaims any reliance upon any representation or assurance by Lessor or any Affiliate of Lessor or any Servicer in making such determination. Lessee further acknowledges that Lessor will not cure any nonconformity of the Aircraft or any Item of Equipment, discovered, difficult of discovery, or undiscovered, unless both (x) the nonconformity or possibility of nonconformity and (y) Lessor's agreement to cure such nonconformity are expressed in a written instrument signed by Lessor and Lessee delivered at or before the execution and delivery of the Acceptance Certificate and Lease Supplement. Except for any express commitment by Lessor to cure any nonconformity evidenced by a written instrument of the type described in (y) above, neither Lessor nor any Affiliate of Lessor nor any Servicer will be liable to Lessee or any other Person for any failure of the Aircraft to conform with the requirements of this Lease at the time of acceptance of the Aircraft by Lessee.

Compliance. All representatives designated by Lessee to perform the pre-Delivery inspections of the Aircraft contemplated under this Lease shall comply with all occupational health and safety and security requirements as the same are advised by Lessor or any party acting by or through Lessor at the location of such inspections.

CONDITIONS PRECEDENT TO DELIVERY

Conditions Precedent in Favor of Lessor. Lessor's obligation to deliver and lease the Aircraft to Lessee is subject to:

no Event of Loss having occurred with respect to the Aircraft;

no Default or Event of Default having occurred and be continuing;

there having been no material adverse change to the financial status or condition of Lessee from the date of execution of this Lease to the Delivery Date; and

the receipt by Lessor of each item identified in Appendix 5 by the date required for such item appearing therein.

Waiver or Deferral of Conditions Precedent. If any condition precedent specified in Section 7.1 (excluding Section 7.1(a)) is not satisfied before Delivery, Lessor may, at its option, waive or defer satisfaction thereof on such terms and for such period as Lessor may determine and notify to Lessee in writing.

7.3. Conditions Precedent in Favor of Lessee: Lessee's obligation to accept and take delivery of and lease the Aircraft from Lessor is subject to:

(a) the Aircraft being in compliance with the condition required for Delivery under this Lease; and

(b) the receipt by Lessee of each item identified in Appendix 5, PART 2 (Conditions Precedent in favor of Lessee) by the date required for such item appearing therein.

If any condition precedent specified in this Section 7.3 is not satisfied before Delivery, Lessee may, at its option, waive or defer satisfaction thereof on such terms and for such period as Lessee may determine and notify to Lessor in writing.

DELIVERY; EVENT OF LOSS PRIOR TO DELIVERY; RISK OF LOSS FOLLOWING DELIVERY

Delivery Location and Timing. Lessor shall deliver the Aircraft in the condition required by this Lease to Lessee and Lessee shall accept the Aircraft under this Lease on the Scheduled Delivery Date at the Delivery Location, whereupon the Lease Term shall commence.

Event of Loss to Aircraft Prior to Delivery. If an Event of Loss to the Aircraft occurs prior to Delivery, Lessor will notify Lessee promptly following Lessor's actual knowledge of the same and this Lease shall automatically terminate whereupon neither party will have any further liability to the other except that if Lessee has paid the Commitment Fee then Lessor will pay to Lessee the amount specified in Section 22.6.

[Intentionally Blank].

Risk of Loss to Aircraft following Delivery. Upon Delivery, risk of loss or damage to the Aircraft shall pass to Lessee for the Lease Term.

Delay in Delivery. Lessor shall not be liable to Lessee for any delay or failure in Delivery to Lessee.

LESSEE'S REPRESENTATIONS, WARRANTIES AND COVENANTS

Lessee's Representations and Warranties. Lessee represents and warrants to Lessor that:

Lessee is a company duly organized and validly existing under the laws of its State of Organization and has the corporate power and authority to carry on its business as it is being conducted.

Lessee has the corporate power to enter into and perform, and has taken all necessary corporate action to authorize the entry into, performance and delivery of each Operative Document and upon execution by the other parties thereto the Operative Documents will constitute the valid and legally binding and enforceable obligations of Lessee.

The execution and delivery of, the performance of its Obligations under, and compliance by Lessee with the provisions of, the Operative Documents will not (i) contravene any existing applicable law of its State of Organization or the State of Registration (or federal and other divisional governmental laws applicable therein), (ii) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which Lessee is a party or is subject or by which it or any of its property is bound, (iii) contravene or conflict with any provision of its constitutional and/or organizational documents or (iv) result in the creation or imposition of, or oblige it to create, any Lien over its undertaking or any of its assets, rights or revenues.

Except as disclosed in Appendix 8, Lessee is not in default under any material agreement to which it is a party or by which it may be bound and no litigation, arbitration or administrative proceeding is taking place or, to the best of its knowledge, pending or threatened against Lessee which could have a material adverse effect on its ability to perform its Obligations.

The financial statements of Lessee for each financial year as have been provided to Lessor prior to the date hereof have been reviewed by an independent and duly qualified U.S. certified public accounting firm and fairly and accurately present the accounts, liabilities and financial position of Lessee as at the date as of which they were prepared and the results of the operations of Lessee for the period to which they relate and do not contain any misstatement or misrepresentation of any material facts.

Other than making the filing in respect of this Lease in the State of Registration with the Aeronautics Authority and registration thereof with the IR, filing financing statements under the UCC with the Secretary of State of the State of Delaware and possession by Lessor of the chattel paper copy of this Lease, it is not necessary, in order to ensure the legality, validity, enforceability

or admissibility in evidence of any Operative Document, that such Operative Document or any other instrument be notarized, filed, recorded, registered or enrolled in any court, public office or elsewhere in relation to any of the Operative Documents.

Lessee has received and complied with or will, prior to the Delivery Date, receive and comply with, each authorization required for the valid authorization, execution, delivery and performance of this Lease and each other Operative Document, the validity and enforceability hereof and thereof and the compliance, satisfaction or performance by Lessee with or of all monetary and other Obligations hereunder and thereunder and all such authorizations are, or prior to the Delivery Date will be, valid and in full force and effect.

The choice by Lessee of New York law to govern the Operative Documents and the submission by Lessee to the jurisdiction of the New York courts is valid and binding on Lessee.

In any proceedings taken in any jurisdiction in relation to any of the Operative Documents, Lessee will not be entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

Lessee has paid or caused to be paid all fees or charges assessed and due against it (or against any aircraft owned by or leased to or operated by it) by any airport or air navigation authority assessing landing or navigation fees or charges in respect of the Aircraft or any other aircraft owned by or leased to or operated by it.

No Default or Event of Default has occurred and is continuing.

With respect to Taxes:

Lessee has duly filed all Income Tax returns and all other material Tax returns that it is required by applicable Laws to file, has duly paid all Taxes stated to be due and payable in such Tax returns and has duly paid all Taxes stated to be due in any communication issued by any taxing authority other than Taxes (A) which are being contested in good faith by appropriate proceedings in accordance with applicable Law, (B) for which adequate reserves are maintained in accordance with GAAP, and (C) the contest of which does not involve any risk of criminal penalty or any reasonable possibility of any sale, forfeiture, confiscation, seizure or loss of, or the imposition of a Lien on, any Item of Equipment or any interest therein;

no Tax imposed by any Governmental Authority or other taxing authority of, or having jurisdiction in, Lessee's State of Organization or the State of Registration is (A) required to be paid by any Indemnitee as a result of the execution, delivery, performance or enforcement of, or the transactions and activities provided for or contemplated in, the Operative Documents, or (B) required to be deducted or withheld from or with respect to any amount payable by Lessee under any Operative Document; and

no Indemnitee is required to give any notice to, make any registration with, or file any document or information with, any Governmental Authority or other taxing authority of, or having jurisdiction in, Lessee's State of Organization or the State of Registration with respect to Taxes by reason of the execution, delivery, performance or enforcement of the Operative Documents.

Application of Representations and Warranties; Survival. Each representation and warranty set out in Section 9.1 shall survive the execution hereof and the delivery of the Aircraft and shall be deemed to be repeated on the Delivery Date by reference to the facts and circumstances existing on such date.

Lessee's General Covenants. Lessee covenants to Lessor that it will:

preserve and maintain (i) its corporate existence and (ii) all of its rights, privileges and franchises in every jurisdiction in which the character of the property owned or the nature of the business transacted by it makes licensing or qualification necessary;

pay or cause to be paid (i) all Taxes required by applicable Laws to be paid by it (whether such Taxes are imposed upon it or upon its income and profits or upon any property belonging to it or otherwise) prior to the date on which any penalty accrues, except Taxes which it is contesting in good faith by appropriate proceedings provided that such contest does not involve any risk of criminal penalty or any reasonable possibility of sale, forfeiture, confiscation, seizure or loss of, or the imposition of any Lien on, any Item of Equipment or any interest therein, and (ii) all other lawful claims which, if not paid, are reasonably likely to result in the imposition of a Lien upon its property or upon the Aircraft or any part thereof;

remain duly qualified to operate the Aircraft under applicable Law;

maintain in full force and effect all governmental consents, licenses, authorizations, approvals, declarations, filings and registrations obtained or effected in connection with this Lease and every document or instrument contemplated hereby and to take all such additional action as may be proper or advisable in connection herewith or therewith. Lessee further undertakes to timely obtain or effect any new or additional governmental consents, licenses, authorizations, approvals, declarations, filings or registrations as may become necessary for Lessee's performance of its Obligations;

not cause, permit or suffer, directly or indirectly, any Change of Control without the prior written consent of Lessor; provided however Lessor's consent shall not be required in respect of any change of control where United has consented in writing to such Change of Control and, following such Change of Control, Lessee does not have a tangible net worth less than Lessee's tangible net worth immediately prior to the consummation of the Change of Control, each as demonstrated to Lessor to its satisfaction not less than five (5) Business Days prior to Lessee consummating such Change of Control transaction;

notify Lessor of any change to Lessee's registered office, principal place of business or chief executive office not more than thirty (30) days following such change;

not (i) voluntarily suspend its certificated operations of the Aircraft or its fleet (except as may be required in response to a pandemic, epidemic or quarantine); or (ii) permit to be revoked, canceled or otherwise terminated, whether by act or omission, all or substantially all of the franchises, concessions, permits, rights or privileges required for the conduct of business and operations of Lessee or the free and continued use and exercise thereof;

pay promptly when due all navigation and en-route charges and all other charges payable by Lessee for the use of or services provided at any airport, whether in respect of the Aircraft or any other aircraft in Lessee's fleet;

not represent or hold out Owner, Lessor (if not Owner), any Financing Party or any Affiliate of the foregoing as carrying goods or passengers on the Aircraft or being in any way connected to operation of the Aircraft; and

If any items delivered to Lessor in connection with this Lease are required by this Lease to have a validity and effectiveness for the Lease Term, but have or are of a duration or effectiveness that is for less than the Lease Term when originally delivered, cause replacements, extensions or supplements thereof to be timely delivered to Lessor during the Lease Term to ensure that Lessor maintains at all times during the Lease Term the benefits initially afforded by such items and the continued effectiveness and validity of the same for the Lease Term.

LESSOR'S REPRESENTATIONS, WARRANTIES AND COVENANTS; DISCLAIMERS

General Representations and Warranties of Lessor. Lessor represents and warrants to Lessee that:

Lessor is a company duly organized and validly existing under the laws of its State of Organization and has the corporate power and authority to carry on its business as it is being conducted;

Lessor has the corporate power to enter into and perform, and has taken all necessary corporate action to authorize the entry into, performance and delivery of each Operative Document to which it is a party and upon execution by the other parties thereto the Operative Documents to which it is a party will constitute its valid and legally binding and enforceable obligations;

the execution and delivery of, the performance of its obligations under, and compliance by Lessor with the provisions of, the Operative Documents to which it is a party will not (i) contravene any existing applicable law of its State of Organization (or federal and other divisional governmental laws applicable therein), (ii) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which Lessor is a party or is subject or by which it or any of its property is bound, or (iii) contravene or conflict with any provision of its constitutional and/or organizational documents; and

Lessor has received and complied with or will, prior to the Delivery Date, receive and comply with, each authorization required for the valid authorization, execution, delivery and performance of this Lease and each other Operative Document to which Lessor is a party and the validity and enforceability hereof and thereof.

Covenant of Quiet Enjoyment. This Lease is subject and subordinate to the terms of the Existing Mortgage as set forth in Section 2.3. Expressly subject to Section 2.3 and the rights of the Financing Parties under the Existing Mortgage and any other financing documents relating to the Existing Financing, Lessor covenants that so long as an Event of Default shall not have occurred and be continuing, Lessee shall quietly enjoy the Aircraft without interference by Lessor or by any Person (other than the Financing Parties in relation to the Existing Mortgage and Existing Financing) lawfully claiming by or through Lessor. The exercise by Lessor of its rights under this Lease or any other Operative Document shall not constitute a breach of this Section 10.2.

Disclaimer; Waiver of Warranties; Waiver of Remedies.

LESSEE AGREES THAT UPON LESSEE'S ACCEPTANCE AT DELIVERY OF THE AIRCRAFT AND EACH ITEM OF EQUIPMENT, SUCH DELIVERY SHALL BE "AS-IS, WHERE-IS". LESSEE ACKNOWLEDGES AND AGREES THAT NO INDEMNITEE HAS, OR SHALL BE DEEMED TO HAVE MADE, (WHETHER BY VIRTUE OF HAVING LEASED THE AIRCRAFT UNDER THIS LEASE, OR HAVING ACQUIRED THE AIRCRAFT, OR

HAVING DONE OR FAILED TO DO ANY ACT, OR HAVING ACQUIRED OR FAILED TO ACQUIRE ANY STATUS UNDER OR IN RELATION TO THIS LEASE OR OTHERWISE), AND LESSOR, FOR ITSELF AND FOR EACH INDEMNITEE, HEREBY SPECIFICALLY DISCLAIMS, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE (EXCEPT AS HEREIN BELOW PROVIDED), AIRWORTHINESS, CONDITION, DESIGN, OPERATION, MERCHANTABILITY, FREEDOM FROM CLAIMS OF INFRINGEMENT OR THE LIKE, OR FITNESS FOR USE FOR A PARTICULAR PURPOSE OF THE AIRCRAFT, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE AIRCRAFT, THE ABSENCE THEREFROM OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE OR CAPABLE OF DISCOVERY, OR AS TO ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED (INCLUDING ANY IMPLIED WARRANTY ARISING FROM A COURSE OF PERFORMANCE OR DEALING OR USAGE OF TRADE), WITH RESPECT TO THE AIRCRAFT; AND LESSEE HEREBY WAIVES, RELEASES, RENOUNCES AND DISCLAIMS EXPECTATION OF OR RELIANCE UPON ANY SUCH WARRANTY OR WARRANTIES. NO INDEMNITEE SHALL HAVE ANY RESPONSIBILITY OR LIABILITY TO LESSEE OR ANY OTHER PERSON, WHETHER ARISING IN CONTRACT OR TORT OUT OF ANY NEGLIGENCE OR STRICT LIABILITY OF LESSOR OR OTHERWISE, FOR (i) ANY LIABILITY, LOSS OR DAMAGE CAUSED OR ALLEGED TO BE CAUSED DIRECTLY OR INDIRECTLY BY THE AIRCRAFT OR ANY ITEM OF EQUIPMENT OR BY ANY INADEQUACY THEREOF OR DEFICIENCY OR DEFECT THEREIN OR BY ANY OTHER CIRCUMSTANCE IN CONNECTION THEREWITH, (ii) THE USE, OPERATION OR PERFORMANCE OF THE AIRCRAFT OR ANY RISKS RELATING THERETO, (iii) THE DELIVERY OR DELAY IN DELIVERY OF THE AIRCRAFT, OR (iv) THE OPERATION, SERVICING, MAINTENANCE, REPAIR, IMPROVEMENT OR REPLACEMENT OF THE AIRCRAFT OR ANY ITEM OF EQUIPMENT. THE WARRANTIES AND REPRESENTATIONS SET FORTH IN SECTION 10.1 ARE EXCLUSIVE AND IN LIEU OF ALL OTHER REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, AND NO INDEMNITEE SHALL BE DEEMED TO HAVE MADE ANY OTHER WARRANTIES.

LESSEE REPRESENTS TO LESSOR THAT LESSEE HAS USED ITS OWN JUDGMENT IN SELECTING THE AIRCRAFT AND HAS DONE SO BASED ON ITS SIZE, DESIGN AND TYPE. LESSEE ACKNOWLEDGES THAT THE RENT AND OTHER AMOUNTS HAVE BEEN CALCULATED HAVING DUE REGARD FOR THE PROVISIONS OF THIS SECTION 10.3.

LESSEE HEREBY AGREES THAT ITS ACCEPTANCE OF THE AIRCRAFT AT DELIVERY AND ITS EXECUTION AND DELIVERY OF THE ACCEPTANCE CERTIFICATE CONSTITUTE LESSEE'S WAIVER OF THE WARRANTY OF DESCRIPTION, ANY CLAIMS LESSEE MAY HAVE AGAINST LESSOR BASED UPON THE FAILURE OF THE AIRCRAFT TO CONFORM WITH SUCH DESCRIPTION AND ANY AND ALL RIGHTS IT MAY HAVE UNDER APPLICABLE LAW. EVEN IF AT ANY TIME THE FAILURE OF THE AIRCRAFT TO CONFORM TO SUCH DESCRIPTION SUBSTANTIALLY IMPAIRS THE VALUE AND UTILITY OF THE AIRCRAFT AND EITHER (1) LESSEE ACCEPTED THE AIRCRAFT BASED ON A REASONABLE ASSUMPTION THAT THE NONCONFORMITY WOULD BE CURED AND IT WAS NOT CURED WITHIN THE TIME PROVIDED OR, IF NOT PROVIDED, WITHIN A

REASONABLE PERIOD OF TIME OR (2) LESSEE ACCEPTED THE AIRCRAFT WITHOUT DISCOVERING THE NONCONFORMITY BUT LESSEE'S ACCEPTANCE OF THE AIRCRAFT WAS REASONABLY INDUCED EITHER BY AN INDEMNITEE'S ASSURANCES OR BY THE DIFFICULTY OF DISCOVERING ANY DEFECT PRIOR TO ACCEPTANCE, LESSEE AGREES NOT TO LOOK TO ANY INDEMNITEE FOR DAMAGES OR RELIEF ARISING OUT OF THE FAILURE OF THE AIRCRAFT TO CONFORM TO SUCH DESCRIPTION.

DELIVERY BY LESSEE TO LESSOR OF THE ACCEPTANCE CERTIFICATE WILL BE CONCLUSIVE PROOF AS BETWEEN LESSOR AND LESSEE THAT LESSEE HAS EXAMINED AND INVESTIGATED THE AIRCRAFT, INCLUDING THE ENGINES AND THE AIRCRAFT DOCUMENTS AND THAT EACH IS IN THE CONDITION REQUIRED HEREUNDER AND WITHOUT DEFECT, EXCEPT AS SPECIFICALLY SET FORTH IN SUCH CERTIFICATE, (WHETHER OR NOT DISCOVERABLE OR DIFFICULT OF DISCOVERY AT DELIVERY) AND IS OTHERWISE IN EVERY WAY SATISFACTORY TO LESSEE.

LESSEE HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHTS WHICH IT MAY NOW HAVE OR WHICH AT ANY TIME HEREAFTER MAY BE CONFERRED UPON IT, BY STATUTE OR OTHERWISE, TO SUSPEND ITS PERFORMANCE HEREUNDER OR TO TERMINATE, CANCEL, QUIT OR SURRENDER THIS LEASE. EACH PAYMENT OF RENT MADE BY LESSEE TO LESSOR SHALL BE ABSOLUTE AND FINAL AND LESSEE SHALL NOT HAVE ANY RIGHT TO AND WILL NOT SEEK TO RECOVER ANY PART OF SUCH PAYMENT FROM LESSOR FOR ANY REASON WHATSOEVER, EXCEPT FOR NEGLIGENCE OR MANIFEST ERROR IN THE CALCULATION OF THE AMOUNT OR REMITTANCE OF SUCH PAYMENT. LESSEE'S COVENANTS AND PROMISES IN THIS LEASE ARE IRREVOCABLE AND INDEPENDENT UPON DELIVERY HEREUNDER, AND NONE OF SUCH COVENANTS OR PROMISES IS SUBJECT TO CANCELLATION, TERMINATION, MODIFICATION, REPUDIATION, EXCUSE, OR SUBSTITUTION WITHOUT LESSOR'S CONSENT OR THE CONSENT OF SUCH OTHER PERSON IN WHOSE FAVOR THE COVENANT OR PROMISE RUNS. LESSEE AGREES THAT ITS ONLY RIGHT WITH RESPECT TO A DEFAULT BY LESSOR UNDER THIS LEASE IS, AFTER COMPLYING WITH ITS OBLIGATIONS UNDER THIS LEASE, TO MAKE A CLAIM AGAINST LESSOR FOR ACTUAL DAMAGES RESULTING DIRECTLY FROM SUCH DEFAULT AND LESSEE HEREBY WAIVES ANY OTHER RIGHTS OR REMEDIES IT MAY HAVE UNDER ARTICLE 2A (UNIFORM COMMERCIAL CODE—LEASES) OF THE NEW YORK UNIFORM COMMERCIAL CODE OR OTHERWISE.

DISCLAIMER AND WAIVER OF INCIDENTAL, CONSEQUENTIAL, SPECIAL AND PUNITIVE DAMAGES. LESSEE AGREES THAT IT SHALL NOT BE ENTITLED TO RECOVER, AND HEREBY DISCLAIMS AND WAIVES ANY RIGHT THAT IT MAY OTHERWISE HAVE TO RECOVER, (i) INCIDENTAL, CONSEQUENTIAL, SPECIAL AND PUNITIVE DAMAGES, AND/OR (ii) DAMAGES IN CONNECTION WITH ANY INTERRUPTION OF SERVICE, LOSS OF BUSINESS OR ANTICIPATED PROFITS AS A RESULT OF ANY BREACH OR ALLEGED BREACH BY LESSOR OF ANY OF THE AGREEMENTS, REPRESENTATIONS OR WARRANTIES OF LESSOR CONTAINED IN THIS LEASE OR ANY OPERATIVE DOCUMENTS.

NO DUTY OF INDEMNITEES TO INSPECT, ETC. NO INDEMNITEE SHALL HAVE ANY DUTY OR

OBLIGATION TO DETERMINE WHETHER ANY ITEM OF EQUIPMENT IS REQUIRED TO BE OVERHAULED OR MAINTAINED, OR TO OBSERVE OR INSPECT THE OVERHAUL OR MAINTENANCE OF ANY ITEM OF EQUIPMENT OR TO CONFIRM OR VERIFY THE FITNESS OR QUALIFICATION OF LESSEE OR ANY APPROVED MAINTENANCE ORGANIZATION TO PERFORM ANY MAINTENANCE TO ANY ITEM OF EQUIPMENT AND NO INDEMNITEE SHALL INCUR ANY LIABILITY OR OBLIGATION IN CONNECTION WITH THE FOREGOING OR BY REASON OF THE FAILURE OF ANY ITEM TO BE PROPERLY MAINTAINED OR BY REASON OF ANY INDEMNITEE'S ELECTION TO OBSERVE OR INSPECT OR NOT TO OBSERVE OR INSPECT ANY MAINTENANCE CHECK OR OTHER MAINTENANCE OF ANY ITEM OF EQUIPMENT PERFORMED DURING THE LEASE TERM.

10.6 LESSEE DISCLAIMER. BASED UPON AND IN RELIANCE ON THE FINANCIAL STATEMENTS PROVIDED AND OTHER REPRESENTATIONS MADE BY LESSEE PURSUANT TO SECTION 9.1 AND SUCH OTHER INFORMATION THAT LESSEE PROVIDED TO LESSOR PRIOR TO THE DATE HEREOF (AND, FURTHER, PROVIDED LESSEE HAS NOT FAILED TO DISCLOSE TO LESSOR ANY MATERIAL MATTERS OR MADE ANY MISSTATEMENTS OR MISREPRESENTATIONS OF MATERIAL FACTS), LESSOR ACKNOWLEDGES THAT IT IS MAKING ITS OWN, INDEPENDENT JUDGMENT CONCERNING LESSEE'S FINANCIAL POSITION. FURTHER LESSOR ACKNOWLEDGES THAT LESSOR HAS PERFORMED AT OR PRIOR TO DELIVERY SUCH DUE DILIGENCE INQUIRY THAT HAS FULLY SATISFIED LESSOR AND THAT LESSOR IS ENTERING INTO THIS LEASE WITH SUCH KNOWLEDGE AS LESSOR DEEMS SUFFICIENT IN ALL RESPECTS.

GENERAL OPERATION OF THE AIRCRAFT

General Operation. Lessee will:

comply with the Law in any country or jurisdiction which may for the time being be applicable to the Aircraft and its use, maintenance and operation, including but not limited to the holding of all certificates, licenses, permits, authorizations and regulations, and take all reasonable steps to ensure that the Aircraft is not used for any illegal purpose;

not use any Item of Equipment in any manner contrary to:

any Manufacturer's operating manuals or instructions, or in violation of any airworthiness certificate or registration relating thereto; or

any recommendation of the Manufacturer of such Item of Equipment, or regulation of the Aeronautics Authority or for any purpose for which the Aircraft is not designed or reasonably suitable;

ensure that all personnel directly or indirectly employed by it in connection with the operation and maintenance of the Aircraft have the qualifications and hold the licenses required by the Aeronautics Authority and applicable Law;

use the Aircraft solely in commercial passenger and cargo (provided such cargo is carried exclusively in the cargo compartments of the Aircraft) operations for which Lessee is duly authorized by the Aeronautics Authority and under applicable Law and from a base located within the State of Registration;

not utilize the Aircraft for purposes of training, qualifying or re-confirming the status of cockpit personnel except for the benefit of Lessee's cockpit personnel, and then only if the use of

the Aircraft for such purpose is not disproportionate to the use for such purpose of other similar model aircraft within Lessee's fleet of aircraft; and

obtain and maintain in full force and effect all certificates, licenses, permits and authorizations required for the making of payments required by, and the compliance by Lessee with its other Obligations under, this Lease.

Insured Operations. Lessee will not use or locate or permit the Aircraft or any Item of Equipment to be used or located in any manner, for any purpose or at any location which is not covered by the insurance policies and the scope of coverage Lessee is required to carry and maintain as set forth in this Lease. Lessee will not carry any goods of any description excepted or exempted from such policies or do any other act or permit to be done anything which could reasonably be expected to invalidate or limit any such insurance policy or coverage provided thereunder.

Carriage of Goods. Lessee shall not use the Aircraft for the carriage of:

whole animals living or dead except in compliance with I.A.T.A. regulations;

cargo to the extent forbidden pursuant to Section 2 (Limitations) of the I.A.T.A. Dangerous Goods Regulations, as revised, from time to time;

nuclear fuels or waste, illegal drugs, controlled substances or the like or any other goods, materials or items of cargo which are prohibited by Law or regulation; or

any other cargo which (i) could reasonably be expected to cause damage to the Aircraft or (ii) the carriage of which might cause damage that would not be adequately covered by insurance.

Operational Expenses. Lessee shall pay or procure payment of all expenses incurred in the operation of the Aircraft during the Lease Term including, without limitation, expenses of flight crews, cabin personnel, fuel, oil, lubricants, maintenance, insurance, landing and navigation fees, airport charges, passenger service and any and all other expenses or claims of any kind or nature incurred during the Lease Term, arising directly or indirectly in connection with or related to the use, movement, operation, storage or location of the Aircraft or any Item of Equipment. The obligations of Lessee under this Section 11.4 arising prior to any cancellation, termination or expiration of the Lease Term shall continue in full force and effect, notwithstanding such cancellation or termination (whether arising out of an Event of Default or otherwise) or expiration, and shall be enforceable by Lessor.

Compliance with Laws. Lessee will:

not cause or permit the Aircraft to proceed to, or remain at, any location to the extent then prohibited by a prohibition order or restriction of applicable Law (or any similar order, regulation or directive) by any Governmental Authority of the State of Registration or Lessee's, Lessor's or Owner's State of Organization or any Governmental Authority of the country in which such location is situated; and

not use or permit the use of the Aircraft or any Item of Equipment with, for or on behalf of any Person:

whose property or interests in property are blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 24, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) (as the same is in effect during the Lease Term);

in violation of the United States Bank Secrecy Act, as amended, or any applicable regulations thereunder;

contrary to any of the sanctions programs administered by the Office of Foreign Assets Control of the United States Department of Treasury ("**OFAC**"), any regulations promulgated thereunder by OFAC or under any affiliated or successor governmental or quasi-governmental office, bureau or agency, or any enabling legislation or executive order relating thereto (*ref*: www.ustreas.gov/offices/enforcement/ofac/);

on the list of "Specially Designated Nationals" and "Blocked Persons" or subject to the limitations or prohibitions under any OFAC regulation or executive order, as the same are amended from time to time;

who is the subject of a United Nations sanction or whose assets have been frozen by enabling legislation of the same in the State of Registration or Lessee's State of Organization; or

who is the subject of or which use is contrary to any Laws similar to or consistent with the foregoing clauses (i) through (v) as the same are enacted in the Lessee's State of Organization or the State of Registration;

as any or all of the same are amended or supplemented from time to time, and including any successor Laws as the same are enacted from time to time.

MAINTENANCE, MODIFICATION AND OPERATION OF THE AIRCRAFT

General. Lessee, at its own expense subject where applicable to Lessor's contribution toward the cost of performance of Qualifying Maintenance pursuant to Appendix 2F, shall cause the Aircraft and each Item of Equipment to be serviced, repaired, overhauled, tested and maintained:

in accordance with the Maintenance Program and the applicable Manufacturer's Repair Manuals including, without limitation, the Manufacturer's recommended corrosion prevention and control program for the Aircraft;

so as to keep each such Item in as good operating condition and appearance as when delivered to Lessee hereunder, ordinary and reasonable wear and tear excepted;

in compliance with all Manufacturers' service bulletins designated by such Manufacturer as either (x) an alert service bulletin or (y) a mandatory service bulletin, either of which by their terms (i) is applicable to the respective Item of Equipment and (ii) specify compliance during the Lease Term;

in compliance with all other Manufacturer's service bulletins which require compliance in order to maintain the validity of warranties; and

in compliance with all Airworthiness Directives which by the terms of each such AD require compliance during the Lease Term and which shall be accomplished in strict accordance with such AD and without application or utilization of any alternate method of compliance.

Accomplishment of Tasks and Repairs. Lessee shall cause, at its expense, all Tasks to be accomplished on the Aircraft as they become due, with no discrimination toward the Aircraft with respect to any maintenance accomplished on similar model aircraft within Lessee's fleet of aircraft. To the extent that the Maintenance Program permits certain Tasks to be accomplished on a sampling basis, Lessee nevertheless shall accomplish on the Aircraft all such Tasks that, by the terms of such Tasks, are applicable to the Aircraft. Any damage, defects or corrosion discovered during the Lease Term shall be repaired in accordance with the applicable Manufacturer's Repair Manual approved procedures at the sole expense of Lessee, and Lessee shall obtain Required Approval with respect to any repairs or modifications accomplished during the Lease Term which have not been approved by the Manufacturer and the Certificating Authority in addition to any approval received by Lessee from the Aeronautics Authority with respect to any such repairs or modifications.

Information on Maintenance. Lessee, at its cost and expense, shall furnish Lessor, at such times during the Lease Term as Lessor shall reasonably request, copies of records maintained relating to the Aircraft, with a certificate signed by an officer of Lessee affirming that all the maintenance work represented by such records was accomplished by an Approved Maintenance Organization and that the maintenance work represented by such records was performed in compliance with the terms of this Lease.

Aircraft Documents in English Language. Lessee, at its cost and expense, shall maintain all Aircraft Documents in the English language, including Aircraft Documents required by the applicable Aeronautics Authority and Certificating Authority to be maintained in respect of each Item of Equipment, and promptly furnish to Lessor upon Lessor's request such information as may be required to enable Lessor to file any reports required to be filed with any Governmental Authority because of Owner's ownership of the Aircraft.

Originals. All Aircraft Documents, including records and documentation of maintenance accomplished on the Aircraft and any Item of Equipment shall be retained by Lessee until the Termination Date, at which time all records and Aircraft Documents shall be returned to Lessor in original (not duplicate) form.

Performance of Maintenance. All Maintenance Checks shall be accomplished only at Approved Maintenance Organizations which shall be approved by Lessor in writing prior to the commencement of such Maintenance Check, such approval not to be unreasonably withheld. All other maintenance on the Aircraft will be performed by Lessee using personnel that are approved and appropriately certified by the Aeronautics Authority to perform such maintenance.

Alterations, Modifications and Additions.

Required Alterations, Modifications and Additions. Lessee, at its own cost and expense, shall make such alterations, modifications and additions to the Aircraft and any Items of Equipment as may be required from time to time to comply with:

all Manufacturers' service bulletins designated by such Manufacturer as either (x) an alert service bulletin or (y) a mandatory service bulletin, either of which by their terms (1) is applicable to the respective Item of Equipment and (2) specify compliance during the Lease Term;

Airworthiness Directives which by the terms of each such AD require compliance during the Lease Term and which shall be performed in strict accordance with such AD and without application or utilization of any alternate method of compliance; and

all Laws and regulations of the Aeronautics Authority and Certifying Authority which require compliance during the Lease Term.

Discretionary Alterations, Modifications and Additions. Except as set forth in the preceding clause (a) and except for such alterations, modifications and additions as are required to reconfigure the Aircraft to be in a CRJ550 configuration (which configuration change shall be at Lessee's sole cost and expense and the workscope for which has been approved by United Airlines), Lessee shall not make any alteration, modification or addition to the Aircraft or any Item of Equipment (including, but not limited to, galleys, lavatories, avionics or Engines) without the prior written consent of Lessor.

Removed Items – Title and Risk of Loss. Notwithstanding the provisions of Sections 12.8 and 12.9, title to any and all Items of Equipment removed from the Aircraft in accordance with the Lessor's consent given under Section 12.7(b) or the reconfiguration of the Aircraft to a CRJ550 configuration pursuant to Section 12.7(b) shall remain with Owner and risk of loss or damage to the same shall remain with Lessee during the Lease Term and Lessee shall keep, store and maintain the same in accordance with Manufacturer's repair manual requirements and standard industry practice for reinstallation on the Aircraft in accordance with the following clause (d) (or for return to Lessor on the Termination Date, at Lessee's cost and expense, if Lessor has provided the written notice contemplated by the following clause (d) to the effect that Lessee is not required to de-modify the Aircraft at Return).

De-Modification of Aircraft. At Return, unless Lessor has provided contrary written notice to Lessee at least thirty (30) days prior to the Scheduled Termination Date, Lessee shall be required to de-modify the Aircraft from being a CRJ550 and restore the Aircraft to the condition and configuration it was in upon Delivery. Lessee shall be solely responsible for all costs and expenses of the de-modification and restoration of the Aircraft in accordance with the Section 12.7(d) except that Lessor shall pay any fees charged by the Manufacturer of the Airframe in respect of the completion and issuance by said Manufacturer of the paper work recertifying the Aircraft to the configuration it was in upon Delivery.

Replacement of Parts. Lessee, at its own cost and expense, shall promptly replace all Parts which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. In addition, in the ordinary course of maintenance, service, repair, overhaul or testing, Lessee may remove any Part, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use; provided that Lessee shall as promptly as practicable either reinstall such Part or replace such Part pursuant to the terms of this Article 12. Each replacement part prior to installation in the Aircraft or any Item of Equipment:

shall be free and clear of all Liens;

shall be in as good operating condition and shall have a value, utility, maintenance, modification and repair status at least equal to the Part replaced, assuming such replaced Part was in the condition and repair status required to be maintained by the terms hereof;

shall have documentation certifying compliance with all applicable Certificating Authority and Aeronautics Authority requirements, including, without limitation:

if applicable, a Certificating Authority Form and, if not indicated on such form, a teardown report indicating time since Overhaul and a description of work accomplished with respect to such part by an Approved Maintenance Organization;

Overhaul records;

documentation of modification status and compliance with Airworthiness Directives; and

any other appropriate documentation applicable to the maintenance and repair status of such part; and

shall:

have the same part number (except to the extent the Manufacturer has superseded the part number of such Part, and in such an event the superseding part number shall be an acceptable alternate pursuant to the Manufacturer's Repair Manual or a Required Approval) and be of the same Manufacturer as the replaced Part;

with respect to Time Controlled Parts, have not accumulated more time since new (and time since Overhaul if such replaced Part has previously been Overhauled) than that of the replaced Part.

Title to Parts.

Parts Replacement in Connection with Maintenance. Any Part removed from the Airframe or any Item of Equipment shall remain the property of Owner and subject to this Lease, no matter where located, until such time as such Part shall be replaced by a part which has been incorporated or installed in or attached to the Aircraft or an Item of Equipment pursuant to the requirements for replacement parts specified in Section 12.8 and title to such replacement part has been vested in Owner. Except as set forth in Section 12.10, immediately upon any replacement part becoming incorporated, installed or attached to the Aircraft or an Item of Equipment as provided above, such part shall become the property of Owner, title to such replacement part shall immediately vest in Owner and such replacement part shall become subject to this Lease and be deemed a Part for all purposes hereof to the same extent as the Part which it has replaced. Once the replacement part has become subject to this Lease, title to the Part so replaced shall immediately vest in Lessee.

Parts Replacement in Connection with Discretionary Alterations, etc. So long as no Event of Default shall have occurred and be continuing, at any time during the Lease Term, Lessee may remove any Part from an Item of Equipment that was installed with Lessor's consent pursuant to Lessee's accomplishment of an alteration, modification or addition pursuant to Section 12.7(b), provided that:

such Part is in addition to and not in replacement of or in substitution for, any Part originally incorporated or installed in or attached to such Item at the time of delivery thereof hereunder or any Part in replacement of, or substitution for, any such original Part;

such Part is not required to be incorporated or installed in or attached or added to such Item of Equipment pursuant to the terms hereof and is not required to be installed on or attached to such Item of Equipment by the Aeronautics Authority or the Certifying Authority in order to maintain the airworthiness certification of the Aircraft for passenger operation; and

such Part can be removed from such Item without diminishing or impairing the value, utility or airworthiness which such Item would have had at such time had such alteration, modification or addition not occurred.

Upon removal of any such Parts, Lessee shall restore the area where such Part was removed so that it is in the condition it would have been had such Part not been installed, assuming such condition was in compliance with the terms of this Lease, and so that such removal is undetectable. Title to any Part not removed by Lessee as above provided prior to the return of the respective Item of Equipment to Lessor hereunder shall remain vested in Owner.

Temporary Replacement of Parts. Provided no Event of Default has occurred and is continuing, at any time during the Lease Term, any Part incorporated or installed in or attached or added to any Item of Equipment may be replaced temporarily with a part which does not satisfy the requirements of Section 12.8; provided that

there shall not have been available to Lessee at the time and in the place that such substitute or replacement part was required to be installed on the Airframe or Engine a replacement part complying with the requirements of Section 12.8;

it would have resulted in an unreasonable disruption of the operation of the Aircraft and/or the business of Lessee as an airline to have grounded the Aircraft until such time as a replacement part complying with the requirements of Section 12.8 became available for installation on the Aircraft; and

as soon as practicable after installation of the same on the Airframe or Engine (and in any event no later than the earliest to occur of (i) thirty (30) days following such installation, (ii) the Scheduled Termination Date or (iii) the Termination Date) Lessee shall remove any such part not complying with the requirements of Section 12.8 and replace the same with a part complying with such requirements.

Upon the replacement by Lessee of any such non-conforming part pursuant to the foregoing clause (c), title to such replacement part shall, without further act, vest in Owner and such part shall be deemed a Part hereunder.

Exchanging Parts. Any Part removed from the Aircraft or any Item of Equipment in the course of performance of maintenance on the same may be subjected by Lessee to normal exchanges customary in the airline industry in the ordinary course of Lessee's business provided that (x) the parts replacing such removed Parts are incorporated, installed in or attached to the Aircraft or such Item of Equipment promptly following the removal of such Parts, and (y) all applicable requirements of the Aeronautics Authority and

the Certificating Authority shall be adhered to with respect to all such Parts being incorporated, installed, or attached, whether or not such Part was originally removed from the Aircraft or any Item of Equipment or is a replacement for any such removed Part. Lessee shall, whether or not such exchanged part is owned by Lessee at the time such exchange is completed, comply or ensure the continued compliance with the requirements of Sections 12.8, 12.9 and 12.10 as applicable prior to installation of the same into the Aircraft or any Item of Equipment.

Temporary Attachment and Removal of Engines.

Installation of Other Engines.

In the regular course of performance of Lessee's Obligations under this Lease, Lessee may temporarily remove an Engine from the Airframe and install an engine on the Airframe, which engine is owned by Lessee or which is subject to a lease, conditional sale agreement, trust indenture or other security agreement, provided that such other engine is (x) free and clear of all Liens except the rights of the parties to the lease or conditional sale or other security agreement covering such engine and as the same are otherwise permitted to exist and are of the type permitted pursuant to Section 17.6, and (y) Lessee, or if Lessee is not the owner of the engine, the lessor, conditional seller, indenture trustee or secured party of any such engine agrees in writing in a form satisfactory to Lessor that it will not acquire or claim, as against Lessor, any right, title or interest in or any adverse right, title or interest to the Airframe or any Item of Equipment as the result of any such engine being installed on the Airframe. If any of the respective interests of Lessor, Owner or any relevant Financing Party in any Item of Equipment is impaired or otherwise adversely affected by virtue of installation of such engine on the Airframe, Lessee shall promptly remove such engine from the Airframe, failing which such impairment or adverse effect will be deemed an Event of Default pursuant to Section 23(l) of Appendix 2H.

If Lessee shall have received from the lessor, conditional seller, indenture trustee or secured party of any engine leased to Lessee or owned by Lessee subject to a conditional sale or other security agreement a written agreement complying with Section 12.12(a)(i) hereof (which agreement may be contained in the lease, conditional sale or security agreement relating to such engine), Lessor hereby acknowledges and agrees (and shall procure that Owner and any relevant Financing Party shall acknowledge and agree) for the benefit of such lessor, conditional seller, indenture trustee or secured party that none of Lessor, Owner or any relevant Financing Party will acquire or claim, as against such lessor, conditional seller, indenture trustee or secured party, any interest in any such engine as the result of such engine being installed on the Airframe at any time while such engine is subject to such lease, conditional sale or security agreement and owned by such lessor or seller or subject to a security interest in favor of such secured party.

Lessee shall comply with the requirements of Section 19.4(c) for as long as such engine is installed on the Airframe and the engine shall be removed from the Airframe and the removed Engine reinstalled on the Airframe upon the occurrence and continuation of a Default or an Event of Default, but in any event, not later than the Termination Date.

Installation of Engines on other Airframes. Provided no Default or Event of Default has occurred and is continuing, Lessee may install an Engine removed from the Airframe on any other

airframe of the same type leased by Lessor to Lessee and operated by Lessee and (i) Lessee shall comply with the requirements of Section 19.4 for as long as such Engine is installed on such other airframe and (ii) such Engine shall be removed from such other airframe and reinstalled on the Airframe upon the occurrence and continuation of a Default or an Event of Default, but in any event, not less than sixty (60) days prior to the Scheduled Termination Date.

UTILIZATION RENT

Utilization Rent. Lessee shall make payments to Lessor in respect of the Utilization Rent in accordance with Appendix 2C, on a monthly basis, within ten (10) days following the last day of each Rent Period, with the first payment due ten (10) days following the first Rent Payment Date occurring after Delivery; provided that Lessee's final payment in respect of Utilization Rent shall be made on the Termination Date. All payments of Utilization Rent received by Lessor are the sole and absolute property of Lessor. For the avoidance of doubt, Lessor shall not be required to provide an invoice to Lessee in respect of any Utilization Rent.

Discrepancies. If Lessee's actual utilization of the Aircraft is greater than Lessee's utilization of the Aircraft reported to Lessor in accordance with Article 16, Lessee shall make up any deficiency payments in respect of Utilization Rent to Lessor within three (3) Business Days of the date of receipt of written notice from Lessor.

MANUFACTURER'S WARRANTIES

Assignable Warranties. At Delivery Lessor will assign or make available to Lessee for the duration of the Lease Term the benefit of any remaining warranties given to Lessor by any Manufacturer and by any maintenance and repair organization, repair facility or vendor, in each case with respect to the Aircraft or any Item of Equipment.

Reassignment; Assignment of Lessee Warranties. On the Termination Date:

the benefit of any warranty and other rights assigned or made available by Lessor to Lessee pursuant to this Lease will be reassigned automatically and without further act or writing to Lessor or its designee; provided that upon the occurrence and continuation of an Event of Default, Lessor may instruct any Manufacturer of any Item of Equipment, by a reservation of rights, to make any payments of monies under any warranty claims made by Lessee directly to Lessor for further credit to Lessee upon and subject to Lessee's cure of such Event of Default; and

Lessee shall assign and shall be deemed to have assigned to Lessor on and as of the Termination Date, at no charge to Lessor, any and all warranties Lessee has obtained in connection with any maintenance or services performed on the Aircraft or any Item of Equipment during the Lease Term.

Warranty Claims. Lessee and Lessor will cooperate in order that any valid claims under the warranties assigned to Lessee hereunder with respect to the Aircraft and other Items of Equipment are diligently pursued.

SUBLEASING

Subleasing. Lessee may not sublease (or otherwise part with possession) of the Aircraft or any Item of Equipment without the prior written consent of Lessor, except that Lessee may send and part possession with the Aircraft, the Engines or any Parts to the relevant manufacturers for testing or similar purposes or for service, repair or overhaul work, or alterations, modifications or additions to the extent required or permitted by this Lease.

Expenses. Lessee shall pay or reimburse Lessor, Owner and any Financing Party on demand for their respective out of pocket costs and expenses incurred in connection with the review, negotiation and consummation of the transactions contemplated by any Permitted Sublease and such parties may condition their consent and approval of the same on receipt of such payment or reimbursement.

Lessee Remains Liable. Lessee shall remain primarily and fully responsible and liable for the performance of its Obligations under and the observance of the terms of this Lease and the Operative Documents, notwithstanding any Permitted Sublease, to the same extent as if such Permitted Sublease had not occurred.

REPORTING AND INSPECTIONS

Aircraft Utilization and Other Reporting/Information. During the Lease Term, Lessee agrees to furnish to Lessor the following information in connection with Lessee's utilization of the Aircraft:

within (i) ten (10) days following the first Rent Payment Date after Delivery and each remaining Rent Payment Date during the Lease Term, and (ii) on the Termination Date, a utilization report in the form appearing in Appendix 7 reporting the utilization of the Items of Equipment set forth therein for the immediately preceding calendar month or part thereof;

notification within forty-eight (48) hours of the removal of any Engine, Landing Gear or APU, advising of (i) the reason for such removal, (ii) the location of such Item of Equipment, (iii) the total accumulated Flight Hours and Cycles of such Item of Equipment (or total APU Hours with respect to the APU), (iv) the Flight Hours and Cycles accumulated since the most recent Engine Restoration with respect to any Engine or the most recent Overhaul with respect to any Landing Gear, as applicable, (v) the APU Hours accumulated since the most recent Overhaul with respect to the APU, and (vi) the intended workscope, if applicable;

notification of and reasonably detailed information with respect to the cause and effects of any accident or incident with respect to any Item of Equipment (other than Parts) within forty-eight (48) hours (or within twenty-four (24) hours with respect to the Aircraft or the Airframe) of the occurrence or detection thereof;

within a reasonable time (but not less than ten (10) days) prior to the commencement date for any Maintenance Check and in accordance with Section 12.6, the identity of the Approved Maintenance Organization Lessee intends to have perform such check together with a copy of the workscope intended to be accomplished in connection with the same; and

upon request of Lessor, a copy of the Maintenance Program, inclusive of all revisions issued as of the date of such request.

Further Information; Inspections.

During the Lease Term, Lessee shall promptly furnish to Lessor such other available information concerning the location, condition, use, maintenance and operation of the Items of Equipment as Lessor may reasonably request.

Lessee shall permit any Person (including prospective purchasers, financiers or lessees of the Aircraft) designated in writing by Lessor, to visit and inspect (at any reasonable time, provided that, so long as no Event of Default has occurred and is continuing, such inspection shall not unreasonably interfere with Lessee's business or operational commitments) the Items of Equipment, their condition, use and operation and the records maintained in connection therewith and to make copies of such records as Lessor may reasonably designate. All representatives designated by Lessor to perform any such inspection of the Aircraft shall comply with all occupational health and safety and security requirements as the same are advised to Lessor in writing by Lessee or any party acting by or through Lessee at the location of such inspection.

Lessor shall be permitted to have representatives and/or agents present throughout the accomplishment of Maintenance Checks to observe all aspects of the same including, but not limited to, the workscope thereof. Neither Lessor nor any person designated by Lessor shall have any duty to make any such inspection and none shall incur any liability or obligation by reason of making or not making such inspection.

Technical Report Prior to Return of Aircraft.

Eighteen (18) months prior to the Scheduled Termination Date, Lessee shall provide to Lessor a maintenance status report detailing the information in the form appearing in Appendix 7.

At Lessor's request, Lessee will make copies available of (i) drawings of the interior configuration of the Aircraft both as it then exists and as it will exist at Return, (ii) an Airworthiness Directive status list, (iii) a service bulletin incorporation list, (iv) Time Controlled Part listings and current maintenance status of each, (v) a list of modifications and alterations accomplished with respect to the Aircraft during the Lease Term, (vi) interior material burn certificates, (vii) the complete workscope for the Maintenance Checks and other work to be performed prior to Return, (viii) a list of all no-charge service bulletin kits with respect to the Aircraft which were ordered by Lessee from any Manufacturer, (ix) current Engine disk sheets and a description of the work accomplished during the last shop visit for each Engine and (x) any other data which is reasonably requested by Lessor in connection with any of the foregoing.

REGISTRATION; PERFECTION OF OWNER'S TITLE; LIENS

Registration. The Lessor will cause the Aircraft to be registered with the Register at Delivery and will timely file with the Register any registration renewals required to be made during the Lease Term. In the event of any change in applicable law that requires Lessee's cooperation to complete the renewal of such registration, Lessee shall provide all reasonable cooperation requested by Lessor to effectuate such registration renewal. Lessee shall not take or permit any action inconsistent with the continued registration of the Aircraft or the recordation of the various interests of Lessor, Owner and any Financing Party therein with the Register.

Identification Plates. At Delivery Lessee shall affix and, throughout the Lease Term, shall maintain in respect of the Aircraft and each Engine a fireproof identification plate of a reasonable size, in a clearly visible place in the cockpit of the Aircraft and on each Engine, that contains the legend in writing appearing in paragraph 5 of Appendix 2B. Lessee shall not remove, or cause or permit the removal or modification of such identification plate without Lessor's prior written consent. Lessee shall promptly replace any such nameplate that becomes illegible, lost, damaged or destroyed for any reason. If at any time Lessor and/or Owner transfer their respective interests in the Aircraft or this Lease as permitted hereunder or Lessor or Owner finances or refinances the Aircraft, Lessee will, at Lessor's request and cost, promptly affix such new nameplates to the Airframe and the Engines as may be required by Lessor.

Authorization to Make Perfection Filings. The execution of this Lease by the parties hereto constitutes the authorization by Lessee to Lessor's legal counsel to make (and where necessary to execute on Lessee's behalf) such perfection filings customary in U.S. legal practice as Lessor and its counsel deem necessary or desirable to protect the interest of Lessor, Owner and any Financing Party hereunder. From time to time on reasonable written request made by Lessor, Lessee shall provide to Lessor a letter on the letterhead of Lessee, in form and substance reasonably satisfactory to Lessor and executed by an officer of Lessee, authorizing such Persons as Lessor may specify to make such perfection filings as Lessor reasonably deems necessary or desirable to protect the interests of Lessor, Owner or any Financing Party hereunder.

Perfection of Title.

Lessee shall, together with Owner and/or Lessor, cause, or, at Lessor's request, assist Lessor in causing, this Lease, the Lease Supplement and any and all additional documents and instruments which shall be executed pursuant to the terms hereof as permitted by applicable Law or regulations, to be kept, filed and recorded in the Register. Lessee shall not take any action which would conflict with or adversely affect such filings and recordation of the Lease and such other documents as provided herein.

If at any time subsequent to the initial recordation under the preceding clause (a), any filing or recording is reasonably necessary or desirable to protect the interests of Lessor and/or Owner, Lessee, at its own cost and expense and upon request by Lessor, shall cause this Lease, any financing statements with respect hereto, and any and all additional instruments which shall be executed pursuant to the terms hereof, to be kept, filed and recorded and to be re-executed, refiled and re-recorded in the appropriate office or offices pursuant to applicable Laws, to perfect, protect and preserve the rights and interests of Lessor and Owner hereunder and in the Aircraft or any Item of Equipment.

Without limiting the foregoing, Lessee shall also do or cause to be done, at its own expense, any and all acts and things which may be required under the terms of any Law involving any jurisdiction in which Lessee does, or is reasonably likely to, operate the Aircraft, or any and all acts and things which Lessor may reasonably request, to perfect and preserve Owner's ownership rights regarding the Aircraft within any such jurisdiction.

Cape Town Convention. Lessee shall, together with Lessor, at Lessee's cost and expense promptly (i) do and join with Lessor in doing all such acts as may be necessary to perfect recognition of the title to and interest in the Aircraft of Lessor, Owner and of the Security Trustee (if any) in accordance with the Cape Town Convention and (ii) execute and deliver to Lessor, to Owner and to any Financing

Parties any other documents or instruments (including, without limitation, any de-registration and export request authorizations and powers of attorney) which such legislative or other provisions may authorize or recognize.

Permitted Liens. Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any Lien on or with respect to this Lease, any Item of Equipment, title thereto or any interest therein, except (i) the respective rights of Owner, Lessor and Lessee as herein provided; (ii) a Lessor's Lien; (iii) Liens for Taxes not yet due or being contested in good faith by appropriate proceedings so long as adequate security has been posted with respect to such Taxes in accordance with GAAP; (iv) inchoate materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business and for amounts the payment of which is either not yet delinquent or is being contested in good faith by appropriate proceedings (and for which adequate security has been posted by Lessee); and (v) Liens for airport, navigation, and en-route charges arising in the ordinary course of business and for amounts the payment of which is either not yet delinquent or is being contested in good faith by appropriate proceedings (and for which adequate security has been posted by Lessee). Lessee shall not be permitted to contest any Lien if such contest gives rise to any reasonable possibility of the sale, forfeiture, confiscation, distraint, seizure or loss of any Item of Equipment or any interest therein in the course of any such proceedings, or as a result of any such Lien the respective interests of Lessor, Owner or any Financing Party will be adversely affected. Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge any such Lien not excepted above if the same shall arise at any time with respect to any Item of Equipment.

GENERAL INDEMNITY

Scope. Lessee agrees to indemnify, defend, reimburse and hold harmless, to the fullest extent permitted by Law, each Indemnatee from and against any and all Claims which in any way may result from, pertain to or arise in any manner out of, or are in any manner related to:

the Aircraft, this Lease or any other Operative Document, or the breach of any representation, warranty, covenant or Obligation made or to be performed by Lessee hereunder or thereunder; or

the condition, design, ownership, manufacture, purchase, delivery, non-delivery, lease, possession, return, disposition, use, or operation of the Aircraft either in the air or on the ground; or

any defect in the Aircraft or any Item of Equipment (whether or not discovered or discoverable by Lessee or Lessor) arising from the material or any articles used therein or from the design, testing, or use thereof or from any maintenance, service, repair, overhaul, or testing of the Aircraft or any Item of Equipment, whether or not the Aircraft or any Item of Equipment is in the possession of Lessee, and regardless of where the Aircraft or any Item of Equipment may then be located; or

the accuracy, validity or traceability of any of the Aircraft Documents; or

any en route navigation charges, navigation service charges, airport charges and landing fees and all other charges payable in connection with the use of or for services provided at any airport or by any navigation service or Governmental Authority, whether in respect of the Aircraft or any other aircraft owned, leased or operated by Lessee; or

any lawful action taken by any Indemnitee in relation to the release or attempt to release the Aircraft from any arrest, confiscation, seizure, taking in execution, impounding, forfeiture or detention of the Aircraft; or

any act or omission of Lessee which invalidates or which renders voidable any Insurances or which is outside the scope of, or excluded from, the coverage thereof.

Upon payment in full to any Indemnitee of any indemnities contained in this Article 18 by Lessee, Lessee shall be subrogated to all rights and remedies which such indemnified party has or may have against the Manufacturer or any other Person. If any Indemnitee or Lessee has knowledge of any Claim for which Lessee is obligated to indemnify under this Article 18, it shall comply with 18.4 below.

Lessee's Release. Lessee hereby waives and releases each Indemnitee from any Claims (whether existing now or hereafter arising) for or on account of or arising or in any way connected with injury to or death of personnel of Lessee or loss or damage to property of Lessee or the loss of use of any property which may result from or arise in any manner out of or in relation to the ownership, leasing, condition, use or operation of the Aircraft or any Item of Equipment, either in the air or on the ground, or which may be caused by any defect in the Aircraft or any Item of Equipment from the material or any article used therein or from the design or testing thereof, or use thereof, or from any maintenance, service, repair, overhaul or testing of the Aircraft or any Item of Equipment regardless of when such defect may be discovered, whether or not the Aircraft or any Item of Equipment is at the time in the possession of Lessee, and regardless of the location of the Aircraft or any Item of Equipment at any such time.

Repayment. If an Indemnitee shall obtain a repayment or refund of any amount paid by Lessee, such Indemnitee shall, so long as there exists no Payment Default or continuing Event of Default, promptly pay to Lessee the amount of such repayment, together with the amount of any interest received by such Indemnitee on account of such repayment.

Contest and Payment.

(a) In case any action, suit or proceeding shall be brought against any Indemnitee for which Lessee is responsible under this Article 18, such Indemnitee shall notify Lessee of the commencement thereof (provided that failure to do so shall not eliminate any liability by Lessee to an Indemnitee under this Article 18 except to the extent that such failure results in an additional cost or expense to Lessee (in which event Lessee shall not be responsible for such additional cost or expense) or materially, adversely affects Lessee's ability to contest such claim) and, Lessee may, at its expense and subject to the provisions hereof, assume and control the defense thereof and, settle or compromise the same.

(b) Lessee or its insurer(s) shall have the right, at its or their expense, to investigate or, if Lessee or its insurer(s) shall agree in writing not to dispute liability to the Indemnitee giving notice of such action, suit or proceeding under this Article 18 for indemnification hereunder or under any insurance policies pursuant to which coverage is sought, respectively, control the defense of, any action, suit or proceeding, relating to any Claim for which indemnification is sought pursuant to this Article 18, and each Indemnitee shall cooperate with Lessee or its insurer(s) with respect thereto; provided, that Lessee shall not be entitled to control the defense of any such action, suit, proceeding or compromise any such Claim (i) during the continuance of any Payment Default or Event of Default, or (ii) if such proceedings will (x) involve any *non-de minimis* risk of the sale, forfeiture or loss of the Aircraft or any part thereof or (y) involve any risk of criminal liability of any Indemnitee or (z) involve any material risk

of civil liability to any Indemnitee for which such Indemnitee is not indemnified hereunder. In connection with any such action, suit or proceeding being controlled by Lessee, such Indemnitee shall have the right to participate therein, at its sole cost and expense, with counsel reasonably satisfactory to Lessee.

(c) If Lessee or its insurer(s) shall agree in writing not to dispute liability to the Indemnitee giving notice of an action, suit or proceeding under this Article 18 for indemnification hereunder or under any insurance policies pursuant to which coverage is sought, then such Indemnitee shall not enter into a settlement or other compromise with respect to any Claim arising out of such action, suit or proceeding without the prior written consent of Lessee, which consent shall not be unreasonably withheld or delayed, unless such Indemnitee waives its right to be indemnified under this Article 18 with respect to such Claim.

(d) In the case of any Claim indemnified by the Lessee hereunder which is covered by a policy of insurance maintained by Lessee pursuant to the Lease, at Lessee's expense, each Indemnitee agrees to cooperate with the insurers in the exercise of their rights to investigate, defend or compromise such Claim as may be required to retain the benefits of such insurance with respect to such Claim.

(e) If an Indemnitee is not a party to this Agreement, Lessee may require such Indemnitee to agree in writing to the terms of this Article 18 prior to making any payment to such Indemnitee under this Article 18.

(f) Nothing contained in this Article 18 shall be deemed to require an Indemnitee to contest any Claim or to assume responsibility for or control of any judicial proceeding with respect thereto.

(g) Lessee will provide the relevant Indemnitee with such information not within the control of such Indemnitee, as is in Lessee's control or is reasonably available to Lessee, which such Indemnitee may reasonably request and will otherwise cooperate with such Indemnitee so as to enable such Indemnitee to fulfill its obligations under this Article 18. The Indemnitee shall supply Lessee with such information not within the control of Lessee, as is in such Indemnitee's control or is reasonably available to such Indemnitee, which Lessee may reasonably request to control or participate in any proceeding to the extent permitted by this Article 18.

(h) Each Indemnitee will give such further assurances or agreements and reasonably cooperate with Lessee to permit Lessee to pursue such claims, if any, to the extent reasonably requested by Lessee and at Lessee's expense.

(i) Subject to the provisions of this Section 18.4 Lessee shall pay directly to each Indemnitee all amounts due under this Article 18 within thirty (30) days (i) after resolution of the contest by Lessee in accordance herewith or, (ii) if no such contest is conducted, after the receipt of written notice by Lessee from such Indemnitee that such payment is due.

Exclusions. Notwithstanding the foregoing provisions of this Article 18, Lessee shall not be obligated under Article 18.1 in respect of any Claim against such Indemnitee to the extent that such Claim results from or arises out of:

- (a) the gross negligence or willful misconduct of such Indemnitee;

(b) any Lessor's Lien,

(c) any Taxes, whether or not Lessee is required to indemnify therefor pursuant to Article 21 (it being understood that Article 21 is the sole source of Tax indemnification by Lessee hereunder); provided that this exclusion shall not apply to any Taxes taken into account in making any payment on an After-Tax Basis;

(d) acts or events which occur before Delivery or after the Termination Date, unless any such act or event results from an act or omission of Lessee which occurred during the Lease Term;

(e) such Indemnitee having acted in the capacity of a manufacturer, repairer, maintenance provider or servicing agent with respect to the Aircraft (provided that such this exclusion shall not apply to any liability with respect to any Claim brought against such Indemnitee in any other capacity);

(f) or constitutes, an expense which is an ordinary and usual operating or overhead expense of such Indemnitee or is an expense that is required to be borne by such Indemnitee under the Lease;

(g) or constitutes, an expense consisting of costs and expenses of (including injury to) any person inspecting the Aircraft on behalf of any Indemnitee;

(h) breach or non-compliance by such Indemnitee of any of its representations, warranties or covenants under this Lease other than any such failure to the extent caused by (i) the failure of Lessee to perform or observe any agreement, covenant or condition on its part to be performed or observed in any Operative Document or (ii) the failure of any representation or warranty of Lessee or Lessee Parent to be true and correct when made or repeated; or

(i) any disposition (voluntary or involuntary) by Lessor or the Owner or any Financing Party of all or part of their respective interests in the Aircraft of this Lease except any such disposition incident to the exercise of remedies during the continuance of an Event of Default.

After-Tax Nature of Indemnity. Each indemnity payable pursuant to this Article 18 shall be paid on an After-Tax Basis.

Survival. The indemnities contained in this Article 18 shall continue in full force and effect notwithstanding the occurrence of the Termination Date, and are expressly made for the benefit of and shall be enforceable by each Indemnitee.

INSURANCE

Obligation to Insure. Lessee shall, throughout the Lease Term, maintain in full force and effect, at its own cost and expense, the Insurances. Lessor is not under any duty or obligation to verify the existence or adequacy of the Insurances.

Liability Insurance. Lessee shall maintain in effect comprehensive third party aircraft liability insurance against bodily injury and property damage losses arising from ground, flight and taxiing exposures, including, but not limited to, passenger legal liability, cargo liability and products liability

insurance in the amount set forth in paragraph 4.1 of Appendix 2B and in the aggregate with respect to products liability, or such higher amount as Lessee may maintain from time to time on similar aircraft, for any one accident, or series of accidents arising out of any one event, with respect to the Aircraft and Items of Equipment. Such policy shall include war and allied risks in accordance with standard market practice (currently "*The Extended Coverage Endorsement-AVN 52E*") plus such excess coverage through government indemnity or commercial insurance up to the full limit required herein. Any such liability insurance policy shall not be subject to any deductible amount except with respect to baggage, cargo liability, and hangar keeper's liability coverage, for which there may not be a deductible in an amount exceeding Ten Thousand Dollars (\$10,000) or such higher amount as may be approved by Lessor in writing from time to time. All Insurances shall:

name the Additional Insureds as additional insureds;

be primary without right of contribution from any other insurance which is carried by any Additional Insureds with respect to the Aircraft or any Engine when not installed on the Aircraft; and

each liability policy shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured.

Contractual Liability; Tail Coverage for Liability Insurance. The Insurances referred to in Section 19.2 shall:

include and insure (to the extent of the risks covered by the policies) the indemnity provisions of Article 18;

for a period of two (2) years after the Termination Date, at Lessee's cost and expense, continue to name each Indemnitee as additional insureds; and

should Lessor and/or Owner transfer their interests in the Aircraft and this Lease pursuant to Article 25, for a period of two (2) years from the effective date of such transfer continue to name as additional insured(s) the transferring Lessor (and the relevant transferring Owner and Financing Parties and other related Indemnitees).

Insurance Against Loss or Damage to the Items of Equipment.

Lessee shall maintain in effect with respect to the loss or damage to the Items of Equipment:

all-risk ground and flight aircraft hull insurance for the Agreed Value set forth in paragraph 4.2 of Appendix 2B covering the Aircraft and all risk insurance on a full replacement cost basis with respect to the Landing Gear, APU, Engines and Parts while not installed on or in the Aircraft, and

war risk insurance including, but not limited to, war, acts of terrorism, political/non-political hijacking, confiscation, including confiscation by the Government of Registry, expropriation or appropriation, nationalization, seizure and further including coverage for electromagnetic, chemical and biological risks as the same is available on the standard commercial aviation insurance markets.

All such insurance shall be payable in Dollars in the United States and shall be, with respect to the Aircraft, on an "agreed value" basis. Any hull insurance carried in accordance with this Section 19.4 shall not contain any provision for self-insured amounts or a deductible that exceeds the deductible amount appearing in Appendix 2B, Section 4.4. Any policies carried in accordance with this Section 19.4 shall designate Owner as owner and Owner, or its nominee, as sole loss payee, on behalf of the Additional Insureds as their respective interests may appear, and Lessor as lessor of the Aircraft covered thereby.

Installation of Other Engines on the Aircraft. If Lessee installs an engine not owned by Owner on the Aircraft, either (x) Lessee's hull insurance on the Aircraft must automatically increase to such higher amount as is necessary in order to satisfy the requirement of this Section 19.4 that Owner receive the Agreed Value in the event of an Event of Loss and the amount required by the third party engine owner or (y) separate additional insurance on such engine will attach in order to satisfy separately the requirements of Lessee to such third party engine owner.

Additional Lessee Coverage. Lessee may obtain additional hull insurance on the Aircraft, over and above the Agreed Value hereunder, provided that it does not adversely affect the coverage required to be maintained hereunder.

Requirements for All Insurances. All Insurances shall:

be maintained in effect with insurers reasonably acceptable to Lessor, of recognized responsibility, specializing and normally participating in the international aviation insurance market and carrying and maintaining an A.M. Best rating of not less than A-, Class VII;

provide that in respect of the interests of the Additional Insureds such policies of insurance shall insure the Additional Insureds regardless of any breach or violation of any warranty, declarations or conditions contained in such policies by Lessee or any other Person;

provide that the Additional Insureds shall have no responsibility for any premiums, assessments, warranties or representations in connection with such insurance;

include the geographic limits of all territories over which the Aircraft and any Engine will be operated;

waive any rights of set off, counterclaim or deduction, whether by attachment or otherwise, and all rights of subrogation against the Additional Insureds and their respective successors, assigns, agents, officers, employees and servants; and

provide that if the insurers cancel such insurance for any reason whatever, or the same is allowed to lapse for nonpayment of premium, or if there is any material change in policy terms and conditions, such cancellation, lapse or change shall not be effective until thirty (30) days after issuance to Lessor of written notice from such insurers of such cancellation, lapse or change (seven (7) days for cancellation with respect to war risk and allied perils insurance).

Reports. Lessee and its insurance underwriters or brokers shall advise Lessor in writing promptly of any default in the payment of any premium and of any other act or omission on the part of Lessee which might invalidate or render unenforceable, in whole or in part, any insurance on the Aircraft. On or before the Delivery Date, and thereafter on or prior to each renewal or replacement by Lessee of the insurance

required hereby, but not less often than annually, Lessee will furnish to Lessor one or more original certificates of insurance and a broker's letter of undertaking, each executed and delivered by an insurance broker appointed by Lessee and approved by Lessor, which together shall describe in reasonable detail the insurance carried on the Aircraft. Lessee will cause its insurance brokers to identify to Lessor the insurers and the percentage of participation they are undertaking and/or advise that the insurers used are, from a financial standpoint, sufficiently strong for the risks and amounts insured they are undertaking and shall certify to Lessor that the insurance then maintained on the Aircraft is customary in the commercial passenger airline industry and shall advise Lessor in writing at least thirty (30) days (seven (7) days in the case of any war risk and allied perils coverage) prior to the cancellation by the underwriters of any such insurance or as soon as possible in respect of "non-renewal" or automatic termination for war risk insurance required hereunder. Certificates of insurance shall be provided to Lessor on or prior to the expiration or replacement date of the insurance required hereunder. Otherwise, not less than five (5) Business Days before the expiration or termination date of any insurance required hereunder, Lessee will provide Lessor with faxed or other electronic confirmation from Lessee's insurance brokers certifying that renewal certificates of insurance evidencing the renewal or replacement of such insurance pursuant to the provisions of this Article 19 will be issued effective as of the termination date of the prior certificate of insurance coverage. Within fifteen (15) days after such renewal, Lessee will furnish to Lessor an original certificate of such insurance coverage from such insurance broker.

Assignee of Lessor's and/or Owner's Interests. If Lessor, Owner and/or any Financing Party assigns all or any of its rights or otherwise disposes of any interest in the Aircraft or this Lease to any other Person, Lessee shall, upon request, procure that such Person shall (x) be named as loss payee in substitution for Lessor, Owner and/or such Financing Party, as applicable and/or as additional insured in the policies effected hereunder and (y) enjoy the same rights and insurance enjoyed by Lessor, Owner and such Financing Party, as applicable, under such policies.

Failure to Insure If at any time the Insurances are not maintained by Lessee in compliance with this Article 19, Lessor, Owner and any Financing Party shall be entitled but not bound to do any of the following (without prejudice to any of the rights which any of them may have under the Operative Documents by reason of such failure):

upon giving notice thereof to Lessee, to pay any premiums due or to effect or maintain such insurance or otherwise remedy such failure in such manner as Lessor or, if applicable, any Financing Party considers appropriate (and Lessee shall upon demand reimburse Lessor or if applicable, the relevant Financing Party in full for any amount so expended in that connection); and/or

at any time while such failure is continuing, to require the Aircraft to remain at any airport or (as the case may be), subject to the Aircraft being adequately insured, proceed to and remain at any airport designated by Lessor, until such failure is remedied to Lessor's satisfaction.

Lessor's Right to Insure. Lessee acknowledges that each of Lessor, Owner and each Financing Party has an insurable interest in the Aircraft and each Item of Equipment and may, at its own expense, obtain insurance or contingent insurance in its own name with respect to such insurable interest. Lessee shall provide to Lessor, Owner and each Financing Party all reasonable assistance as from time to time requested by it in order to adequately protect such insurable interest. Neither Lessor, Owner nor any Financing Party shall maintain any such insurance that would prejudice the insurance maintained by

Lessee pursuant to this Lease. Lessee shall have no right to any proceeds of any insurance policies maintained by Lessor.

Changes to Insurance Practice. If there is a material change in the generally accepted industry-wide practice with regard to the insurance of aircraft or any material change with respect to the insurance of aircraft based or operated in any jurisdiction in which the Aircraft may then be based or operated (whether relating to all or any of the types of Insurances required to be effected under this Article 19) such that Lessor shall be of the reasonable opinion that the Insurances required pursuant to this Article 19 are insufficient to protect the respective interests of Lessor and the other Indemnitees (bearing in mind the nature and route of operation of the Aircraft), the insurance requirements set forth in this Article 19 shall be amended, as soon as practicable following notice by Lessor to Lessee, so as to include such additional or varied requirements as may be reasonably necessary to ensure that the insurance as so varied shall provide comparable protection to Lessor and the other Indemnitees to that which it would have done if such change had not occurred. In such circumstances, Lessor will consult in good faith with Lessee in relation to any proposed change.

AVN 67B. Notwithstanding anything to the contrary contained in this Article 19, Lessor shall accept the terms of AVN 67B ("*Airline Finance/Lease Contract Endorsement*") where such endorsement is contrary to the terms of this Lease as long as such endorsement is customary in the London international insurance markets for commercial passenger airlines.

LOSS AND DAMAGE TO THE AIRCRAFT AND ITEMS OF EQUIPMENT

Risk of Loss and Damage. Following Delivery, Lessee shall bear the full risk of any loss, destruction, hijacking, theft, condemnation, confiscation, seizure or requisition of or damage to the Aircraft and each Item of Equipment and of any other occurrence which shall deprive Lessee of the Aircraft or any Item of Equipment for the time being of the use, possession or enjoyment thereof including, without limitation, any resulting loss in value of the Aircraft or any Item of Equipment due to any of the aforementioned circumstances.

Notification of Loss and Damage.

Lessee shall give Lessor notice in writing (i) within twenty-four (24) hours after the occurrence of any Event of Loss with respect to the Aircraft, the Airframe or any Engine, and (ii) promptly after the occurrence of any Event of Loss with respect to any other Item of Equipment.

Each of Lessee and Lessor shall supply to the other all necessary information, documentation and assistance which may reasonably be required in connection with making any claim under the Insurances.

Event of Loss – Aircraft/Airframe. If an Event of Loss occurs in respect of the Airframe (with or without the Engines), Lessee shall pay, or procure that the insurer pays, to Owner (or to any Financing Party named as loss payee under the Insurances) as soon as reasonably practicable but in any event within sixty (60) days after the Event of Loss Date or, if earlier, the date such insurance proceeds are received, the Agreed Value as at the Event of Loss Date (or such earlier date, as the case may be) together with all Rent and other amounts then due and payable under Operative Documents.

The Net Event of Loss Proceeds received by Owner (or such other person as may be designated as loss payee) from Lessee or the insurer pursuant to this Article 20 shall be applied as follows:

first, in discharge of the Agreed Value;

second, in discharge of any unpaid Rent and any other amounts (other than the Agreed Value) due and payable by Lessee under the Operative Documents and any Related Lease but unpaid; and

third, payment of the balance, if any, to Lessee.

Lessee shall continue to pay Basic Rent on the days and in the amounts required under this Lease notwithstanding any such Event of Loss provided that no further installments of Basic Rent shall become due after the date on which all sums due under this Section 20.3 shall have been paid in full, and on such date the Lease Term shall terminate and Owner shall, at Lessee's cost and subject to the rights (if any) of the insurer cause title to the Aircraft (and to any surviving Engine) to be conveyed to Lessee (or Lessee's insurers, as the case may be) on a quitclaim basis, without warranty or recourse, except that the same shall be free and clear of all rights of Lessor and Owner and Lessor's Liens without representation, recourse to or warranty by Lessor, Owner or any Financing Party and, provided no Default or Event of Default has occurred and is continuing, Lessor shall thereafter pay to Lessee the amount specified in Section 22.6.

Event of Loss – Engine or APU. Upon the occurrence of an Event of Loss with respect to an Engine or APU, under circumstances in which there has not occurred an Event of Loss with respect to the Aircraft or Airframe, Lessee shall forthwith, but in any event, before the earliest to occur of (x) the Scheduled Termination Date, (y) the Termination Date, and (z) sixty (60) days after the Event of Loss Date, convey to Owner, free and clear of all Liens, title to another engine or, as applicable, auxiliary power unit of the same or an improved model and suitable for installation and use on the Airframe.

Replacement Engine. Any replacement engine conveyed to Owner pursuant to this Section 20.4 shall have a value and utility at least equal to, and be in as good operating condition as, the Engine with respect to which such Event of Loss shall have occurred, based on but not limited to (i) Cycles accumulated on each Engine Life Limited Part, (ii) Flight Hours accumulated since new (and accumulated since completion of the most recent heavy maintenance shop visit that completed a workscope at least equivalent to that of an Engine Restoration if an Engine Restoration had previously been accomplished on the Engine that suffered such Event of Loss), and (iii) Flight Hours and Cycles accumulated since new (and accumulated since the most recent restoration or refurbishment of each engine module with respect to any module for which a restoration or refurbishment had previously been accomplished on the Engine that suffered such Event of Loss), assuming such Engine was of the value and utility and in the condition and repair as required by the terms hereof immediately prior to the occurrence of such Event of Loss.

Replacement APU. Any replacement APU conveyed to Owner pursuant to this Section 20.4 shall have a value and utility at least equal to, and be in as good operating condition as, the APU with respect to which such Event of Loss shall have occurred, based on but not limited to (i) APU Hours (and APU Cycles if applicable) accumulated since new with respect to each APU Life Limited Part (as applicable) and (ii) APU Hours accumulated since new (and since the most recent Overhaul for each auxiliary power unit module if an Overhaul had previously been

accomplished on the APU that suffered such Event of Loss), assuming such APU was of the value and utility and in the condition and repair as required by the terms hereof immediately prior to the occurrence of such Event of Loss.

Lessor Inspection. Lessee shall identify to Lessor a candidate replacement engine or auxiliary power unit (as applicable) meeting the requirement of this Section 20.4 and Lessor may, at Lessee's expense, inspect such candidate replacement engine or auxiliary power unit, which shall include, at Lessor's option, (i) a full borescope inspection of the compressor, turbine and combustion sections of the replacement engine or auxiliary power unit and (ii) a records inspection, and the results of each such inspection must be satisfactory to Lessor.

Replacement Subject to Lease. Upon acceptance by Lessor, such replacement engine or, as applicable, auxiliary power unit, shall be deemed an "Engine" or, as applicable, an "APU", as defined herein for all purposes hereunder. Lessee agrees to take such action and execute and deliver such documents, including, but not limited to a full warranty bill of sale, and a supplement hereto, as Lessor may reasonably request in order that any such replacement engine or auxiliary power unit shall be duly and properly titled in the name of Owner and leased hereunder to the same extent as any Engine or APU replaced thereby.

Event of Loss – Landing Gear.

Upon the occurrence of an Event of Loss with respect to a Landing Gear, under circumstances in which there has not occurred an Event of Loss with respect to the Aircraft or the Airframe, Lessee shall forthwith replace such Landing Gear as soon as reasonably possible, but in any event, before the earliest to occur of (x) the Scheduled Termination Date, (y) the Termination Date, and (z) sixty (60) days from the Event of Loss Date, by duly conveying to Owner, free and clear of all Liens, title to another landing gear of the same or an improved model and suitable for installation and use on the Airframe.

The replacement landing gear shall have a value and utility at least equal to, and be in as good operating condition as, the Landing Gear with respect to which such Event of Loss shall have occurred, based on but not limited to (i) the maximum weight certified for such landing gear; (ii) Flight Hours, Cycles and calendar time accumulated since new with respect to each Landing Gear Life Limited Part (as applicable), and (iii) Flight Hours, Cycles and calendar time accumulated since new (and accumulated since Overhaul if an Overhaul had previously been accomplished on the Landing Gear that suffered such Event of Loss), assuming such Landing Gear was of the value and utility and in the condition and repair as required by the terms hereof immediately prior to the occurrence of such Event of Loss.

Lessee shall identify to Lessor a candidate replacement landing gear meeting the requirement of this Section 20.4 and Lessor may, at Lessee's expense, inspect such replacement landing gear, which shall include, at Lessor's option, a records inspection, and the results of such inspection must be satisfactory to Lessor.

Upon acceptance by Lessor, any such replacement landing gear shall be deemed a "Landing Gear", as defined herein for all purposes hereunder. Lessee agrees to take such action and execute and deliver such documents, including, but not limited to a full warranty bill of sale, and a supplement hereto, as Lessor may reasonably request in order that any such replacement landing

gear shall be duly and properly titled in the name of Owner and leased hereunder to the same extent as any Landing Gear replaced thereby.

Repairable Damage.

In the event of repairable damage to any Item of Equipment for which insurance proceeds are paid or payable, subject to no Event of Default having occurred and continuing, all insurance proceeds which may be paid or payable by the insurers of the Aircraft shall, subject to receipt (x) by Lessor of a true and correct copy of the adjuster's claim report, and (y) by Lessee and the insurers of Lessor's prior written approval for the release of such proceeds, be paid to:

Lessee in respect of all loss or damage Lessee has repaired (or caused to be repaired), or

the repairer for the cost of the completed repair works, or

to the vendor of any new or replacement Item of Equipment for the cost of such new or replacement Item of Equipment;

provided that Lessee shall have furnished to Lessor a true and correct copy of the insurance adjuster's written confirmation, in a form reasonably satisfactory to Lessor, that the repairs have been fully performed and that all invoices in relation thereto have been paid and a certification by Lessee that all such repairs have been performed in accordance with the terms of this Lease. Any such insurance proceeds payable following the occurrence and continuation of an Event of Default (or not otherwise applied in the manner described above) shall be, at Lessor's election, (x) held by Lessor until such Event of Default has been cured or, (y) applied against Lessee's obligations under the Operative Documents in such manner as Lessor may direct.

(b) In the event of repairable damage to any Item of Equipment for which insurance proceeds are paid or payable, if such insurance proceeds paid in respect thereof are insufficient to pay the cost or estimated cost of making good or repairing such damage or the cost of purchasing a replacement engine, auxiliary power unit, landing gear or part if the same is beyond economic repair, Lessee will be solely liable for and pay the deficiency.

Documents Loss. Upon the occurrence of a Documents Loss under circumstances in which there has not occurred an Event of Loss with respect to an Item of Equipment to which such Lost Documents relate, Lessee shall within thirty (30) days from the date of such loss notify Lessor in writing and thereafter replace such Lost Documents (such replacement documents hereinafter "Reconstructed Documents") by:

obtaining copies of such Lost Documents from the Approved Maintenance Organization that accomplished the maintenance covered by the respective Lost Documents, each such copy to be certified by the Quality Assurance Department of the respective Approved Maintenance Organization as being a true copy of the respective Lost Document, or

the re-accomplishment of Overhauls and Tasks specified in such Lost Documents as soon as reasonably possible, but in any event, before the earliest to occur of (x) sixty (60) days following the Documents Loss, (y) the Scheduled Termination Date, and (z) the Termination Date. The Reconstructed Documents shall comply with all requirements for Required Approvals with respect to the Item of Equipment to which such Lost Documents relate and shall be sufficient to document

the then current maintenance status of the affected Items of Equipment. Lessor shall be entitled to inspect the Reconstructed Documents and the results of each such inspection must be satisfactory to Lessor. Upon acceptance by Lessor, such Reconstructed Documents shall be deemed Aircraft Documents as defined herein for all purposes hereunder.

Application of Payments from Governmental Authorities. Payments received by Lessor, Owner or Lessee from any Governmental Authority or entity with respect to an Event of Loss resulting from the condemnation, confiscation or seizure of, or requisition of title to or use of the Aircraft or the Airframe, shall be retained by Lessor or Owner, if received by Lessor or Owner, or promptly paid over to Lessor, if received by Lessee, up to an amount equal to the Agreed Value plus any amounts of unpaid Rent and any other amounts due to Lessor or Owner hereunder or under any other Operative Documents or any Related Lease. At such time as Lessor or Owner has received such amounts in full, Lessor shall promptly remit (or cause Owner to promptly remit) the excess, if any, of such payments to Lessee. Payments received by Lessor, Owner or Lessee from any Governmental Authority or entity with respect to an Event of Loss resulting solely from the condemnation, confiscation or seizure of, or requisition of title to or use of any Engine shall be paid over to, or retained by, Lessee, provided that Lessee shall have fully performed its obligations under this Article 20 with respect to such Engine. Payments received by Lessor, Owner or Lessee from any Governmental Authority with respect to a requisition of use during the Lease Term of the Aircraft, the Airframe or any of the Engines, which requisition does not constitute an Event of Loss, shall, so long as no Payment Default or Event of Default has occurred and is continuing, be paid to, or retained by, Lessee.

No Lessor Liability to Repair or Replace Following Delivery. Lessor will not be liable for any expense in repairing or replacing any Item of Equipment or be liable to supply another aircraft or any item of equipment in lieu of the Aircraft or any Item of Equipment if the same is lost, confiscated, damaged, destroyed or otherwise rendered unfit for use or to produce or provide Reconstructed Documents (as such term is defined in this Article 20).

TAXES; TAX INDEMNITY

Indemnity.

Indemnity. Except as provided in Section 21.1(b), Lessee shall pay, and shall indemnify and hold harmless each Indemnitee for and against, all Taxes arising or resulting from or otherwise relating to any Item of Equipment, any Operative Document, or any of the transactions and activities provided for or contemplated in, or permitted by, the Operative Documents, including without limitation, the purchase, ownership, delivery, leasing, subleasing, wet-leasing, registration, possession, use, operation, landing, take-off, storage, location, presence, maintenance, alteration, modification, improvement, servicing, repair, overhaul, pooling, interchange, exchange, substitution, replacement, loss, return, sale or other disposition of, or any damage, addition or transfer of title to, any Item of Equipment or any interest therein, the execution, delivery, filing, registration, recording, presence, performance of, payment under or enforcement of, or the cure of any default or the exercise of any remedy under, any Operative Document or any other documents executed from time to time pursuant to any Operative Document (regardless of how or when such Taxes are imposed or assessed, whether imposed on or assessed against any Indemnitee, Lessee, any Item of Equipment, any Operative Document, any interest therein or any use thereof, or otherwise) and all costs and expenses (including, without limitation, reasonable attorney's fees and disbursements) paid or incurred by any Indemnitee with respect to any Tax for which Lessee is

required to indemnify such Indemnitee pursuant to this Article 21 or in connection with the enforcement of this Article 21 (an "**Indemnified Tax**").

Excluded Taxes. Lessee shall have no obligation under Section 21.1(a) or (c) to indemnify an Indemnitee for:

Taxes imposed by withholding or otherwise, based on, or measured by the income (including gross income), earnings, receipts, capital, franchise, excess profits or conduct of business of such Indemnitee or any of its Affiliates (collectively "**Income Taxes**"), including, without limitation, income Taxes, withholding Taxes, capital gains Taxes, minimum and alternative minimum Taxes, accumulated earnings Taxes, personal holding company Taxes and branch profits and branch interest Taxes (but, for clarity, not including (i) sales, use and value added Taxes, (ii) rental Taxes not in the nature of an income Tax, (iii) property and *ad valorem* Taxes, and (iv) license or similar Taxes) imposed by the United States, any state or local government, or any foreign government; provided, however, that in the case of any Taxes imposed by any Governmental Authority located outside the United States, the exclusion of Income Taxes under this clause (g) shall not apply if and to the extent that such Income Taxes are imposed solely as a result of (w) the inaccuracy or breach of any of the representations, warranties, covenants or agreements of Lessee in the Operative Documents, (x) an Event of Default, (y) the operation, use, presence or registration of any Item of Equipment in such jurisdiction or (z) the presence of Lessee or Lessee making payments (or having been deemed to have made payments) from or performing any other actions in such jurisdiction;

any Tax imposed on or with respect to any sale or other transfer by such Indemnitee of such Indemnitee's interest in the Aircraft pursuant to Section 25.2 or otherwise, provided that the exclusion in this clause (ii) shall not apply to any sale or transfer that occurs (A) in connection with the exercise of remedies pursuant to an Event of Default, an Event of Loss, or any maintenance, repair, overhaul, pooling, interchange, exchange, removal, replacement, substitution, modification, improvement, or alteration of any Item of Equipment, or (B) at Lessee's request, or (C) pursuant to a requirement in any Operative Document or any applicable Law;

any Tax attributable to the gross negligence or willful misconduct of such Indemnitee or any of its Affiliates;

Taxes in respect of any period (i) prior to commencement of the Lease or (ii) after the expiration or earlier termination of the Lease with respect to the Aircraft and delivery of possession of such Aircraft to Lessor, or placement in storage of such Aircraft at the request of Lessor (or, if such Aircraft is not so delivered or placed in storage, the discharge in full of Lessee's obligations to pay all amounts then payable by Lessee under the Lease), provided, however, that clause (ii) of this exclusion (a) shall not apply to any Taxes accruing or otherwise related to occurrences or matters arising prior to or simultaneously with the events described in clause (ii) of this exclusion or to Taxes relating to payments made by Lessee to or for the benefit of such Indemnitee under the Lease following the events described in clause (ii) of this exclusion;

Taxes that are attributable to the breach by such Indemnitee or any of its Affiliates of any its representations, warranties or covenants in any Operative Document except to the extent that such breach arises as a result of any breach by Lessee of a representation, warranty or covenant in any Operative Document;

Taxes resulting from the failure of such Indemnitee to comply with its obligations under Section 21.5 hereof except to the extent that failure arises as a result of any breach by Lessee of a representation, warranty or covenant in any Operative Document or Lessee's obligations under Section 21.5;

Taxes resulting from the failure of such Indemnitee to be a "United States person" within the meaning of Section 7701(a)(30) of the Code;

Taxes imposed as a result of activities of such Indemnitee in the jurisdiction imposing such Taxes unrelated to the transactions (including the exercise of remedies) contemplated by the Lease;

Taxes imposed against a transferee of such Indemnitee (or a subsequent transferee) to the extent of the excess of such Taxes over the amount of such Taxes that would have been imposed had there not been such a transfer; provided, however, that this clause (i) shall not apply to (A) the extent necessary to make any payment on an After-Tax Basis as described in Section 21.4(c) hereof or (B) a transfer made in connection with any exercise by Lessor of its remedies under Article 24 hereof or applicable Law in the case of an Event of Default;

Taxes that would not have been imposed but for a Lessor's Lien;

Taxes (for the avoidance of doubt, including interest, penalties, fines and additions to tax) imposed on such Indemnitee as a result of such Indemnitee's failure to file any return or report that it is legally required to file or to pay any Tax it is legally required to pay unless such failure results from Lessee's breach of its obligations in any Operative Document;

Taxes to the extent resulting from a failure of such Indemnitee to provide any certificate, documentation or other evidence requested in writing by Lessee and required under applicable Law as a condition to the allowance of a reduction in such Tax, but only if such Indemnitee was legally eligible to provide such certificate, documentation or other evidence without, in such Indemnitee's good faith judgement, any adverse consequence (other than de minimis costs) to such Indemnitee for which Lessee has not indemnified it in a manner reasonably satisfactory to such Indemnitee;

Taxes imposed on Lessor as a result of its engaging in a "prohibited transaction" within the meaning of Section 4975 of the Code or under Subtitle B of Title I of ERISA; or

Taxes that are imposed solely as a result of or otherwise arise in connection with any financing arrangement between the Lessor or any of its Affiliates and any Financing Party with respect to an interest in the Aircraft.

No Reduction for Withholding. Lessee agrees that all amounts payable by Lessee (or by any other Person on account of any obligation of Lessee) pursuant to the Operative Documents shall be paid without any deduction or withholding on account of any Taxes, monetary transfer fees, or other charges or withholdings of any nature, except to the extent that the deduction or withholding of any Tax is required by applicable Law, in which event Lessee shall (i) if such Tax is not an Excluded Tax, pay to the Person entitled to receive such payment (the "**Payee**") such additional amount as is necessary so that the Payee receives, after such deduction or withholding (including any withholding with respect to such additional amount), an amount equal to the amount that the Payee would have received if such deduction or withholding had not been made and (ii) deliver to Lessor within sixty (60) days after the date of such payment an official receipt of the relevant taxing authority showing that Lessee paid to such taxing authority the full amount of the Tax required to be deducted or withheld.

VAT. All amounts payable by Lessee pursuant to the Operative Documents are exclusive of VAT. Lessor and Lessee acknowledge and agree that any VAT that is required by any applicable Law to be paid with respect to any of the transactions, activities or payments contemplated in the Operative Documents is a Tax to which the provisions of this Article 21 apply.

Tax Filings; Information.

Unless otherwise directed or agreed in writing by Lessor, Lessee shall properly prepare and timely file all reports, returns, declarations and other documents (each a "**Tax Document**") that are required by applicable Law to be filed with any Governmental Authority or other taxing authority with respect to each Indemnified Tax, except to the extent that Lessee is not allowed by applicable Law to file such report, return, declaration or other document, in which case it shall properly prepare and deliver a proposed form of such report, return, declaration or other document to the applicable Indemnitee within a reasonable time prior to time required by applicable Law for such filing.

Lessee shall (i) deliver to Lessor within thirty (30) days after receipt of Lessor's written request, a certificate of an officer of Lessee, in form and substance satisfactory to Lessor, demonstrating compliance with Lessee's covenants in Section 11.5 during the period or periods specified in Lessor's written request, and (ii) deliver to each Indemnitee as soon as reasonably practicable (and in any event within thirty (30) days) after receipt of such Indemnitee's written request therefor, such information and copies of such records and other documents (including, without limitation, the flight log for the Aircraft) maintained or required to be maintained by Lessee or by any other user of any Item of Equipment in the regular course of its business as such Indemnitee may request from time to time to enable such Indemnitee to comply with applicable Tax reporting, audit, audit dispute resolution, and litigation requirements, and if requested by any Indemnitee, make such information, records and other documents available for inspection by such Indemnitee or its authorized representatives during normal business hours upon reasonable advance notice.

Payment of Taxes and Indemnities.

To the extent required or permitted by applicable Law, Lessee shall pay each Indemnified Tax when due directly to the proper taxing authority, unless otherwise directed or agreed in writing by Lessor.

Except as otherwise provided in Section 21.5, any indemnity payable by Lessee to an Indemnitee shall be paid within ten (10) days after the date on which Lessee receives such Indemnitee's written demand therefor (which demand shall provide a description in reasonable detail of the applicable Indemnified Taxes and the calculation of the amount of the indemnity payment demanded).

All amounts payable by Lessee pursuant to this Article 21 shall be paid on an After-Tax Basis.

Contests. An Indemnitee shall forward to Lessee any notice such Indemnitee receives from any Person in regard to a proposed imposition or adjustment by any Governmental Authority that would result in a liability for Taxes with respect to which Lessee has liability under this Article 21 promptly after receipt by such Indemnitee; provided, however, that failure to do so shall not eliminate any liability by Lessee to an Indemnitee under this Article 21 except to the extent of additional interest, penalties and the like attributable to such failure or if such failure effectively precludes the ability to conduct a contest of such Taxes. Such Indemnitee shall consult with Lessee in determining whether to contest such proposed adjustment and the manner of proceeding with such contest (including whether and to what extent to allow Lessee to control the contest and to conduct the contest in its name if permissible under applicable Law or in the name of such Indemnitee); provided, however, that (a) such Indemnitee reserves the right to agree or not to agree to pursue any such contest, (b) Lessee shall keep such Indemnitee informed of the status of the contest and consult with such Indemnitee regarding the manner in which to proceed with such contest, and (c) such Indemnitee reserves the right to agree to any compromise or settlement proposal. Notwithstanding anything to the contrary contained in this Section 21.5, such Indemnitee shall not be obligated to pursue a contest of any claim unless (i) prior to taking such action Lessee shall have agreed to pay or, in the case of item (C) below, lend on an interest-free basis, to such Indemnitee an amount equal to all out-of-pocket costs and expenses such Indemnitee actually incurs in connection with and reasonably allocable to contesting such claim, including, without limitation, (A) all reasonable legal, accountants', and investigatory fees and disbursements, (B) the amount of any interest or penalty payable as a result of contesting such claim, and (C) if such contest is to be initiated by the payment of, and the claiming of a refund for, Taxes, sufficient funds to make such payment (and in the event such contest is finally determined adversely, the amount of such loan shall be applied against Lessee's obligation to indemnify such Indemnitee for the Taxes which relate to such contest), (ii) such proceedings do not involve any material risk or danger of the sale, forfeiture, or loss of any Item of Equipment, or, if there is such a risk, Lessee has provided to such Indemnitee a bond in form and substance reasonably satisfactory to such Indemnitee in an amount sufficient to protect such Indemnitee from any detriment that would be suffered by such Indemnitee as a result of such sale, forfeiture, or loss or has otherwise made provision to protect the interests of such Indemnitee in a manner reasonably acceptable to such Indemnitee, and (iii) no Event of Default shall have occurred and be continuing. If (X) such Indemnitee shall fail to meet its obligations under this Section 21.5, (Y) such Indemnitee exercises its discretion under clause (a) of the first proviso of this Section 21.5 to not pursue a claim, or (Z) such Indemnitee exercises its discretion under clause (c) of the first proviso of this Section 21.5, Lessee shall be relieved of its liability for such Tax under Section 21.1(a); provided, however, that (XX) Lessee shall not be relieved of liability under clause (X) of

this Section 21.5 to the extent that Indemnitee's failure to meet its obligations did not materially affect Lessee's indemnification obligation hereunder, (YY) Lessee shall not be relieved of liability under clause (Y) of this Section 21.5 to the extent that Indemnitee exercised its right to not agree to pursue a contest and such contest would be reasonably likely to result in a material unindemnified harm to such Indemnitee as determined in such Indemnitee's reasonable discretion, and (ZZ) Lessee shall not be relieved of liability under clause (Z) of this Section 21.5 to the extent that Indemnitee exercised its right to not agree to any compromise or settlement proposal and such exercise was reasonable. In any case described in the immediately preceding sentence, such Indemnitee shall promptly return any amounts previously advanced by Lessee for the payment of the Taxes which were the subject of the contest; provided, however, that in a case described in clause (Z) above, such Indemnitee shall be obligated to repay Lessee only to the extent of the excess of the amounts previously advanced by Lessee over the amount of such settlement to which Lessee did not withhold its consent.

Refunds. If Lessor shall obtain a refund of all or any part of any Taxes which Lessee shall have paid or for which Lessee shall have reimbursed an Indemnitee, such Indemnitee shall, within twenty (20) days of the receipt of the payment described above, pay to Lessee an amount equal to the sum of the amount of such payment received by such Indemnitee which is fairly attributable to any Taxes paid or reimbursed by Lessee to such Indemnitee; provided, however, that no such amounts shall be payable if and so long as an Event of Default shall have occurred and be continuing or before such time as Lessee shall have made all payments or indemnities theretofore due under this Lease.

Non-Parties. If an Indemnitee is not a party to this Lease, Lessee may require such Indemnitee to agree in writing, in a form reasonably acceptable to Lessee, to the terms of this Article 21 prior to making any payments to such Indemnitee under this Article 21.

Survival. The respective obligations of Lessee under this Article 21 shall remain in full force and effect notwithstanding the occurrence of the Termination Date.

RETURN OF AIRCRAFT

Time and Place. On the Scheduled Termination Date (or, if applicable, the Termination Date if such date is prior to the Scheduled Termination Date) and unless the Aircraft has suffered an Event of Loss, Lessee, at its own expense, shall Return the Aircraft to Lessor at the Redelivery Location. Lessor and Lessee shall evidence Lessor's acceptance of Return of the Aircraft, and any exceptions thereto, by executing a Return Acceptance Certificate. Unless a Default or an Event of Default shall have occurred and be continuing or unless this Lease shall have been cancelled by Lessor pursuant to Article 24, upon such execution and delivery, this Lease shall terminate, with neither party hereto having any further liability to the other hereunder except for those Obligations which specifically survive the expiration, cancellation or termination of this Lease or as are otherwise reserved in accordance with such Return Acceptance Certificate. If an Event of Default occurs by Lessee failing to complete Return on the Scheduled Termination Date or if an Event of Default occurs prior to or after the Scheduled Termination Date and Lessor exercises its remedy to thereafter repossesses the Aircraft, Lessee is nonetheless obligated to comply, and to have the Aircraft comply, with the return requirements set forth in this Article 22 on the date of actual Return or repossession by Lessor.

Condition. Upon return of the Aircraft pursuant to Section 22.1, Lessee shall comply with the requirements of Appendix 2E and Lessee shall return the Aircraft in a condition in compliance with the provisions of this Lease, including this Article 22, and Appendix 2E.

Lessee's Continuing Obligations.

If Lessee shall, for any reason whatsoever, fail to return the Aircraft in a timely manner in the condition specified in this Lease, the Obligations of Lessee shall continue and the Lease Term shall be deemed to be extended, day-to-day, until Return of the Aircraft; provided, that Lessee may not, during such extension period use the Aircraft for any flight operations and this Section 22.3 will not be construed as permitting or authorizing Lessee to fail to meet, or consenting to or waiving any failure by Lessee to perform, the Obligation to return the Aircraft in accordance with the requirements of this Lease or limiting Lessor's rights under any Operative Document.

If the Aircraft is not returned to Lessor in accordance with this Lease on the Scheduled Termination Date (or, if applicable, the Termination Date if such date is prior to the Scheduled Termination Date), then Lessee shall be obligated to pay an amount (the "**Holdover Compensation**") equal to the sum calculated by addition of the following amounts: (i) 150% of the Basic Rent prorated on a daily basis for each day during the period from the Scheduled Termination Date (or, if applicable, the Termination Date if such date is prior to the Scheduled Termination Date) through and including the date the Aircraft is returned to Lessor in the condition specified herein (the "**Holdover Period**"), plus (ii) Utilization Rent accrued during each day of the Holdover Period, with Utilization Rent paid on a monthly basis, prorated on a daily basis payable for each day of the Holdover Period, plus (iii) any and all costs incurred by Lessor to cause the Aircraft to comply with the return condition requirements of this Lease, plus (iv) reasonable legal fees and expenses incurred by Lessor as a result of such breach by Lessee and any legal fees and expenses incurred as a result Lessor's enforcement of this Section 22.3. The Holdover Compensation is liquidated damages and not a penalty and, if elected by Lessor as its remedy for Lessee's breach of this Lease, shall be Lessor's exclusive remedy for such Lessee breach.

In connection with the foregoing, (i) the Holdover Period shall continue and Holdover Compensation shall thereby continue to accrue, notwithstanding the return of possession of the Aircraft to Lessor, for so long as the Aircraft fails to satisfy the return condition requirements of this Lease, (ii) the parties acknowledge and agree that the amount of the Lessor's loss caused by Lessee's failure to return the Aircraft to Lessor when and in the condition specified herein is incapable or difficult of precise estimation and that the amount of the Holdover Compensation payable under Section 22.3(b) is reasonable in proportion to the probable loss to Lessor; and (iii) while Lessor shall be entitled to elect its remedies pursuant to Article 24 of this Lease, under no circumstance shall Lessor be entitled to recover both the Holdover Compensation and Lessor's actual damages in respect of the breach resulting from Lessee's failure to timely return the Aircraft in the condition required by this Lease.

Legal Status Upon Return. At Return, the Aircraft shall be:

free and clear of all Liens, except Lessor's Liens; and

duly registered in the name of Owner.

Airport and Navigation Charges. Lessee shall ensure that upon Return any and all airport, navigation and other similar charges in connection with the use and operation of the Aircraft or any other aircraft operated by or in Lessee's fleet of aircraft which give rise or would if unpaid give rise to any Lien in relation to the Aircraft or any Item of Equipment have been paid and discharged in full and will at Lessor's request produce evidence thereof reasonably satisfactory to Lessor.

Lessor Termination Payment to Lessee. Provided no Default or Event of Default has occurred and is continuing, Lessor shall, not later than thirty days following the termination of this Lease and the satisfaction by Lessee, in full, of its Obligations and the Related Obligations (including any Obligations to correct discrepancies identified in the Return Acceptance Certificate), pay to Lessee an amount equal to the Commitment Fee net of any withholding or other Taxes on such payment.

EVENTS OF DEFAULT

Any one or more of the events set forth in Appendix 2H shall constitute an "**Event of Default**" under this Lease.

Lessee hereby acknowledges that the occurrence of any one of the Events of Default would represent a repudiatory breach by Lessee of the Obligations and this Lease.

LESSOR'S RIGHTS AND REMEDIES FOLLOWING AN EVENT OF DEFAULT

At any time after the occurrence and continuation of an Event of Default Lessor shall have such rights and remedies and Lessee shall have such obligations as set forth in Appendix 2I.

ASSIGNMENT AND TRANSFER

No Assignment by Lessee. Lessee shall not transfer, assign, novate, mortgage or complete any other such or similar transfer of any interest in this Lease or any of its rights hereunder or in any Item of Equipment, and any such purported assignment shall be void *ab initio*.

Transfer of Lessor's and/or Owner's Interests. Each of Lessor, Owner, any Owner Participant and any Financing Party may at any time and without Lessee's consent transfer to any Person (a "**Transferee**") the Aircraft and/or any Item of Equipment and/or all or any of its rights and obligations under this Lease and the other Operative Documents to which it is a party.

Cooperation with Transfers. Lessee shall do such things and execute such documents as may be reasonably requested of it to give effect to a transfer contemplated by Section 25.2 including (a) entering into an assignment and assumption agreement or novation deed with the Transferee in form and substance reasonably satisfactory to Lessee, (b) providing Lessor scheduling and routing information for the Aircraft or the Item of Equipment being transferred, and (c) making such amendments to the Insurances effected in respect of the Aircraft so as to ensure continued compliance with the requirements of Article 19 with regard to the interests of such Transferee and any new Financing Parties and shall provide to Lessor updated documentation evidencing such amendments; provided that in connection with the foregoing Lessee shall have no greater obligation or liability nor shall Lessee's rights be diminished under this Lease and the other Operative Documents as a result of such transfer (provided that an increase in the number of Indemnitees and additional insureds as a consequence of any such transfer shall not, of itself, constitute an increase in Lessee's obligations), including, but not limited to laws relating to withholding tax on lease payments, based on current laws in effect at the time of such transfer, than it would have had if such transfer had not taken place and none of Lessee's rights shall be diminished. Lessee acknowledges that an increase in the number of Indemnitees shall not, of itself, constitute an increase in Lessee's obligations hereunder. Lessee's reasonable out-of-pocket costs (including reasonable attorney's fees) incurred to provide the cooperation required by this Section 25.3 shall be reimbursed to Lessee following demand for the same together with such supporting documentation as may be reasonably requested by Lessor.

Financings. At Delivery the Aircraft will be subject to the Existing Financing. From and after Delivery, Owner, Lessor and any Owner Participant may at any time and without Lessee's consent enter into any financing arrangements (which may include the conversion of the lease transaction contemplated by this Lease to a "leveraged lease" structure, a "head-lease, sub-lease" or other lease structure) with respect to the Aircraft pursuant to which (a) Lessor may assign its rights under this Lease and the other Operative Documents (by way of security) to Owner or to any Financing Parties and (b) Owner may execute a mortgage over the Aircraft in favor of the Financing Parties. Such financing arrangements may also take the form of a securitization (a "**Securitization**") involving one or more loans from one or more financial institutions (each a "**Lender**"), and/or with notes, loan certificates, or pass through certificates issued pursuant to an indenture with a trustee (the "**Trustee**"), which notes, loan certificates or pass through certificates may be guaranteed (in whole or in part) by one or more guarantors.

Cooperation with Financings. Lessee shall cooperate with Lessor and do such things and execute such documents and make such filings and registrations in the State of Registration as may be requested of it by Lessor and/or Owner in order to protect the interests of the Financing Parties and/or Owner in connection with the Existing Financing or any financing contemplated by Section 25.4 including, without limitation, (a) executing an acknowledgement of any assignment of Lessor's rights under this Lease in favor of Owner or any relevant Financing Party, on terms customary in aircraft financing transactions or Securitizations, (b) providing Lessor scheduling and routing information for the Aircraft or any Item of Equipment being financed, (c) making such amendments to this Lease and any of the other Operative Documents and executing such additional documents, as may be reasonably be requested by Lessor in connection with the Securitization and (d) making such amendments to the Insurances maintained in respect of the Aircraft to ensure continued compliance with the requirements of Article 19 with regard to the interests of Owner and any such Financing Party, and shall provide to Lessor updated documentation evidencing such amendments; provided that in connection with the foregoing Lessee shall have no greater obligation or liability nor shall Lessee's rights be diminished under this Lease and the other Operative Documents as a result of such financing (provided that an increase in the number of Indemnitees and additional insureds as a consequence of any such financing shall not, of itself, constitute an increase in Lessee's obligations), including but not limited to laws relating to withholding tax on lease payments, based on current laws in effect at the time of such transfer, than it would have had if such transfer had not taken place. Lessee acknowledges that an increase in the number of Indemnitees shall not, of itself, constitute an increase in Lessee's obligations hereunder. Lessor shall comply with its obligations under Sections 10.2 and, if applicable, 12.12(a)(ii) with respect to any financing pursuant to Section 25.4. Lessee's reasonable out-of-pocket costs (including reasonable attorney's fees) incurred to provide the cooperation required by this Section 25.5 shall be reimbursed to Lessee following demand for the same together with such supporting documentation as may be reasonably requested by Lessor. In the event of any such financing arrangement (other than the Existing Financing), Lessor shall use good faith efforts to obtain a quiet enjoyment letter a form reasonably acceptable to Lessee, Lessor and the lender.

LAW AND JURISDICTION

Governing Law. THIS LEASE SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, NEW YORK, U.S.A. APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE WITHOUT REGARD FOR CONFLICT OF LAW PRINCIPLES OTHER THAN THE PROVISIONS OF SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK.

Consent to Jurisdiction. Lessee hereby irrevocably consents that any legal action or proceeding against it or any of its assets with respect to this Lease may be brought in any jurisdiction where Lessee or any of its assets may be found, or in any court of the State of New York or any Federal court of the United States of America located in New York, New York, located in the Borough of Manhattan, United States of America, as Lessor may elect, and by execution and delivery of this Lease Lessee hereby irrevocably submits to and accepts with regard to any such action or proceeding, for itself and in respect of its assets, generally and unconditionally, the jurisdiction of the aforesaid courts.

Jurisdiction and Forum. Lessee agrees that final judgment against Lessee in any action or proceeding in connection with this Lease shall be conclusive and may be enforced in any other jurisdiction within or outside the United States of America by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the fact and the amount of Lessee's indebtedness. Lessee hereby irrevocably waives, to the fullest extent permitted by Law, any objection which Lessee may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Lease brought in the State of New York, and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in the State of New York has been brought in an inconvenient forum. To the extent that Lessee may in any jurisdiction in which proceedings may at any time be taken for the determination of any question arising under or for the enforcement of this Lease (including any interlocutory proceedings or the execution of any judgment or award arising therefrom) be entitled to claim or otherwise be accorded for itself or its property, assets or revenues immunity from suit or attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction, there may be attributed to Lessee, or its property, assets or revenues such immunity (whether or not claimed), Lessee hereby irrevocably agrees not to claim and waives such immunity to the fullest extent permitted by the Law of such jurisdiction.

Waiver of Jury Trial. THE LESSEE AND THE LESSOR HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING TO WHICH THEY ARE BOTH PARTIES INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS LEASE, ANY OF THE OPERATIVE DOCUMENTS OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Waiver of Immunity. Each party to this Lease agrees that in any legal action or proceedings against it or its assets in connection with this Lease and/or any other Operative Document no immunity from such legal action or proceedings (which shall include, without limitation, suit, attachment prior to judgment, other attachment, the obtaining of judgment, execution or other enforcement) shall be claimed by or on behalf of it or with respect to its assets, irrevocably waives any such right of immunity which it or its assets now have or may hereafter acquire or which may be attributed to it or its assets and consents generally in respect of any such legal action or proceedings to the giving of any relief or the issue of any process in connection with such action or proceedings including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order of judgment which may be made or given in such action or proceedings.

MISCELLANEOUS

Severability and Illegality.

Severability. Any provision of this Lease prohibited by or unlawful or unenforceable under any applicable Law actually applied by any court of competent jurisdiction shall, to the extent required by such Law, be severed from this Lease and rendered ineffective so far as is possible without modifying the remaining provisions of this Lease.

Illegality.

If at any time there is a change in any applicable Law binding upon Lessee or Lessor in its State of Organization or where it has its principal office or in any jurisdiction which any action is required to be performed by it for the purposes of any Operative Document which renders, or which will render, it unlawful for such party to perform any of its obligations or to exercise any of its rights under any Operative Document (an "**Illegality Event**") and the parties are not able to restructure the transaction in accordance with Section 27.1(b)(iii), Lessor or Lessee (as the case may be) shall forthwith notify the other party hereto and Lessor or Lessee (as the case may be) shall be entitled by written notice (the "**Illegality Notice**") to the other party, either:

(A) to terminate its obligation to lease, or take on lease, the Aircraft pursuant to the terms of this Lease; or

(B) if such event occurs after the Delivery Date, to terminate the Lease Term,

in each such case, on the Relevant Date.

In Section 27.1(b) "**Relevant Date**" means the later to occur of:

(A) the date of the Illegality Notice; and

(B) a future date specified in the Illegality Notice being prior to the date on which the Illegality Event takes effect.

Lessor and Lessee shall, for a period of ninety (90) days from the date Lessor or Lessee becomes aware that an Illegality Event will arise or has arisen, or such shorter period ending on the Business Day prior to the date on which such Illegality Event takes effect, and provided that no Event of Default has occurred and is continuing, negotiate in good faith and take all commercially reasonable steps (subject to Section 27.1(b)(iv) below) which are available to mitigate the effects of such Illegality Event, with a view to restructuring the transaction in a manner such that the leasing of the Aircraft to Lessee may continue on the same commercial terms as under this Lease, including, without limitation, by way of amendment, novation or replacement to any Operative Document, or termination of, any Operative Document.

Nothing in Section 27.1(b)(iii) above shall, or shall be construed so as to, oblige Lessor or Lessee to take any mitigating steps (including, without limitation, omitting to act) if, in its reasonable opinion, to do so:

(A) would or would be likely to involve it in any unlawful activity or any activity that is contrary to any Law; or

(B) unless indemnified to its satisfaction, would involve it in any cost, loss, liability or Tax disadvantage; or

(C) would be prejudicial to it, the Aircraft or the other Indemnitees.

The cost of any mitigation pursuant to this Section 27.1(b) shall be for the account of Lessee.

If Lessor or Lessee shall have terminated the Lease Term or its obligation to lease, or take on lease, the Aircraft pursuant to the terms of this Lease in accordance with Section 27.1(b)(i), then on the Relevant Date, Lessee shall:

(A) return the Aircraft to Lessor in accordance with the provisions of Article 22 if the Aircraft has been delivered to Lessee under this Lease; and

(B) pay to Lessor the amounts provided in Section 24.1 of Appendix 2I, clauses (f), (g) and (h), and Section 24.3 of Appendix 2I as if references therein to an "Event of Default" were to the termination of the Lease Term pursuant to Section 27.1(b)(i).

Amendments. No term or provision of this Lease may be amended, modified, waived, discharged or terminated orally, but only by a written instrument signed by Lessor and Lessee.

Lessor's Right to Perform; Lessor's Right to Delegate and Servicer.

If Lessee fails to perform or comply with any Obligations, Lessor shall have the right, but not the obligation, to discharge such obligation, and the amount of such payment made and the expenses of Lessor incurred in connection with such discharge shall be payable by Lessee upon demand, together with interest at the Past Due Rate from the date such expenses were incurred.

Lessor may delegate to any Person or Persons (the "**Servicer**") all or any of the rights, powers or discretions vested in it by this Lease or any of the other Operative Documents, and any such delegation may be made upon such terms and conditions and subject to such regulations (including the power to sub-delegate) as Lessor in its absolute discretion deems fit. Upon notice to the Lessee of the appointment of such a Servicer, such Servicer may act as Lessor's or Owner's servicer for all matters related to this Lease and the Aircraft, and Lessee agrees that it shall communicate with and deal with such Servicer with respect to all such matters as if the Servicer were the Lessor under this Lease.

Counterparts. This Lease may be executed simultaneously in counterparts and by different parties hereto on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. To the extent, if any, that this Lease constitutes

chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction) no security interest in this Lease may be created through the transfer or possession of any counterpart other than the counterpart which has been marked "Original" on the signature page thereof.

Delivery of Documents by Electronic Means. Delivery of an executed counterpart of this Lease or of any other documents in connection with this Lease by fax or other electronic image file will be deemed as effective as delivery of an originally executed counterpart. Any party delivering an executed counterpart of this Lease or other document by fax or other electronic image file will also deliver an originally executed counterpart, but the failure of any party to deliver an originally executed counterpart of this Lease or such other document will not affect the validity or effectiveness of this Lease or such other document.

Survival. The representations, warranties, covenants, agreements and indemnities (including, without limitation, the indemnities contained in Articles 18, 21 and 24) of Lessee and Lessor set forth in this Lease, and Lessee's and Lessor's obligations hereunder, shall survive the Termination Date to the extent required for full performance and satisfaction thereof.

Entire Lease. This Lease (including all Appendices) and the other Operative Documents executed pursuant hereto constitute the entire agreement between Lessor and Lessee regarding the Aircraft and any prior or contemporaneous written or oral understandings with regard to the subject matter hereof are superseded hereby in their entirety.

Successors and Assigns. Subject to the provisions of Article 25, the terms and provisions of this Lease and each other Operative Document shall be binding upon and inure to the benefit of Lessor and Lessee and their respective successors and permitted assigns.

Transaction Costs. Whether or not the transactions contemplated hereby are consummated, each party hereto agrees to pay its own costs and expenses incurred in connection with the preparation, execution and delivery of this Lease and any other documents delivered in connection herewith, including without limitation the fees, expenses and disbursements of counsel, except as otherwise expressly set forth herein. Lessee shall pay all costs of FAA Counsel in relation to this Lease and other Operative Documents. Lessee agrees to pay Lessor the reasonable costs and expenses (including attorneys' fees and disbursements) incurred by Lessor in connection with the entering into or giving or withholding of any future waiver, supplement or amendment or other action with respect to the Lease or any other document delivered in connection therewith that Lessee may request, except in the case of an Event of Default in which case all of such costs shall be at the expense of Lessee.

Time is of the Essence. Time and strict and punctual performance are of the essence with respect to each provision of this Lease.

Language.

This Lease is in the English language and all notices, opinions, financial statements and other documents given under this Lease shall be provided in the English language or, if not submitted in the English language, shall be accompanied by one certified copy of an English translation thereof for each copy of the foregoing so submitted.

If this Lease or any other Operative Document is required to be translated into another language for the purposes of any filing or registration, (i) Lessee shall procure and pay for any

such translation, and (ii) the English version shall prevail in the event of any conflict with any such non-English version

No Rights of Third Parties. No third parties, other than Indemnitees (including the Security Trustee in its capacity as an Indemnitee or otherwise) and Affiliates of Lessor, are intended to nor shall they be deemed to have a right to (x) benefit from, or (y) seek to enforce, any of the provisions of this Lease.

Delegation. Lessor may delegate to any appropriately licensed and/or experienced person(s) all or any of the rights, powers or discretions vested in it by this Lease or any other Operative Document and any such delegation may be made upon such terms and conditions as between such person and Lessor as Lessor in its absolute discretion may determine.

Further Assurances Lessee shall from time to time do and perform such other and further acts and execute and deliver any and all such further instruments as may be required by law or reasonably requested in writing by Lessor to establish, maintain and protect the rights and remedies of Lessor and to carry out and effect the intent and purposes of this Lease and the other Operative Documents.

Rights at Law. Nothing contained in any Operative Document shall be construed to limit in any way any right, power, remedy or privilege of Lessor hereunder or under any other Operative Document or now or hereafter existing at law or in equity. Each and every right, power, remedy and privilege of Lessor under the Operative Documents (i) shall be in addition to and not in limitation of, or in substitution for, any other right, power, remedy or privilege under any Operative Document or at law or in equity, (ii) may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by Lessor and (iii) shall be cumulative and not mutually exclusive and the exercise of one shall not be deemed a waiver of the right to exercise any other.

Confidentiality.

During the Lease Term all Information shall remain confidential and the parties hereto and their respective Affiliates will use their respective reasonable efforts not to disclose the Information to any other Person without prior written consent of each other party, which consent shall not be unreasonably withheld or delayed; provided, that Lessor and Lessee may, without the consent of each other party, disclose the Information in any of the following situations:

To directors, officers, employees, permitted assigns and agents of Lessor, Lessee or any Affiliate (direct or indirect) of any of such parties; or

To directors, officers, employees, permitted assigns and agents of United in connection with the Lessor's Capacity Purchase Agreement or the Lessee's Capacity Purchase Agreement; or

To auditors, accountants or legal advisors of Lessor, Lessee or any Affiliate (direct or indirect) of any of such parties; or

To actual or potential lenders/Financing Parties, purchasers or other permitted assigns of Lessor, or any Affiliate of any of such parties, including but not limited to providing financial information about Lessee to potential lenders/Financing Parties to, and purchasers from, Lessor, provided that, upon the request of Lessee, such potential

lenders/Financing Parties will agree to keep such Information confidential in a manner similar to the provisions hereunder and that their access to Information is solely for purposes of evaluating an investment in or other financing of the Aircraft, or such purchaser provides to Lessee a confidentiality agreement in a form reasonably acceptable to Lessee; or

To rating agencies with respect to ratings of Lessor, Owner or an Owner Participant (if any) or a related Securitization; or

To such other parties as Lessor or Lessee may reasonably believe to be required by law, by government regulation or order (including, without limitation any regulation or order of a bank regulatory agency), by subpoena or by any other legal process.

Notwithstanding any of the foregoing, Information will not be considered confidential, and Lessor and Lessee and their respective Affiliates may disclose any item of the Information without restriction in any of the following circumstances, if such item:

is publicly available (either to the general public or to any relevant trade or industry) prior to any party's receipt of it from another party hereto;

is thereafter made publicly available (either to the general public or to any relevant trade or industry) by another party hereto or by a third party which is entitled to make such item publicly available;

becomes available to any party hereto on a non-confidential basis from a source which has represented to such party that such source is entitled to disclose it; or

was known to any party hereto on a non-confidential basis prior to its disclosure to such party by another party hereto.

Notices. All notices provided for herein shall be in writing and shall be deemed to have been given when delivered personally, or if deposited in the mail or with a courier service, when received, to the addressees appearing in paragraph 6 of Appendix 2B or to such other address as any party may designate for itself by written notice to the other party or parties.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease to be duly executed by their authorized representatives as of the ___ day of _____, 2021.

GOJET AIRLINES LLC
Lessee

MESA AIRLINES, INC.
Lessor

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

TO THE EXTENT IF ANY THAT THIS DOCUMENT CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST IN THIS DOCUMENT MAY BE PERFECTED THROUGH THE POSSESSION OF ANY ORIGINAL OR COPY HEREOF OTHER THAN THAT MARKED "CHATTEL PAPER ORIGINAL".

CHATTEL PAPER ORIGINAL

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease to be duly executed by their authorized representatives as of the ___ day of _____, 2021.

GOJET AIRLINES LLC
Lessee

MESA AIRLINES, INC.
Lessor

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

TO THE EXTENT IF ANY THAT THIS DOCUMENT CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST IN THIS DOCUMENT MAY BE PERFECTED THROUGH THE POSSESSION OF ANY ORIGINAL OR COPY HEREOF OTHER THAN THAT MARKED "CHATTEL PAPER ORIGINAL".

Appendix 1
to Aircraft Lease Agreement

DEFINITIONS

"**Acceptance Certificate**" means the acceptance certificate executed and delivered by Lessee to Lessor at Delivery in the form of Appendix 3.

"**Additional Insureds**" means the Indemnitees and each of them.

"**Aeronautics Authority**" means the Federal Aviation Administration of the United States or such other governmental department, bureau, commission or agency that under the Law of the State of Registration shall from time to time have control or supervision of civil aviation in that state or have jurisdiction over the registration, airworthiness, operation, or other matters relating to, the Aircraft.

"**Affiliate**" means any other Person directly or indirectly controlling, directly or indirectly controlled by or under direct or indirect common control with the Person specified.

"**After-Tax Basis**" means, with respect to any indemnity or other amount (an "Amount") which is required by any Operative Document to be paid on an "After-Tax Basis" by Lessee (or by any other Person under the Operative Documents) to any Indemnitee (or to any other Person for the account or benefit of any Indemnitee), payment of such Amount supplemented by a further payment or payments that will, in the good faith determination of the Indemnitee, leave the Indemnitee and its Affiliates with a net economic realization equal to the Amount, after considering the net amount of all Taxes imposed on any Indemnitee with respect to the receipt or accrual of the Amount and such supplemental payments (taking into account any deductions, credits and other Tax benefits actually realized by such Indemnitee as a result of the events and circumstances giving rise to such payments in or prior to the year of such payments).

"**Agreed Value**" means, with respect to the Aircraft, the amount set forth in Appendix 2B, paragraph 4.2.

"**Aircraft**" means, as the context may require, the Airframe together with (i) the Engines, whether or not installed on the Airframe, (ii) all Parts or components thereof, (iii) spare parts or ancillary equipment or devices furnished with the Airframe or the Engines under this Lease, (iv) all items of equipment and other property, tangible and intangible, described in the Acceptance Certificate delivered on the Delivery Date and not otherwise described in the preceding portions of this definition, (v) all Aircraft Documents, (vi) all substitutions, replacements and renewals of any and all thereof, and (vii) all alterations, modifications and additions which may be made to, installed on or incorporated into the Aircraft, including but not limited to, those required pursuant to any Airworthiness Directive.

"**Aircraft Documents**" means, whether in paper, photographic, digital, electronic or other medium, (i) the manuals and records identified in the attachments to the Acceptance Certificate hereto and all other records and documentation pertaining to the Aircraft and delivered with the Aircraft on the Delivery Date and (ii) all other Required Approvals, records and documentation generated during the Term that are related to the maintenance, inspections and alterations, modifications and additions accomplished during the Lease Term with respect to the Aircraft.

"**Airframe**" means the Bombardier Inc. Canadair Regional Jet CL-600-2C10 aircraft (except for the Engines) as more specifically described in the Lease Supplement, together with the APU, all Landing Gear and any and all Parts.

"**Airworthiness Directive**" or "**AD**" means any airworthiness directive issued by the Certifying Authority, in addition to any airworthiness directive issued by the Aeronautics Authority, each to the extent the same is applicable to the Aircraft and/or any Item of Equipment.

"**Approved Maintenance Organization**" means a maintenance facility approved by the Aeronautics Authority and also by the FAA pursuant to FAR Part 145 and/or the EASA pursuant to EASA Part-145 for the performance of maintenance, testing, inspection, repair, overhaul or modification on the Aircraft or any Item of Equipment.

"**APU**" means the auxiliary power unit installed in the Airframe on the Delivery Date, or any replacement thereof made pursuant to this Lease, together, in any case, with any and all Parts which are from time to time incorporated in or attached to such auxiliary power unit and any and all Parts removed therefrom.

"**APU Restoration**" means the completion of an APU overhaul having a workscope that meets the minimum standard for an overhaul as defined in the APU Manufacturer's maintenance manual or other applicable APU Manufacturer issued publication applicable to the APU.

"**Basic Rent**" shall mean the rent payable for the Aircraft for each Rent Period under this Lease in the amount set forth in paragraph 1 of Appendix 2B; *provided* that for any Rent Period that is less than a complete calendar month such amount shall be apportioned pro-rata based on the number of days in such Rent Period and the number of days in the relevant calendar month.

"**Business Day**" means any day (other than Saturday or Sunday) on which banks are open for business in Phoenix, Arizona, and St. Louis, Missouri, United States of America.

"**C-Check**" means the accomplishment of (a) Tasks that, at the time of such C-Check, would require accomplishment prior to the next due C-Check based upon the interval for each such Task in the MPD, and (b) the rectification of each defect discovered during the accomplishment of such Tasks.

"**Cape Town Convention**" means, together, the official English text of each of the Convention on International Interests in Mobile Equipment (the "**Convention**") and the Protocol thereto on Matters Specific to Aircraft Equipment (the "**Protocol**") each as opened for signature on 16 November 2001 at Cape Town, South Africa.

"**Certifying Authority**" means the FAA.

"**Certifying Authority Form**" means an FAA Form 8130-3 or EASA Form One or any successor to either such forms.

"**Change of Control**" means the occurrence of any of the following events: (a) the sale of all or substantially all of the assets of Lessee in one or more related transactions; (b) any merger, consolidation or acquisition of Lessee with, by or into another entity or person; or (c) any change in the ownership or

control of more than fifty percent (50%) of the voting capital stock or interests of Lessee in one or more related transactions.

"**Claims**" means any and all claims, damages, losses, liabilities, demands, suits, judgments, causes of action, legal proceedings, whether civil or criminal, penalties, fines and other sanctions, and any reasonable attorney's fees and other reasonable costs and expenses in connection therewith or in establishing the right to indemnification hereunder, including any of the foregoing arising or imposed with or without the fault or negligence of any Indemnitee (whether passive or active) or under the doctrine of strict or absolute liability.

"**Commitment Fee**" means the amount set forth in paragraph 2 of Appendix 2B.

"**Cycle**" means one take-off and landing of the Aircraft (or in respect of any Engine, Landing Gear, or Part, an aircraft on which such Engine, Landing Gear, or Part is (or was) then currently installed).

"**Default**" means any event, condition or circumstance which, with the lapse of time and/or the giving of notice and/or determination of materiality and/or fulfillment of any other condition stipulated herein (or any combination of the foregoing) would constitute an Event of Default.

"**Delivery**" means the delivery of the Aircraft by Lessor to Lessee in accordance with this Lease and which shall be evidenced by execution and delivery of the Lease Supplement and the Acceptance Certificate.

"**Delivery Date**" means the date on which Delivery occurs.

"**Delivery Inspection**" has the meaning set forth in Appendix 2D.

"**Delivery Location**" means Lessor's facilities at Dulles International Airport.

"**Documents Loss**" means the loss or destruction of the Aircraft Documents or any of them.

"**Dollars**" or "\$" means the lawful currency of the U.S.

"**EASA**" means the European Aviation Safety Agency, an agency of the European Union having responsibility for aviation safety, regulation and oversight of member states of the European Union, or any Person, governmental department, bureau, commission or agency succeeding to the functions of the European Aviation Safety Agency.

"**Engine(s)**" means each of the engines identified in the Lease Supplement, or any replacement of any thereof made pursuant to this Lease, together, in any case, with any and all Parts which are from time to time incorporated in or attached to any such Engine and any and all Parts removed therefrom.

"**Engine Loss**" means the occurrence of (a) an Event of Loss with respect to an Engine only (whether or not installed on the Airframe) or (b) any divestiture or impairment of any right, title or interest of Lessor in or to an Engine as a result of the installation of such Engine on any other airframe.

"**Engine Restoration**" means the completion of an engine shop visit having a workscope that at a minimum, (i) includes a complete refurbishment or full overhaul of the high pressure turbine and

combustion section of the relevant Engine, and that otherwise meets the minimum standard for a performance restoration as defined in the Engine Manufacturer's workscope planning guide or other applicable Engine Manufacturer issued publication applicable to the Engine, and (ii) restores the life of such Engine to have on-condition release target of no less than 4,000 Cycles estimated to remain until the next restoration thereof satisfying this definition.

"**Engine Swap Amendment**" means that certain Lease Supplement Amendment No. ___ (Engine Swap) substantially in the form set forth in Appendix 7.

"**Event of Default**" means those events and circumstances referenced in Article 23.

"**Event of Loss**" means, with respect to any Item of Equipment (excluding Parts), any of the following events:

the agreed, actual, arranged, compromised or constructive total loss of such Item (including any damage to the same which results in an insurance settlement on the basis of a total loss, or requisition for use or hire of the same which results in an insurance settlement on the basis of a total loss); or

the destruction or damage that permanently renders such Item to be unfit for normal use for any reason whatsoever; or

the requisition of title or other compulsory acquisition, requisition, appropriation, expropriation, deprivation, condemnation or confiscation for any reason of such Item by a Governmental Authority or other competent authority, whether de jure or de facto, but shall exclude requisition for use or hire not involving requisition of title of such Item; or

the hijacking, theft, or disappearance of such Item (i) for a period of sixty (60) days or more or (ii) if earlier, beyond the earlier of the Scheduled Termination Date and the Termination Date; or

the condemnation, confiscation, capture, deprivation, seizure or requisition for use or hire of the Airframe by the Aeronautics Authority or any Governmental Authority (other than where the same amounts to the circumstances provided in clause (c)) which deprives any Person entitled to have possession and/or use of the Item of its possession and/or use (i) for more than a period of sixty (60) consecutive days or (ii) if earlier, beyond the earlier of the Scheduled Termination Date and the Termination Date.

An Event of Loss with respect to the Aircraft shall be deemed to have occurred if an Event of Loss occurs with respect to the Airframe.

"**Event of Loss Date**" means (a) with respect to any Event of Loss set forth in paragraph (a) of the definition thereof, the earliest of (i) the date of actual loss, (ii) the date on which the loss is agreed, arranged or compromised by or with the agreement of the insurers and (iii) thirty days after the date of notice to Lessee's brokers or insurers claiming the loss, (b) with respect to any Event of Loss set forth in paragraph (b) or (c) of the definition thereof, the date such event, condition or circumstance occurs or, if such date is not known, the date on which the relevant property was last known to exist, or (c) with respect to any

Event of Loss set forth in paragraph (d) or (e) of the definition thereof, the earlier of (i) the date on which insurers make payment on the basis of an Event of Loss and (ii) the expiration of the period, or the continuation of the condition or circumstance beyond the date, described therein.

"Event of Loss Proceeds" means the proceeds of any insurance required to be maintained by Lessee hereunder, or any compensation or similar payment arising, in respect of an Event of Loss.

"Excluded Tax(es)" means any Tax described in Section 21.1(b) of this Lease.

"Existing Financing" means the financing of, inter alia, the Airframe and one (1) General Electric model CF34-8C5B1 engine bearing manufacturer's serial number 965301 pursuant and subject to the terms and conditions of that certain Credit Agreement, dated as of June 5, 2019, among the Lessor, as borrower, the lenders named therein, Cortland Capital Market Services LLC, as administrative agent, and the initial Security Trustee.

"Existing Mortgage" means that certain Mortgage and Security Agreement, dated as of June 5, 2019, in respect of, inter alia, the Airframe and one (1) General Electric model CF34-8C5B1 engine bearing manufacturer's serial number 965301, between Lessor, as mortgagor, and the initial Security Trustee, as the security trustee.

"FAA" means the United States Federal Aviation Administration and/or the Administrator of the United States Federal Aviation Administration, or any Person, governmental department, bureau, commission or agency succeeding to the functions of either of the foregoing.

"FAA Counsel" means Daugherty Fowler Peregrin Haught & Jenson P.C.

"FAA Requirements" means, as applicable to the Aircraft, any of the regulations, rules, or decisions of, or governing, the FAA.

"FAR" means the federal aviation regulations as set forth in Title 14 of the United States Code of Federal Regulations, Chapter 1 (Parts 1 - 199).

"Financing Party" means any Person or Persons, from time to time notified by Lessor to Lessee, from whom financing for the acquisition or continued ownership of the Aircraft by Lessor (or the Owner if Lessor is not the Owner) has been, is to be, or is for the time being, obtained and/or in whose favor or for whose benefit security over the Aircraft is to be, or is for the time being, granted by Lessor or the Owner (as the case may be), any Security Agent, Security Trustee, owner trust or trustee, manager, servicer, lender and/or financial guarantor. The initial Financing Party are TCPC Funding I, LLC, Tennenbaum Senior Loan Fund V, LLC, Tennenbaum Senior Loan SPV, LLC, TCP DLF VIII-T Funding, LLC, TCP DLF VIII-S Funding, LLC, TCP DLF VIII-L Funding, LP, TCP Direct Lending Fund VIII-A, LLC, Reliance Standard Life Insurance Company, TCP DLF VIII 2018 CLO, LLC, TCP Direct Lending Fund VIII, LLC and TCP Whitney CLO, Ltd.

"Flight Hour" means each hour or fraction thereof, measured to two decimal places, elapsing from the moment the wheels of the Airframe (or in respect of any Engine, Landing Gear, or Part, an aircraft on which such Engine, Landing Gear, or Part is (or was) then currently installed) leave the ground on take-

off to the moment when the wheels of the Airframe (or such aircraft on which an Engine, Landing Gear, or Part is (or was) then currently installed) touch the ground on landing.

"**GAAP**" means (i) generally accepted accounting principles as set forth in the statements of financial accounting standards issued by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or (ii) International Financial Reporting Standards and International Accounting Standards (and interpretations thereof) published by the International Accounting Standards Board, as in effect at the relevant time, and applied on a basis consistent with prior periods except as may be disclosed in the pertinent Person's financial statements.

"**Governmental Authority**" means and includes (whether having a distinct legal personality or not) (a) any national government, political subdivision thereof, or local jurisdiction therein, (b) any board, commission, department, division, organ, instrumentality, court or agency of any entity referred to in (a) above, however constituted, and (c) any association, organization or institution (international or otherwise) of which any entity mentioned in (a) or (b) above is a member or to whose jurisdiction any thereof is subject or in whose activities any thereof is a participant.

"**I.A.T.A.**" means the International Air Transport Association.

"**Indemnified Tax(es)**" means any Tax for which Lessee has an obligation of indemnity pursuant to Article 21 of this Lease.

"**Indemnitee**" means Lessor, Lessor Parent, Owner, any Owner Participant, any Servicer, any Financing Party, and their respective Affiliates, officers, directors, shareholders, members, managers, partners, duly authorized agents, employees and attorneys-in-fact and their respective successors and assigns.

"**Information**" means the terms and conditions of this Lease and any other Operative Document and any other information delivered to any party to this Lease in connection with this Lease or any Operative Document.

"**Insurances**" means any and all contracts or policies of insurance required to be maintained from time to time under this Lease.

"**International Registry**" or "**IR**" means the International Registry of Mobile Assets organized pursuant to the Cape Town Convention.

"**Item of Equipment**" or "**Item**" means individually or collectively, as the context requires, the Aircraft, the Airframe and any of the Engines, any Landing Gear, the APU and any of the Parts, whether or not installed in or attached to the Aircraft or the Airframe.

"**Landing Gear**" means the complete strut assembly of each landing gear installed on the Airframe on the Delivery Date (or any replacement for any such landing gear made pursuant to the terms of this Lease) and shall consist of the inner and outer cylinders of the main landing gear and the nose landing gear, including the truck assembly and axles of such landing gear.

"**Law**" means and includes (a) any statute, decree, constitution, regulation, rule, order, judgment, AD or other directive of any Governmental Authority; (b) any treaty, pact, compact or other agreement to which

any Governmental Authority is a party; (c) any judicial or administrative interpretation or application of any Law described in (a) or (b) above; and (d) any amendment or revision of any of the foregoing.

"Lease" means this Aircraft Lease Agreement, including all appendices, exhibits and schedules hereto, as the same may be amended, modified or supplemented from time to time.

"Lease Supplement" means the lease supplement dated the Delivery Date in the form of Appendix 4.

"Lease Term" means the period appearing in Appendix 2A which otherwise commences on the Delivery Date and ends on the Termination Date.

"Lessee's Actual Cost" means with respect to the performance of any Obligation under this Lease by a third party, the actual charges, including shipping, freight and handling charges, of such third party charged to and paid by Lessee (but excluding shipping and freight charges and mark-ups, handling charges or overhead added by Lessee).

"Lessee's Capacity Purchase Agreement" means that certain Amended and Restated Capacity Purchase Agreement dated February 18, 2020 among United, Lessee, and Lessee Parent.

"Lessee Parent" means Trans States Holdings, Inc.

"Lessee Parent Guarantee" means the guarantee dated on or about the date of this Agreement, executed and delivered by Lessee Parent in favor of Lessor in form and substance acceptable to Lessor.

"Lessor's Capacity Purchase Agreement" means that certain Amended and Restated Capacity Purchase Agreement, dated November 25, 2019, among United, Lessor, and Mesa Air Group, Inc.

"Lessor's Lien" means any Lien on the Aircraft or any Item of Equipment (i) granted by Owner to any Financing Party with respect to the Aircraft or any Item of Equipment except where the same are granted in connection with and following the occurrence of an Event of Default, (ii) arising as a direct result of any act of Lessor, Owner or any Affiliate of Lessor or Owner that is in violation of any of the express obligations of such Person under the Lease and the other Operative Documents, or (iii) any Claim against Lessor, Owner or any Affiliate of Lessor or Owner that is unrelated to the transactions contemplated by the Lease.

"Lessor Maintenance Contribution" means the payments contemplated to be made by Lessor pursuant to Appendix 2F.

"Lien" means any mortgage, charge, pledge, lien, hypothecation, lease, title retention, assignment, trust arrangement, right of possession or detention or security interest of any kind, howsoever created or arising.

"Life Limited Part" or **"LLP"** means any Part that has a pre-determined life limit mandated by the Manufacturer, the Certificating Authority, the Aeronautics Authority or any other applicable Governmental Authority, which requires any such Part to be discarded upon reaching such life limit.

"Lost Documents" means Aircraft Documents that have suffered a Documents Loss.

"Maintenance Check(s)" means any C-Check performed or to be performed on the Airframe, any Engine Restoration performed or to be performed on an Engine, any Engine LLP replacement or any Overhaul performed or to be performed on any Landing Gear or the APU.

"Maintenance Program" means Lessee's maintenance program (as approved by the Aeronautics Authority) for the Aircraft encompassing scheduled maintenance, condition monitored maintenance and on-condition maintenance of the Aircraft and each Item of Equipment.

"Maintenance Contribution Claim" means any claim by Lessee for payment by Lessor of a Lessor Maintenance Contribution following completion by Lessee of a Maintenance Check.

"Manufacturer" means, in the case of the Airframe, Bombardier Inc., in the case of the Engines, General Electric Aircraft Engines, and in the case of any Item of Equipment, the manufacturer of such Item of Equipment.

"Manufacturer's Repair Manual" means the most current revision of the respective (i) maintenance, repair or overhaul manual or (ii) the structural repair manual, each issued by the Manufacturer and applicable to the maintenance performed on the Aircraft or any Item of Equipment.

"MPD" means the Airframe Manufacturer's Maintenance Planning Data document, as revised from time to time to include all revisions up to and including the then most current revision issued by the Airframe Manufacturer.

"Net Event of Loss Proceeds" means any Event of Loss Proceeds actually received by Lessor or Owner (or such other person entitled to receipt thereof), less any expenses (including reasonable attorney's fees and costs) and/or Indemnified Taxes incurred by Lessor or Owner (or any other relevant Person) in connection with the collection or receipt of such funds.

"Obligations" means all of Lessee's obligations, liabilities and agreements now existing or hereafter arising under this Lease or under any other Operative Document.

"Operative Document(s)" means, either collectively or individually as the context requires, this Lease, the Lease Supplement, the Acceptance Certificate, the Lessee Parent Guarantee, any quiet enjoyment letter, any warranty assignment, acknowledgment and consent, and any and all other documents, instruments and agreements entered into in connection with any of the foregoing and to which Lessee and/or Lessor is a party or which Lessee and Lessor mutually acknowledge is an Operative Document.

"Overhaul" means:

(i) with respect to any Landing Gear, Engine module or Part, the complete refurbishment or major restoration of such Landing Gear, Engine module or Part in accordance with the overhaul or restoration procedures in the respective Manufacturer's Repair Manual for such Landing Gear, Engine module or Part, the extent of which refurbishes or restores such Landing Gear, Engine module or Part, as applicable, to a "zero time since overhaul" condition in accordance with such Manufacturer's Repair Manual;

(ii) with respect to the APU, an APU Restoration; and

(iii) with respect to any Engine, an Engine Restoration.

"Owner" means Lessor in its capacity as owner of the Aircraft or such other Person as Lessor may notify Lessee in writing from time to time as being the owner of the Aircraft.

"Owner Participant" means as any Person who owns a beneficial interest in the Aircraft through a trust or otherwise as Lessor may notify Lessee in writing from time to time.

"Part(s)" means all appliances, components, parts, instruments, appurtenances, accessories, furnishings, seats and other equipment and additions of whatever nature (other than Engines, the APU, any Landing Gear, and any temporary replacement parts installed pursuant to Article 12 of the Lease), which may from time to time be incorporated or installed in or attached to any Item of Equipment or which have been removed therefrom, but which remain owned by Lessor or Owner pursuant to the terms of the Lease.

"Past Due Rate" means the lesser of (i) the rate per annum equal to the Citibank, N.A. prime lending rate as of the applicable date of determination plus three hundred (300) basis points, and (ii) the maximum rate permitted by applicable Law.

"Payment Default" means a nonpayment by Lessee of a payment Obligation when due.

"Permitted Sublease" means any sublease of the Aircraft pursuant to Section 15.1 of this Lease to a Permitted Sublessee permitted under the terms and subject to the conditions of this Lease.

"Permitted Sublessee" means a Person:

(a) which is a commercial air carrier that holds the requisite licenses and approvals for the maintenance and operation of the Aircraft; and

(b) with respect to which, at the time such Person becomes a Permitted Sublessee pursuant to the terms and conditions of this Lease and for the term of any Permitted Sublease to which such Permitted Sublessee is a party, no proceeding is pending or shall be instituted in connection with any insolvency, bankruptcy, reorganization, examinership, administration, liquidation, moratorium or other laws affecting the enforcement of creditors' rights generally; and

(c) that is expressly consented to in writing by Lessor, which consent shall be in the sole discretion of Lessor.

"Person" means an individual, general partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, limited liability company or limited partnership, Governmental Authority or other entity of whatever nature.

"Records" has the meaning as set forth in Appendix 2D.

"Redelivery Location" means such airport in the continental United States as specified in writing by Lessor to Lessee prior to the Scheduled Termination Date.

"Register" means the registry of aircraft which is maintained in the State of Registration by the Aeronautics Authority having authority with respect to the registration of the Aircraft.

"Related Lease(s)" means any and all leases of aircraft between Lessor or any Affiliate of Lessor, or a trustee on behalf of Lessor or any Affiliate of Lessor, as lessor, and Lessee or any Affiliate of Lessee, as lessee, whether such leases may be construed to be "true" leases or otherwise.

"Related Lease Event of Default" means, in relation to any Related Lease, any breach or default of the lessee's obligations thereunder which, with the lapse of time or the giving of notice, or both, would constitute an "event of default" or similar event however termed thereunder under which the party to whom such obligations are owing would have the right to exercise remedies including the termination or cancellation of the Related Lease.

"Related Obligations" means the obligations, liabilities and agreements now existing or hereafter arising of Lessee or any Affiliate of Lessee under any Related Lease.

"Rent" means Basic Rent, Supplemental Rent and Utilization Rent payable pursuant to this Lease.

"Rent Payment Date" means the first day of each Rent Period during the Lease Term and which is the date on which payment of Basic Rent is due and payable.

"Rent Period" means the period commencing on and including the Delivery Date and ending on and including the last day of the calendar month in which the Delivery Date occurs and each of the consecutive calendar monthly periods thereafter throughout the Lease Term, provided that the final Rent Period of the Lease Term may consist of less than a calendar month if this Lease expires, terminates or is cancelled effective as of or on a date other than the last day of a calendar month.

"Required Approval" means evidence documenting approval by the respective Airframe or Engine Manufacturer (as applicable) and the Certificating Authority with respect to (i) any repair to the Airframe or any Engine, where the accomplishment of such repair does not conform with the repair procedures set forth in the Manufacturer's Repair Manual and (ii) any alteration or modification of the Airframe or any Engine.

"Return" means the return of the Aircraft and all Items of Equipment to Lessor pursuant to and in accordance with Article 22 and the other provisions of this Lease.

"Return Acceptance Certificate" means the certificate substantially in the form of Appendix 6 to be executed and delivered by Lessor and Lessee at Return.

"Scheduled Delivery Date" means the scheduled date for Delivery identified in Appendix 2A.

"Scheduled Termination Date" means the day on which the Lease Term is scheduled to expire (as provided in Appendix 2A), and which may be independent from the Termination Date as provided in the definition of such term.

"**Security Agent**" means such Person, as notified by Lessor or Owner to Lessee, who will act as security agent for and on behalf of any Financing Party in relation to any financing arrangements to be entered into in respect of the Aircraft.

"**Security Trustee**" means such Person, as notified by Lessor or Owner to Lessee, who will act as security trustee for and on behalf of any Financing Parties in relation to any security to be granted over the Aircraft as a result of a financing thereof. The initial Security Trustee is Obsidian Agency Services, Inc.

"**State of Organization**" means the country and/or state under which Laws a Person is organized and existing, or, with respect to Lessor and Lessee, the country and/or state identified on the first page of this Lease.

"**State of Registration**" means the United States of America.

"**Supplemental Rent**" means all amounts, liabilities and obligations (other than Basic Rent and Utilization Rent) which Lessee assumes or agrees to pay to Lessor under this Lease, including without limitation, and to the extent permitted by applicable Law, interest at the Past Due Rate calculated on any: (i) part of any installment of Basic Rent not paid on the Rent Payment Date for the period the same remains unpaid and (ii) Supplemental Rent and Utilization Rent not paid when due hereunder for the period the same remains unpaid.

"**Task(s)**" means each inspection or other requirement set forth in the MPD that (a) has a repetitive interval designated by a letter or combination of a letter and a number, or (b) is based upon (i) the accumulation of Flight Hours and/or Cycles, or (ii) the accumulation of APU Hours and/or APU Cycles, or (iii) an elapsed number of calendar days, months and/or years.

"**Tax(es)**" means any taxes (including, without limitation, sales, use, business, gross or net income, personal property, license, documentation, transfer, import, export, fuel, leasing, occupational, value added, excess profits, excise, gross or net receipts, franchise, stamp, environmental and other taxes), levies, imposts, withholdings, fees, assessments, duties and other charges of any nature, and any penalties, fines, additions to tax, interest or other charges related thereto which are imposed by any Governmental Authority or other taxing authority in any jurisdiction or by any international or multinational taxing or regulatory authority.

"**Termination Date**" means:

- (i) the Scheduled Termination Date if Return is completed on the Scheduled Termination Date; or
- (ii) the date, if other than the Scheduled Termination Date, of Lessee's Return of the Aircraft with all Obligations then due for performance having been performed; or
- (iii) the date on which this Lease terminates in accordance with Section 20.3 of this Lease following the occurrence of an Event of Loss with respect to the Aircraft or the Airframe following Delivery; or

(iv) the date of termination of this Lease following the occurrence of an Illegality Event in accordance with Section 27.1(b) of this Lease; or

(v) the date on which this Lease is cancelled or terminated pursuant to Article 24 following the occurrence of an Event of Default; or

(vi) the date on which the Security Trustee takes possession of the Airframe upon the exercise of its repossession rights under the Existing Mortgage as contemplated by Section 2.3 of this Lease.

"Time Controlled Part" means any Item of Equipment, including any Life Limited Part, having a Task applicable to it based upon a predetermined time limit or interval in accordance with the MPD and/or any requirement of the Manufacturer of such Item of Equipment, the Maintenance Program, the Certificating Authority or the Aeronautics Authority, to the extent such Task requires such Item of Equipment to be discarded, overhauled, or re-certified upon reaching such time limit or interval.

"United" means United Airlines, Inc.

"U.S." or "U.S.A." means the United States of America.

"Utilization Rent" means, collectively, the payments required to be made by Lessee pursuant to the terms of Appendix 2C.

"VAT" means any Tax that is, or is in the nature of, a value added, turnover, sales, use, rental, leasing, services, goods and services, consumption, or transaction privilege Tax.

Appendix 2
to Aircraft Lease Agreement

COMMERCIAL TERMS

[NOTE: THE TERMS OF THIS APPENDIX 2 ARE CONFIDENTIAL AND CONTAIN COMMERCIALY SENSITIVE INFORMATION; THIS APPENDIX 2 MUST BE REMOVED FROM ANY PUBLIC FILING OF THIS LEASE]

Contents:

Appendix 2A	Lease Term
Appendix 2B	Rent, Commitment Fee, Insurance and other Financial Matters
Appendix 2C	Utilization Rent
Appendix 2D	Delivery Conditions
Appendix 2E	Return Conditions
Appendix 2F	Lessor Maintenance Contributions
Appendix 2G	[Reserved]
Appendix 2H	Events of Default
Appendix 2I	Lessor's Rights and Remedies Following an Event of Default

Appendix 3
to Aircraft Lease Agreement

[NOTE: THE TERMS OF THIS APPENDIX 3 ARE CONFIDENTIAL AND CONTAIN COMMERCIALY SENSITIVE INFORMATION; THIS APPENDIX 3 MUST BE REMOVED FROM ANY PUBLIC FILING OF THIS LEASE]

ACCEPTANCE CERTIFICATE

(MSN 10070)

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Appendix 4
to Aircraft Lease Agreement

LEASE SUPPLEMENT
(MSN 10070)

LEASE SUPPLEMENT dated as of March 12, 2021, (this "**Lease Supplement**"), between MESA AIRLINES, INC., as Lessor ("**Lessor**"), and GoJet Airlines LLC, as Lessee ("**Lessee**").

Lessor and Lessee have previously entered into that certain Aircraft Lease Agreement dated as of March 12, 2021, (the "**Lease**" and the defined terms therein being hereinafter used with the same meaning). The Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof for the purpose of leasing the aircraft described below under the Lease as and when delivered by Lessor to Lessee in accordance with the terms thereof.

The Lease and this Lease Supplement relate to the Aircraft as more precisely described below and in the Acceptance Certificate. A counterpart of the Lease is attached hereto and shall be filed together with this Lease Supplement with the Aeronautics Authority.

In consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

1. Lessor hereby delivers and leases to Lessee under and pursuant to the Lease and Lessee hereby accepts, acknowledges receipt of possession and leases from Lessor under and pursuant to the Lease the Aircraft described below, together with the Aircraft Documents and Records described in the Agreement (the "**Delivered Aircraft**"):

Aircraft Model:	Bombardier Inc. Canadair Regional Jet CL-600-2C10
Manufacturer's Serial Number:	10070
Installed Engines	Two (2) General Electric model CF34-8C5B1 engines (described on the International Registry pre-populated drop down menu as GE model CF34-8C1 engines)
Manufacturer's Serial Numbers:	965301 and 194294
U.S. Registration Mark	N505MJ

2. The Delivery Date of the Aircraft is the date of this Lease Supplement set forth in the opening paragraph hereof.

3. By execution and delivery of this Lease Supplement, the Delivered Aircraft is and shall be for the Lease Term subject to the Lease.

4. The amount of Basic Rent for the Delivered Aircraft is as set forth in the Lease and the Acceptance Certificate.

5. Lessee hereby confirms to Lessor that (i) the Delivered Aircraft and each delivered Engine have been duly marked in accordance with the terms of the Lease, (ii) the Aircraft is insured as required by the Lease, (iii) the representations and warranties of Lessee referred to in Article 9 of the Lease are hereby repeated with effect as of the date first above written, (iv) having inspected the Delivered Aircraft, Lessee acknowledges that the Delivered Aircraft satisfies all conditions required for Lessee's acceptance of delivery as set forth in the Lease, and (v) the execution and delivery of this Lease Supplement signifies absolute and irrevocable acceptance by Lessee of the Delivered Aircraft for all purposes hereof and of the Lease.

6. THIS LEASE SUPPLEMENT SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES OTHER THAN THE PROVISIONS OF SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK.

7. This Lease Supplement may be executed in separate counterparts; each of such counterparts, shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same Lease Supplement; provided, that to the extent, if any, that this Lease Supplement constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease Supplement may be created through the transfer or possession of any counterpart other than the "Original", which shall be identified on the signature page thereof.

8. This Lease Supplement supplements and forms a part of the Lease. The Lease and all Operative Documents, as supplemented hereby, are hereby ratified, approved and confirmed in all respects.

[REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease Supplement to be duly executed by their authorized representatives on the date first above written.

GOJET AIRLINES LLC

Lessee

By: _____

Name: _____

Title: _____

MESA AIRLINES, INC.

Lessor

By: _____

Name: _____

Title: _____

MSN 10070

TO THE EXTENT IF ANY THAT THIS DOCUMENT CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST IN THIS DOCUMENT MAY BE PERFECTED THROUGH THE POSSESSION OF ANY ORIGINAL OR COPY HEREOF OTHER THAN THAT MARKED "CHATTEL PAPER ORIGINAL".

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CHATTEL PAPER ORIGINAL

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease to be duly executed by their authorized representatives as of the ___ day of _____, 2021.

GOJET AIRLINES LLC
Lessee

MESA AIRLINES, INC.
Lessor

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

MSN 10070

TO THE EXTENT IF ANY THAT THIS DOCUMENT CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST IN THIS DOCUMENT MAY BE PERFECTED THROUGH THE POSSESSION OF ANY ORIGINAL OR COPY HEREOF OTHER THAN THAT MARKED "CHATTEL PAPER ORIGINAL".

Appendix 5
to Aircraft Lease Agreement

CONDITIONS PRECEDENT / POST-DELIVERY ITEMS

**Bombardier Inc. Canadair Regional Jet CL-600-2C10
MSN 10070**

Lease Execution Date: March 12, 2021

Scheduled Delivery Date: March 12, 2021

PART 1. Conditions Precedent in Favor of Lessor:

Item No.	Description	Date Due	Status
1.	Chattel Paper Original of Lease (ONE COPY ONLY – DELIVERED TO LESSOR)	Lease Execution Date	
2.	The Lease, dated, completed and duly executed by Lessee	Lease Execution Date	
3.	Lessee Parent Guarantee in form and substance acceptance to Lessor duly executed by Lessee Parent in favor of Lessor pursuant to which Lessee Parent guarantees Lessee's obligations under the Lease and the other Operative Documents to which Lessee is a party and satisfaction of all conditions precedent for the benefit of Lessor stated in such Lessor Parent Guarantee	Lease Execution Date	
4.	Opinion of Lessee's counsel (which may be in-house counsel) as of the Lease Execution Date in form and substance reasonably acceptable to Lessor, confirming the due execution of the Lease and related Operative Documents by Lessee, and that the Lease and each related Operative Document constitutes the legal, valid and binding obligations of Lessee enforceable in accordance with its terms subject to bankruptcy, insolvency and similar laws affecting the rights of creditors general and general principles of equity	Lease Execution Date	

Item No.	Description	Date Due	Status
5.	Certificate of an authorized officer of Lessee attaching copies of and certifying as true, complete and current (i) the constitutional documents of Lessee, (ii) the resolutions of the required governing body of Lessee authorizing the lease of the Aircraft and execution, delivery and performance of the Lease and other Operative Documents to which Lessee is a party, and (iii) a specimen of the signature of each Person authorized to execute the Lease and each other Operative Document to which Lessee is a party	Lease Execution Date	
6.	Certificate of an authorized officer of Lessee Parent attaching copies of and certifying as true, complete and current (i) the constitutional documents of Lessee Parent, (ii) the resolutions of the required governing body of Lessee Parent authorizing the guaranty of the lease of the Aircraft and execution, delivery and performance of the Lessee Parent Guarantee and other Operative Documents to which Lessee Parent is a party, and (iii) a specimen of the signature of each Person authorized to execute the Lessee Parent Guarantee and each other Operative Document to which Lessee Parent is a party	Lease Execution Date	
7.	Such financial information concerning Lessee and other documents and matters incident to the foregoing as Lessor may reasonably request, all in a form reasonably satisfactory to Lessor	Ten (10) Business Days prior to the Scheduled Delivery Date	
8.	Power of Attorney evidencing the authority of Lessee's representatives designated to accept delivery of the Aircraft and execute the Lease Supplement and Acceptance Certificate on behalf of Lessee at Delivery	Five (5) Business Days prior to the Scheduled Delivery Date	
9.	Letter of Undertaking executed by independent aircraft insurance brokers acceptable to Lessor, together with certificates of insurance evidencing the insurances required to be maintained by Lessee under the Lease	Five (5) Business Days prior to the Scheduled Delivery Date	
10.	Evidence of Lessee having registered as a Transacting User Entity ("TUE") with the IR	Five (5) Business Days prior to the Scheduled Delivery Date	
11.	First Payment of Basic Rent (which payment shall include Lessee's payment of Basic Rent due and payable for the second Rent Period of the Lease Term if the Delivery Date is on or after the 15 th day of the calendar month)	One (1) Business Day prior to the Scheduled Delivery Date	

Item No.	Description	Date Due	Status
12.	Payment of the Commitment Fee in accordance with Appendix 2B	One (1) Business Day prior to the Scheduled Delivery Date	
13.	All Operative Documents to which Lessee is a party, including but not limited the Lease Supplement and Acceptance Certificate, dated, fully completed and duly executed by Lessee	Delivery Date	
14.	Chattel Paper Original of Lease Supplement (ONE COPY ONLY – DELIVERED TO LESSOR)	Delivery Date	
15.	Certificate of an authorized officer of Lessee certifying that (i) the representations and warranties contained in Section 9.1 of this Lease are true and correct as of the Delivery Date as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date) and (ii) no Default or Event of Default has occurred and is continuing or will result from Lessee's lease of the Aircraft	Delivery Date	
16.	Copy of Lessee's Air Operator's Certificate issued by the FAA	Delivery Date	
17.	Copy of Lessee's Maintenance Program	Delivery Date	
18.	Evidence of Registration of the Aircraft, the Lease and related interests with the IR	Delivery Date	
19.	An opinion in a form acceptable to Lessor from FAA counsel confirming, among other things, the due and proper filing of this Lease and the Lease Supplement with the FAA and the IR	Delivery Date	
20.	UCC Financing Statements with respect to the Lease and the Aircraft in a form acceptance to Lessor in due form for filing promptly following the Delivery Date and duly filed in each relevant jurisdiction by Lessor as prepared by Lessor and approved by Lessee	Delivery Date	
21.	A lease termination agreement in the form appearing in Appendix 7, duly executed by Lessee, to be held, undated, in escrow by Lessor and which may be dated and countersigned by Lessor following the expiration, termination or cancellation of this Lease upon the occurrence and continuation of an Event of Default	Delivery Date	
22.	Such other certificates, documents, opinions and agreements relating to the transactions contemplated by or related to this Lease and the other Operative Documents, as may be necessary or reasonably requested by Lessor	Delivery Date	

PART 2. Conditions Precedent in Favor of Lessee

Item No.	Description	Date Due
23.	Certificate of an authorized officer of Lessor (and the Owner) attaching copies of and certifying as true, complete and current (i) the constitutional documents of Lessor (and Owner), (ii) the resolutions of the required governing body of Lessor (and Owner) authorizing the lease of the Aircraft and execution, delivery and performance of the Lease and other Operative Documents to which Lessor (and Owner) is a party, and (iii) a specimen of the signature of each Person authorized to execute the Lease and each other Operative Document to which Lessor (and Owner) is a party	Lease Execution Date
24.	All Operative Documents to which Lessor or any other party (other than Lessee) is a party, dated, fully completed and duly executed by Lessor or such other party	Delivery Date
25.	Certificate of an authorized officer of Lessor certifying that the representations and warranties contained in Section 10.1 of this Lease are true and correct as of the Delivery Date as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date)	Delivery Date
26.	Certificate of Airworthiness for the Aircraft issued by the FAA	Delivery Date
27.	Copy of the Certificate of Registration for the Aircraft showing due registration in the name of Lessor as owner	Delivery Date
28.	Evidence of Registration of the Aircraft, the Lease and related interests with the IR	Delivery Date
29.	Confirmation from FAA counsel that the Aircraft is registered with the FAA in the name of Lessor and that FAA counsel has in its possession properly and fully executed copies of this Lease and the Lease Supplement in due form for filing with the FAA and has such IR related authorizations as are necessary for it to register this Lease with the IR	Delivery Date

Appendix 6
to Aircraft Lease Agreement

RETURN ACCEPTANCE RECEIPT

Mesa Airlines, Inc. ("**Lessor**") hereby acknowledges, pursuant to the Aircraft Lease Agreement made between Lessor and GoJet Airlines LLC, ("**Lessee**") dated as of _____, 2021 (the "**Lease**"), that on this ____ day of _____, 202__, at ____:____ [] Time it has received from Lessee possession of the following Aircraft. Capitalized terms used but not defined herein shall have the meanings given such terms in the Lease.

1. **Aircraft Details**

(a) **Airframe**

Aircraft Model: Bombardier Inc. Canadair Regional Jet CL-600-2C10

Manufacturer's Serial Number: 10070

Airframe Maintenance Status:

Total Flight Hours: _____

Total Cycles: _____

Total Flight Hours Since Last C-Check: _____

Total Cycles Since Last C-Check: _____

Date Last C-Check Accomplished: _____

(b) **Engines (Installed)**

Engine Type General Electric model CF34-8C5B1 engines

Manufacturer's Serial Numbers: 965301 and 194294

Maximum Takeoff Thrust Rating: _____ lbs.

Engines Maintenance Status:

Position 1

ESN: 965301

Total Flight Hours: _____

Total Cycles: _____

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Total Flight Hours Since Last Engine Restoration: _____
Total Cycles Since Last Engine Restoration: _____
Date of Last Engine Restoration: _____

Position 2

ESN: 194294
Total Flight Hours: _____
Total Cycles: _____
Total Flight Hours Since Last Engine Restoration: _____
Total Cycles Since Last Engine Restoration: _____
Date of Last Engine Restoration: _____

(c) **APU (Installed)**

APU Manufacturer & Model _____

Manufacturer's Serial Number: _____ and _____

APU Maintenance Status:

Total APU Hours: _____
Total APU Cycles: _____
Total APU Hours Since Last Overhaul: _____
Total APU Cycles Since Last Overhaul: _____
Date of Last Overhaul: _____

(d) **Landing Gear (Installed)**

Manufacturer's Serial Numbers: Left Main: _____
Right Main: _____
Nose: _____

Landing Gear Maintenance Status:

Left Main

Total Flight Hours: _____
Total Cycles: _____
Total Flight Hours Since Last Overhaul: _____
Total Cycles Since Last Overhaul: _____
Date of Last Overhaul: _____

Right Main

Total Flight Hours: _____
Total Cycles: _____
Total Flight Hours Since Last Overhaul: _____
Total Cycles Since Last Overhaul: _____
Date of Last Overhaul: _____

Nose

Total Flight Hours: _____
Total Cycles: _____
Total Flight Hours Since Last Overhaul: _____
Total Cycles Since Last Overhaul: _____
Date of Last Overhaul: _____

(e) **Interior Configuration**

Seating _____
Lavatories _____
Galleys _____
Passenger Service Units _____
PSIU _____

(f) **Aircraft Documents and Other Equipment**

As described in Attachment 1 to this Return Acceptance Certificate.

(g) **Fuel On Board**

_____ kgs.

2. **Utilization Rent (check one)**

_____ There are no claims for reimbursement from the Utilization Rent outstanding and unpaid as of the date hereof.

or

_____ Claims for reimbursement from the Utilization Rent are outstanding as of the date hereof and are itemized in Attachment [____] hereto.

3. **Return Acceptance**

Lessor confirms that the Aircraft and Aircraft Documents are in the condition required by the Lease and the Aircraft and Aircraft Documents are hereby accepted by Lessor for return under the Lease subject to (i) the provisions of the Lease and (ii) the correction by Lessee (or procurement by Lessee at Lessee's cost) within ___ days following the date hereof of any discrepancies specified in Attachment 3 hereto.

4. **Termination of Lease**

Subject to the following paragraph, the Lease is hereby terminated without prejudice to Lessee's continuing obligations and Lessor's continuing rights under the Lease.

5. **Governing Law**

THIS RETURN ACCEPTANCE CERTIFICATE SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES OTHER THAN THE PROVISIONS OF SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Return Acceptance Certificate to be duly executed by their authorized representatives on the date first above written.

GOJET AIRLINES LLC
Lessee

MESA AIRLINES, INC.
Lessor

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

MSN 10070

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Bombardier CL-600-2C10; MSN 10070

APPENDIX 6

Attachment 1 to Return Acceptance Certificate

Aircraft Documents and Equipment Inventory

Aircraft Documents

1. -----
2. -----
- .
- .
- .

Aircraft Manuals

1. -----
2. -----
- .
- .
- .

Loose Equipment

1. -----
2. -----
- .
- .
- .

Avionics Inventory

1. -----
2. -----
- .
- .
- .

Hard Time Components Inventory

1. -----
2. -----
- .
- .
- .

Attachment 2 to Return Acceptance Certificate

Utilization Rent Claims Outstanding at Return

[Write "None" if there are no claims outstanding]

Type of Work

Service Provider

Invoice Amount

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Bombardier CL-600-2C10; MSN 10070

APPENDIX 6

Attachment 3 to Return Acceptance Certificate

Aircraft Discrepancies

[Write "None" if there are no Aircraft Discrepancies]

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Bombardier CL-600-2C10; MSN 10070

APPENDIX 6

Appendix 7
to Aircraft Lease Agreement

FORMS

- Form 1** Form of Aircraft Utilization Report
- Form 2** Intentionally Left Blank
- Form 3** Maintenance Status Report
- Form 4** Form of Lease Termination Agreement
- Form 5** Form of Lease Supplement Amendment (Engine Swap)

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Form 1

Form of Aircraft Utilization Report

UTILIZATION REPORT

Lessee: _____
Date of Report: _____ 20__
Report Period: _____ 20__ through _____ 20__

=====
General Information

Aircraft Model: _____	Engine Type: _____
Airframe Serial Number: _____	Lease Engine 1 Serial Number: _____
Lease APU Serial Number: _____	Lease Engine 2 Serial Number: _____
Lease Nose Landing Gear S/N: _____	Lease Left Main Gear S/N: _____
=====	=====
Lease Right Main Gear S/N: _____	
Installed 1 Engine S/N: _____	Installed 2 Engine S/N: _____
Installed APU S/N: _____	Installed Nose Landing Gear S/N: _____
Installed Left Main Gear S/N: _____	Installed Right Main Gear S/N: _____

Utilization Information – Airframe

Airframe Flight Hours: _____	Airframe Cycles: _____
Airframe Total FHSN: _____	Airframe Total CSN: _____
Airframe Base: _____	Airframe Status: _____ [In Service; Check; etc.]

Utilization Information –Engines

Lease Engine 1 – Serial Number _____

FH During Report Period: _____ Cycles During Report Period: _____
FH:Cycle Utilization Ratio: ____:1 Cycles Since New: _____
FH Since New: _____ Cycles Since Restoration: _____
FH Since Restoration: _____ Installed On MSN: _____
Airframe Position: _____ Airframe Reg'n Mark: _____
Airframe Owner (if not Owner): _____
Removed From Service: _____ (Date) Current Location: _____
Reason for Removal: _____

Lease Engine 2 – Serial Number _____

FH During Report Period: _____ Cycles During Report Period: _____
FH:Cycle Utilization Ratio: ____:1 Cycles Since New: _____
FH Since New: _____ Cycles Since Restoration: _____
FH Since Restoration: _____ Installed On MSN: _____
Airframe Position: _____ Airframe Reg'n Mark: _____
Airframe Owner (if not Owner): _____
Removed From Service: _____ (Date) Current Location: _____
Reason for Removal: _____

Installed Engine 1 – Serial Number _____ (if not Lease Engine)

Engine Owner: _____ Airframe Position: _____

Installed Engine 2 – Serial Number _____ (if not Lease Engine)

Engine Owner: _____ Airframe Position: _____

Utilization Information –APU

Lease APU – S/N _____

APU Hours During Report Period: _____ APU Cycles During Report Period: _____
APU Hours Since New: _____ APU Cycles Since New: _____
APU Hours Since Overhaul: _____ APU Cycles Since Overhaul: _____
Installed On MSN: _____ Removed From Service: _____ (Date)
Airframe Reg'n Mark: _____ Current Location: _____
Airframe Owner (if not Owner): _____
Reason for Removal: _____

Installed APU – Serial Number _____ (if not Lease APU)

APU Owner: _____

Utilization Information –Landing Gear

Lease Nose Landing Gear – S/N _____

FH During Report Period: _____ Cycles During Report Period: _____
FH Since New: _____ Cycles Since New: _____
FH Since Overhaul: _____ Cycles Since Overhaul: _____
Installed On MSN: _____ Airframe Reg'n Mark: _____
Airframe Owner (if not Owner): _____
Removed From Service: _____ (Date) Current Location: _____
Reason for Removal: _____

Installed Nose Landing Gear – S/N _____ (if not Lease Nose Landing Gear)

NLG Owner: _____

Lease Left Main Landing Gear – S/N _____

FH During Report Period: _____ Cycles During Report Period: _____
FH Since New: _____ FH Since Restoration: _____
Cycles Since New: _____ Cycles Since Restoration: _____
Installed On MSN: _____ Airframe Reg'n Mark: _____
Airframe Owner (if not Owner): _____
Removed From Service: _____ (Date) Current Location: _____
Reason for Removal: _____

Installed Left Main Landing Gear – S/N _____ (if not Lease Left Main Landing Gear)

Left MLG Owner: _____

Lease Right Main Landing Gear – S/N _____

FH During Report Period: _____ Cycles During Report Period: _____
FH Since New: _____ FH Since Restoration: _____
Cycles Since New: _____ Cycles Since Restoration: _____
Installed On MSN: _____ Airframe Reg'n Mark: _____
Airframe Owner (if not Owner): _____
Removed From Service: _____ (Date) Current Location: _____
Reason for Removal: _____

Installed Right Main Landing Gear – S/N _____ (if not Lease Right Main Landing Gear)

Right MLG Owner: _____

GOJET AIRLINES LLC

(Name)

(Title)

(Date)

Form 2

[Intentionally Left Blank]

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Form 3

Maintenance Status Report – Required Information

1. Airframe

- a. Aircraft and Appliances Airworthiness Directive Summaries
- b. Aircraft times and cycles log
- c. Airframe Utilization Report
- d. Avionics Computerized Inventory
- e. CPCP Summary as may be applicable
- f. Dent and Damage Chart
- g. Emergency Equipment Layout Drawing
- h. Fire Blocking Certification
- i. Maintenance last done next due task listing
- j. Life Limited Parts Summary
- k. Interior Layout configuration
- l. Maintenance Program Summary and Time Interval Summary-Upon request
- m. Service Bulletin, Engineering Orders, Major Repair and Alteration Summaries
- n. Scheduled Maintenance Checks Tally Sheets
- o. Time Control Components Summary

2. Engines

- a. Airworthiness Directive Summaries
- b. Last Shop visit/Engine Restoration Mini Package
- c. Current Disk Sheet
- d. Date, Flight Hours and Cycles of Engine at last Engine install (including Airframe Flight Hours and Cycles)
- e. Service Bulletin Status / Engineering Orders and MOD Summaries
- f. Trend Monitor Readout for the three (3) months prior to the report

3. Landing Gear

- a. Aircraft date, Flight Hours and Cycles at installation
- b. Landing Gear (each) Overhaul/restoration date, Flight Hours and Cycles.
- c. Life Limited Parts Summary
- d. Last shop visit/Overhaul report

4. APU

- a. Airworthiness Directive Summary
- b. Last shop visit/Overhaul mini package report
- c. Flight Hours and Cycles formula (as applicable if Hobbs not installed)
- d. Aircraft/ APU date, APU Hours and APU Cycles at installation.
- e. Life Limited Parts Summary
- f. Service Bulletin Summary

Form 4

Form of Lease Termination Agreement

LEASE TERMINATION

(MSN 10070)

By execution hereof (this "**Lease Termination**"), the undersigned, MESA AIRLINES, INC., as lessor, and GOJET AIRLINES LLC, as lessee, acknowledge and agree that the Lease Agreement defined and described on Exhibit A attached hereto, has by its terms expired or has otherwise been cancelled or terminated and Lessee hereby releases the Equipment, which is also defined and described on Exhibit A attached hereto, from the terms and conditions of the Lease Agreement.

This Lease Termination is without prejudice to the surviving rights of the parties under the Lease Agreement and nothing in this Lease Termination shall relieve either party from its obligations under the Lease Agreement which are still unsatisfied and/or from any of its obligations under the Lease Agreement which may be due after the date of this Lease Termination.

This Lease Termination may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.
Dated as of this ____ day of _____, 20__.

GOJET AIRLINES LLC
Lessee

MESA AIRLINES, INC.
Lessor

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT A

The Equipment

[TO BE COMPLETED AT LEASE TERMINATION]

The Lease Agreement

[TO BE COMPLETED AT LEASE TERMINATION]

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Form 5

Form of Lease Supplement Amendment No. __ (Engine Swap)

LEASE SUPPLEMENT AMENDMENT NO. __ (ENGINE SWAP)
(MSN 10070)

THIS LEASE SUPPLEMENT AMENDMENT NO. __ (ENGINE SWAP) (this "**Supplement Amendment**"), dated as of _____, 20__, is by and between **MESA AIRLINES, INC.**, a corporation organized under the laws of the State of Nevada, as lessor ("**Lessor**"), and **GOJET AIRLINES LLC**, a limited liability company organized and existing under the laws of the State of Delaware, as lessee ("**Lessee**").

WHEREAS, Lessee and Lessor previously entered into that certain Aircraft Lease Agreement, dated as of _____, 2021 (as amended, modified or supplemented from time to time, the "**Lease**" and the defined terms therein being hereinafter used with the same meaning), as supplemented by that certain Lease Supplement, dated as of _____, 2021 (as amended, modified or substituted from time to time, the "**Lease Supplement**"), with respect to the leasing of that certain Bombardier Inc. Canadair Regional Jet CL-600-2C10 aircraft bearing manufacturer's serial number [_____] and U.S. registration number [____], together with two (2) General Electric [CF34 Series] aircraft engines bearing manufacturer's serial numbers [_____] and [_____] described therein; and

WHEREAS, pursuant to Appendix 2F of the Lease, Lessee and Lessor desire to amend the Lease Supplement by releasing and replacing that certain General Electric [CF34 Series] aircraft engine bearing manufacturer's serial number [_____] (the "**Replaced Engine**") described therein.

NOW THEREFORE IT IS AGREED as follows:

1. The Replaced Engine is hereby released from the Lease and is no longer considered to be an "Engine" under the Lease, the Lease Supplement or any other Operative Document; *provided however*, that (i) Lessor expressly reserves all claims, rights, remedies and causes of action arising out of or relating to the performance or nonperformance by Lessee of its obligations under the Lease and the other Operative Documents in relation to the Replaced Engine during the period prior to and including the date of this Supplement Amendment including, without limitation, all obligations of Lessee relating to the maintenance, operation, possession and use of the Replaced Engine and to the Aircraft Documents relating to the Replaced Engine, and (ii) the indemnities set forth in the following sections of this Lease: Section 18 (*General Indemnity*) and Section 21 (*Taxes; Tax Indemnity*) of the Lease shall survive and continue to apply in respect of the Replaced Engine and the Aircraft Documents relating to the Replaced Engine.
2. Lessor hereby delivers and leases to Lessee and Lessee hereby accepts and leases from Lessor under the Lease, as herein supplemented, and for all purposes of the Operative Documents the following described aircraft engine:

One (1) General Electric [CF34 Series] aircraft engine bearing manufacturer's serial number [_____] (the "**Replacement Engine**").

3. The Replacement Engine is replacing the Replaced Engine under the Lease Supplement for all purposes of the Operative Documents. The Replacement Engine constitutes a "Swap Engine" under and pursuant to the Lease and shall hereinafter be deemed an "Engine" for all purposes of the Operative Documents.
4. The execution and delivery of this Supplement Amendment by Lessee (i) constitutes Lessee's absolute and irrevocable acceptance of the Replacement Engine under the Lease and for all purposes of the Operative Documents, (ii) constitutes conclusive and irrebuttable proof that the Replacement Engine is delivered in accordance with the requirements of the Lease and is in the condition required by the Lease, (iii) confirms that Lessee hereby expressly waives any right it may have to revoke acceptance of the Replacement Engine pursuant hereto for any reason whatsoever including, without limitation, due to any nonconformity, discovered, difficult of discovery, or undiscovered, on the date hereof.
5. All the terms and provisions of the Lease are hereby incorporated by reference in this Supplement Amendment, on and as of the date of this Supplement Amendment, to the same extent as if fully set forth herein. Without limiting the generality of the foregoing, **LESSEE ACKNOWLEDGES AND AGREES THAT THE PROVISIONS OF SECTION 10.3 (DISCLAIMER; WAIVER OF WARRANTIES; WAIVER OF REMEDIES) OF THE LEASE APPLY TO THE REPLACEMENT ENGINE FOR ALL PURPOSES TO THE SAME EXTENT AS IF THE REPLACEMENT ENGINE WAS INSTALLED ON THE AIRCRAFT AT DELIVERY AND WAS IDENTIFIED IN THE ACCEPTANCE CERTIFICATE.**
6. This Supplement Amendment may be executed in separate counterparts, each of which, except as provided in the cover page to the Lease, shall for all purposes be deemed to be an original; and both such counterparts shall together constitute one and the same Supplement Amendment.
7. THIS SUPPLEMENT AMENDMENT IS BEING DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

[Signature Page Follows]

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IN WITNESS WHEREOF, Lessor and Lessee have each caused this Supplement Amendment to be duly executed by their authorized representatives on the date first above written.

GOJET AIRLINES LLC
Lessee

MESA AIRLINES, INC.
Lessor

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

MSN 10070

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Appendix 8
to Aircraft Lease Agreement

LESSEE'S DISCLOSURES

AIRCRAFT LEASE AGREEMENT

Dated as of May 24, 2021

BETWEEN

MESA AIRLINES, INC.
as Lessor

and

GOJET AIRLINES LLC
as Lessee

One (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C10 Aircraft
Manufacturer's Serial Number 10109

This Aircraft Lease Agreement may be executed in several counterparts. To the extent, if any, that this Aircraft Lease Agreement constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction) no security interest in this Aircraft Lease Agreement may be created through the transfer of possession of any counterpart other than the original counterpart so marked "Chattel Paper Original" on the signature page thereof.

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THIS AIRCRAFT LEASE AGREEMENT is made as of May 24, 2021 by and between:

1. **MESA AIRLINES, INC.**, a company organized and existing under the applicable laws of the State of Nevada, U.S.A. and having its principal place of business at 410 N. 44th Street, Suite 700, Phoenix, Arizona 85008, and
2. **GOJET AIRLINES LLC**, a limited liability company organized and existing under the laws of the State of Delaware, U.S.A. and having its principal place of business at 11495 Navaid Road, Bridgeton, Missouri 63044 ("**Lessee**").

WHEREAS:

Lessee wishes to lease from Lessor and Lessor wishes to lease to Lessee the Aircraft on the terms and subject to the conditions of this Lease.

NOW THEREFORE IT IS AGREED as follows:

DEFINITIONS AND INTERPRETATION

1.1 Unless the context otherwise requires, all capitalized terms used in this Lease shall have the meanings given such terms in Appendix 1 or as may otherwise be defined in this Lease.

1.2 References to Articles, Sections and Appendices are to be construed as references to the articles, sections and appendices of and to this Lease and references to this Lease include the Appendices.

1.3. Words importing the plural shall include the singular and vice versa.

1.4. Reference to "Lessee", "Lessor", "Owner", "Owner Participant", "Financing Party" or any other Person shall include the successors, assigns and transferees of such Person.

1.5. The headings in this Lease are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

1.6. References to (or to any specified provision of) this Lease or any other Operative Document shall mean this Lease or such other Operative Document as in force for the time being and as amended, novated, substituted or supplemented from time to time in accordance with this Lease or such Operative Document.

1.7. References to "hereby", "herein", "hereof", "hereunder", and other like words shall refer to this Lease including, without limitation, as supplemented by the Lease Supplement.

LEASE TERM; NATURE OF LEASE; SUBJECT AND SUBORDINATE TO MORTGAGE

Lease Term.

Lessor shall lease the Aircraft to Lessee for the period stated in Appendix 2A.

The Lease Term shall commence at Delivery and shall end on the Termination Date.

Nature of Lease. At all times during the Lease Term, full legal title to the Aircraft and each Item of Equipment shall remain vested in Owner to the exclusion of Lessee, notwithstanding the delivery of the Aircraft to, and the possession and use thereof by, Lessee. This Lease and the Lease Supplement, together, transfer to Lessee with respect to the Aircraft a leasehold interest only and Owner is the owner and lessor of the Aircraft, and Lessee is the lessee of the Aircraft, for all purposes, including for purposes of the application of all relevant laws, regulations, rules, administrative practices and policies, and all relevant financial accounting principles.

Subject and Subordinate to Existing Mortgage. NOTWITHSTANDING ANY OTHER PROVISION HEREOF, THIS LEASE AND LESSEE'S RIGHTS HEREUNDER SHALL BE SUBJECT AND SUBORDINATE TO ALL THE TERMS OF THE EXISTING MORTGAGE, INCLUDING, WITHOUT LIMITATION, THE COLLATERAL AGENT'S RIGHT TO AVOID THIS LEASE IN THE EXERCISE OF ITS RIGHTS TO REPOSSESSION OF THE AIRFRAME AND ANY ENGINE UNDER THE EXISTING MORTGAGE. Lessee agrees to and shall comply with Appendix I to Annex 3 of the Existing Mortgage, shall possess and use the Aircraft subject to the limitations on possession and use applicable to Lessor under the Existing Mortgage and shall not take any action hereunder not permitted to be taken by Lessor under the Existing Mortgage. Lessee agrees to execute and deliver such further documents and instruments as may be reasonably requested by Lessor to further document the subordination of this Lease to the Existing Mortgage. Lessee agrees to provide its consent to the registration on the International Registry of the subordination of this Lease to the Existing Mortgage. Lessee acknowledges that the UCC financing statement filed in respect of this Lease will be assigned to the Collateral Agent. Lessee acknowledges receipt of an executed copy of the Existing Mortgage (as in effect on the date of this Lease). Lessee further acknowledges that Lessor shall be entitled to enter into a refinancing of the Aircraft and a subsequent mortgage in connection therewith and Lessee shall cooperate with any reasonable requests made by Lessor in connection with such refinancing in accordance with Sections 25.4 and 25.5 hereof.

Insurance. Notwithstanding any provision of Section 19 or Appendix 2B hereof, so long as the Existing Mortgage is in effect, Lessee agrees to insure the Aircraft in accordance with and shall comply with the provisions of Appendix I to Annex 3 of the Existing Mortgage. Lessee acknowledges receipt of a copy of Appendix I to Annex 3 of the Existing Mortgage.

RENT

Agreement to Pay Rent. As rental for the Aircraft, Lessee shall pay to Lessor Basic Rent, in advance, on each Rent Payment Date in respect of each Rent Period.

Basic Rent. The amount of Basic Rent due and payable by Lessee for each Rent Period is set forth in paragraph 1 of Appendix 2B. If the Delivery Date is on or after the 15th day of the calendar month, Lessee's first payment of Basic Rent due at Delivery shall include Lessee's payment of Basic Rent due and payable for the second Rent Period of the Lease Term.

Utilization Rent. Lessee shall pay to Lessor the Utilization Rent when due in accordance with Section 13 of this Lease.

Supplemental Rent. Lessee shall pay to Lessor, or to whomsoever shall be entitled thereto, any and all Supplemental Rent within ten (10) days after demand or such other relevant period as may be provided herein.

Obligation to Perform Unconditional. This Lease is a net lease and Lessee's obligation to pay Rent and to perform its other Obligations shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation:

any withholding, set-off, counterclaim, recoupment, defense or other right which Lessee may have against Lessor or any other Person for any reason whatsoever (whether in connection with the transactions contemplated hereby or any other transactions), including, without limitation, any breach by Lessor of its warranties, agreements or covenants contained herein or in any of the other Operative Documents;

any defect in the title, registration, airworthiness, condition, design, operation, or fitness for use of, or any damage to or loss or destruction of, the Aircraft, or any interruption or cessation in the use or possession thereof by Lessee or any other Person for any reason whatsoever;

any Liens with respect to the Aircraft;

an Event of Loss with respect to the Aircraft or any Item of Equipment;

the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease or any absence of right, power or authority of Lessor or Lessee to enter into this Lease;

any insolvency, bankruptcy, examinership, reorganization, administration, liquidation or similar proceedings affecting the enforcement of creditor's rights generally by or against Lessor or Lessee;

any other circumstance or happening of any nature whatsoever, whether or not similar to any of the foregoing;
or

any imposition of Taxes.

COMMITMENT FEE; FUEL AT DELIVERY

Commitment Fee Amount. Lessee shall pay the Commitment Fee in cash into Lessor's bank account in accordance with the provisions of paragraph 2 of Appendix 2B.

Nature of Commitment Fee. From and after receipt by Lessor the Commitment Fee will be non-refundable and the sole, absolute and unconditional property of Lessor.

Fuel at Delivery. Lessee shall pay Lessor for the amount of fuel onboard the Aircraft at the delivered price of such fuel at the Delivery Location on the Delivery Date.

PAYMENTS

Lessor's Account; Nature of Payments. All payments of Rent, Commitment Fee and Utilization Rent shall be made by Lessee to Lessor's bank account identified in Appendix 2B, Section 3 or to such other account designated in writing by Lessor. Lessee shall, together with such payment, identify the source of such payment and refer to the make, model and Manufacturer's serial number of the Aircraft. All payments of Rent received by Lessor are the sole, absolute and unconditional property of Lessor.

Payments on Non-Business Days. When any payment under any Operative Document would otherwise be due to Lessor on a day that is not a Business Day, the due date for payment shall be the preceding Business Day.

Timing of Payments. Payments due under this Lease shall be made by Lessee for credit to Lessor not later than 2:00 P.M. New York, New York, USA time on the due date.

Late Payment. If Lessee fails to pay to Lessor any sum on its due date for payment under this Lease or any other Operative Document, including any payment of Supplemental Rent, Lessee shall pay to Lessor on demand interest on such sum from the due date up to the date of actual payment (including non-payment following the issuance of a judgment) at the Past Due Rate.

Calculation of Interest and Prorating of other Payments.

All interest payable under this Lease or any other Operative Document shall accrue from day to day and be calculated on the basis of actual days elapsed and a 360 day year.

All payments of a monthly nature under this Lease and any other Operative Document, including, but not limited to payments of Basic Rent and in respect of Utilization Rent, that accrue on a monthly basis and for which the payment due is for less than a complete month shall be prorated on a daily basis based on a month consisting of thirty (30) days.

Payments in United States Dollars. All amounts to be paid hereunder shall be paid in Dollars, in immediately available funds. The specification of Dollars in this transaction is of the essence and Dollars shall be the currency of account in any and all events. The obligations of Lessee hereunder shall not be discharged by an amount paid in another currency, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on prompt conversion to Dollars and transfer to Lessor at Lessor's account under normal banking procedures does not yield the amount of Dollars owing to Lessor. If Lessor receives an amount in respect of Lessee's liability under this Lease or if such liability is converted into a claim, proof, judgment or order in a currency other than Dollars, Lessee will indemnify Lessor, on an After-Tax

Basis, as an independent obligation against any loss arising out of or as a result of such receipt or conversion. If the amount received by Lessor, when converted into Dollars (at the market rate at which Lessor is able on the relevant date to purchase Dollars in New York with that other currency) is less than the amount owed in Dollars Lessee will, forthwith on demand, pay to Lessor an amount in Dollars equal to the deficit. In addition, Lessee waives any right it may have in any jurisdiction to pay any amount due or to become due hereunder in a currency other than Dollars.

Retention of Certain Payments. Any amount referred to in any Operative Document which is payable to or retainable by Lessee shall not be paid to or retained by Lessee at any time when a Payment Default or an Event of Default shall have occurred and be continuing, but instead such amount shall be paid to or held by Lessor as security for the Obligations and Related Obligations to be held and applied in accordance with the provisions of this Lease. At such time as there shall not be continuing any Payment Default or Event of Default, such amount shall be paid to Lessee to the extent not applied in accordance with the preceding sentence. Where Lessor would, but for this Section 5.7 or any similar provision, be obliged to make any payment to Lessee, Lessor may elect in its absolute discretion to make such payment but shall be entitled to deduct or withhold from such payment any amount then due and payable but unpaid by Lessee under or in respect of the Obligations or Related Obligations.

Application of Payments. Lessor may apply any payment received from Lessee under any Operative Document which is less than the full amount then due and owing to Lessor in respect of the Obligations or Related Obligations in such proportions, order and manner as Lessor may, in its absolute discretion, determine, notwithstanding any designation or instruction for application that may have been made by Lessee.

AIRCRAFT DELIVERY CONDITION; LESSEE'S INSPECTION

Aircraft Delivery Condition. The Aircraft shall be delivered to Lessee by Lessor on the Delivery Date in the condition set forth in Appendix 2D.

Lessee's Inspection of Aircraft; No Lessor Liability.

Lessee acknowledges that in accepting the Aircraft it is relying on its own inspection and knowledge of the Aircraft and each Item of Equipment in determining whether they meet the requirements of this Lease and specifically disclaims any reliance upon any representation or assurance by Lessor or any Affiliate of Lessor or any Servicer in making such determination. Lessee further acknowledges that Lessor will not cure any nonconformity of the Aircraft or any Item of Equipment, discovered, difficult of discovery, or undiscovered, unless both (x) the nonconformity or possibility of nonconformity and (y) Lessor's agreement to cure such nonconformity are expressed in a written instrument signed by Lessor and Lessee delivered at or before the execution and delivery of the Acceptance Certificate and Lease Supplement. Except for any express commitment by Lessor to cure any nonconformity evidenced by a written instrument of the type described in (y) above, neither Lessor nor any Affiliate of Lessor nor any

Servicer will be liable to Lessee or any other Person for any failure of the Aircraft to conform with the requirements of this Lease at the time of acceptance of the Aircraft by Lessee.

Compliance. All representatives designated by Lessee to perform the pre-Delivery inspections of the Aircraft contemplated under this Lease shall comply with all occupational health and safety and security requirements as the same are advised by Lessor or any party acting by or through Lessor at the location of such inspections.

CONDITIONS PRECEDENT TO DELIVERY

Conditions Precedent in Favor of Lessor. Lessor's obligation to deliver and lease the Aircraft to Lessee is subject to:

no Event of Loss having occurred with respect to the Aircraft;

no Default or Event of Default having occurred and be continuing;

there having been no material adverse change to the financial status or condition of Lessee from the date of execution of this Lease to the Delivery Date; and

the receipt by Lessor of each item identified in Appendix 5 by the date required for such item appearing therein.

Waiver or Deferral of Conditions Precedent. If any condition precedent specified in Section 7.1 (excluding Section 7.1(a)) is not satisfied before Delivery, Lessor may, at its option, waive or defer satisfaction thereof on such terms and for such period as Lessor may determine and notify to Lessee in writing.

7.3. Conditions Precedent in Favor of Lessee: Lessee's obligation to accept and take delivery of and lease the Aircraft from Lessor is subject to:

(a) the Aircraft being in compliance with the condition required for Delivery under this Lease; and

(b) the receipt by Lessee of each item identified in Appendix 5, PART 2 (Conditions Precedent in favor of Lessee) by the date required for such item appearing therein.

If any condition precedent specified in this Section 7.3 is not satisfied before Delivery, Lessee may, at its option, waive or defer satisfaction thereof on such terms and for such period as Lessee may determine and notify to Lessor in writing.

DELIVERY; EVENT OF LOSS PRIOR TO DELIVERY; RISK OF LOSS FOLLOWING DELIVERY

Delivery Location and Timing. Lessor shall deliver the Aircraft in the condition required by this Lease to Lessee and Lessee shall accept the Aircraft under this Lease on the Scheduled Delivery Date at the Delivery Location, whereupon the Lease Term shall commence.

Event of Loss to Aircraft Prior to Delivery. If an Event of Loss to the Aircraft occurs prior to Delivery, Lessor will notify Lessee promptly following

Lessor's actual knowledge of the same and this Lease shall automatically terminate whereupon neither party will have any further liability to the other except that if Lessee has paid the Commitment Fee then Lessor will pay to Lessee the amount specified in Section 22.6.

[Intentionally Blank].

Risk of Loss to Aircraft following Delivery. Upon Delivery, risk of loss or damage to the Aircraft shall pass to Lessee for the Lease Term.

Delay in Delivery. Lessor shall not be liable to Lessee for any delay or failure in Delivery to Lessee.

LESSEE'S REPRESENTATIONS, WARRANTIES AND COVENANTS

Lessee's Representations and Warranties. Lessee represents and warrants to Lessor that:

Lessee is a company duly organized and validly existing under the laws of its State of Organization and has the corporate power and authority to carry on its business as it is being conducted.

Lessee has the corporate power to enter into and perform, and has taken all necessary corporate action to authorize the entry into, performance and delivery of each Operative Document and upon execution by the other parties thereto the Operative Documents will constitute the valid and legally binding and enforceable obligations of Lessee.

The execution and delivery of, the performance of its Obligations under, and compliance by Lessee with the provisions of, the Operative Documents will not (i) contravene any existing applicable law of its State of Organization or the State of Registration (or federal and other divisional governmental laws applicable therein), (ii) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which Lessee is a party or is subject or by which it or any of its property is bound, (iii) contravene or conflict with any provision of its constitutional and/or organizational documents or (iv) result in the creation or imposition of, or oblige it to create, any Lien over its undertaking or any of its assets, rights or revenues.

Except as disclosed in Appendix 8, Lessee is not in default under any material agreement to which it is a party or by which it may be bound and no litigation, arbitration or administrative proceeding is taking place or, to the best of its knowledge, pending or threatened against Lessee which could have a material adverse effect on its ability to perform its Obligations.

The financial statements of Lessee for each financial year as have been provided to Lessor prior to the date hereof have been reviewed by an independent and duly qualified U.S. certified public accounting firm and fairly and accurately present the accounts, liabilities and financial position of Lessee as at the date as of which they were prepared and the results of the operations of Lessee for the period to which they relate and do not contain any misstatement or misrepresentation of any material facts.

Other than making the filing in respect of this Lease in the State of Registration with the Aeronautics Authority and registration thereof with the IR, filing financing statements under the UCC with the Secretary of State of the State of Delaware and possession by Lessor of the chattel paper copy of this Lease, it is not necessary, in order to ensure the legality, validity, enforceability or admissibility in evidence of any Operative Document, that such Operative Document or any other instrument be notarized, filed, recorded, registered or enrolled in any court, public office or elsewhere in relation to any of the Operative Documents.

Lessee has received and complied with or will, prior to the Delivery Date, receive and comply with, each authorization required for the valid authorization, execution, delivery and performance of this Lease and each other Operative Document, the validity and enforceability hereof and thereof and the compliance, satisfaction or performance by Lessee with or of all monetary and other Obligations hereunder and thereunder and all such authorizations are, or prior to the Delivery Date will be, valid and in full force and effect.

The choice by Lessee of New York law to govern the Operative Documents and the submission by Lessee to the jurisdiction of the New York courts is valid and binding on Lessee.

In any proceedings taken in any jurisdiction in relation to any of the Operative Documents, Lessee will not be entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

Lessee has paid or caused to be paid all fees or charges assessed and due against it (or against any aircraft owned by or leased to or operated by it) by any airport or air navigation authority assessing landing or navigation fees or charges in respect of the Aircraft or any other aircraft owned by or leased to or operated by it.

No Default or Event of Default has occurred and is continuing.

With respect to Taxes:

Lessee has duly filed all Income Tax returns and all other material Tax returns that it is required by applicable Laws to file, has duly paid all Taxes stated to be due and payable in such Tax returns and has duly paid all Taxes stated to be due in any communication issued by any taxing authority other than Taxes (A) which are being contested in good faith by appropriate proceedings in accordance with applicable Law, (B) for which adequate reserves are maintained in accordance with GAAP, and (C) the contest of which does not involve any risk of criminal penalty or any reasonable possibility of any sale, forfeiture, confiscation, seizure or loss of, or the imposition of a Lien on, any Item of Equipment or any interest therein;

no Tax imposed by any Governmental Authority or other taxing authority of, or having jurisdiction in, Lessee's State of Organization or the State of Registration is (A) required to be paid by any Indemnitee as a result of the execution, delivery, performance or enforcement of, or the transactions and activities provided for or contemplated in, the Operative Documents, or (B) required to be deducted or withheld from or with respect to any amount payable by Lessee under any Operative Document; and

no Indemnitee is required to give any notice to, make any registration with, or file any document or information with, any Governmental Authority or other taxing authority of, or having jurisdiction in, Lessee's State of Organization or the State of Registration with respect to Taxes by reason of the execution, delivery, performance or enforcement of the Operative Documents.

Application of Representations and Warranties; Survival. Each representation and warranty set out in Section 9.1 shall survive the execution hereof and the delivery of the Aircraft and shall be deemed to be repeated on the Delivery Date by reference to the facts and circumstances existing on such date.

Lessee's General Covenants.(1) . Lessee covenants to Lessor that it will:

preserve and maintain (i) its corporate existence and (ii) all of its rights, privileges and franchises in every jurisdiction in which the character of the property owned or the nature of the business transacted by it makes licensing or qualification necessary;

pay or cause to be paid (i) all Taxes required by applicable Laws to be paid by it (whether such Taxes are imposed upon it or upon its income and profits or upon any property belonging to it or otherwise) prior to the date on which any penalty accrues, except Taxes which it is contesting in good faith by appropriate proceedings provided that such contest does not involve any risk of criminal penalty or any reasonable possibility of sale, forfeiture, confiscation, seizure or loss of, or the imposition of any Lien on, any Item of Equipment or any interest therein, and (ii) all other lawful claims which, if not paid, are reasonably likely to result in the imposition of a Lien upon its property or upon the Aircraft or any part thereof;

remain duly qualified to operate the Aircraft under applicable Law;

maintain in full force and effect all governmental consents, licenses, authorizations, approvals, declarations, filings and registrations obtained or effected in connection with this Lease and every document or instrument contemplated hereby and to take all such additional action as may be proper or advisable in connection herewith or therewith. Lessee further undertakes to timely obtain or effect any new or additional governmental consents, licenses, authorizations, approvals, declarations, filings or registrations as may become necessary for Lessee's performance of its Obligations;

not cause, permit or suffer, directly or indirectly, any Change of Control without the prior written consent of Lessor; provided however Lessor's consent shall not be required in respect of any change of control where United has consented in writing to such Change of Control and, following such Change of Control, Lessee does not have a tangible net worth less than Lessee's tangible net worth immediately prior to the consummation of the Change of Control, each as demonstrated to Lessor to its satisfaction not less than five (5) Business Days prior to Lessee consummating such Change of Control transaction;

notify Lessor of any change to Lessee's registered office, principal place of business or chief executive office not more than thirty (30) days following such change;

not (i) voluntarily suspend its certificated operations of the Aircraft or its fleet (except as may be required in response to a pandemic, epidemic or quarantine); or (ii) permit to be revoked, canceled or otherwise terminated, whether by act or omission, all or substantially all of the franchises, concessions, permits, rights or privileges required for the conduct of business and operations of Lessee or the free and continued use and exercise thereof;

pay promptly when due all navigation and en-route charges and all other charges payable by Lessee for the use of or services provided at any airport, whether in respect of the Aircraft or any other aircraft in Lessee's fleet;

not represent or hold out Owner, Lessor (if not Owner), any Financing Party or any Affiliate of the foregoing as carrying goods or passengers on the Aircraft or being in any way connected to operation of the Aircraft; and

If any items delivered to Lessor in connection with this Lease are required by this Lease to have a validity and effectiveness for the Lease Term, but have or are of a duration or effectiveness that is for less than the Lease Term when originally delivered, cause replacements, extensions or supplements thereof to be timely delivered to Lessor during the Lease Term to ensure that Lessor maintains at all times during the Lease Term the benefits initially afforded by such items and the continued effectiveness and validity of the same for the Lease Term.

LESSOR'S REPRESENTATIONS, WARRANTIES AND COVENANTS; DISCLAIMERS

General Representations and Warranties of Lessor. Lessor represents and warrants to Lessee that:

Lessor is a company duly organized and validly existing under the laws of its State of Organization and has the corporate power and authority to carry on its business as it is being conducted;

Lessor has the corporate power to enter into and perform, and has taken all necessary corporate action to authorize the entry into, performance and delivery of each Operative Document to which it is a party and upon execution by the other parties thereto the Operative Documents to which it is a party will constitute its valid and legally binding and enforceable obligations;

the execution and delivery of, the performance of its obligations under, and compliance by Lessor with the provisions of, the Operative Documents to which it is a party will not (i) contravene any existing applicable law of its State of Organization (or federal and other divisional governmental laws applicable therein), (ii) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which Lessor is a party or is subject or by which it or any of its property is bound, or (iii) contravene or conflict with any provision of its constitutional and/or organizational documents; and

Lessor has received and complied with or will, prior to the Delivery Date, receive and comply with, each authorization required for the valid authorization, execution, delivery and performance of this Lease and each other Operative Document to which Lessor is a party and the validity and enforceability hereof and thereof.

Covenant of Quiet Enjoyment. This Lease is subject and subordinate to the terms of the Existing Mortgage as set forth in Section 2.3. Expressly subject to Section 2.3 and the rights of the Financing Parties under the Existing Mortgage and any other financing documents relating to the Existing Financing, Lessor covenants that so long as an Event of Default shall not have occurred and be continuing, Lessee shall quietly enjoy the Aircraft without interference by Lessor or by any Person (other than the Financing Parties in relation to the Existing Mortgage and Existing Financing) lawfully claiming by or through Lessor. The exercise by Lessor of its rights under this Lease or any other Operative Document shall not constitute a breach of this Section 10.2.

Disclaimer; Waiver of Warranties; Waiver of Remedies. LESSEE AGREES THAT UPON LESSEE'S ACCEPTANCE AT DELIVERY OF THE AIRCRAFT AND EACH ITEM OF EQUIPMENT, SUCH DELIVERY SHALL BE "AS-IS, WHERE-IS". LESSEE ACKNOWLEDGES AND AGREES THAT NO INDEMNITEE HAS, OR SHALL BE DEEMED TO HAVE MADE, (WHETHER BY VIRTUE OF HAVING LEASED THE AIRCRAFT UNDER THIS LEASE, OR HAVING ACQUIRED THE AIRCRAFT, OR HAVING DONE OR FAILED TO DO ANY ACT, OR HAVING ACQUIRED OR FAILED TO ACQUIRE ANY STATUS UNDER OR IN RELATION TO THIS LEASE OR OTHERWISE), AND LESSOR, FOR ITSELF AND FOR EACH INDEMNITEE, HEREBY SPECIFICALLY DISCLAIMS, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE (EXCEPT AS HEREIN BELOW PROVIDED), AIRWORTHINESS, CONDITION, DESIGN, OPERATION, MERCHANTABILITY, FREEDOM FROM CLAIMS OF INFRINGEMENT OR THE LIKE, OR FITNESS FOR USE FOR A PARTICULAR PURPOSE OF THE AIRCRAFT, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE AIRCRAFT, THE ABSENCE THEREFROM OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE OR CAPABLE OF DISCOVERY, OR AS TO ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED (INCLUDING ANY IMPLIED WARRANTY ARISING FROM A COURSE OF PERFORMANCE OR DEALING OR USAGE OF TRADE), WITH RESPECT TO THE AIRCRAFT; AND LESSEE HEREBY WAIVES, RELEASES, RENOUNCES AND DISCLAIMS EXPECTATION OF OR RELIANCE UPON ANY SUCH WARRANTY OR WARRANTIES. NO INDEMNITEE SHALL HAVE ANY RESPONSIBILITY OR LIABILITY TO LESSEE OR ANY OTHER PERSON, WHETHER ARISING IN CONTRACT OR TORT OUT OF ANY NEGLIGENCE OR STRICT LIABILITY OF LESSOR OR OTHERWISE, FOR (i) ANY LIABILITY, LOSS OR DAMAGE CAUSED OR ALLEGED TO BE CAUSED DIRECTLY OR INDIRECTLY BY THE AIRCRAFT OR ANY ITEM OF EQUIPMENT OR BY ANY INADEQUACY THEREOF OR DEFICIENCY OR DEFECT THEREIN OR BY ANY OTHER CIRCUMSTANCE IN CONNECTION THEREWITH, (ii) THE USE, OPERATION OR PERFORMANCE OF THE AIRCRAFT OR ANY RISKS RELATING THERETO, (iii) THE DELIVERY OR DELAY IN DELIVERY OF THE AIRCRAFT, OR (iv) THE OPERATION, SERVICING, MAINTENANCE, REPAIR, IMPROVEMENT OR REPLACEMENT OF THE AIRCRAFT OR ANY ITEM OF EQUIPMENT. THE

WARRANTIES AND REPRESENTATIONS SET FORTH IN SECTION 10.1 ARE EXCLUSIVE AND IN LIEU OF ALL OTHER REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, AND NO INDEMNITEE SHALL BE DEEMED TO HAVE MADE ANY OTHER WARRANTIES.

LESSEE REPRESENTS TO LESSOR THAT LESSEE HAS USED ITS OWN JUDGMENT IN SELECTING THE AIRCRAFT AND HAS DONE SO BASED ON ITS SIZE, DESIGN AND TYPE. LESSEE ACKNOWLEDGES THAT THE RENT AND OTHER AMOUNTS HAVE BEEN CALCULATED HAVING DUE REGARD FOR THE PROVISIONS OF THIS SECTION 10.3.

LESSEE HEREBY AGREES THAT ITS ACCEPTANCE OF THE AIRCRAFT AT DELIVERY AND ITS EXECUTION AND DELIVERY OF THE ACCEPTANCE CERTIFICATE CONSTITUTE LESSEE'S WAIVER OF THE WARRANTY OF DESCRIPTION, ANY CLAIMS LESSEE MAY HAVE AGAINST LESSOR BASED UPON THE FAILURE OF THE AIRCRAFT TO CONFORM WITH SUCH DESCRIPTION AND ANY AND ALL RIGHTS IT MAY HAVE UNDER APPLICABLE LAW. EVEN IF AT ANY TIME THE FAILURE OF THE AIRCRAFT TO CONFORM TO SUCH DESCRIPTION SUBSTANTIALLY IMPAIRS THE VALUE AND UTILITY OF THE AIRCRAFT AND EITHER (1) LESSEE ACCEPTED THE AIRCRAFT BASED ON A REASONABLE ASSUMPTION THAT THE NONCONFORMITY WOULD BE CURED AND IT WAS NOT CURED WITHIN THE TIME PROVIDED OR, IF NOT PROVIDED, WITHIN A REASONABLE PERIOD OF TIME OR (2) LESSEE ACCEPTED THE AIRCRAFT WITHOUT DISCOVERING THE NONCONFORMITY BUT LESSEE'S ACCEPTANCE OF THE AIRCRAFT WAS REASONABLY INDUCED EITHER BY AN INDEMNITEE'S ASSURANCES OR BY THE DIFFICULTY OF DISCOVERING ANY DEFECT PRIOR TO ACCEPTANCE, LESSEE AGREES NOT TO LOOK TO ANY INDEMNITEE FOR DAMAGES OR RELIEF ARISING OUT OF THE FAILURE OF THE AIRCRAFT TO CONFORM TO SUCH DESCRIPTION.

DELIVERY BY LESSEE TO LESSOR OF THE ACCEPTANCE CERTIFICATE WILL BE CONCLUSIVE PROOF AS BETWEEN LESSOR AND LESSEE THAT LESSEE HAS EXAMINED AND INVESTIGATED THE AIRCRAFT, INCLUDING THE ENGINES AND THE AIRCRAFT DOCUMENTS AND THAT EACH IS IN THE CONDITION REQUIRED HEREUNDER AND WITHOUT DEFECT, EXCEPT AS SPECIFICALLY SET FORTH IN SUCH CERTIFICATE, (WHETHER OR NOT DISCOVERABLE OR DIFFICULT OF DISCOVERY AT DELIVERY) AND IS OTHERWISE IN EVERY WAY SATISFACTORY TO LESSEE.

LESSEE HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHTS WHICH IT MAY NOW HAVE OR WHICH AT ANY TIME HEREAFTER MAY BE CONFERRED UPON IT, BY STATUTE OR OTHERWISE, TO SUSPEND ITS PERFORMANCE HEREUNDER OR TO TERMINATE, CANCEL, QUIT OR SURRENDER THIS LEASE. EACH PAYMENT OF RENT MADE BY LESSEE TO LESSOR SHALL BE ABSOLUTE AND FINAL AND LESSEE SHALL NOT HAVE ANY RIGHT TO AND WILL NOT SEEK TO RECOVER ANY PART OF SUCH PAYMENT FROM LESSOR FOR ANY REASON WHATSOEVER, EXCEPT FOR NEGLIGENCE OR MANIFEST ERROR

IN THE CALCULATION OF THE AMOUNT OR REMITTANCE OF SUCH PAYMENT. LESSEE'S COVENANTS AND PROMISES IN THIS LEASE ARE IRREVOCABLE AND INDEPENDENT UPON DELIVERY HEREUNDER, AND NONE OF SUCH COVENANTS OR PROMISES IS SUBJECT TO CANCELLATION, TERMINATION, MODIFICATION, REPUDIATION, EXCUSE, OR SUBSTITUTION WITHOUT LESSOR'S CONSENT OR THE CONSENT OF SUCH OTHER PERSON IN WHOSE FAVOR THE COVENANT OR PROMISE RUNS. LESSEE AGREES THAT ITS ONLY RIGHT WITH RESPECT TO A DEFAULT BY LESSOR UNDER THIS LEASE IS, AFTER COMPLYING WITH ITS OBLIGATIONS UNDER THIS LEASE, TO MAKE A CLAIM AGAINST LESSOR FOR ACTUAL DAMAGES RESULTING DIRECTLY FROM SUCH DEFAULT AND LESSEE HEREBY WAIVES ANY OTHER RIGHTS OR REMEDIES IT MAY HAVE UNDER ARTICLE 2A (UNIFORM COMMERCIAL CODE—LEASES) OF THE NEW YORK UNIFORM COMMERCIAL CODE OR OTHERWISE.

DISCLAIMER AND WAIVER OF INCIDENTAL, CONSEQUENTIAL, SPECIAL AND PUNITIVE DAMAGES. LESSEE AGREES THAT IT SHALL NOT BE ENTITLED TO RECOVER, AND HEREBY DISCLAIMS AND WAIVES ANY RIGHT THAT IT MAY OTHERWISE HAVE TO RECOVER, (i) INCIDENTAL, CONSEQUENTIAL, SPECIAL AND PUNITIVE DAMAGES, AND/OR (ii) DAMAGES IN CONNECTION WITH ANY INTERRUPTION OF SERVICE, LOSS OF BUSINESS OR ANTICIPATED PROFITS AS A RESULT OF ANY BREACH OR ALLEGED BREACH BY LESSOR OF ANY OF THE AGREEMENTS, REPRESENTATIONS OR WARRANTIES OF LESSOR CONTAINED IN THIS LEASE OR ANY OPERATIVE DOCUMENTS.

NO DUTY OF INDEMNITEES TO INSPECT, ETC. NO INDEMNITEE SHALL HAVE ANY DUTY OR OBLIGATION TO DETERMINE WHETHER ANY ITEM OF EQUIPMENT IS REQUIRED TO BE OVERHAULED OR MAINTAINED, OR TO OBSERVE OR INSPECT THE OVERHAUL OR MAINTENANCE OF ANY ITEM OF EQUIPMENT OR TO CONFIRM OR VERIFY THE FITNESS OR QUALIFICATION OF LESSEE OR ANY APPROVED MAINTENANCE ORGANIZATION TO PERFORM ANY MAINTENANCE TO ANY ITEM OF EQUIPMENT AND NO INDEMNITEE SHALL INCUR ANY LIABILITY OR OBLIGATION IN CONNECTION WITH THE FOREGOING OR BY REASON OF THE FAILURE OF ANY ITEM TO BE PROPERLY MAINTAINED OR BY REASON OF ANY INDEMNITEE'S ELECTION TO OBSERVE OR INSPECT OR NOT TO OBSERVE OR INSPECT ANY MAINTENANCE CHECK OR OTHER MAINTENANCE OF ANY ITEM OF EQUIPMENT PERFORMED DURING THE LEASE TERM.

10.6 LESSEE DISCLAIMER. BASED UPON AND IN RELIANCE ON THE FINANCIAL STATEMENTS PROVIDED AND OTHER REPRESENTATIONS MADE BY LESSEE PURSUANT TO SECTION 9.1 AND SUCH OTHER INFORMATION THAT LESSEE PROVIDED TO LESSOR PRIOR TO THE DATE HEREOF (AND, FURTHER, PROVIDED LESSEE HAS NOT FAILED TO DISCLOSE TO LESSOR ANY MATERIAL MATTERS OR MADE ANY MISSTATEMENTS OR MISREPRESENTATIONS OF MATERIAL FACTS), LESSOR ACKNOWLEDGES THAT IT IS MAKING ITS OWN, INDEPENDENT JUDGMENT CONCERNING LESSEE'S FINANCIAL

POSITION. FURTHER LESSOR ACKNOWLEDGES THAT LESSOR HAS PERFORMED AT OR PRIOR TO DELIVERY SUCH DUE DILIGENCE INQUIRY THAT HAS FULLY SATISFIED LESSOR AND THAT LESSOR IS ENTERING INTO THIS LEASE WITH SUCH KNOWLEDGE AS LESSOR DEEMS SUFFICIENT IN ALL RESPECTS.

GENERAL OPERATION OF THE AIRCRAFT

General Operation. Lessee will:

comply with the Law in any country or jurisdiction which may for the time being be applicable to the Aircraft and its use, maintenance and operation, including but not limited to the holding of all certificates, licenses, permits, authorizations and regulations, and take all reasonable steps to ensure that the Aircraft is not used for any illegal purpose;

not use any Item of Equipment in any manner contrary to:

any Manufacturer's operating manuals or instructions, or in violation of any airworthiness certificate or registration relating thereto; or

any recommendation of the Manufacturer of such Item of Equipment, or regulation of the Aeronautics Authority or for any purpose for which the Aircraft is not designed or reasonably suitable;

ensure that all personnel directly or indirectly employed by it in connection with the operation and maintenance of the Aircraft have the qualifications and hold the licenses required by the Aeronautics Authority and applicable Law;

use the Aircraft solely in commercial passenger and cargo (provided such cargo is carried exclusively in the cargo compartments of the Aircraft) operations for which Lessee is duly authorized by the Aeronautics Authority and under applicable Law and from a base located within the State of Registration;

not utilize the Aircraft for purposes of training, qualifying or re-confirming the status of cockpit personnel except for the benefit of Lessee's cockpit personnel, and then only if the use of the Aircraft for such purpose is not disproportionate to the use for such purpose of other similar model aircraft within Lessee's fleet of aircraft; and

obtain and maintain in full force and effect all certificates, licenses, permits and authorizations required for the making of payments required by, and the compliance by Lessee with its other Obligations under, this Lease.

Insured Operations. Lessee will not use or locate or permit the Aircraft or any Item of Equipment to be used or located in any manner, for any purpose or at any location which is not covered by the insurance policies and the scope of coverage Lessee is required to carry and maintain as set forth in this Lease. Lessee will not carry any goods of any description excepted or exempted from such policies or do any other act or permit to be done anything which could reasonably be expected to invalidate or limit any such insurance policy or coverage provided thereunder.

Carriage of Goods. Lessee shall not use the Aircraft for the carriage of:

whole animals living or dead except in compliance with I.A.T.A. regulations;

cargo to the extent forbidden pursuant to Section 2 (Limitations) of the I.A.T.A. Dangerous Goods Regulations, as revised, from time to time;

nuclear fuels or waste, illegal drugs, controlled substances or the like or any other goods, materials or items of cargo which are prohibited by Law or regulation; or

any other cargo which (i) could reasonably be expected to cause damage to the Aircraft or (ii) the carriage of which might cause damage that would not be adequately covered by insurance.

Operational Expenses. Lessee shall pay or procure payment of all expenses incurred in the operation of the Aircraft during the Lease Term including, without limitation, expenses of flight crews, cabin personnel, fuel, oil, lubricants, maintenance, insurance, landing and navigation fees, airport charges, passenger service and any and all other expenses or claims of any kind or nature incurred during the Lease Term, arising directly or indirectly in connection with or related to the use, movement, operation, storage or location of the Aircraft or any Item of Equipment. The obligations of Lessee under this Section 11.4 arising prior to any cancellation, termination or expiration of the Lease Term shall continue in full force and effect, notwithstanding such cancellation or termination (whether arising out of an Event of Default or otherwise) or expiration, and shall be enforceable by Lessor.

Compliance with Laws. Lessee will:

not cause or permit the Aircraft to proceed to, or remain at, any location to the extent then prohibited by a prohibition order or restriction of applicable Law (or any similar order, regulation or directive) by any Governmental Authority of the State of Registration or Lessee's, Lessor's or Owner's State of Organization or any Governmental Authority of the country in which such location is situated; and

not use or permit the use of the Aircraft or any Item of Equipment with, for or on behalf of any Person:

whose property or interests in property are blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 24, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) (as the same is in effect during the Lease Term);

in violation of the United States Bank Secrecy Act, as amended, or any applicable regulations thereunder;

contrary to any of the sanctions programs administered by the Office of Foreign Assets Control of the United States Department of Treasury ("OFAC"), any regulations promulgated thereunder by OFAC or under any affiliated or successor governmental or quasi-governmental office, bureau or agency, or any enabling legislation or executive order relating thereto (*ref:* www.ustreas.gov/offices/enforcement/ofac/);

on the list of "Specially Designated Nationals" and "Blocked Persons" or subject to the limitations or prohibitions under any OFAC regulation or executive order, as the same are amended from time to time;

who is the subject of a United Nations sanction or whose assets have been frozen by enabling legislation of the same in the State of Registration or Lessee's State of Organization; or

who is the subject of or which use is contrary to any Laws similar to or consistent with the foregoing clauses (i) through (v) as the same are enacted in the Lessee's State of Organization or the State of Registration;

as any or all of the same are amended or supplemented from time to time, and including any successor Laws as the same are enacted from time to time.

MAINTENANCE, MODIFICATION AND OPERATION OF THE AIRCRAFT

General. Lessee, at its own expense subject where applicable to Lessor's contribution toward the cost of performance of Qualifying Maintenance pursuant to Appendix 2F, shall cause the Aircraft and each Item of Equipment to be serviced, repaired, overhauled, tested and maintained:

in accordance with the Maintenance Program and the applicable Manufacturer's Repair Manuals including, without limitation, the Manufacturer's recommended corrosion prevention and control program for the Aircraft;

so as to keep each such Item in as good operating condition and appearance as when delivered to Lessee hereunder, ordinary and reasonable wear and tear excepted;

in compliance with all Manufacturers' service bulletins designated by such Manufacturer as either (x) an alert service bulletin or (y) a mandatory service bulletin, either of which by their terms (i) is applicable to the respective Item of Equipment and (ii) specify compliance during the Lease Term;

in compliance with all other Manufacturer's service bulletins which require compliance in order to maintain the validity of warranties; and

in compliance with all Airworthiness Directives which by the terms of each such AD require compliance during the Lease Term and which shall be accomplished in strict accordance with such AD and without application or utilization of any alternate method of compliance.

Accomplishment of Tasks and Repairs. Lessee shall cause, at its expense, all Tasks to be accomplished on the Aircraft as they become due, with no discrimination toward the Aircraft with respect to any maintenance accomplished on similar model aircraft within Lessee's fleet of aircraft. To the extent that the Maintenance Program permits certain Tasks to be accomplished on a sampling basis, Lessee nevertheless shall accomplish on the Aircraft all such Tasks that, by the terms of such Tasks, are applicable to the Aircraft. Any damage, defects or corrosion discovered during the Lease Term shall be repaired in accordance with the applicable

Manufacturer's Repair Manual approved procedures at the sole expense of Lessee, and Lessee shall obtain Required Approval with respect to any repairs or modifications accomplished during the Lease Term which have not been approved by the Manufacturer and the Certificating Authority in addition to any approval received by Lessee from the Aeronautics Authority with respect to any such repairs or modifications.

Information on Maintenance. Lessee, at its cost and expense, shall furnish Lessor, at such times during the Lease Term as Lessor shall reasonably request, copies of records maintained relating to the Aircraft, with a certificate signed by an officer of Lessee affirming that all the maintenance work represented by such records was accomplished by an Approved Maintenance Organization and that the maintenance work represented by such records was performed in compliance with the terms of this Lease.

Aircraft Documents in English Language. Lessee, at its cost and expense, shall maintain all Aircraft Documents in the English language, including Aircraft Documents required by the applicable Aeronautics Authority and Certificating Authority to be maintained in respect of each Item of Equipment, and promptly furnish to Lessor upon Lessor's request such information as may be required to enable Lessor to file any reports required to be filed with any Governmental Authority because of Owner's ownership of the Aircraft.

Originals. All Aircraft Documents, including records and documentation of maintenance accomplished on the Aircraft and any Item of Equipment shall be retained by Lessee until the Termination Date, at which time all records and Aircraft Documents shall be returned to Lessor in original (not duplicate) form.

Performance of Maintenance. All Maintenance Checks shall be accomplished only at Approved Maintenance Organizations which shall be approved by Lessor in writing prior to the commencement of such Maintenance Check, such approval not to be unreasonably withheld. All other maintenance on the Aircraft will be performed by Lessee using personnel that are approved and appropriately certified by the Aeronautics Authority to perform such maintenance.

Alterations, Modifications and Additions. Required Alterations, Modifications and Additions. Lessee, at its own cost and expense, shall make such alterations, modifications and additions to the Aircraft and any Items of Equipment as may be required from time to time to comply with:

all Manufacturers' service bulletins designated by such Manufacturer as either (x) an alert service bulletin or (y) a mandatory service bulletin, either of which by their terms (1) is applicable to the respective Item of Equipment and (2) specify compliance during the Lease Term;

Airworthiness Directives which by the terms of each such AD require compliance during the Lease Term and which shall be performed in strict accordance with such AD and without application or utilization of any alternate method of compliance; and

all Laws and regulations of the Aeronautics Authority and Certifying Authority which require compliance during the Lease Term.

Discretionary Alterations, Modifications and Additions. Except as set forth in the preceding clause (a) and except for such alterations, modifications and additions as are required to reconfigure the Aircraft to be in a CRJ550 configuration (which configuration change shall be at Lessee's sole cost and expense and the workscope for which has been approved by United Airlines), Lessee shall not make any alteration, modification or addition to the Aircraft or any Item of Equipment (including, but not limited to, galleys, lavatories, avionics or Engines) without the prior written consent of Lessor.

Removed Items – Title and Risk of Loss. Notwithstanding the provisions of Sections 12.8 and 12.9, title to any and all Items of Equipment removed from the Aircraft in accordance with the Lessor's consent given under Section 12.7(b) or the reconfiguration of the Aircraft to a CRJ550 configuration pursuant to Section 12.7(b) shall remain with Owner and risk of loss or damage to the same shall remain with Lessee during the Lease Term and Lessee shall keep, store and maintain the same in accordance with Manufacturer's repair manual requirements and standard industry practice for reinstallation on the Aircraft in accordance with the following clause (d) (or for return to Lessor on the Termination Date, at Lessee's cost and expense, if Lessor has provided the written notice contemplated by the following clause (d) to the effect that Lessee is not required to de-modify the Aircraft at Return).

De-Modification of Aircraft. At Return, unless Lessor has provided contrary written notice to Lessee at least thirty (30) days prior to the Scheduled Termination Date, Lessee shall be required to de-modify the Aircraft from being a CRJ550 and restore the Aircraft to the condition and configuration it was in upon Delivery. Lessee shall be solely responsible for all costs and expenses of the de-modification and restoration of the Aircraft in accordance with the Section 12.7(d) except that Lessor shall pay any fees charged by the Manufacturer of the Airframe in respect of the completion and issuance by said Manufacturer of the paper work recertifying the Aircraft to the configuration it was in upon Delivery.

Replacement of Parts. Lessee, at its own cost and expense, shall promptly replace all Parts which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. In addition, in the ordinary course of maintenance, service, repair, overhaul or testing, Lessee may remove any Part, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use; provided that Lessee shall as promptly as practicable either reinstall such Part or replace such Part pursuant to the terms of this Article 12. Each replacement part prior to installation in the Aircraft or any Item of Equipment:

shall be free and clear of all Liens;

shall be in as good operating condition and shall have a value, utility, maintenance, modification and repair status at least equal to the Part replaced, assuming such replaced Part was in the condition and repair status required to be maintained by the terms hereof;

shall have documentation certifying compliance with all applicable Certifying Authority and Aeronautics Authority requirements, including, without limitation:

if applicable, a Certifying Authority Form and, if not indicated on such form, a teardown report indicating time since Overhaul and a description of work accomplished with respect to such part by an Approved Maintenance Organization;

Overhaul records;

documentation of modification status and compliance with Airworthiness Directives; and

any other appropriate documentation applicable to the maintenance and repair status of such part; and

shall:

have the same part number (except to the extent the Manufacturer has superseded the part number of such Part, and in such an event the superseding part number shall be an acceptable alternate pursuant to the Manufacturer's Repair Manual or a Required Approval) and be of the same Manufacturer as the replaced Part;

with respect to Time Controlled Parts, have not accumulated more time since new (and time since Overhaul if such replaced Part has previously been Overhauled) than that of the replaced Part.

Title to Parts.

Parts Replacement in Connection with Maintenance. Any Part removed from the Airframe or any Item of Equipment shall remain the property of Owner and subject to this Lease, no matter where located, until such time as such Part shall be replaced by a part which has been incorporated or installed in or attached to the Aircraft or an Item of Equipment pursuant to the requirements for replacement parts specified in Section 12.8 and title to such replacement part has been vested in Owner. Except as set forth in Section 12.10, immediately upon any replacement part becoming incorporated, installed or attached to the Aircraft or an Item of Equipment as provided above, such part shall become the property of Owner, title to such replacement part shall immediately vest in Owner and such replacement part shall become subject to this Lease and be deemed a Part for all purposes hereof to the same extent as the Part which it has replaced. Once the replacement part has become subject to this Lease, title to the Part so replaced shall immediately vest in Lessee.

Parts Replacement in Connection with Discretionary Alterations, etc. So long as no Event of Default shall have occurred and be continuing, at any time during the Lease Term, Lessee may remove any Part from an Item of Equipment that was installed with Lessor's consent pursuant to Lessee's accomplishment of an alteration, modification or addition pursuant to Section 12.7(b), provided that:

such Part is in addition to and not in replacement of or in substitution for, any Part originally incorporated or installed in or attached to such Item at the time of delivery thereof hereunder or any Part in replacement of, or substitution for, any such original Part;

such Part is not required to be incorporated or installed in or attached or added to such Item of Equipment pursuant to the terms hereof and is not required to be installed on or attached to such Item of Equipment by the Aeronautics Authority or the Certifying Authority in order to maintain the airworthiness certification of the Aircraft for passenger operation; and

such Part can be removed from such Item without diminishing or impairing the value, utility or airworthiness which such Item would have had at such time had such alteration, modification or addition not occurred.

Upon removal of any such Parts, Lessee shall restore the area where such Part was removed so that it is in the condition it would have been had such Part not been installed, assuming such condition was in compliance with the terms of this Lease, and so that such removal is undetectable. Title to any Part not removed by Lessee as above provided prior to the return of the respective Item of Equipment to Lessor hereunder shall remain vested in Owner.

Temporary Replacement of Parts. Provided no Event of Default has occurred and is continuing, at any time during the Lease Term, any Part incorporated or installed in or attached or added to any Item of Equipment may be replaced temporarily with a part which does not satisfy the requirements of Section 12.8; provided that

there shall not have been available to Lessee at the time and in the place that such substitute or replacement part was required to be installed on the Airframe or Engine a replacement part complying with the requirements of Section 12.8;

it would have resulted in an unreasonable disruption of the operation of the Aircraft and/or the business of Lessee as an airline to have grounded the Aircraft until such time as a replacement part complying with the requirements of Section 12.8 became available for installation on the Aircraft; and

as soon as practicable after installation of the same on the Airframe or Engine (and in any event no later than the earliest to occur of (i) thirty (30) days following such installation, (ii) the Scheduled Termination Date or (iii) the Termination Date) Lessee shall remove any such part not complying with the requirements of Section 12.8 and replace the same with a part complying with such requirements.

Upon the replacement by Lessee of any such non-conforming part pursuant to the foregoing clause (c), title to such replacement part shall, without further act, vest in Owner and such part shall be deemed a Part hereunder.

Exchanging Parts. Any Part removed from the Aircraft or any Item of Equipment in the course of performance of maintenance on the same may be subjected by Lessee to normal exchanges customary in the airline industry in the ordinary course of Lessee's business provided that (x) the parts replacing such

removed Parts are incorporated, installed in or attached to the Aircraft or such Item of Equipment promptly following the removal of such Parts, and (y) all applicable requirements of the Aeronautics Authority and the Certificating Authority shall be adhered to with respect to all such Parts being incorporated, installed, or attached, whether or not such Part was originally removed from the Aircraft or any Item of Equipment or is a replacement for any such removed Part. Lessee shall, whether or not such exchanged part is owned by Lessee at the time such exchange is completed, comply or ensure the continued compliance with the requirements of Sections 12.8, 12.9 and 12.10 as applicable prior to installation of the same into the Aircraft or any Item of Equipment.

Temporary Attachment and Removal of Engines. Installation of Other Engines.

In the regular course of performance of Lessee's Obligations under this Lease, Lessee may temporarily remove an Engine from the Airframe and install an engine on the Airframe, which engine is owned by Lessee or which is subject to a lease, conditional sale agreement, trust indenture or other security agreement, provided that such other engine is (x) free and clear of all Liens except the rights of the parties to the lease or conditional sale or other security agreement covering such engine and as the same are otherwise permitted to exist and are of the type permitted pursuant to Section 17.6, and (y) Lessee, or if Lessee is not the owner of the engine, the lessor, conditional seller, indenture trustee or secured party of any such engine agrees in writing in a form satisfactory to Lessor that it will not acquire or claim, as against Lessor, any right, title or interest in or any adverse right, title or interest to the Airframe or any Item of Equipment as the result of any such engine being installed on the Airframe. If any of the respective interests of Lessor, Owner or any relevant Financing Party in any Item of Equipment is impaired or otherwise adversely affected by virtue of installation of such engine on the Airframe, Lessee shall promptly remove such engine from the Airframe, failing which such impairment or adverse effect will be deemed an Event of Default pursuant to Section 23(l) of Appendix 2H.

If Lessee shall have received from the lessor, conditional seller, indenture trustee or secured party of any engine leased to Lessee or owned by Lessee subject to a conditional sale or other security agreement a written agreement complying with Section 12.12(a)(i) hereof (which agreement may be contained in the lease, conditional sale or security agreement relating to such engine), Lessor hereby acknowledges and agrees (and shall procure that Owner and any relevant Financing Party shall acknowledge and agree) for the benefit of such lessor, conditional seller, indenture trustee or secured party that none of Lessor, Owner or any relevant Financing Party will acquire or claim, as against such lessor, conditional seller, indenture trustee or secured party, any interest in any such engine as the result of such engine being installed on the Airframe at any time while such engine is subject to such lease, conditional sale or security agreement and owned by such lessor or seller or subject to a security interest in favor of such secured party.

Lessee shall comply with the requirements of Section 19.4(c) for as long as such engine is installed on the Airframe and the engine shall be removed from the Airframe and the removed Engine reinstalled on the Airframe upon the occurrence and continuation of a Default or an Event of Default, but in any event, not later than the Termination Date.

Installation of Engines on other Airframes. Provided no Default or Event of Default has occurred and is continuing, Lessee may install an Engine removed from the Airframe on any other airframe of the same type leased by Lessor to Lessee and operated by Lessee and (i) Lessee shall comply with the requirements of Section 19.4 for as long as such Engine is installed on such other airframe and (ii) such Engine shall be removed from such other airframe and reinstalled on the Airframe upon the occurrence and continuation of a Default or an Event of Default, but in any event, not less than sixty (60) days prior to the Scheduled Termination Date.

UTILIZATION RENT

Utilization Rent. Lessee shall make payments to Lessor in respect of the Utilization Rent in accordance with Appendix 2C, on a monthly basis, within ten (10) days following the last day of each Rent Period, with the first payment due ten (10) days following the first Rent Payment Date occurring after Delivery; provided that Lessee's final payment in respect of Utilization Rent shall be made on the Termination Date. All payments of Utilization Rent received by Lessor are the sole and absolute property of Lessor. For the avoidance of doubt, Lessor shall not be required to provide an invoice to Lessee in respect of any Utilization Rent.

Discrepancies. If Lessee's actual utilization of the Aircraft is greater than Lessee's utilization of the Aircraft reported to Lessor in accordance with Article 16, Lessee shall make up any deficiency payments in respect of Utilization Rent to Lessor within three (3) Business Days of the date of receipt of written notice from Lessor.

MANUFACTURER'S WARRANTIES

Assignable Warranties. At Delivery Lessor will assign or make available to Lessee for the duration of the Lease Term the benefit of any remaining warranties given to Lessor by any Manufacturer and by any maintenance and repair organization, repair facility or vendor, in each case with respect to the Aircraft or any Item of Equipment.

Reassignment; Assignment of Lessee Warranties. On the Termination Date:

the benefit of any warranty and other rights assigned or made available by Lessor to Lessee pursuant to this Lease will be reassigned automatically and without further act or writing to Lessor or its designee; provided that upon the occurrence and continuation of an Event of Default, Lessor may instruct any Manufacturer of any Item of Equipment, by a reservation of rights, to make any payments of monies under any warranty claims made by Lessee directly to Lessor for further credit to Lessee upon and subject to Lessee's cure of such Event of Default; and

Lessee shall assign and shall be deemed to have assigned to Lessor on and as of the Termination Date, at no charge to Lessor, any and all warranties Lessee has obtained in connection with any maintenance or services performed on the Aircraft or any Item of Equipment during the Lease Term.

Warranty Claims. Lessee and Lessor will cooperate in order that any valid claims under the warranties assigned to Lessee hereunder with respect to the Aircraft and other Items of Equipment are diligently pursued.

SUBLEASING

Subleasing. Lessee may not sublease (or otherwise part with possession) of the Aircraft or any Item of Equipment without the prior written consent of Lessor, except that Lessee may send and part possession with the Aircraft, the Engines or any Parts to the relevant manufacturers for testing or similar purposes or for service, repair or overhaul work, or alterations, modifications or additions to the extent required or permitted by this Lease.

Expenses. Lessee shall pay or reimburse Lessor, Owner and any Financing Party on demand for their respective out of pocket costs and expenses incurred in connection with the review, negotiation and consummation of the transactions contemplated by any Permitted Sublease and such parties may condition their consent and approval of the same on receipt of such payment or reimbursement.

Lessee Remains Liable. Lessee shall remain primarily and fully responsible and liable for the performance of its Obligations under and the observance of the terms of this Lease and the Operative Documents, notwithstanding any Permitted Sublease, to the same extent as if such Permitted Sublease had not occurred.

REPORTING AND INSPECTIONS

Aircraft Utilization and Other Reporting/Information. During the Lease Term, Lessee agrees to furnish to Lessor the following information in connection with Lessee's utilization of the Aircraft:

within (i) ten (10) days following the first Rent Payment Date after Delivery and each remaining Rent Payment Date during the Lease Term, and (ii) on the Termination Date, a utilization report in the form appearing in Appendix 7 reporting the utilization of the Items of Equipment set forth therein for the immediately preceding calendar month or part thereof;

notification within forty-eight (48) hours of the removal of any Engine, Landing Gear or APU, advising of (i) the reason for such removal, (ii) the location of such Item of Equipment, (iii) the total accumulated Flight Hours and Cycles of such Item of Equipment (or total APU Hours with respect to the APU), (iv) the Flight Hours and Cycles accumulated since the most recent Engine Restoration with respect to any Engine or the most recent Overhaul with respect to any Landing Gear, as applicable, (v) the APU Hours accumulated since the most recent Overhaul with respect to the APU, and (vi) the intended workscope, if applicable;

notification of and reasonably detailed information with respect to the cause and effects of any accident or incident with respect to any Item of Equipment (other than Parts) within forty-eight (48) hours (or within twenty-four (24) hours with respect to the Aircraft or the Airframe) of the occurrence or detection thereof;

within a reasonable time (but not less than ten (10 days) prior to the commencement date for any Maintenance Check and in accordance with Section 12.6, the identity of the Approved Maintenance Organization Lessee intends to have perform such check together with a copy of the workscope intended to be accomplished in connection with the same; and

upon request of Lessor, a copy of the Maintenance Program, inclusive of all revisions issued as of the date of such request.

Further Information; Inspections.

During the Lease Term, Lessee shall promptly furnish to Lessor such other available information concerning the location, condition, use, maintenance and operation of the Items of Equipment as Lessor may reasonably request.

Lessee shall permit any Person (including prospective purchasers, financiers or lessees of the Aircraft) designated in writing by Lessor, to visit and inspect (at any reasonable time, provided that, so long as no Event of Default has occurred and is continuing, such inspection shall not unreasonably interfere with Lessee's business or operational commitments) the Items of Equipment, their condition, use and operation and the records maintained in connection therewith and to make copies of such records as Lessor may reasonably designate. All representatives designated by Lessor to perform any such inspection of the Aircraft shall comply with all occupational health and safety and security requirements as the same are advised to Lessor in writing by Lessee or any party acting by or through Lessee at the location of such inspection.

Lessor shall be permitted to have representatives and/or agents present throughout the accomplishment of Maintenance Checks to observe all aspects of the same including, but not limited to, the workscope thereof. Neither Lessor nor any person designated by Lessor shall have any duty to make any such inspection and none shall incur any liability or obligation by reason of making or not making such inspection.

Technical Report Prior to Return of Aircraft.

Eighteen (18) months prior to the Scheduled Termination Date, Lessee shall provide to Lessor a maintenance status report detailing the information in the form appearing in Appendix 7.

At Lessor's request, Lessee will make copies available of (i) drawings of the interior configuration of the Aircraft both as it then exists and as it will exist at Return, (ii) an Airworthiness Directive status list, (iii) a service bulletin incorporation list, (iv) Time Controlled Part listings and current maintenance status of each, (v) a list of modifications and alterations accomplished with respect to the Aircraft during the Lease Term, (vi) interior material burn certificates, (vii) the complete workscope for the Maintenance Checks and other work to be performed prior to Return, (viii) a list of all no-charge service bulletin kits with respect to the Aircraft which were ordered by Lessee from any Manufacturer, (ix) current Engine disk sheets and a description of the work accomplished during the last shop visit for each Engine and (x) any other data which is reasonably requested by Lessor in connection with any of the foregoing.

REGISTRATION; PERFECTION OF OWNER'S TITLE; LIENS

Registration. The Lessor will cause the Aircraft to be registered with the Register at Delivery and will timely file with the Register any registration renewals required to be made during the Lease Term. In the event of any change in applicable law that requires Lessee's cooperation to complete the renewal of such registration, Lessee shall provide all reasonable cooperation requested by Lessor to effectuate such registration renewal. Lessee shall not take or permit any action inconsistent with the continued registration of the Aircraft or the recordation of the various interests of Lessor, Owner and any Financing Party therein with the Register.

Identification Plates. At Delivery Lessee shall affix and, throughout the Lease Term, shall maintain in respect of the Aircraft and each Engine a fireproof identification plate of a reasonable size, in a clearly visible place in the cockpit of the Aircraft and on each Engine, that contains the legend in writing appearing in paragraph 5 of Appendix 2B. Lessee shall not remove, or cause or permit the removal or modification of such identification plate without Lessor's prior written consent. Lessee shall promptly replace any such nameplate that becomes illegible, lost, damaged or destroyed for any reason. If at any time Lessor and/or Owner transfer their respective interests in the Aircraft or this Lease as permitted hereunder or Lessor or Owner finances or refinances the Aircraft, Lessee will, at Lessor's request and cost, promptly affix such new nameplates to the Airframe and the Engines as may be required by Lessor.

Authorization to Make Perfection Filings. The execution of this Lease by the parties hereto constitutes the authorization by Lessee to Lessor's legal counsel to make (and where necessary to execute on Lessee's behalf) such perfection filings customary in U.S. legal practice as Lessor and its counsel deem necessary or desirable to protect the interest of Lessor, Owner and any Financing Party hereunder. From time to time on reasonable written request made by Lessor, Lessee shall provide to Lessor a letter on the letterhead of Lessee, in form and substance reasonably satisfactory to Lessor and executed by an officer of Lessee, authorizing such Persons as Lessor may specify to make such perfection filings as Lessor reasonably deems necessary or desirable to protect the interests of Lessor, Owner or any Financing Party hereunder.

Perfection of Title. Lessee shall, together with Owner and/or Lessor, cause, or, at Lessor's request, assist Lessor in causing, this Lease, the Lease Supplement and any and all additional documents and instruments which shall be executed pursuant to the terms hereof as permitted by applicable Law or regulations, to be kept, filed and recorded in the Register. Lessee shall not take any action which would conflict with or adversely affect such filings and recordation of the Lease and such other documents as provided herein.

If at any time subsequent to the initial recordation under the preceding clause (a), any filing or recording is reasonably necessary or desirable to protect the interests of Lessor and/or Owner, Lessee, at its own cost and expense and upon request by Lessor, shall cause this Lease, any financing statements with respect hereto, and any and all additional instruments which shall be executed pursuant to the terms hereof, to be kept, filed and recorded and to be re-executed, refiled

and re-recorded in the appropriate office or offices pursuant to applicable Laws, to perfect, protect and preserve the rights and interests of Lessor and Owner hereunder and in the Aircraft or any Item of Equipment.

Without limiting the foregoing, Lessee shall also do or cause to be done, at its own expense, any and all acts and things which may be required under the terms of any Law involving any jurisdiction in which Lessee does, or is reasonably likely to, operate the Aircraft, or any and all acts and things which Lessor may reasonably request, to perfect and preserve Owner's ownership rights regarding the Aircraft within any such jurisdiction.

Cape Town Convention. Lessee shall, together with Lessor, at Lessee's cost and expense promptly (i) do and join with Lessor in doing all such acts as may be necessary to perfect recognition of the title to and interest in the Aircraft of Lessor, Owner and of the Collateral Agent (if any) in accordance with the Cape Town Convention and (ii) execute and deliver to Lessor, to Owner and to any Financing Parties any other documents or instruments (including, without limitation, any de-registration and export request authorizations and powers of attorney) which such legislative or other provisions may authorize or recognize.

Permitted Liens. Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any Lien on or with respect to this Lease, any Item of Equipment, title thereto or any interest therein, except (i) the respective rights of Owner, Lessor and Lessee as herein provided; (ii) a Lessor's Lien; (iii) Liens for Taxes not yet due or being contested in good faith by appropriate proceedings so long as adequate security has been posted with respect to such Taxes in accordance with GAAP; (iv) inchoate materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business and for amounts the payment of which is either not yet delinquent or is being contested in good faith by appropriate proceedings (and for which adequate security has been posted by Lessee); and (v) Liens for airport, navigation, and en-route charges arising in the ordinary course of business and for amounts the payment of which is either not yet delinquent or is being contested in good faith by appropriate proceedings (and for which adequate security has been posted by Lessee). Lessee shall not be permitted to contest any Lien if such contest gives rise to any reasonable possibility of the sale, forfeiture, confiscation, distraint, seizure or loss of any Item of Equipment or any interest therein in the course of any such proceedings, or as a result of any such Lien the respective interests of Lessor, Owner or any Financing Party will be adversely affected. Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge any such Lien not excepted above if the same shall arise at any time with respect to any Item of Equipment.

GENERAL INDEMNITY

Scope. Lessee agrees to indemnify, defend, reimburse and hold harmless, to the fullest extent permitted by Law, each Indemnitee from and against any and all Claims which in any way may result from, pertain to or arise in any manner out of, or are in any manner related to:

the Aircraft, this Lease or any other Operative Document, or the breach of any representation, warranty, covenant or Obligation made or to be performed by Lessee hereunder or thereunder; or

the condition, design, ownership, manufacture, purchase, delivery, non-delivery, lease, possession, return, disposition, use, or operation of the Aircraft either in the air or on the ground; or

any defect in the Aircraft or any Item of Equipment (whether or not discovered or discoverable by Lessee or Lessor) arising from the material or any articles used therein or from the design, testing, or use thereof or from any maintenance, service, repair, overhaul, or testing of the Aircraft or any Item of Equipment, whether or not the Aircraft or any Item of Equipment is in the possession of Lessee, and regardless of where the Aircraft or any Item of Equipment may then be located; or

the accuracy, validity or traceability of any of the Aircraft Documents; or

any en route navigation charges, navigation service charges, airport charges and landing fees and all other charges payable in connection with the use of or for services provided at any airport or by any navigation service or Governmental Authority, whether in respect of the Aircraft or any other aircraft owned, leased or operated by Lessee; or

any lawful action taken by any Indemnitee in relation to the release or attempt to release the Aircraft from any arrest, confiscation, seizure, taking in execution, impounding, forfeiture or detention of the Aircraft; or

any act or omission of Lessee which invalidates or which renders voidable any Insurances or which is outside the scope of, or excluded from, the coverage thereof.

Upon payment in full to any Indemnitee of any indemnities contained in this Article 18 by Lessee, Lessee shall be subrogated to all rights and remedies which such indemnified party has or may have against the Manufacturer or any other Person. If any Indemnitee or Lessee has knowledge of any Claim for which Lessee is obligated to indemnify under this Article 18, it shall comply with 18.4 below.

Lessee's Release. Lessee hereby waives and releases each Indemnitee from any Claims (whether existing now or hereafter arising) for or on account of or arising or in any way connected with injury to or death of personnel of Lessee or loss or damage to property of Lessee or the loss of use of any property which may result from or arise in any manner out of or in relation to the ownership, leasing, condition, use or operation of the Aircraft or any Item of Equipment, either in the air or on the ground, or which may be caused by any defect in the Aircraft or any Item of Equipment from the material or any article used therein or from the design or testing thereof, or use thereof, or from any maintenance, service, repair, overhaul or testing of the Aircraft or any Item of Equipment regardless of when such defect may be discovered, whether or not the Aircraft or any Item of Equipment is at the time in the possession of Lessee, and regardless of the location of the Aircraft or any Item of Equipment at any such time.

Repayment. If an Indemnitee shall obtain a repayment or refund of any amount paid by Lessee, such Indemnitee shall, so long as there exists no Payment Default or continuing Event of Default, promptly pay to Lessee the amount of such repayment, together with the amount of any interest received by such Indemnitee on account of such repayment.

Contest and Payment.

(a) In case any action, suit or proceeding shall be brought against any Indemnitee for which Lessee is responsible under this Article 18, such Indemnitee shall notify Lessee of the commencement thereof (provided that failure to do so shall not eliminate any liability by Lessee to an Indemnitee under this Article 18 except to the extent that such failure results in an additional cost or expense to Lessee (in which event Lessee shall not be responsible for such additional cost or expense) or materially, adversely affects Lessee's ability to contest such claim) and, Lessee may, at its expense and subject to the provisions hereof, assume and control the defense thereof and, settle or compromise the same.

(b) Lessee or its insurer(s) shall have the right, at its or their expense, to investigate or, if Lessee or its insurer(s) shall agree in writing not to dispute liability to the Indemnitee giving notice of such action, suit or proceeding under this Article 18 for indemnification hereunder or under any insurance policies pursuant to which coverage is sought, respectively, control the defense of, any action, suit or proceeding, relating to any Claim for which indemnification is sought pursuant to this Article 18, and each Indemnitee shall cooperate with Lessee or its insurer(s) with respect thereto; provided, that Lessee shall not be entitled to control the defense of any such action, suit, proceeding or compromise any such Claim (i) during the continuance of any Payment Default or Event of Default, or (ii) if such proceedings will (x) involve any *non-de minimis* risk of the sale, forfeiture or loss of the Aircraft or any part thereof or (y) involve any risk of criminal liability of any Indemnitee or (z) involve any material risk of civil liability to any Indemnitee for which such Indemnitee is not indemnified hereunder. In connection with any such action, suit or proceeding being controlled by Lessee, such Indemnitee shall have the right to participate therein, at its sole cost and expense, with counsel reasonably satisfactory to Lessee.

(c) If Lessee or its insurer(s) shall agree in writing not to dispute liability to the Indemnitee giving notice of an action, suit or proceeding under this Article 18 for indemnification hereunder or under any insurance policies pursuant to which coverage is sought, then such Indemnitee shall not enter into a settlement or other compromise with respect to any Claim arising out of such action, suit or proceeding without the prior written consent of Lessee, which consent shall not be unreasonably withheld or delayed, unless such Indemnitee waives its right to be indemnified under this Article 18 with respect to such Claim.

(d) In the case of any Claim indemnified by the Lessee hereunder which is covered by a policy of insurance maintained by Lessee pursuant to the Lease, at Lessee's expense, each Indemnitee agrees to cooperate with the insurers in the exercise of their rights to investigate, defend or compromise such Claim as may be required to retain the benefits of such insurance with respect to such Claim.

(e) If an Indemnitee is not a party to this Agreement, Lessee may require such Indemnitee to agree in writing to the terms of this Article 18 prior to making any payment to such Indemnitee under this Article 18.

(f) Nothing contained in this Article 18 shall be deemed to require an Indemnitee to contest any Claim or to assume responsibility for or control of any judicial proceeding with respect thereto.

(g) Lessee will provide the relevant Indemnitee with such information not within the control of such Indemnitee, as is in Lessee's control or is reasonably available to Lessee, which such Indemnitee may reasonably request and will otherwise cooperate with such Indemnitee so as to enable such Indemnitee to fulfill its obligations under this Article 18. The Indemnitee shall supply Lessee with such information not within the control of Lessee, as is in such Indemnitee's control or is reasonably available to such Indemnitee, which Lessee may reasonably request to control or participate in any proceeding to the extent permitted by this Article 18.

(h) Each Indemnitee will give such further assurances or agreements and reasonably cooperate with Lessee to permit Lessee to pursue such claims, if any, to the extent reasonably requested by Lessee and at Lessee's expense.

(i) Subject to the provisions of this Section 18.4 Lessee shall pay directly to each Indemnitee all amounts due under this Article 18 within thirty (30) days (i) after resolution of the contest by Lessee in accordance herewith or, (ii) if no such contest is conducted, after the receipt of written notice by Lessee from such Indemnitee that such payment is due.

Exclusions. Notwithstanding the foregoing provisions of this Article 18, Lessee shall not be obligated under Article 18.1 in respect of any Claim against such Indemnitee to the extent that such Claim results from or arises out of:

(a) the gross negligence or willful misconduct of such Indemnitee;

(b) any Lessor's Lien,

(c) any Taxes, whether or not Lessee is required to indemnify therefor pursuant to Article 21 (it being understood that Article 21 is the sole source of Tax indemnification by Lessee hereunder); provided that this exclusion shall not apply to any Taxes taken into account in making any payment on an After-Tax Basis;

(d) acts or events which occur before Delivery or after the Termination Date, unless any such act or event results from an act or omission of Lessee which occurred during the Lease Term;

(e) such Indemnitee having acted in the capacity of a manufacturer, repairer, maintenance provider or servicing agent with respect to the Aircraft (provided that such this exclusion shall not apply to any liability with respect to any Claim brought against such Indemnitee in any other capacity);

(f) or constitutes, an expense which is an ordinary and usual operating or overhead expense of such Indemnitee or is an expense that is required to be borne by such Indemnitee under the Lease;

(g) or constitutes, an expense consisting of costs and expenses of (including injury to) any person inspecting the Aircraft on behalf of any Indemnitee;

(h) breach or non-compliance by such Indemnitee of any of its representations, warranties or covenants under this Lease other than any such failure to the extent caused by (i) the failure of Lessee to perform or observe any agreement, covenant or condition on its part to be performed or observed in any Operative Document or (ii) the failure of any representation or warranty of Lessee or Lessee Parent to be true and correct when made or repeated; or

(i) any disposition (voluntary or involuntary) by Lessor or the Owner or any Financing Party of all or part of their respective interests in the Aircraft of this Lease except any such disposition incident to the exercise of remedies during the continuance of an Event of Default.

After-Tax Nature of Indemnity. Each indemnity payable pursuant to this Article 18 shall be paid on an After-Tax Basis.

Survival. The indemnities contained in this Article 18 shall continue in full force and effect notwithstanding the occurrence of the Termination Date, and are expressly made for the benefit of and shall be enforceable by each Indemnitee.

INSURANCE

Obligation to Insure. Lessee shall, throughout the Lease Term, maintain in full force and effect, at its own cost and expense, the Insurances. Lessor is not under any duty or obligation to verify the existence or adequacy of the Insurances.

Liability Insurance. Lessee shall maintain in effect comprehensive third party aircraft liability insurance against bodily injury and property damage losses arising from ground, flight and taxiing exposures, including, but not limited to, passenger legal liability, cargo liability and products liability insurance in the amount set forth in paragraph 4.1 of Appendix 2B and in the aggregate with respect to products liability, or such higher amount as Lessee may maintain from time to time on similar aircraft, for any one accident, or series of accidents arising out of any one event, with respect to the Aircraft and Items of Equipment. Such policy shall include war and allied risks in accordance with standard market practice (currently "*The Extended Coverage Endorsement-AVN 52E*") plus such excess coverage through government indemnity or commercial insurance up to the full limit required herein. Any such liability insurance policy shall not be subject to any deductible amount except with respect to baggage, cargo liability, and hangar keeper's liability coverage, for which there may not be a deductible in an amount exceeding Ten Thousand Dollars (\$10,000) or such higher amount as may be approved by Lessor in writing from time to time. All Insurances shall:

name the Additional Insureds as additional insureds;

be primary without right of contribution from any other insurance which is carried by any Additional Insureds with respect to the Aircraft or any Engine when not installed on the Aircraft; and

each liability policy shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured.

Contractual Liability; Tail Coverage for Liability Insurance. The Insurances referred to in Section 19.2 shall:

include and insure (to the extent of the risks covered by the policies) the indemnity provisions of Article 18;

for a period of two (2) years after the Termination Date, at Lessee's cost and expense, continue to name each Indemnitee as additional insureds; and

should Lessor and/or Owner transfer their interests in the Aircraft and this Lease pursuant to Article 25, for a period of two (2) years from the effective date of such transfer continue to name as additional insured(s) the transferring Lessor (and the relevant transferring Owner and Financing Parties and other related Indemnitees).

Insurance Against Loss or Damage to the Items of Equipment.

Lessee shall maintain in effect with respect to the loss or damage to the Items of Equipment:

all-risk ground and flight aircraft hull insurance for the Agreed Value set forth in paragraph 4.2 of Appendix 2B covering the Aircraft and all risk insurance on a full replacement cost basis with respect to the Landing Gear, APU, Engines and Parts while not installed on or in the Aircraft, and

war risk insurance including, but not limited to, war, acts of terrorism, political/non-political hijacking, confiscation, including confiscation by the Government of Registry, expropriation or appropriation, nationalization, seizure and further including coverage for electromagnetic, chemical and biological risks as the same is available on the standard commercial aviation insurance markets.

All such insurance shall be payable in Dollars in the United States and shall be, with respect to the Aircraft, on an "agreed value" basis. Any hull insurance carried in accordance with this Section 19.4 shall not contain any provision for self-insured amounts or a deductible that exceeds the deductible amount appearing in Appendix 2B, Section 4.4. Any policies carried in accordance with this Section 19.4 shall designate Owner as owner and Owner, or its nominee, as sole loss payee, on behalf of the Additional Insureds as their respective interests may appear, and Lessor as lessor of the Aircraft covered thereby.

Installation of Other Engines on the Aircraft. If Lessee installs an engine not owned by Owner on the Aircraft, either (x) Lessee's hull insurance on the Aircraft must automatically increase to such higher amount as is necessary in order to satisfy the requirement of this Section 19.4 that Owner receive the Agreed Value in the event of an Event of Loss and the amount required by the third party engine owner or (y) separate additional insurance on such engine will attach in order to satisfy separately the requirements of Lessee to such third party engine owner.

Additional Lessee Coverage. Lessee may obtain additional hull insurance on the Aircraft, over and above the Agreed Value hereunder, provided that it does not adversely affect the coverage required to be maintained hereunder.

Requirements for All Insurances. All Insurances shall:

be maintained in effect with insurers reasonably acceptable to Lessor, of recognized responsibility, specializing and normally participating in the international aviation insurance market and carrying and maintaining an A.M. Best rating of not less than A-, Class VII;

provide that in respect of the interests of the Additional Insureds such policies of insurance shall insure the Additional Insureds regardless of any breach or violation of any warranty, declarations or conditions contained in such policies by Lessee or any other Person;

provide that the Additional Insureds shall have no responsibility for any premiums, assessments, warranties or representations in connection with such insurance;

include the geographic limits of all territories over which the Aircraft and any Engine will be operated;

waive any rights of set off, counterclaim or deduction, whether by attachment or otherwise, and all rights of subrogation against the Additional Insureds and their respective successors, assigns, agents, officers, employees and servants; and

provide that if the insurers cancel such insurance for any reason whatever, or the same is allowed to lapse for nonpayment of premium, or if there is any material change in policy terms and conditions, such cancellation, lapse or change shall not be effective until thirty (30) days after issuance to Lessor of written notice from such insurers of such cancellation, lapse or change (seven (7) days for cancellation with respect to war risk and allied perils insurance).

Reports. Lessee and its insurance underwriters or brokers shall advise Lessor in writing promptly of any default in the payment of any premium and of any other act or omission on the part of Lessee which might invalidate or render unenforceable, in whole or in part, any insurance on the Aircraft. On or before the Delivery Date, and thereafter on or prior to each renewal or replacement by Lessee of the insurance required hereby, but not less often than annually, Lessee will furnish to Lessor one or more original certificates of insurance and a broker's letter of undertaking, each executed and delivered by an insurance broker appointed by Lessee and approved by Lessor, which together shall describe in reasonable detail the insurance carried on the Aircraft. Lessee will cause its insurance brokers to identify to Lessor the insurers and the percentage of participation they are undertaking and/or advise that the insurers used are, from a financial standpoint, sufficiently strong for the risks and amounts insured they are undertaking and shall certify to Lessor that the insurance then maintained on the Aircraft is customary in the commercial passenger airline industry and shall advise Lessor in writing at least thirty (30) days (seven (7) days in the case of any war risk and allied perils coverage) prior to the cancellation by the underwriters of any such insurance or as soon as possible in respect of "non-renewal" or automatic termination for war risk insurance required hereunder. Certificates of insurance shall be provided to Lessor on or prior to the expiration or replacement date of the insurance required hereunder. Otherwise, not less than five (5) Business Days before the expiration or termination date of any insurance required hereunder, Lessee will provide Lessor with faxed or other electronic confirmation from Lessee's insurance brokers certifying that renewal certificates of insurance evidencing the

renewal or replacement of such insurance pursuant to the provisions of this Article 19 will be issued effective as of the termination date of the prior certificate of insurance coverage. Within fifteen (15) days after such renewal, Lessee will furnish to Lessor an original certificate of such insurance coverage from such insurance broker.

Assignee of Lessor's and/or Owner's Interests. If Lessor, Owner and/or any Financing Party assigns all or any of its rights or otherwise disposes of any interest in the Aircraft or this Lease to any other Person, Lessee shall, upon request, procure that such Person shall (x) be named as loss payee in substitution for Lessor, Owner and/or such Financing Party, as applicable and/or as additional insured in the policies effected hereunder and (y) enjoy the same rights and insurance enjoyed by Lessor, Owner and such Financing Party, as applicable, under such policies.

Failure to Insure If at any time the Insurances are not maintained by Lessee in compliance with this Article 19, Lessor, Owner and any Financing Party shall be entitled but not bound to do any of the following (without prejudice to any of the rights which any of them may have under the Operative Documents by reason of such failure):

upon giving notice thereof to Lessee, to pay any premiums due or to effect or maintain such insurance or otherwise remedy such failure in such manner as Lessor or, if applicable, any Financing Party considers appropriate (and Lessee shall upon demand reimburse Lessor or if applicable, the relevant Financing Party in full for any amount so expended in that connection); and/or

at any time while such failure is continuing, to require the Aircraft to remain at any airport or (as the case may be), subject to the Aircraft being adequately insured, proceed to and remain at any airport designated by Lessor, until such failure is remedied to Lessor's satisfaction.

Lessor's Right to Insure. Lessee acknowledges that each of Lessor, Owner and each Financing Party has an insurable interest in the Aircraft and each Item of Equipment and may, at its own expense, obtain insurance or contingent insurance in its own name with respect to such insurable interest. Lessee shall provide to Lessor, Owner and each Financing Party all reasonable assistance as from time to time requested by it in order to adequately protect such insurable interest. Neither Lessor, Owner nor any Financing Party shall maintain any such insurance that would prejudice the insurance maintained by Lessee pursuant to this Lease. Lessee shall have no right to any proceeds of any insurance policies maintained by Lessor.

Changes to Insurance Practice. If there is a material change in the generally accepted industry-wide practice with regard to the insurance of aircraft or any material change with respect to the insurance of aircraft based or operated in any jurisdiction in which the Aircraft may then be based or operated (whether relating to all or any of the types of Insurances required to be effected under this Article 19) such that Lessor shall be of the reasonable opinion that the Insurances required pursuant to this Article 19 are insufficient to protect the respective interests of Lessor and the other Indemnitees (bearing in mind the nature and route of operation of the

Aircraft), the insurance requirements set forth in this Article 19 shall be amended, as soon as practicable following notice by Lessor to Lessee, so as to include such additional or varied requirements as may be reasonably necessary to ensure that the insurance as so varied shall provide comparable protection to Lessor and the other Indemnitees to that which it would have done if such change had not occurred. In such circumstances, Lessor will consult in good faith with Lessee in relation to any proposed change.

AVN 67B. Notwithstanding anything to the contrary contained in this Article 19, Lessor shall accept the terms of AVN 67B ("*Airline Finance/Lease Contract Endorsement*") where such endorsement is contrary to the terms of this Lease as long as such endorsement is customary in the London international insurance markets for commercial passenger airlines.

LOSS AND DAMAGE TO THE AIRCRAFT AND ITEMS OF EQUIPMENT

Risk of Loss and Damage. Following Delivery, Lessee shall bear the full risk of any loss, destruction, hijacking, theft, condemnation, confiscation, seizure or requisition of or damage to the Aircraft and each Item of Equipment and of any other occurrence which shall deprive Lessee of the Aircraft or any Item of Equipment for the time being of the use, possession or enjoyment thereof including, without limitation, any resulting loss in value of the Aircraft or any Item of Equipment due to any of the aforementioned circumstances.

Notification of Loss and Damage.

Lessee shall give Lessor notice in writing (i) within twenty-four (24) hours after the occurrence of any Event of Loss with respect to the Aircraft, the Airframe or any Engine, and (ii) promptly after the occurrence of any Event of Loss with respect to any other Item of Equipment.

Each of Lessee and Lessor shall supply to the other all necessary information, documentation and assistance which may reasonably be required in connection with making any claim under the Insurances.

Event of Loss – Aircraft/Airframe. If an Event of Loss occurs in respect of the Airframe (with or without the Engines), Lessee shall pay, or procure that the insurer pays, to Owner (or to any Financing Party named as loss payee under the Insurances) as soon as reasonably practicable but in any event within sixty (60) days after the Event of Loss Date or, if earlier, the date such insurance proceeds are received, the Agreed Value as at the Event of Loss Date (or such earlier date, as the case may be) together with all Rent and other amounts then due and payable under Operative Documents.

The Net Event of Loss Proceeds received by Owner (or such other person as may be designated as loss payee) from Lessee or the insurer pursuant to this Article 20 shall be applied as follows:

first, in discharge of the Agreed Value;

second, in discharge of any unpaid Rent and any other amounts (other than the Agreed Value) due and payable by Lessee under the Operative Documents and any Related Lease but unpaid; and

third, payment of the balance, if any, to Lessee.

Lessee shall continue to pay Basic Rent on the days and in the amounts required under this Lease notwithstanding any such Event of Loss provided that no further installments of Basic Rent shall become due after the date on which all sums due under this Section 20.3 shall have been paid in full, and on such date the Lease Term shall terminate and Owner shall, at Lessee's cost and subject to the rights (if any) of the insurer cause title to the Aircraft (and to any surviving Engine) to be conveyed to Lessee (or Lessee's insurers, as the case may be) on a quitclaim basis, without warranty or recourse, except that the same shall be free and clear of all rights of Lessor and Owner and Lessor's Liens without representation, recourse to or warranty by Lessor, Owner or any Financing Party and, provided no Default or Event of Default has occurred and is continuing, Lessor shall thereafter pay to Lessee the amount specified in Section 22.6.

Event of Loss – Engine or APU. Upon the occurrence of an Event of Loss with respect to an Engine or APU, under circumstances in which there has not occurred an Event of Loss with respect to the Aircraft or Airframe, Lessee shall forthwith, but in any event, before the earliest to occur of (x) the Scheduled Termination Date, (y) the Termination Date, and (z) sixty (60) days after the Event of Loss Date, convey to Owner, free and clear of all Liens, title to another engine or, as applicable, auxiliary power unit of the same or an improved model and suitable for installation and use on the Airframe.

Replacement Engine. Any replacement engine conveyed to Owner pursuant to this Section 20.4 shall have a value and utility at least equal to, and be in as good operating condition as, the Engine with respect to which such Event of Loss shall have occurred, based on but not limited to (i) Cycles accumulated on each Engine Life Limited Part, (ii) Flight Hours accumulated since new (and accumulated since completion of the most recent heavy maintenance shop visit that completed a workscope at least equivalent to that of an Engine Restoration if an Engine Restoration had previously been accomplished on the Engine that suffered such Event of Loss), and (iii) Flight Hours and Cycles accumulated since new (and accumulated since the most recent restoration or refurbishment of each engine module with respect to any module for which a restoration or refurbishment had previously been accomplished on the Engine that suffered such Event of Loss), assuming such Engine was of the value and utility and in the condition and repair as required by the terms hereof immediately prior to the occurrence of such Event of Loss.

Replacement APU. Any replacement APU conveyed to Owner pursuant to this Section 20.4 shall have a value and utility at least equal to, and be in as good operating condition as, the APU with respect to which such Event of Loss shall have occurred, based on but not limited to (i) APU Hours (and APU Cycles if applicable) accumulated since new with respect to each APU Life Limited Part (as applicable) and (ii) APU Hours accumulated since new (and since the most recent Overhaul for each auxiliary power unit module if an Overhaul had previously been accomplished on the APU that suffered such Event of Loss), assuming such APU was of the value and utility and in the condition and repair as required by the terms hereof immediately prior to the occurrence of such Event of Loss.

Lessor Inspection. Lessee shall identify to Lessor a candidate replacement engine or auxiliary power unit (as applicable) meeting the requirement of this Section 20.4 and Lessor may, at Lessee's expense, inspect such candidate replacement engine or auxiliary power unit, which shall include, at Lessor's option, (i) a full borescope inspection of the compressor, turbine and combustion sections of the replacement engine or auxiliary power unit and (ii) a records inspection, and the results of each such inspection must be satisfactory to Lessor.

Replacement Subject to Lease. Upon acceptance by Lessor, such replacement engine or, as applicable, auxiliary power unit, shall be deemed an "Engine" or, as applicable, an "APU", as defined herein for all purposes hereunder. Lessee agrees to take such action and execute and deliver such documents, including, but not limited to a full warranty bill of sale, and a supplement hereto, as Lessor may reasonably request in order that any such replacement engine or auxiliary power unit shall be duly and properly titled in the name of Owner and leased hereunder to the same extent as any Engine or APU replaced thereby.

Event of Loss – Landing Gear.

Upon the occurrence of an Event of Loss with respect to a Landing Gear, under circumstances in which there has not occurred an Event of Loss with respect to the Aircraft or the Airframe, Lessee shall forthwith replace such Landing Gear as soon as reasonably possible, but in any event, before the earliest to occur of (x) the Scheduled Termination Date, (y) the Termination Date, and (z) sixty (60) days from the Event of Loss Date, by duly conveying to Owner, free and clear of all Liens, title to another landing gear of the same or an improved model and suitable for installation and use on the Airframe.

The replacement landing gear shall have a value and utility at least equal to, and be in as good operating condition as, the Landing Gear with respect to which such Event of Loss shall have occurred, based on but not limited to (i) the maximum weight certified for such landing gear; (ii) Flight Hours, Cycles and calendar time accumulated since new with respect to each Landing Gear Life Limited Part (as applicable), and (iii) Flight Hours, Cycles and calendar time accumulated since new (and accumulated since Overhaul if an Overhaul had previously been accomplished on the Landing Gear that suffered such Event of Loss), assuming such Landing Gear was of the value and utility and in the condition and repair as required by the terms hereof immediately prior to the occurrence of such Event of Loss.

Lessee shall identify to Lessor a candidate replacement landing gear meeting the requirement of this Section 20.4 and Lessor may, at Lessee's expense, inspect such replacement landing gear, which shall include, at Lessor's option, a records inspection, and the results of such inspection must be satisfactory to Lessor.

Upon acceptance by Lessor, any such replacement landing gear shall be deemed a "Landing Gear", as defined herein for all purposes hereunder. Lessee agrees to take such action and execute and deliver such documents, including, but not limited to a full warranty bill of sale, and a supplement hereto, as Lessor may reasonably request in order that any such replacement landing gear shall be duly and properly titled in the name of Owner and leased hereunder to the same extent as any Landing Gear replaced thereby.

Repairable Damage.

In the event of repairable damage to any Item of Equipment for which insurance proceeds are paid or payable, subject to no Event of Default having occurred and continuing, all insurance proceeds which may be paid or payable by the insurers of the Aircraft shall, subject to receipt (x) by Lessor of a true and correct copy of the adjuster's claim report, and (y) by Lessee and the insurers of Lessor's prior written approval for the release of such proceeds, be paid to:

Lessee in respect of all loss or damage Lessee has repaired (or caused to be repaired), or

the repairer for the cost of the completed repair works, or

to the vendor of any new or replacement Item of Equipment for the cost of such new or replacement Item of Equipment;

provided that Lessee shall have furnished to Lessor a true and correct copy of the insurance adjuster's written confirmation, in a form reasonably satisfactory to Lessor, that the repairs have been fully performed and that all invoices in relation thereto have been paid and a certification by Lessee that all such repairs have been performed in accordance with the terms of this Lease. Any such insurance proceeds payable following the occurrence and continuation of an Event of Default (or not otherwise applied in the manner described above) shall be, at Lessor's election, (x) held by Lessor until such Event of Default has been cured or, (y) applied against Lessee's obligations under the Operative Documents in such manner as Lessor may direct.

(b) In the event of repairable damage to any Item of Equipment for which insurance proceeds are paid or payable, if such insurance proceeds paid in respect thereof are insufficient to pay the cost or estimated cost of making good or repairing such damage or the cost of purchasing a replacement engine, auxiliary power unit, landing gear or part if the same is beyond economic repair, Lessee will be solely liable for and pay the deficiency.

Documents Loss. Upon the occurrence of a Documents Loss under circumstances in which there has not occurred an Event of Loss with respect to an Item of Equipment to which such Lost Documents relate, Lessee shall within thirty (30) days from the date of such loss notify Lessor in writing and thereafter replace such Lost Documents (such replacement documents hereinafter "Reconstructed Documents") by:

obtaining copies of such Lost Documents from the Approved Maintenance Organization that accomplished the maintenance covered by the respective Lost Documents, each such copy to be certified by the Quality Assurance Department of the respective Approved Maintenance Organization as being a true copy of the respective Lost Document, or

the re-accomplishment of Overhauls and Tasks specified in such Lost Documents as soon as reasonably possible, but in any event, before the earliest to occur of (x) sixty (60) days following the Documents Loss, (y) the Scheduled Termination Date, and (z) the Termination Date. The Reconstructed Documents shall comply with all requirements for Required Approvals with respect to the Item of Equipment to which such Lost Documents relate and shall be sufficient to document the then current maintenance status of the affected Items of Equipment. Lessor shall be entitled to

inspect the Reconstructed Documents and the results of each such inspection must be satisfactory to Lessor. Upon acceptance by Lessor, such Reconstructed Documents shall be deemed Aircraft Documents as defined herein for all purposes hereunder.

Application of Payments from Governmental Authorities. Payments received by Lessor, Owner or Lessee from any Governmental Authority or entity with respect to an Event of Loss resulting from the condemnation, confiscation or seizure of, or requisition of title to or use of the Aircraft or the Airframe, shall be retained by Lessor or Owner, if received by Lessor or Owner, or promptly paid over to Lessor, if received by Lessee, up to an amount equal to the Agreed Value plus any amounts of unpaid Rent and any other amounts due to Lessor or Owner hereunder or under any other Operative Documents or any Related Lease. At such time as Lessor or Owner has received such amounts in full, Lessor shall promptly remit (or cause Owner to promptly remit) the excess, if any, of such payments to Lessee. Payments received by Lessor, Owner or Lessee from any Governmental Authority or entity with respect to an Event of Loss resulting solely from the condemnation, confiscation or seizure of, or requisition of title to or use of any Engine shall be paid over to, or retained by, Lessee, provided that Lessee shall have fully performed its obligations under this Article 20 with respect to such Engine. Payments received by Lessor, Owner or Lessee from any Governmental Authority with respect to a requisition of use during the Lease Term of the Aircraft, the Airframe or any of the Engines, which requisition does not constitute an Event of Loss, shall, so long as no Payment Default or Event of Default has occurred and is continuing, be paid to, or retained by, Lessee.

No Lessor Liability to Repair or Replace Following Delivery. Lessor will not be liable for any expense in repairing or replacing any Item of Equipment or be liable to supply another aircraft or any item of equipment in lieu of the Aircraft or any Item of Equipment if the same is lost, confiscated, damaged, destroyed or otherwise rendered unfit for use or to produce or provide Reconstructed Documents (as such term is defined in this Article 20).

TAXES; TAX INDEMNITY

Indemnity.

Indemnity. Except as provided in Section 21.1(b), Lessee shall pay, and shall indemnify and hold harmless each Indemnatee for and against, all Taxes arising or resulting from or otherwise relating to any Item of Equipment, any Operative Document, or any of the transactions and activities provided for or contemplated in, or permitted by, the Operative Documents, including without limitation, the purchase, ownership, delivery, leasing, subleasing, wet-leasing, registration, possession, use, operation, landing, take-off, storage, location, presence, maintenance, alteration, modification, improvement, servicing, repair, overhaul, pooling, interchange, exchange, substitution, replacement, loss, return, sale or other disposition of, or any damage, addition or transfer of title to, any Item of Equipment or any interest therein, the execution, delivery, filing, registration, recording, presence, performance of, payment under or enforcement of, or the cure of any default or the exercise of any remedy under, any Operative Document or any other documents executed from time to time pursuant to any Operative Document (regardless of how or when such Taxes are imposed or assessed, whether imposed on or assessed against any Indemnatee, Lessee,

any Item of Equipment, any Operative Document, any interest therein or any use thereof, or otherwise) and all costs and expenses (including, without limitation, reasonable attorney's fees and disbursements) paid or incurred by any Indemnitee with respect to any Tax for which Lessee is required to indemnify such Indemnitee pursuant to this Article 21 or in connection with the enforcement of this Article 21 (an "**Indemnified Tax**").

Excluded Taxes. Lessee shall have no obligation under Section 21.1(a) or (c) to indemnify an Indemnitee for:

Taxes imposed by withholding or otherwise, based on, or measured by the income (including gross income), earnings, receipts, capital, franchise, excess profits or conduct of business of such Indemnitee or any of its Affiliates (collectively "**Income Taxes**"), including, without limitation, income Taxes, withholding Taxes, capital gains Taxes, minimum and alternative minimum Taxes, accumulated earnings Taxes, personal holding company Taxes and branch profits and branch interest Taxes (but, for clarity, not including (i) sales, use and value added Taxes, (ii) rental Taxes not in the nature of an income Tax, (iii) property and *ad valorem* Taxes, and (iv) license or similar Taxes) imposed by the United States, any state or local government, or any foreign government; provided, however, that in the case of any Taxes imposed by any Governmental Authority located outside the United States, the exclusion of Income Taxes under this clause (g) shall not apply if and to the extent that such Income Taxes are imposed solely as a result of (w) the inaccuracy or breach of any of the representations, warranties, covenants or agreements of Lessee in the Operative Documents, (x) an Event of Default, (y) the operation, use, presence or registration of any Item of Equipment in such jurisdiction or (z) the presence of Lessee or Lessee making payments (or having been deemed to have made payments) from or performing any other actions in such jurisdiction;

any Tax imposed on or with respect to any sale or other transfer by such Indemnitee of such Indemnitee's interest in the Aircraft pursuant to Section 25.2 or otherwise, provided that the exclusion in this clause (ii) shall not apply to any sale or transfer that occurs (A) in connection with the exercise of remedies pursuant to an Event of Default, an Event of Loss, or any maintenance, repair, overhaul, pooling, interchange, exchange, removal, replacement, substitution, modification, improvement, or alteration of any Item of Equipment, or (B) at Lessee's request, or (C) pursuant to a requirement in any Operative Document or any applicable Law;

any Tax attributable to the gross negligence or willful misconduct of such Indemnitee or any of its Affiliates;

Taxes in respect of any period (i) prior to commencement of the Lease or (ii) after the expiration or earlier termination of the Lease with respect to the Aircraft and delivery of possession of such Aircraft to Lessor, or placement in storage of such Aircraft at the request of Lessor (or, if such Aircraft is not so delivered or placed in storage, the discharge in full of Lessee's obligations to pay all amounts then payable by Lessee under the Lease), provided, however, that clause (ii) of this exclusion (a) shall not apply to any Taxes accruing or otherwise related to occurrences or matters arising prior to or simultaneously with the events described in clause (ii) of this exclusion or to Taxes relating to payments

made by Lessee to or for the benefit of such Indemnitee under the Lease following the events described in clause (ii) of this exclusion;

Taxes that are attributable to the breach by such Indemnitee or any of its Affiliates of any its representations, warranties or covenants in any Operative Document except to the extent that such breach arises as a result of any breach by Lessee of a representation, warranty or covenant in any Operative Document;

Taxes resulting from the failure of such Indemnitee to comply with its obligations under Section 21.5 hereof except to the extent that failure arises as a result of any breach by Lessee of a representation, warranty or covenant in any Operative Document or Lessee's obligations under Section 21.5;

Taxes resulting from the failure of such Indemnitee to be a "United States person" within the meaning of Section 7701(a)(30) of the Code;

Taxes imposed as a result of activities of such Indemnitee in the jurisdiction imposing such Taxes unrelated to the transactions (including the exercise of remedies) contemplated by the Lease;

Taxes imposed against a transferee of such Indemnitee (or a subsequent transferee) to the extent of the excess of such Taxes over the amount of such Taxes that would have been imposed had there not been such a transfer; provided, however, that this clause (i) shall not apply to (A) the extent necessary to make any payment on an After-Tax Basis as described in Section 21.4(c) hereof or (B) a transfer made in connection with any exercise by Lessor of its remedies under Article 24 hereof or applicable Law in the case of an Event of Default;

Taxes that would not have been imposed but for a Lessor's Lien;

Taxes (for the avoidance of doubt, including interest, penalties, fines and additions to tax) imposed on such Indemnitee as a result of such Indemnitee's failure to file any return or report that it is legally required to file or to pay any Tax it is legally required to pay unless such failure results from Lessee's breach of its obligations in any Operative Document;

Taxes to the extent resulting from a failure of such Indemnitee to provide any certificate, documentation or other evidence requested in writing by Lessee and required under applicable Law as a condition to the allowance of a reduction in such Tax, but only if such Indemnitee was legally eligible to provide such certificate, documentation or other evidence without, in such Indemnitee's good faith judgement, any adverse consequence (other than de minimis costs) to such Indemnitee for which Lessee has not indemnified it in a manner reasonably satisfactory to such Indemnitee;

Taxes imposed on Lessor as a result of its engaging in a "prohibited transaction" within the meaning of Section 4975 of the Code or under Subtitle B of Title I of ERISA; or

Taxes that are imposed solely as a result of or otherwise arise in connection with any financing arrangement between the Lessor or any of its Affiliates and any Financing Party with respect to an interest in the Aircraft.

No Reduction for Withholding. Lessee agrees that all amounts payable by Lessee (or by any other Person on account of any obligation of Lessee) pursuant to the Operative Documents shall be paid without any deduction or withholding on account of any Taxes, monetary transfer fees, or other charges or withholdings of any nature, except to the extent that the deduction or withholding of any Tax is required by applicable Law, in which event Lessee shall (i) if such Tax is not an Excluded Tax, pay to the Person entitled to receive such payment (the "**Payee**") such additional amount as is necessary so that the Payee receives, after such deduction or withholding (including any withholding with respect to such additional amount), an amount equal to the amount that the Payee would have received if such deduction or withholding had not been made and (ii) deliver to Lessor within sixty (60) days after the date of such payment an official receipt of the relevant taxing authority showing that Lessee paid to such taxing authority the full amount of the Tax required to be deducted or withheld.

VAT. All amounts payable by Lessee pursuant to the Operative Documents are exclusive of VAT. Lessor and Lessee acknowledge and agree that any VAT that is required by any applicable Law to be paid with respect to any of the transactions, activities or payments contemplated in the Operative Documents is a Tax to which the provisions of this Article 21 apply.

Tax Filings; Information.

Unless otherwise directed or agreed in writing by Lessor, Lessee shall properly prepare and timely file all reports, returns, declarations and other documents (each a "**Tax Document**") that are required by applicable Law to be filed with any Governmental Authority or other taxing authority with respect to each Indemnified Tax, except to the extent that Lessee is not allowed by applicable Law to file such report, return, declaration or other document, in which case it shall properly prepare and deliver a proposed form of such report, return, declaration or other document to the applicable Indemnitee within a reasonable time prior to time required by applicable Law for such filing.

Lessee shall (i) deliver to Lessor within thirty (30) days after receipt of Lessor's written request, a certificate of an officer of Lessee, in form and substance satisfactory to Lessor, demonstrating compliance with Lessee's covenants in Section 11.5 during the period or periods specified in Lessor's written request, and (ii) deliver to each Indemnitee as soon as reasonably practicable (and in any event within thirty (30) days) after receipt of such Indemnitee's written request therefor, such information and copies of such records and other documents (including, without limitation, the flight log for the Aircraft) maintained or required to be maintained by Lessee or by any other user of any Item of Equipment in the regular course of its business as such Indemnitee may request from time to time to enable such Indemnitee to comply with applicable Tax reporting, audit, audit dispute resolution, and litigation requirements, and if requested by any Indemnitee, make such information, records and other documents available for inspection by such Indemnitee or its authorized representatives during normal business hours upon reasonable advance notice.

Payment of Taxes and Indemnities.

To the extent required or permitted by applicable Law, Lessee shall pay each Indemnified Tax when due directly to the proper taxing authority, unless otherwise directed or agreed in writing by Lessor.

Except as otherwise provided in Section 21.5, any indemnity payable by Lessee to an Indemnitee shall be paid within ten (10) days after the date on which Lessee receives such Indemnitee's written demand therefor (which demand shall provide a description in reasonable detail of the applicable Indemnified Taxes and the calculation of the amount of the indemnity payment demanded).

All amounts payable by Lessee pursuant to this Article 21 shall be paid on an After-Tax Basis.

Contests. An Indemnitee shall forward to Lessee any notice such Indemnitee receives from any Person in regard to a proposed imposition or adjustment by any Governmental Authority that would result in a liability for Taxes with respect to which Lessee has liability under this Article 21 promptly after receipt by such Indemnitee; provided, however, that failure to do so shall not eliminate any liability by Lessee to an Indemnitee under this Article 21 except to the extent of additional interest, penalties and the like attributable to such failure or if such failure effectively precludes the ability to conduct a contest of such Taxes. Such Indemnitee shall consult with Lessee in determining whether to contest such proposed adjustment and the manner of proceeding with such contest (including whether and to what extent to allow Lessee to control the contest and to conduct the contest in its name if permissible under applicable Law or in the name of such Indemnitee); provided, however, that (a) such Indemnitee reserves the right to agree or not to agree to pursue any such contest, (b) Lessee shall keep such Indemnitee informed of the status of the contest and consult with such Indemnitee regarding the manner in which to proceed with such contest, and (c) such Indemnitee reserves the right to agree to any compromise or settlement proposal. Notwithstanding anything to the contrary contained in this Section 21.5, such Indemnitee shall not be obligated to pursue a contest of any claim unless (i) prior to taking such action Lessee shall have agreed to pay or, in the case of item (C) below, lend on an interest-free basis, to such Indemnitee an amount equal to all out-of-pocket costs and expenses such Indemnitee actually incurs in connection with and reasonably allocable to contesting such claim, including, without limitation, (A) all reasonable legal, accountants', and investigatory fees and disbursements, (B) the amount of any interest or penalty payable as a result of contesting such claim, and (C) if such contest is to be initiated by the payment of, and the claiming of a refund for, Taxes, sufficient funds to make such payment (and in the event such contest is finally determined adversely, the amount of such loan shall be applied against Lessee's obligation to indemnify such Indemnitee for the Taxes which relate to such contest), (ii) such proceedings do not involve any material risk or danger of the sale, forfeiture, or loss of any Item of Equipment, or, if there is such a risk, Lessee has provided to such Indemnitee a bond in form and substance reasonably satisfactory to such Indemnitee in an amount sufficient to protect such Indemnitee from any detriment that would be suffered by such Indemnitee as a result

of such sale, forfeiture, or loss or has otherwise made provision to protect the interests of such Indemnitee in a manner reasonably acceptable to such Indemnitee, and (iii) no Event of Default shall have occurred and be continuing. If (X) such Indemnitee shall fail to meet its obligations under this Section 21.5, (Y) such Indemnitee exercises its discretion under clause (a) of the first proviso of this Section 21.5 to not pursue a claim, or (Z) such Indemnitee exercises its discretion under clause (c) of the first proviso of this Section 21.5, Lessee shall be relieved of its liability for such Tax under Section 21.1(a); provided, however, that (XX) Lessee shall not be relieved of liability under clause (X) of this Section 21.5 to the extent that Indemnitee's failure to meet its obligations did not materially affect Lessee's indemnification obligation hereunder, (YY) Lessee shall not be relieved of liability under clause (Y) of this Section 21.5 to the extent that Indemnitee exercised its right to not agree to pursue a contest and such contest would be reasonably likely to result in a material unindemnified harm to such Indemnitee as determined in such Indemnitee's reasonable discretion, and (ZZ) Lessee shall not be relieved of liability under clause (Z) of this Section 21.5 to the extent that Indemnitee exercised its right to not agree to any compromise or settlement proposal and such exercise was reasonable. In any case described in the immediately preceding sentence, such Indemnitee shall promptly return any amounts previously advanced by Lessee for the payment of the Taxes which were the subject of the contest; provided, however, that in a case described in clause (Z) above, such Indemnitee shall be obligated to repay Lessee only to the extent of the excess of the amounts previously advanced by Lessee over the amount of such settlement to which Lessee did not withhold its consent.

Refunds. If Lessor shall obtain a refund of all or any part of any Taxes which Lessee shall have paid or for which Lessee shall have reimbursed an Indemnitee, such Indemnitee shall, within twenty (20) days of the receipt of the payment described above, pay to Lessee an amount equal to the sum of the amount of such payment received by such Indemnitee which is fairly attributable to any Taxes paid or reimbursed by Lessee to such Indemnitee; provided, however, that no such amounts shall be payable if and so long as an Event of Default shall have occurred and be continuing or before such time as Lessee shall have made all payments or indemnities theretofore due under this Lease.

Non-Parties. If an Indemnitee is not a party to this Lease, Lessee may require such Indemnitee to agree in writing, in a form reasonably acceptable to Lessee, to the terms of this Article 21 prior to making any payments to such Indemnitee under this Article 21.

Survival. The respective obligations of Lessee under this Article 21 shall remain in full force and effect notwithstanding the occurrence of the Termination Date.

RETURN OF AIRCRAFT

Time and Place. On the Scheduled Termination Date (or, if applicable, the Termination Date if such date is prior to the Scheduled Termination Date) and unless the Aircraft has suffered an Event of Loss, Lessee, at its own expense, shall Return

the Aircraft to Lessor at the Redelivery Location. Lessor and Lessee shall evidence Lessor's acceptance of Return of the Aircraft, and any exceptions thereto, by executing a Return Acceptance Certificate. Unless a Default or an Event of Default shall have occurred and be continuing or unless this Lease shall have been cancelled by Lessor pursuant to Article 24, upon such execution and delivery, this Lease shall terminate, with neither party hereto having any further liability to the other hereunder except for those Obligations which specifically survive the expiration, cancellation or termination of this Lease or as are otherwise reserved in accordance with such Return Acceptance Certificate. If an Event of Default occurs by Lessee failing to complete Return on the Scheduled Termination Date or if an Event of Default occurs prior to or after the Scheduled Termination Date and Lessor exercises its remedy to thereafter repossesses the Aircraft, Lessee is nonetheless obligated to comply, and to have the Aircraft comply, with the return requirements set forth in this Article 22 on the date of actual Return or repossession by Lessor.

Condition. Upon return of the Aircraft pursuant to Section 22.1, Lessee shall comply with the requirements of Appendix 2E and Lessee shall return the Aircraft in a condition in compliance with the provisions of this Lease, including this Article 22, and Appendix 2E.

Lessee's Continuing Obligations.

If Lessee shall, for any reason whatsoever, fail to return the Aircraft in a timely manner in the condition specified in this Lease, the Obligations of Lessee shall continue and the Lease Term shall be deemed to be extended, day-to-day, until Return of the Aircraft; provided, that Lessee may not, during such extension period use the Aircraft for any flight operations and this Section 22.3 will not be construed as permitting or authorizing Lessee to fail to meet, or consenting to or waiving any failure by Lessee to perform, the Obligation to return the Aircraft in accordance with the requirements of this Lease or limiting Lessor's rights under any Operative Document.

If the Aircraft is not returned to Lessor in accordance with this Lease on the Scheduled Termination Date (or, if applicable, the Termination Date if such date is prior to the Scheduled Termination Date), then Lessee shall be obligated to pay an amount (the "**Holdover Compensation**") equal to the sum calculated by addition of the following amounts: (i) 150% of the Basic Rent prorated on a daily basis for each day during the period from the Scheduled Termination Date (or, if applicable, the Termination Date if such date is prior to the Scheduled Termination Date) through and including the date the Aircraft is returned to Lessor in the condition specified herein (the "**Holdover Period**"), plus (ii) Utilization Rent accrued during each day of the Holdover Period, with Utilization Rent paid on a monthly basis, prorated on a daily basis payable for each day of the Holdover Period, plus (iii) any and all costs incurred by Lessor to cause the Aircraft to comply with the return condition requirements of this Lease, plus (iv) reasonable legal fees and expenses incurred by Lessor as a result of such breach by Lessee and any legal fees and expenses incurred as a result Lessor's enforcement of this Section 22.3. The Holdover Compensation is liquidated damages and not a penalty and, if elected by Lessor as its remedy for Lessee's breach of this Lease, shall be Lessor's exclusive remedy for such Lessee breach.

In connection with the foregoing, (i) the Holdover Period shall continue and Holdover Compensation shall thereby continue to accrue, notwithstanding the return of possession of the

Aircraft to Lessor, for so long as the Aircraft fails to satisfy the return condition requirements of this Lease, (ii) the parties acknowledge and agree that the amount of the Lessor's loss caused by Lessee's failure to return the Aircraft to Lessor when and in the condition specified herein is incapable or difficult of precise estimation and that the amount of the Holdover Compensation payable under Section 22.3(b) is reasonable in proportion to the probable loss to Lessor; and (iii) while Lessor shall be entitled to elect its remedies pursuant to Article 24 of this Lease, under no circumstance shall Lessor be entitled to recover both the Holdover Compensation and Lessor's actual damages in respect of the breach resulting from Lessee's failure to timely return the Aircraft in the condition required by this Lease.

Legal Status Upon Return. At Return, the Aircraft shall be:

free and clear of all Liens, except Lessor's Liens; and

duly registered in the name of Owner.

Airport and Navigation Charges. Lessee shall ensure that upon Return any and all airport, navigation and other similar charges in connection with the use and operation of the Aircraft or any other aircraft operated by or in Lessee's fleet of aircraft which give rise or would if unpaid give rise to any Lien in relation to the Aircraft or any Item of Equipment have been paid and discharged in full and will at Lessor's request produce evidence thereof reasonably satisfactory to Lessor.

Lessor Termination Payment to Lessee. Provided no Default or Event of Default has occurred and is continuing, Lessor shall, not later than thirty days following the termination of this Lease and the satisfaction by Lessee, in full, of its Obligations and the Related Obligations (including any Obligations to correct discrepancies identified in the Return Acceptance Certificate), pay to Lessee an amount equal to the Commitment Fee net of any withholding or other Taxes on such payment.

EVENTS OF DEFAULT

Any one or more of the events set forth in Appendix 2H shall constitute an "**Event of Default**" under this Lease.

Lessee hereby acknowledges that the occurrence of any one of the Events of Default would represent a repudiatory breach by Lessee of the Obligations and this Lease.

LESSOR'S RIGHTS AND REMEDIES FOLLOWING AN EVENT OF DEFAULT

At any time after the occurrence and continuation of an Event of Default Lessor shall have such rights and remedies and Lessee shall have such obligations as set forth in Appendix 2I.

ASSIGNMENT AND TRANSFER

No Assignment by Lessee. Lessee shall not transfer, assign, novate, mortgage or complete any other such or similar transfer of any interest in this Lease

or any of its rights hereunder or in any Item of Equipment, and any such purported assignment shall be void *ab initio*.

Transfer of Lessor's and/or Owner's Interests. Each of Lessor, Owner, any Owner Participant and any Financing Party may at any time and without Lessee's consent transfer to any Person (a "**Transferee**") the Aircraft and/or any Item of Equipment and/or all or any of its rights and obligations under this Lease and the other Operative Documents to which it is a party.

Cooperation with Transfers. Lessee shall do such things and execute such documents as may be reasonably requested of it to give effect to a transfer contemplated by Section 25.2 including (a) entering into an assignment and assumption agreement or novation deed with the Transferee in form and substance reasonably satisfactory to Lessee, (b) providing Lessor scheduling and routing information for the Aircraft or the Item of Equipment being transferred, and (c) making such amendments to the Insurances effected in respect of the Aircraft so as to ensure continued compliance with the requirements of Article 19 with regard to the interests of such Transferee and any new Financing Parties and shall provide to Lessor updated documentation evidencing such amendments; provided that in connection with the foregoing Lessee shall have no greater obligation or liability nor shall Lessee's rights be diminished under this Lease and the other Operative Documents as a result of such transfer (provided that an increase in the number of Indemnitees and additional insureds as a consequence of any such transfer shall not, of itself, constitute an increase in Lessee's obligations), including, but not limited to laws relating to withholding tax on lease payments, based on current laws in effect at the time of such transfer, than it would have had if such transfer had not taken place and none of Lessee's rights shall be diminished. Lessee acknowledges that an increase in the number of Indemnitees shall not, of itself, constitute an increase in Lessee's obligations hereunder. Lessee's reasonable out-of-pocket costs (including reasonable attorney's fees) incurred to provide the cooperation required by this Section 25.3 shall be reimbursed to Lessee following demand for the same together with such supporting documentation as may be reasonably requested by Lessor.

Financings. At Delivery the Aircraft will be subject to the Existing Financing. From and after Delivery, Owner, Lessor and any Owner Participant may at any time and without Lessee's consent enter into any financing arrangements (which may include the conversion of the lease transaction contemplated by this Lease to a "leveraged lease" structure, a "head-lease, sub-lease" or other lease structure) with respect to the Aircraft pursuant to which (a) Lessor may assign its rights under this Lease and the other Operative Documents (by way of security) to Owner or to any Financing Parties and (b) Owner may execute a mortgage over the Aircraft in favor of the Financing Parties. Such financing arrangements may also take the form of a securitization (a "**Securitization**") involving one or more loans from one or more financial institutions (each a "**Lender**"), and/or with notes, loan certificates, or pass through certificates issued pursuant to an indenture with a trustee (the "**Trustee**"), which notes, loan certificates or pass through certificates may be guaranteed (in whole or in part) by one or more guarantors.

Cooperation with Financings. Lessee shall cooperate with Lessor and do such things and execute such documents and make such filings and registrations in the State of Registration as may be requested of it by Lessor and/or Owner in order to protect the interests of the Financing Parties and/or Owner in connection with the Existing Financing or any financing contemplated by Section 25.4 including, without limitation, (a) executing an acknowledgement of any assignment of Lessor's rights under this Lease in favor of Owner or any relevant Financing Party, on terms customary in aircraft financing transactions or Securitizations, (b) providing Lessor scheduling and routing information for the Aircraft or any Item of Equipment being financed, (c) making such amendments to this Lease and any of the other Operative Documents and executing such additional documents, as may be reasonably be requested by Lessor in connection with the Securitization and (d) making such amendments to the Insurances maintained in respect of the Aircraft to ensure continued compliance with the requirements of Article 19 with regard to the interests of Owner and any such Financing Party, and shall provide to Lessor updated documentation evidencing such amendments; provided that in connection with the foregoing Lessee shall have no greater obligation or liability nor shall Lessee's rights be diminished under this Lease and the other Operative Documents as a result of such financing (provided that an increase in the number of Indemnitees and additional insureds as a consequence of any such financing shall not, of itself, constitute an increase in Lessee's obligations), including but not limited to laws relating to withholding tax on lease payments, based on current laws in effect at the time of such transfer, than it would have had if such transfer had not taken place. Lessee acknowledges that an increase in the number of Indemnitees shall not, of itself, constitute an increase in Lessee's obligations hereunder. Lessor shall comply with its obligations under Sections 10.2 and, if applicable, 12.12(a)(ii) with respect to any financing pursuant to Section 25.4. Lessee's reasonable out-of-pocket costs (including reasonable attorney's fees) incurred to provide the cooperation required by this Section 25.5 shall be reimbursed to Lessee following demand for the same together with such supporting documentation as may be reasonably requested by Lessor. In the event of any such financing arrangement (other than the Existing Financing), Lessor shall use good faith efforts to obtain a quiet enjoyment letter a form reasonably acceptable to Lessee, Lessor and the lender.

LAW AND JURISDICTION

Governing Law. THIS LEASE SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, NEW YORK, U.S.A. APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE WITHOUT REGARD FOR CONFLICT OF LAW PRINCIPLES OTHER THAN THE PROVISIONS OF SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK.

Consent to Jurisdiction. Lessee hereby irrevocably consents that any legal action or proceeding against it or any of its assets with respect to this Lease may be brought in any jurisdiction where Lessee or any of its assets may be found, or in any court of the State of New York or any Federal court of the United States of America

located in New York, New York, located in the Borough of Manhattan, United States of America, as Lessor may elect, and by execution and delivery of this Lease Lessee hereby irrevocably submits to and accepts with regard to any such action or proceeding, for itself and in respect of its assets, generally and unconditionally, the jurisdiction of the aforesaid courts.

Jurisdiction and Forum. Lessee agrees that final judgment against Lessee in any action or proceeding in connection with this Lease shall be conclusive and may be enforced in any other jurisdiction within or outside the United States of America by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the fact and the amount of Lessee's indebtedness. Lessee hereby irrevocably waives, to the fullest extent permitted by Law, any objection which Lessee may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Lease brought in the State of New York, and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in the State of New York has been brought in an inconvenient forum. To the extent that Lessee may in any jurisdiction in which proceedings may at any time be taken for the determination of any question arising under or for the enforcement of this Lease (including any interlocutory proceedings or the execution of any judgment or award arising therefrom) be entitled to claim or otherwise be accorded for itself or its property, assets or revenues immunity from suit or attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction, there may be attributed to Lessee, or its property, assets or revenues such immunity (whether or not claimed), Lessee hereby irrevocably agrees not to claim and waives such immunity to the fullest extent permitted by the Law of such jurisdiction.

Waiver of Jury Trial. THE LESSEE AND THE LESSOR HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING TO WHICH THEY ARE BOTH PARTIES INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS LEASE, ANY OF THE OPERATIVE DOCUMENTS OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Waiver of Immunity. Each party to this Lease agrees that in any legal action or proceedings against it or its assets in connection with this Lease and/or any other Operative Document no immunity from such legal action or proceedings (which shall include, without limitation, suit, attachment prior to judgment, other attachment, the obtaining of judgment, execution or other enforcement) shall be claimed by or on behalf of it or with respect to its assets, irrevocably waives any such right of immunity which it or its assets now have or may hereafter acquire or which may be attributed to it or its assets and consents generally in respect of any such legal action or proceedings to the giving of any relief or the issue of any process in connection with such action or proceedings including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order of judgment which may be made or given in such action or proceedings.

Severability and Illegality.

Severability. Any provision of this Lease prohibited by or unlawful or unenforceable under any applicable Law actually applied by any court of competent jurisdiction shall, to the extent required by such Law, be severed from this Lease and rendered ineffective so far as is possible without modifying the remaining provisions of this Lease.

Illegality.

If at any time there is a change in any applicable Law binding upon Lessee or Lessor in its State of Organization or where it has its principal office or in any jurisdiction which any action is required to be performed by it for the purposes of any Operative Document which renders, or which will render, it unlawful for such party to perform any of its obligations or to exercise any of its rights under any Operative Document (an "**Illegality Event**") and the parties are not able to restructure the transaction in accordance with Section 27.1(b)(iii), Lessor or Lessee (as the case may be) shall forthwith notify the other party hereto and Lessor or Lessee (as the case may be) shall be entitled by written notice (the "**Illegality Notice**") to the other party, either:

(A) to terminate its obligation to lease, or take on lease, the Aircraft pursuant to the terms of this Lease; or

(B) if such event occurs after the Delivery Date, to terminate the Lease Term,

in each such case, on the Relevant Date.

In Section 27.1(b) "**Relevant Date**" means the later to occur of:

(A) the date of the Illegality Notice; and

(B) a future date specified in the Illegality Notice being prior to the date on which the Illegality Event takes effect.

Lessor and Lessee shall, for a period of ninety (90) days from the date Lessor or Lessee becomes aware that an Illegality Event will arise or has arisen, or such shorter period ending on the Business Day prior to the date on which such Illegality Event takes effect, and provided that no Event of Default has occurred and is continuing, negotiate in good faith and take all commercially reasonable steps (subject to Section 27.1(b)(iv) below) which are available to mitigate the effects of such Illegality Event, with a view to restructuring the transaction in a manner such that the leasing of the Aircraft to Lessee may continue on the same commercial terms as under this Lease, including, without limitation, by way of amendment, novation or replacement to any Operative Document, or termination of, any Operative Document.

Nothing in Section 27.1(b)(iii) above shall, or shall be construed so as to, oblige Lessor or Lessee to take any mitigating steps (including, without limitation, omitting to act) if, in its reasonable opinion, to do so:

(A) would or would be likely to involve it in any unlawful activity or any activity that is contrary to any Law; or

(B) unless indemnified to its satisfaction, would involve it in any cost, loss, liability or Tax disadvantage; or

(C) would be prejudicial to it, the Aircraft or the other Indemnitees.

The cost of any mitigation pursuant to this Section 27.1(b) shall be for the account of Lessee.

If Lessor or Lessee shall have terminated the Lease Term or its obligation to lease, or take on lease, the Aircraft pursuant to the terms of this Lease in accordance with Section 27.1(b)(i), then on the Relevant Date, Lessee shall:

(C) return the Aircraft to Lessor in accordance with the provisions of Article 22 if the Aircraft has been delivered to Lessee under this Lease; and

(D) pay to Lessor the amounts provided in Section 24.1 of Appendix 2I, clauses (f), (g) and (h), and Section 24.3 of Appendix 2I as if references therein to an "Event of Default" were to the termination of the Lease Term pursuant to Section 27.1(b)(i).

Amendments. No term or provision of this Lease may be amended, modified, waived, discharged or terminated orally, but only by a written instrument signed by Lessor and Lessee.

Lessor's Right to Perform; Lessor's Right to Delegate and Servicer.

If Lessee fails to perform or comply with any Obligations, Lessor shall have the right, but not the obligation, to discharge such obligation, and the amount of such payment made and the expenses of Lessor incurred in connection with such discharge shall be payable by Lessee upon demand, together with interest at the Past Due Rate from the date such expenses were incurred.

Lessor may delegate to any Person or Persons (the "**Servicer**") all or any of the rights, powers or discretions vested in it by this Lease or any of the other Operative Documents, and any such delegation may be made upon such terms and conditions and subject to such regulations (including the power to sub-delegate) as Lessor in its absolute discretion deems fit. Upon notice to the Lessee of the appointment of such a Servicer, such Servicer may act as Lessor's or Owner's servicer for all matters related to this Lease and the Aircraft, and Lessee agrees that it shall communicate with and deal with such Servicer with respect to all such matters as if the Servicer were the Lessor under this Lease.

Counterparts. This Lease may be executed simultaneously in counterparts and by different parties hereto on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. To the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction) no security interest in this Lease may be created through the transfer or

possession of any counterpart other than the counterpart which has been marked "Original" on the signature page thereof.

Delivery of Documents by Electronic Means. Delivery of an executed counterpart of this Lease or of any other documents in connection with this Lease by fax or other electronic image file will be deemed as effective as delivery of an originally executed counterpart. Any party delivering an executed counterpart of this Lease or other document by fax or other electronic image file will also deliver an originally executed counterpart, but the failure of any party to deliver an originally executed counterpart of this Lease or such other document will not affect the validity or effectiveness of this Lease or such other document.

Survival. The representations, warranties, covenants, agreements and indemnities (including, without limitation, the indemnities contained in Articles 18, 21 and 24) of Lessee and Lessor set forth in this Lease, and Lessee's and Lessor's obligations hereunder, shall survive the Termination Date to the extent required for full performance and satisfaction thereof.

Entire Lease. This Lease (including all Appendices) and the other Operative Documents executed pursuant hereto constitute the entire agreement between Lessor and Lessee regarding the Aircraft and any prior or contemporaneous written or oral understandings with regard to the subject matter hereof are superseded hereby in their entirety.

Successors and Assigns. Subject to the provisions of Article 25, the terms and provisions of this Lease and each other Operative Document shall be binding upon and inure to the benefit of Lessor and Lessee and their respective successors and permitted assigns.

Transaction Costs. Whether or not the transactions contemplated hereby are consummated, each party hereto agrees to pay its own costs and expenses incurred in connection with the preparation, execution and delivery of this Lease and any other documents delivered in connection herewith, including without limitation the fees, expenses and disbursements of counsel, except as otherwise expressly set forth herein. Lessee shall pay all costs of FAA Counsel in relation to this Lease and other Operative Documents. Lessee agrees to pay Lessor the reasonable costs and expenses (including attorneys' fees and disbursements) incurred by Lessor in connection with the entering into or giving or withholding of any future waiver, supplement or amendment or other action with respect to the Lease or any other document delivered in connection therewith that Lessee may request, except in the case of an Event of Default in which case all of such costs shall be at the expense of Lessee.

Time is of the Essence. Time and strict and punctual performance are of the essence with respect to each provision of this Lease.

Language.

This Lease is in the English language and all notices, opinions, financial statements and other documents given under this Lease shall be provided in the English language or, if not

submitted in the English language, shall be accompanied by one certified copy of an English translation thereof for each copy of the foregoing so submitted.

If this Lease or any other Operative Document is required to be translated into another language for the purposes of any filing or registration, (i) Lessee shall procure and pay for any such translation, and (ii) the English version shall prevail in the event of any conflict with any such non-English version

No Rights of Third Parties. No third parties, other than Indemnitees (including the Collateral Agent in its capacity as an Indemnatee or otherwise) and Affiliates of Lessor, are intended to nor shall they be deemed to have a right to (x) benefit from, or (y) seek to enforce, any of the provisions of this Lease.

Delegation. Lessor may delegate to any appropriately licensed and/or experienced person(s) all or any of the rights, powers or discretions vested in it by this Lease or any other Operative Document and any such delegation may be made upon such terms and conditions as between such person and Lessor as Lessor in its absolute discretion may determine.

Further Assurances Lessee shall from time to time do and perform such other and further acts and execute and deliver any and all such further instruments as may be required by law or reasonably requested in writing by Lessor to establish, maintain and protect the rights and remedies of Lessor and to carry out and effect the intent and purposes of this Lease and the other Operative Documents.

Rights at Law. Nothing contained in any Operative Document shall be construed to limit in any way any right, power, remedy or privilege of Lessor hereunder or under any other Operative Document or now or hereafter existing at law or in equity. Each and every right, power, remedy and privilege of Lessor under the Operative Documents (i) shall be in addition to and not in limitation of, or in substitution for, any other right, power, remedy or privilege under any Operative Document or at law or in equity, (ii) may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by Lessor and (iii) shall be cumulative and not mutually exclusive and the exercise of one shall not be deemed a waiver of the right to exercise any other.

Confidentiality.

During the Lease Term all Information shall remain confidential and the parties hereto and their respective Affiliates will use their respective reasonable efforts not to disclose the Information to any other Person without prior written consent of each other party, which consent shall not be unreasonably withheld or delayed; provided, that Lessor and Lessee may, without the consent of each other party, disclose the Information in any of the following situations:

To directors, officers, employees, permitted assigns and agents of Lessor, Lessee or any Affiliate (direct or indirect) of any of such parties; or

To directors, officers, employees, permitted assigns and agents of United in connection with the Lessor's Capacity Purchase Agreement or the Lessee's Capacity Purchase Agreement; or

To auditors, accountants or legal advisors of Lessor, Lessee or any Affiliate (direct or indirect) of any of such parties; or

To actual or potential lenders/Financing Parties, purchasers or other permitted assigns of Lessor, or any Affiliate of any of such parties, including but not limited to providing financial information about Lessee to potential lenders/Financing Parties to, and purchasers from, Lessor, provided that, upon the request of Lessee, such potential lenders/Financing Parties will agree to keep such Information confidential in a manner similar to the provisions hereunder and that their access to Information is solely for purposes of evaluating an investment in or other financing of the Aircraft, or such purchaser provides to Lessee a confidentiality agreement in a form reasonably acceptable to Lessee; or

To rating agencies with respect to ratings of Lessor, Owner or an Owner Participant (if any) or a related Securitization; or

To such other parties as Lessor or Lessee may reasonably believe to be required by law, by government regulation or order (including, without limitation any regulation or order of a bank regulatory agency), by subpoena or by any other legal process.

Notwithstanding any of the foregoing, Information will not be considered confidential, and Lessor and Lessee and their respective Affiliates may disclose any item of the Information without restriction in any of the following circumstances, if such item:

is publicly available (either to the general public or to any relevant trade or industry) prior to any party's receipt of it from another party hereto;

is thereafter made publicly available (either to the general public or to any relevant trade or industry) by another party hereto or by a third party which is entitled to make such item publicly available;

becomes available to any party hereto on a non-confidential basis from a source which has represented to such party that such source is entitled to disclose it; or

was known to any party hereto on a non-confidential basis prior to its disclosure to such party by another party hereto.

Notices. All notices provided for herein shall be in writing and shall be deemed to have been given when delivered personally, or if deposited in the mail or with a courier service, when received, to the addressees appearing in paragraph 6 of Appendix 2B or to such other address as any party may designate for itself by written notice to the other party or parties.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease to be duly executed by their authorized representatives as of the ___ day of _____, 2021.

GOJET AIRLINES LLC
Lessee

MESA AIRLINES, INC.
Lessor

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

TO THE EXTENT IF ANY THAT THIS DOCUMENT CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST IN THIS DOCUMENT MAY BE PERFECTED THROUGH THE POSSESSION OF ANY ORIGINAL OR COPY HEREOF OTHER THAN THAT MARKED "CHATTEL PAPER ORIGINAL".

CHATTEL PAPER ORIGINAL

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease to be duly executed by their authorized representatives as of the ___ day of _____, 2021.

GOJET AIRLINES LLC
Lessee

MESA AIRLINES, INC.
Lessor

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

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Appendix 1
to Aircraft Lease Agreement

DEFINITIONS

"**Acceptance Certificate**" means the acceptance certificate executed and delivered by Lessee to Lessor at Delivery in the form of Appendix 3.

"**Additional Insureds**" means the Indemnitees and each of them.

"**Aeronautics Authority**" means the Federal Aviation Administration of the United States or such other governmental department, bureau, commission or agency that under the Law of the State of Registration shall from time to time have control or supervision of civil aviation in that state or have jurisdiction over the registration, airworthiness, operation, or other matters relating to, the Aircraft.

"**Affiliate**" means any other Person directly or indirectly controlling, directly or indirectly controlled by or under direct or indirect common control with the Person specified.

"**After-Tax Basis**" means, with respect to any indemnity or other amount (an "Amount") which is required by any Operative Document to be paid on an "After-Tax Basis" by Lessee (or by any other Person under the Operative Documents) to any Indemnitee (or to any other Person for the account or benefit of any Indemnitee), payment of such Amount supplemented by a further payment or payments that will, in the good faith determination of the Indemnitee, leave the Indemnitee and its Affiliates with a net economic realization equal to the Amount, after considering the net amount of all Taxes imposed on any Indemnitee with respect to the receipt or accrual of the Amount and such supplemental payments (taking into account any deductions, credits and other Tax benefits actually realized by such Indemnitee as a result of the events and circumstances giving rise to such payments in or prior to the year of such payments).

"**Agreed Value**" means, with respect to the Aircraft, the amount set forth in Appendix 2B, paragraph 4.2.

"**Aircraft**" means, as the context may require, the Airframe together with (i) the Engines, whether or not installed on the Airframe, (ii) all Parts or components thereof, (iii) spare parts or ancillary equipment or devices furnished with the Airframe or the Engines under this Lease, (iv) all items of equipment and other property, tangible and intangible, described in the Acceptance Certificate delivered on the Delivery Date and not otherwise described in the preceding portions of this definition, (v) all Aircraft Documents, (vi) all substitutions, replacements and renewals of any and all thereof, and (vii) all alterations, modifications and additions which may be made to, installed on or incorporated into the Aircraft, including but not limited to, those required pursuant to any Airworthiness Directive.

"**Aircraft Documents**" means, whether in paper, photographic, digital, electronic or other medium, (i) the manuals and records identified in the attachments to the Acceptance Certificate hereto and all other records and documentation pertaining to the Aircraft and delivered with the Aircraft on the Delivery Date and (ii) all other Required Approvals, records and documentation generated during the Term that are related to the maintenance, inspections and alterations, modifications and additions accomplished during the Lease Term with respect to the Aircraft.

"**Airframe**" means the Bombardier Inc. Canadair Regional Jet CL-600-2C10 aircraft (except for the Engines) as more specifically described in the Lease Supplement, together with the APU, all Landing Gear and any and all Parts.

"**Airworthiness Directive**" or "**AD**" means any airworthiness directive issued by the Certifying Authority, in addition to any airworthiness directive issued by the Aeronautics Authority, each to the extent the same is applicable to the Aircraft and/or any Item of Equipment.

"**Approved Maintenance Organization**" means a maintenance facility approved by the Aeronautics Authority and also by the FAA pursuant to FAR Part 145 and/or the EASA pursuant to EASA Part-145 for the performance of maintenance, testing, inspection, repair, overhaul or modification on the Aircraft or any Item of Equipment.

"**APU**" means the auxiliary power unit installed in the Airframe on the Delivery Date, or any replacement thereof made pursuant to this Lease, together, in any case, with any and all Parts which are from time to time incorporated in or attached to such auxiliary power unit and any and all Parts removed therefrom.

"**APU Restoration**" means the completion of an APU overhaul having a workscope that meets the minimum standard for an overhaul as defined in the APU Manufacturer's maintenance manual or other applicable APU Manufacturer issued publication applicable to the APU.

"**Basic Rent**" shall mean the rent payable for the Aircraft for each Rent Period under this Lease in the amount set forth in paragraph 1 of Appendix 2B; *provided* that for any Rent Period that is less than a complete calendar month such amount shall be apportioned pro-rata based on the number of days in such Rent Period and the number of days in the relevant calendar month.

"**Business Day**" means any day (other than Saturday or Sunday) on which banks are open for business in Phoenix, Arizona, and St. Louis, Missouri, United States of America.

"**C-Check**" means the accomplishment of (a) Tasks that, at the time of such C-Check, would require accomplishment prior to the next due C-Check based upon the interval for each such Task in the MPD, and (b) the rectification of each defect discovered during the accomplishment of such Tasks.

"**Cape Town Convention**" means, together, the official English text of each of the Convention on International Interests in Mobile Equipment (the "**Convention**") and the Protocol thereto on Matters Specific to Aircraft Equipment (the "**Protocol**") each as opened for signature on 16 November 2001 at Cape Town, South Africa.

"**Certifying Authority**" means the FAA.

"**Certifying Authority Form**" means an FAA Form 8130-3 or EASA Form One or any successor to either such forms.

"**Change of Control**" means the occurrence of any of the following events: (a) the sale of all or substantially all of the assets of Lessee in one or more related transactions; (b) any merger, consolidation or acquisition of Lessee with, by or into another entity or person; or (c) any change in the ownership or

control of more than fifty percent (50%) of the voting capital stock or interests of Lessee in one or more related transactions.

"**Claims**" means any and all claims, damages, losses, liabilities, demands, suits, judgments, causes of action, legal proceedings, whether civil or criminal, penalties, fines and other sanctions, and any reasonable attorney's fees and other reasonable costs and expenses in connection therewith or in establishing the right to indemnification hereunder, including any of the foregoing arising or imposed with or without the fault or negligence of any Indemnitee (whether passive or active) or under the doctrine of strict or absolute liability.

"**Collateral Agent**" means such Person, as notified by Lessor or Owner to Lessee, who will act as collateral agent for and on behalf of any Financing Parties in relation to any security to be granted over the Aircraft as a result of a financing thereof. The initial Collateral Agent is the Bank of New York Mellon.

"**Commitment Fee**" means the amount set forth in paragraph 2 of Appendix 2B.

"**Cycle**" means one take-off and landing of the Aircraft (or in respect of any Engine, Landing Gear, or Part, an aircraft on which such Engine, Landing Gear, or Part is (or was) then currently installed).

"**Default**" means any event, condition or circumstance which, with the lapse of time and/or the giving of notice and/or determination of materiality and/or fulfillment of any other condition stipulated herein (or any combination of the foregoing) would constitute an Event of Default.

"**Delivery**" means the delivery of the Aircraft by Lessor to Lessee in accordance with this Lease and which shall be evidenced by execution and delivery of the Lease Supplement and the Acceptance Certificate.

"**Delivery Date**" means the date on which Delivery occurs.

"**Delivery Inspection**" has the meaning set forth in Appendix 2D.

"**Delivery Location**" means Lessor's facilities at Dulles International Airport.

"**Documents Loss**" means the loss or destruction of the Aircraft Documents or any of them.

"**Dollars**" or "\$" means the lawful currency of the U.S.

"**EASA**" means the European Aviation Safety Agency, an agency of the European Union having responsibility for aviation safety, regulation and oversight of member states of the European Union, or any Person, governmental department, bureau, commission or agency succeeding to the functions of the European Aviation Safety Agency.

"**Engine(s)**" means each of the engines identified in the Lease Supplement, or any replacement of any thereof made pursuant to this Lease, together, in any case, with any and all Parts which are from time to time incorporated in or attached to any such Engine and any and all Parts removed therefrom.

"Engine Loss" means the occurrence of (a) an Event of Loss with respect to an Engine only (whether or not installed on the Airframe) or (b) any divestiture or impairment of any right, title or interest of Lessor in or to an Engine as a result of the installation of such Engine on any other airframe.

"Engine Restoration" means the completion of an engine shop visit having a workscope that at a minimum, (i) includes a complete refurbishment or full overhaul of the high pressure turbine and combustion section of the relevant Engine, and that otherwise meets the minimum standard for a performance restoration as defined in the Engine Manufacturer's workscope planning guide or other applicable Engine Manufacturer issued publication applicable to the Engine, and (ii) restores the life of such Engine to have on-condition release target of no less than 4,000 Cycles estimated to remain until the next restoration thereof satisfying this definition.

"Engine Swap Amendment" means that certain Lease Supplement Amendment No. __ (Engine Swap) substantially in the form set forth in Appendix 7.

"Event of Default" means those events and circumstances referenced in Article 23.

"Event of Loss" means, with respect to any Item of Equipment (excluding Parts), any of the following events:

the agreed, actual, arranged, compromised or constructive total loss of such Item (including any damage to the same which results in an insurance settlement on the basis of a total loss, or requisition for use or hire of the same which results in an insurance settlement on the basis of a total loss); or

the destruction or damage that permanently renders such Item to be unfit for normal use for any reason whatsoever; or

the requisition of title or other compulsory acquisition, requisition, appropriation, expropriation, deprivation, condemnation or confiscation for any reason of such Item by a Governmental Authority or other competent authority, whether de jure or de facto, but shall exclude requisition for use or hire not involving requisition of title of such Item; or

the hijacking, theft, or disappearance of such Item (i) for a period of sixty (60) days or more or (ii) if earlier, beyond the earlier of the Scheduled Termination Date and the Termination Date; or

the condemnation, confiscation, capture, deprivation, seizure or requisition for use or hire of the Airframe by the Aeronautics Authority or any Governmental Authority (other than where the same amounts to the circumstances provided in clause (c)) which deprives any Person entitled to have possession and/or use of the Item of its possession and/or use (i) for more than a period of sixty (60) consecutive days or (ii) if earlier, beyond the earlier of the Scheduled Termination Date and the Termination Date.

An Event of Loss with respect to the Aircraft shall be deemed to have occurred if an Event of Loss occurs with respect to the Airframe.

"Event of Loss Date" means (a) with respect to any Event of Loss set forth in paragraph (a) of the definition thereof, the earliest of (i) the date of actual loss, (ii) the date on which the loss is agreed, arranged or compromised by or with the agreement of the insurers and (iii) thirty days after the date of notice to Lessee's brokers or insurers claiming the loss, (b) with respect to any Event of Loss set forth in paragraph (b) or (c) of the definition thereof, the date such event, condition or circumstance occurs or, if such date is not known, the date on which the relevant property was last known to exist, or (c) with respect to any Event of Loss set forth in paragraph (d) or (e) of the definition thereof, the earlier of (i) the date on which insurers make payment on the basis of an Event of Loss and (ii) the expiration of the period, or the continuation of the condition or circumstance beyond the date, described therein.

"Event of Loss Proceeds" means the proceeds of any insurance required to be maintained by Lessee hereunder, or any compensation or similar payment arising, in respect of an Event of Loss.

"Excluded Tax(es)" means any Tax described in Section 21.1(b) of this Lease.

"Existing Financing" means the financing of, inter alia, the Airframe and one (1) General Electric model CF34-8C5B1 engine bearing manufacturer's serial number 965446 pursuant and subject to the terms and conditions of that certain Loan and Guarantee Agreement, dated as of October 30, 2020 (as it may be amended, restated, supplemented or otherwise modified from time to time), among the Lessor, as borrower, Mesa Air Group, Inc., the guarantors party thereto, the United States Department of the Treasury and the Bank of New York Mellon, as administrative agent, and the initial Collateral Agent.

"Existing Mortgage" means that certain Pledge and Security Agreement, dated as October 30, 2020, as amended, supplemented or otherwise modified from time to time, in respect of, inter alia, the Airframe and one (1) General Electric model CF34-8C5B1 engine bearing manufacturer's serial number 965446, among Lessor, as grantor, the other grantor parties thereto and the initial Collateral Agent.

"FAA" means the United States Federal Aviation Administration and/or the Administrator of the United States Federal Aviation Administration, or any Person, governmental department, bureau, commission or agency succeeding to the functions of either of the foregoing.

"FAA Counsel" means Daugherty Fowler Peregrin Haught & Jenson P.C.

"FAA Requirements" means, as applicable to the Aircraft, any of the regulations, rules, or decisions of, or governing, the FAA.

"FAR" means the federal aviation regulations as set forth in Title 14 of the United States Code of Federal Regulations, Chapter 1 (Parts 1 - 199).

"Financing Party" means any Person or Persons, from time to time notified by Lessor to Lessee, from whom financing for the acquisition or continued ownership of the Aircraft by Lessor (or the Owner if Lessor is not the Owner) has been, is to be, or is for the time being, obtained and/or in whose favor or for whose benefit security over the Aircraft is to be, or is for the time being, granted by Lessor or the Owner (as the case may be), any Security Agent, Collateral Agent, owner trust or trustee, manager, servicer, lender and/or financial guarantor.

"Flight Hour" means each hour or fraction thereof, measured to two decimal places, elapsing from the moment the wheels of the Airframe (or in respect of any Engine, Landing Gear, or Part, an aircraft on which such Engine, Landing Gear, or Part is (or was) then currently installed) leave the ground on take-off to the moment when the wheels of the Airframe (or such aircraft on which an Engine, Landing Gear, or Part is (or was) then currently installed) touch the ground on landing.

"GAAP" means (i) generally accepted accounting principles as set forth in the statements of financial accounting standards issued by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or (ii) International Financial Reporting Standards and International Accounting Standards (and interpretations thereof) published by the International Accounting Standards Board, as in effect at the relevant time, and applied on a basis consistent with prior periods except as may be disclosed in the pertinent Person's financial statements.

"Governmental Authority" means and includes (whether having a distinct legal personality or not) (a) any national government, political subdivision thereof, or local jurisdiction therein, (b) any board, commission, department, division, organ, instrumentality, court or agency of any entity referred to in (a) above, however constituted, and (c) any association, organization or institution (international or otherwise) of which any entity mentioned in (a) or (b) above is a member or to whose jurisdiction any thereof is subject or in whose activities any thereof is a participant.

"I.A.T.A." means the International Air Transport Association.

"Indemnified Tax(es)" means any Tax for which Lessee has an obligation of indemnity pursuant to Article 21 of this Lease.

"Indemnitee" means Lessor, Lessor Parent, Owner, any Owner Participant, any Servicer, any Financing Party, and their respective Affiliates, officers, directors, shareholders, members, managers, partners, duly authorized agents, employees and attorneys-in-fact and their respective successors and assigns.

"Information" means the terms and conditions of this Lease and any other Operative Document and any other information delivered to any party to this Lease in connection with this Lease or any Operative Document.

"Insurances" means any and all contracts or policies of insurance required to be maintained from time to time under this Lease.

"International Registry" or **"IR"** means the International Registry of Mobile Assets organized pursuant to the Cape Town Convention.

"Item of Equipment" or **"Item"** means individually or collectively, as the context requires, the Aircraft, the Airframe and any of the Engines, any Landing Gear, the APU and any of the Parts, whether or not installed in or attached to the Aircraft or the Airframe.

"Landing Gear" means the complete strut assembly of each landing gear installed on the Airframe on the Delivery Date (or any replacement for any such landing gear made pursuant to the terms of this Lease) and shall consist of the inner and outer cylinders of the main landing gear and the nose landing gear, including the truck assembly and axles of such landing gear.

"Law" means and includes (a) any statute, decree, constitution, regulation, rule, order, judgment, AD or other directive of any Governmental Authority; (b) any treaty, pact, compact or other agreement to which any Governmental Authority is a party; (c) any judicial or administrative interpretation or application of any Law described in (a) or (b) above; and (d) any amendment or revision of any of the foregoing.

"Lease" means this Aircraft Lease Agreement, including all appendices, exhibits and schedules hereto, as the same may be amended, modified or supplemented from time to time.

"Lease Supplement" means the lease supplement dated the Delivery Date in the form of Appendix 4.

"Lease Term" means the period appearing in Appendix 2A which otherwise commences on the Delivery Date and ends on the Termination Date.

"Lessee's Actual Cost" means with respect to the performance of any Obligation under this Lease by a third party, the actual charges, including shipping, freight and handling charges, of such third party charged to and paid by Lessee (but excluding shipping and freight charges and mark-ups, handling charges or overhead added by Lessee).

"Lessee's Capacity Purchase Agreement" means that certain Amended and Restated Capacity Purchase Agreement dated February 18, 2020 among United, Lessee, and Lessee Parent.

"Lessee Parent" means Trans States Holdings, Inc.

"Lessee Parent Guarantee" means the guarantee dated on or about the date of this Agreement, executed and delivered by Lessee Parent in favor of Lessor in form and substance acceptable to Lessor.

"Lessor's Capacity Purchase Agreement" means that certain Amended and Restated Capacity Purchase Agreement, dated November 25, 2019, among United, Lessor, and Mesa Air Group, Inc.

"Lessor's Lien" means any Lien on the Aircraft or any Item of Equipment (i) granted by Owner to any Financing Party with respect to the Aircraft or any Item of Equipment except where the same are granted in connection with and following the occurrence of an Event of Default, (ii) arising as a direct result of any act of Lessor, Owner or any Affiliate of Lessor or Owner that is in violation of any of the express obligations of such Person under the Lease and the other Operative Documents, or (iii) any Claim against Lessor, Owner or any Affiliate of Lessor or Owner that is unrelated to the transactions contemplated by the Lease.

"Lessor Maintenance Contribution" means the payments contemplated to be made by Lessor pursuant to Appendix 2F.

"Lien" means any mortgage, charge, pledge, lien, hypothecation, lease, title retention, assignment, trust arrangement, right of possession or detention or security interest of any kind, howsoever created or arising.

"Life Limited Part" or **"LLP"** means any Part that has a pre-determined life limit mandated by the Manufacturer, the Certificating Authority, the Aeronautics Authority or any other applicable Governmental Authority, which requires any such Part to be discarded upon reaching such life limit.

"Lost Documents" means Aircraft Documents that have suffered a Documents Loss.

"Maintenance Check(s)" means any C-Check performed or to be performed on the Airframe, any Engine Restoration performed or to be performed on an Engine, any Engine LLP replacement or any Overhaul performed or to be performed on any Landing Gear or the APU.

"Maintenance Program" means Lessee's maintenance program (as approved by the Aeronautics Authority) for the Aircraft encompassing scheduled maintenance, condition monitored maintenance and on-condition maintenance of the Aircraft and each Item of Equipment.

"Maintenance Contribution Claim" means any claim by Lessee for payment by Lessor of a Lessor Maintenance Contribution following completion by Lessee of a Maintenance Check.

"Manufacturer" means, in the case of the Airframe, Bombardier Inc., in the case of the Engines, General Electric Aircraft Engines, and in the case of any Item of Equipment, the manufacturer of such Item of Equipment.

"Manufacturer's Repair Manual" means the most current revision of the respective (i) maintenance, repair or overhaul manual or (ii) the structural repair manual, each issued by the Manufacturer and applicable to the maintenance performed on the Aircraft or any Item of Equipment.

"MPD" means the Airframe Manufacturer's Maintenance Planning Data document, as revised from time to time to include all revisions up to and including the then most current revision issued by the Airframe Manufacturer.

"Net Event of Loss Proceeds" means any Event of Loss Proceeds actually received by Lessor or Owner (or such other person entitled to receipt thereof), less any expenses (including reasonable attorney's fees and costs) and/or Indemnified Taxes incurred by Lessor or Owner (or any other relevant Person) in connection with the collection or receipt of such funds.

"Obligations" means all of Lessee's obligations, liabilities and agreements now existing or hereafter arising under this Lease or under any other Operative Document.

"Operative Document(s)" means, either collectively or individually as the context requires, this Lease, the Lease Supplement, the Acceptance Certificate, the Lessee Parent Guarantee, any quiet enjoyment letter, any warranty assignment, acknowledgment and consent, and any and all other documents, instruments and agreements entered into in connection with any of the foregoing and to which Lessee and/or Lessor is a party or which Lessee and Lessor mutually acknowledge is an Operative Document.

"Overhaul" means:

(i) with respect to any Landing Gear, Engine module or Part, the complete refurbishment or major restoration of such Landing Gear, Engine module or Part in accordance with the overhaul or restoration procedures in the respective Manufacturer's Repair Manual for such Landing Gear, Engine module or Part, the extent of which refurbishes or restores such

Landing Gear, Engine module or Part, as applicable, to a "zero time since overhaul" condition in accordance with such Manufacturer's Repair Manual;

- (ii) with respect to the APU, an APU Restoration; and
- (iii) with respect to any Engine, an Engine Restoration.

"Owner" means Lessor in its capacity as owner of the Aircraft or such other Person as Lessor may notify Lessee in writing from time to time as being the owner of the Aircraft.

"Owner Participant" means as any Person who owns a beneficial interest in the Aircraft through a trust or otherwise as Lessor may notify Lessee in writing from time to time.

"Part(s)" means all appliances, components, parts, instruments, appurtenances, accessories, furnishings, seats and other equipment and additions of whatever nature (other than Engines, the APU, any Landing Gear, and any temporary replacement parts installed pursuant to Article 12 of the Lease), which may from time to time be incorporated or installed in or attached to any Item of Equipment or which have been removed therefrom, but which remain owned by Lessor or Owner pursuant to the terms of the Lease.

"Past Due Rate" means the lesser of (i) the rate per annum equal to the Citibank, N.A. prime lending rate as of the applicable date of determination plus three hundred (300) basis points, and (ii) the maximum rate permitted by applicable Law.

"Payment Default" means a nonpayment by Lessee of a payment Obligation when due.

"Permitted Sublease" means any sublease of the Aircraft pursuant to Section 15.1 of this Lease to a Permitted Sublessee permitted under the terms and subject to the conditions of this Lease.

"Permitted Sublessee" means a Person:

- (a) which is a commercial air carrier that holds the requisite licenses and approvals for the maintenance and operation of the Aircraft; and
- (b) with respect to which, at the time such Person becomes a Permitted Sublessee pursuant to the terms and conditions of this Lease and for the term of any Permitted Sublease to which such Permitted Sublessee is a party, no proceeding is pending or shall be instituted in connection with any insolvency, bankruptcy, reorganization, examinership, administration, liquidation, moratorium or other laws affecting the enforcement of creditors' rights generally; and
- (c) that is expressly consented to in writing by Lessor, which consent shall be in the sole discretion of Lessor.

"Person" means an individual, general partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, limited liability company or limited partnership, Governmental Authority or other entity of whatever nature.

"Records" has the meaning as set forth in Appendix 2D.

"Redelivery Location" means such airport in the continental United States as specified in writing by Lessor to Lessee prior to the Scheduled Termination Date.

"Register" means the registry of aircraft which is maintained in the State of Registration by the Aeronautics Authority having authority with respect to the registration of the Aircraft.

"Related Lease(s)" means any and all leases of aircraft between Lessor or any Affiliate of Lessor, or a trustee on behalf of Lessor or any Affiliate of Lessor, as lessor, and Lessee or any Affiliate of Lessee, as lessee, whether such leases may be construed to be "true" leases or otherwise.

"Related Lease Event of Default" means, in relation to any Related Lease, any breach or default of the lessee's obligations thereunder which, with the lapse of time or the giving of notice, or both, would constitute an "event of default" or similar event however termed thereunder under which the party to whom such obligations are owing would have the right to exercise remedies including the termination or cancellation of the Related Lease.

"Related Obligations" means the obligations, liabilities and agreements now existing or hereafter arising of Lessee or any Affiliate of Lessee under any Related Lease.

"Rent" means Basic Rent, Supplemental Rent and Utilization Rent payable pursuant to this Lease.

"Rent Payment Date" means the first day of each Rent Period during the Lease Term and which is the date on which payment of Basic Rent is due and payable.

"Rent Period" means the period commencing on and including the Delivery Date and ending on and including the last day of the calendar month in which the Delivery Date occurs and each of the consecutive calendar monthly periods thereafter throughout the Lease Term, provided that the final Rent Period of the Lease Term may consist of less than a calendar month if this Lease expires, terminates or is cancelled effective as of or on a date other than the last day of a calendar month.

"Required Approval" means evidence documenting approval by the respective Airframe or Engine Manufacturer (as applicable) and the Certificating Authority with respect to (i) any repair to the Airframe or any Engine, where the accomplishment of such repair does not conform with the repair procedures set forth in the Manufacturer's Repair Manual and (ii) any alteration or modification of the Airframe or any Engine.

"Return" means the return of the Aircraft and all Items of Equipment to Lessor pursuant to and in accordance with Article 22 and the other provisions of this Lease.

"Return Acceptance Certificate" means the certificate substantially in the form of Appendix 6 to be executed and delivered by Lessor and Lessee at Return.

"Scheduled Delivery Date" means the scheduled date for Delivery identified in Appendix 2A.

"**Scheduled Termination Date**" means the day on which the Lease Term is scheduled to expire (as provided in Appendix 2A), and which may be independent from the Termination Date as provided in the definition of such term.

"**Security Agent**" means such Person, as notified by Lessor or Owner to Lessee, who will act as security agent for and on behalf of any Financing Party in relation to any financing arrangements to be entered into in respect of the Aircraft.

"**State of Organization**" means the country and/or state under which Laws a Person is organized and existing, or, with respect to Lessor and Lessee, the country and/or state identified on the first page of this Lease.

"**State of Registration**" means the United States of America.

"**Supplemental Rent**" means all amounts, liabilities and obligations (other than Basic Rent and Utilization Rent) which Lessee assumes or agrees to pay to Lessor under this Lease, including without limitation, and to the extent permitted by applicable Law, interest at the Past Due Rate calculated on any: (i) part of any installment of Basic Rent not paid on the Rent Payment Date for the period the same remains unpaid and (ii) Supplemental Rent and Utilization Rent not paid when due hereunder for the period the same remains unpaid.

"**Task(s)**" means each inspection or other requirement set forth in the MPD that (a) has a repetitive interval designated by a letter or combination of a letter and a number, or (b) is based upon (i) the accumulation of Flight Hours and/or Cycles, or (ii) the accumulation of APU Hours and/or APU Cycles, or (iii) an elapsed number of calendar days, months and/or years.

"**Tax(es)**" means any taxes (including, without limitation, sales, use, business, gross or net income, personal property, license, documentation, transfer, import, export, fuel, leasing, occupational, value added, excess profits, excise, gross or net receipts, franchise, stamp, environmental and other taxes), levies, imposts, withholdings, fees, assessments, duties and other charges of any nature, and any penalties, fines, additions to tax, interest or other charges related thereto which are imposed by any Governmental Authority or other taxing authority in any jurisdiction or by any international or multinational taxing or regulatory authority.

"**Termination Date**" means:

- (i) the Scheduled Termination Date if Return is completed on the Scheduled Termination Date; or
- (ii) the date, if other than the Scheduled Termination Date, of Lessee's Return of the Aircraft with all Obligations then due for performance having been performed; or
- (iii) the date on which this Lease terminates in accordance with Section 20.3 of this Lease following the occurrence of an Event of Loss with respect to the Aircraft or the Airframe following Delivery; or

(iv) the date of termination of this Lease following the occurrence of an Illegality Event in accordance with Section 27.1(b) of this Lease; or

(v) the date on which this Lease is cancelled or terminated pursuant to Article 24 following the occurrence of an Event of Default; or

(vi) the date on which the Collateral Agent takes possession of the Airframe or any Engine upon the exercise of its repossession rights under the Existing Mortgage as contemplated by Section 2.3 of this Lease.

"Time Controlled Part" means any Item of Equipment, including any Life Limited Part, having a Task applicable to it based upon a predetermined time limit or interval in accordance with the MPD and/or any requirement of the Manufacturer of such Item of Equipment, the Maintenance Program, the Certificating Authority or the Aeronautics Authority, to the extent such Task requires such Item of Equipment to be discarded, overhauled, or re-certified upon reaching such time limit or interval.

"United" means United Airlines, Inc.

"U.S." or "U.S.A." means the United States of America.

"Utilization Rent" means, collectively, the payments required to be made by Lessee pursuant to the terms of Appendix 2C.

"VAT" means any Tax that is, or is in the nature of, a value added, turnover, sales, use, rental, leasing, services, goods and services, consumption, or transaction privilege Tax.

Appendix 2
to Aircraft Lease Agreement

COMMERCIAL TERMS

[NOTE: THE TERMS OF THIS APPENDIX 2 ARE CONFIDENTIAL AND CONTAIN COMMERCIALY SENSITIVE INFORMATION; THIS APPENDIX 2 MUST BE REMOVED FROM ANY PUBLIC FILING OF THIS LEASE]

Contents:

Appendix 2A	Lease Term
Appendix 2B	Rent, Commitment Fee, Insurance and other Financial Matters
Appendix 2C	Utilization Rent
Appendix 2D	Delivery Conditions
Appendix 2E	Return Conditions
Appendix 2F	Lessor Maintenance Contributions
Appendix 2G	[Reserved]
Appendix 2H	Events of Default
Appendix 2I	Lessor's Rights and Remedies Following an Event of Default

Appendix 3
to Aircraft Lease Agreement

[NOTE: THE TERMS OF THIS APPENDIX 3 ARE CONFIDENTIAL AND CONTAIN COMMERCIALY SENSITIVE INFORMATION; THIS APPENDIX 3 MUST BE REMOVED FROM ANY PUBLIC FILING OF THIS LEASE]

ACCEPTANCE CERTIFICATE

(MSN 10109)

App 3-1

Appendix 4
to Aircraft Lease Agreement

LEASE SUPPLEMENT
(MSN 10109)

LEASE SUPPLEMENT dated as of May 24, 2021, (this "**Lease Supplement**"), between MESA AIRLINES, INC., as Lessor ("**Lessor**"), and GoJet Airlines LLC, as Lessee ("**Lessee**").

Lessor and Lessee have previously entered into that certain Aircraft Lease Agreement dated as of May ____, 2021, (the "**Lease**" and the defined terms therein being hereinafter used with the same meaning). The Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof for the purpose of leasing the aircraft described below under the Lease as and when delivered by Lessor to Lessee in accordance with the terms thereof.

The Lease and this Lease Supplement relate to the Aircraft as more precisely described below and in the Acceptance Certificate. A counterpart of the Lease is attached hereto and shall be filed together with this Lease Supplement with the Aeronautics Authority.

In consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

1. Lessor hereby delivers and leases to Lessee under and pursuant to the Lease and Lessee hereby accepts, acknowledges receipt of possession and leases from Lessor under and pursuant to the Lease the Aircraft described below, together with the Aircraft Documents and Records described in the Agreement (the "**Delivered Aircraft**"):

Aircraft Model:	Bombardier Inc. Canadair Regional Jet CL-600-2C10
Manufacturer's Serial Number:	10109
Installed Engines	Two (2) General Electric model CF34-8C5B1 engines (described on the International Registry pre-populated drop down menu as GE model CF34-8C1 engines)
Manufacturer's Serial Numbers:	965450 and 965422
U. S. Registration Mark	N512MJ

2. The Delivery Date of the Aircraft is the date of this Lease Supplement set forth in the opening paragraph hereof.

3. By execution and delivery of this Lease Supplement, the Delivered Aircraft is and shall be for the Lease Term subject to the Lease.

4. The amount of Basic Rent for the Delivered Aircraft is as set forth in the Lease and the Acceptance Certificate.

5. Lessee hereby confirms to Lessor that (i) the Delivered Aircraft and each delivered Engine have been duly marked in accordance with the terms of the Lease, (ii) the Aircraft is insured as required by the Lease, (iii) the representations and warranties of Lessee referred to in Article 9 of the Lease are hereby repeated with effect as of the date first above written, (iv) having inspected the Delivered Aircraft, Lessee acknowledges that the Delivered Aircraft satisfies all conditions required for Lessee's acceptance of delivery as set forth in the Lease, and (v) the execution and delivery of this Lease Supplement signifies absolute and irrevocable acceptance by Lessee of the Delivered Aircraft for all purposes hereof and of the Lease.

6. THIS LEASE SUPPLEMENT SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES OTHER THAN THE PROVISIONS OF SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK.

7. This Lease Supplement may be executed in separate counterparts; each of such counterparts, shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same Lease Supplement; provided, that to the extent, if any, that this Lease Supplement constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease Supplement may be created through the transfer or possession of any counterpart other than the "Original", which shall be identified on the signature page thereof.

8. This Lease Supplement supplements and forms a part of the Lease. The Lease and all Operative Documents, as supplemented hereby, are hereby ratified, approved and confirmed in all respects.

[REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease Supplement to be duly executed by their authorized representatives on the date first above written.

GOJET AIRLINES LLC
Lessee

MESA AIRLINES, INC.
Lessor

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

MSN 10109

TO THE EXTENT IF ANY THAT THIS DOCUMENT CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST IN THIS DOCUMENT MAY BE PERFECTED THROUGH THE POSSESSION OF ANY ORIGINAL OR COPY HEREOF OTHER THAN THAT MARKED "CHATTEL PAPER ORIGINAL".

App 4-3

CHATTEL PAPER ORIGINAL

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease to be duly executed by their authorized representatives as of the ___ day of _____, 2021.

GOJET AIRLINES LLC
Lessee

MESA AIRLINES, INC.
Lessor

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

MSN 10109

TO THE EXTENT IF ANY THAT THIS DOCUMENT CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST IN THIS DOCUMENT MAY BE PERFECTED THROUGH THE POSSESSION OF ANY ORIGINAL OR COPY HEREOF OTHER THAN THAT MARKED "CHATTEL PAPER ORIGINAL".

Appendix 5
to Aircraft Lease Agreement

CONDITIONS PRECEDENT / POST-DELIVERY ITEMS

**Bombardier Inc. Canadair Regional Jet CL-600-2C10
MSN 10109**

Lease Execution Date: May __, 2021

Scheduled Delivery Date: May __, 2021

PART 1. Conditions Precedent in Favor of Lessor:

Item No.	Description	Date Due	Status
30.	Chattel Paper Original of Lease (ONE COPY ONLY – DELIVERED TO LESSOR)	Lease Execution Date	
31.	The Lease, dated, completed and duly executed by Lessee	Lease Execution Date	
32.	Lessee Parent Guarantee in form and substance acceptance to Lessor duly executed by Lessee Parent in favor of Lessor pursuant to which Lessee Parent guarantees Lessee's obligations under the Lease and the other Operative Documents to which Lessee is a party and satisfaction of all conditions precedent for the benefit of Lessor stated in such Lessor Parent Guarantee	Lease Execution Date	
33.	Opinion of Lessee's counsel (which may be in-house counsel) as of the Lease Execution Date in form and substance reasonably acceptable to Lessor, confirming the due execution of the Lease and related Operative Documents by Lessee, and that the Lease and each related Operative Document constitutes the legal, valid and binding obligations of Lessee enforceable in accordance with its terms subject to bankruptcy, insolvency and similar laws affecting the rights of creditors general and general principles of equity	Lease Execution Date	
34.	Certificate of an authorized officer of Lessee attaching copies of and certifying as true, complete and current (i) the constitutional documents of Lessee, (ii) the resolutions of the required governing body of Lessee authorizing the lease of the Aircraft and execution, delivery and performance of the Lease and other Operative Documents to which Lessee is a party, and (iii) a specimen of the signature of each Person authorized to execute the Lease and each other Operative Document to which Lessee is a party	Lease Execution Date	

35.	Certificate of an authorized officer of Lessee Parent attaching copies of and certifying as true, complete and current (i) the constitutional documents of Lessee Parent, (ii) the resolutions of the required governing body of Lessee Parent authorizing the guaranty of the lease of the Aircraft and execution, delivery and performance of the Lessee Parent Guarantee and other Operative Documents to which Lessee Parent is a party, and (iii) a specimen of the signature of each Person authorized to execute the Lessee Parent Guarantee and each other Operative Document to which Lessee Parent is a party	Lease Execution Date
36.	Such financial information concerning Lessee and other documents and matters incident to the foregoing as Lessor may reasonably request, all in a form reasonably satisfactory to Lessor	Ten (10) Business Days prior to the Scheduled Delivery Date
37.	Power of Attorney evidencing the authority of Lessee's representatives designated to accept delivery of the Aircraft and execute the Lease Supplement and Acceptance Certificate on behalf of Lessee at Delivery	Five (5) Business Days prior to the Scheduled Delivery Date
38.	Letter of Undertaking executed by independent aircraft insurance brokers acceptable to Lessor, together with certificates of insurance evidencing the insurances required to be maintained by Lessee under the Lease	Five (5) Business Days prior to the Scheduled Delivery Date
39.	Evidence of Lessee having registered as a Transacting User Entity ("TUE") with the IR	Five (5) Business Days prior to the Scheduled Delivery Date
40.	First Payment of Basic Rent (which payment shall include Lessee's payment of Basic Rent due and payable for the second Rent Period of the Lease Term if the Delivery Date is on or after the 15 th day of the calendar month)	One (1) Business Day prior to the Scheduled Delivery Date
41.	Payment of the Commitment Fee in accordance with Appendix 2B	One (1) Business Day prior to the Scheduled Delivery Date
42.	All Operative Documents to which Lessee is a party, including but not limited the Lease Supplement and Acceptance Certificate, dated, fully completed and duly executed by Lessee	Delivery Date
43.	Chattel Paper Original of Lease Supplement (ONE COPY ONLY – DELIVERED TO LESSOR)	Delivery Date
44.	Certificate of an authorized officer of Lessee certifying that (i) the representations and warranties contained in Section 9.1 of this Lease are true and correct as of the Delivery Date as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date) and (ii) no Default or Event of Default has occurred and is continuing or will result from Lessee's lease of the Aircraft	Delivery Date
45.	Copy of Lessee's Air Operator's Certificate issued by the FAA	Delivery Date
46.	Copy of Lessee's Maintenance Program	Delivery Date
47.	Evidence of Registration of the Aircraft, the Lease and related interests with the IR	Delivery Date

48.	An opinion in a form acceptable to Lessor from FAA counsel confirming, among other things, the due and proper filing of this Lease and the Lease Supplement with the FAA and the IR	Delivery Date
49.	UCC Financing Statements with respect to the Lease and the Aircraft in a form acceptance to Lessor in due form for filing promptly following the Delivery Date and duly filed in each relevant jurisdiction by Lessor as prepared by Lessor and approved by Lessee	Delivery Date
50.	A lease termination agreement in the form appearing in Appendix 7, duly executed by Lessee, to be held, undated, in escrow by Lessor and which may be dated and countersigned by Lessor following the expiration, termination or cancellation of this Lease upon the occurrence and continuation of an Event of Default	Delivery Date
51.	Such other certificates, documents, opinions and agreements relating to the transactions contemplated by or related to this Lease and the other Operative Documents, as may be necessary or reasonably requested by Lessor	Delivery Date

PART 2. Conditions Precedent in Favor of Lessee

Item No.	Description	Date Due
52.	Certificate of an authorized officer of Lessor (and the Owner) attaching copies of and certifying as true, complete and current (i) the constitutional documents of Lessor (and Owner), (ii) the resolutions of the required governing body of Lessor (and Owner) authorizing the lease of the Aircraft and execution, delivery and performance of the Lease and other Operative Documents to which Lessor (and Owner) is a party, and (iii) a specimen of the signature of each Person authorized to execute the Lease and each other Operative Document to which Lessor (and Owner) is a party	Lease Execution Date
53.	All Operative Documents to which Lessor or any other party (other than Lessee) is a party, dated, fully completed and duly executed by Lessor or such other party	Delivery Date
54.	Certificate of an authorized officer of Lessor certifying that the representations and warranties contained in Section 10.1 of this Lease are true and correct as of the Delivery Date as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date)	Delivery Date
55.	Certificate of Airworthiness for the Aircraft issued by the FAA	Delivery Date
56.	Copy of the Certificate of Registration for the Aircraft showing due registration in the name of Lessor as owner	Delivery Date
57.	Evidence of Registration of the Aircraft, the Lease and related interests with the IR	Delivery Date
58.	Confirmation from FAA counsel that the Aircraft is registered with the FAA in the name of Lessor and that FAA counsel has in its possession properly and fully executed copies of this Lease and the Lease Supplement in due form for filing with the FAA and has such IR related authorizations as are necessary for it to register this Lease with the IR	Delivery Date

Appendix 6
to Aircraft Lease Agreement

RETURN ACCEPTANCE RECEIPT

Mesa Airlines, Inc. ("**Lessor**") hereby acknowledges, pursuant to the Aircraft Lease Agreement made between Lessor and GoJet Airlines LLC, ("**Lessee**") dated as of _____, 2021 (the "**Lease**"), that on this ____ day of _____, 20__, at ____:____ [] Time it has received from Lessee possession of the following Aircraft. Capitalized terms used but not defined herein shall have the meanings given such terms in the Lease.

1. **Aircraft Details**

(a) **Airframe**

Aircraft Model: Bombardier Inc. Canadair Regional Jet CL-600-2C10

Manufacturer's Serial Number: 10109

Airframe Maintenance Status:

Total Flight Hours: _____

Total Cycles: _____

Total Flight Hours Since Last C-Check: _____

Total Cycles Since Last C-Check: _____

Date Last C-Check Accomplished: _____

(b) **Engines (Installed)**

Engine Type General Electric model CF34-8C5B1 engines

Manufacturer's Serial Numbers: 965446 and 194392

Maximum Takeoff Thrust Rating: _____ lbs.

Engines Maintenance Status:

Position 1

ESN: 965446

Total Flight Hours: _____

Total Cycles: _____

Total Flight Hours Since Last Engine Restoration: _____

Total Cycles Since Last Engine Restoration: _____

Date of Last Engine Restoration: _____

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Position 2

ESN: 194392
Total Flight Hours: _____
Total Cycles: _____
Total Flight Hours Since Last Engine Restoration: _____
Total Cycles Since Last Engine Restoration: _____
Date of Last Engine Restoration: _____

(c) **APU (Installed)**

APU Manufacturer & Model _____
Manufacturer's Serial Number: _____ and _____

APU Maintenance Status:

Total APU Hours: _____
Total APU Cycles: _____
Total APU Hours Since Last Overhaul: _____
Total APU Cycles Since Last Overhaul: _____
Date of Last Overhaul: _____

(d) **Landing Gear (Installed)**

Manufacturer's Serial Numbers: Left Main: _____
Right Main: _____
Nose: _____

Landing Gear Maintenance Status:

Left Main

Total Flight Hours: _____
Total Cycles: _____
Total Flight Hours Since Last Overhaul: _____
Total Cycles Since Last Overhaul: _____
Date of Last Overhaul: _____

Right Main

Total Flight Hours: _____
Total Cycles: _____

Total Flight Hours Since Last Overhaul: _____
Total Cycles Since Last Overhaul: _____
Date of Last Overhaul: _____

Nose

Total Flight Hours: _____
Total Cycles: _____
Total Flight Hours Since Last Overhaul: _____
Total Cycles Since Last Overhaul: _____
Date of Last Overhaul: _____

(e) **Interior Configuration**

Seating _____
Lavatories _____
Galleys _____
Passenger Service Units _____
PSIU _____

(f) **Aircraft Documents and Other Equipment**

As described in Attachment 1 to this Return Acceptance Certificate.

(g) **Fuel On Board**

_____ kgs.

2. **Utilization Rent (check one)**

_____ There are no claims for reimbursement from the Utilization Rent outstanding and unpaid as of the date hereof.

or

_____ Claims for reimbursement from the Utilization Rent are outstanding as of the date hereof and are itemized in Attachment [____] hereto.

3. **Return Acceptance**

Lessor confirms that the Aircraft and Aircraft Documents are in the condition required by the Lease and the Aircraft and Aircraft Documents are hereby accepted by Lessor for return under the Lease subject to (i) the provisions of the Lease and (ii) the correction by Lessee (or procurement

by Lessee at Lessee's cost) within ___ days following the date hereof of any discrepancies specified in Attachment 3 hereto.

4. **Termination of Lease**

Subject to the following paragraph, the Lease is hereby terminated without prejudice to Lessee's continuing obligations and Lessor's continuing rights under the Lease.

5. **Governing Law**

THIS RETURN ACCEPTANCE CERTIFICATE SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES OTHER THAN THE PROVISIONS OF SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK.

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IN WITNESS WHEREOF, Lessor and Lessee have each caused this Return Acceptance Certificate to be duly executed by their authorized representatives on the date first above written.

GOJET AIRLINES LLC

Lessee

By: _____

Name: _____

Title: _____

MESA AIRLINES, INC.

Lessor

By: _____

Name: _____

Title: _____

MSN 10109

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Bombardier CL-600-2C10; MSN 10070

APPENDIX 6

Attachment 1 to Return Acceptance Certificate

Aircraft Documents and Equipment Inventory

Aircraft Documents

- 1. -----
- 2. -----
- .
- .
- .

Aircraft Manuals

- 1. -----
- 2. -----
- .
- .
- .

Loose Equipment

- 1. -----
- 2. -----
- .
- .
- .

Avionics Inventory

- 1. -----
- 2. -----
- .
- .
- .

Hard Time Components Inventory

- 1. -----
- 2. -----
- .
- .
- .

Attachment 2 to Return Acceptance Certificate

Utilization Rent Claims Outstanding at Return

[Write "None" if there are no claims outstanding]

Type of Work

Service Provider

Invoice Amount

App 6-7

Attachment 3 to Return Acceptance Certificate

Aircraft Discrepancies

[Write "None" if there are no Aircraft Discrepancies]

App 6-8

Bombardier CL-600-2C10; MSN 10070

APPENDIX 6

Appendix 7
to Aircraft Lease Agreement

FORMS

- Form 1** Form of Aircraft Utilization Report
- Form 2** Intentionally Left Blank
- Form 3** Maintenance Status Report
- Form 4** Form of Lease Termination Agreement
- Form 5** Form of Lease Supplement Amendment (Engine Swap)

App 7-1

Form 1

Form of Aircraft Utilization Report

UTILIZATION REPORT

Lessee: _____
Date of Report: _____ 20__
Report Period: _____ 20__ through _____ 20__

General Information

Aircraft Model: _____	Engine Type: _____
Airframe Serial Number: _____	Lease Engine 1 Serial Number: _____
Lease APU Serial Number: _____	Lease Engine 2 Serial Number: _____
Lease Nose Landing Gear S/N: _____	Lease Left Main Gear S/N: _____
_____	Lease Right Main Gear S/N: _____
_____	_____
Installed 1 Engine S/N: _____	Installed 2 Engine S/N: _____
Installed APU S/N: _____	Installed Nose Landing Gear S/N: _____
Installed Left Main Gear S/N: _____	Installed Right Main Gear S/N: _____

Utilization Information – Airframe

Airframe Flight Hours: _____	Airframe Cycles: _____
Airframe Total FHSN: _____	Airframe Total CSN: _____
Airframe Base: _____	Airframe Status: _____ [In Service; Check; etc.]

Utilization Information –Engines

Lease Engine 1 – Serial Number _____

FH During Report Period: _____ Cycles During Report Period: _____
FH:Cycle Utilization Ratio: ____:1 Cycles Since New: _____
FH Since New: _____ Cycles Since Restoration: _____
FH Since Restoration: _____ Installed On MSN: _____
Airframe Position: _____ Airframe Reg'n Mark: _____
Airframe Owner (if not Owner): _____
Removed From Service: _____ (Date) Current Location: _____
Reason for Removal: _____

Lease Engine 2 – Serial Number _____

FH During Report Period: _____ Cycles During Report Period: _____
FH:Cycle Utilization Ratio: ____:1 Cycles Since New: _____
FH Since New: _____ Cycles Since Restoration: _____
FH Since Restoration: _____ Installed On MSN: _____
Airframe Position: _____ Airframe Reg'n Mark: _____
Airframe Owner (if not Owner): _____
Removed From Service: _____ (Date) Current Location: _____
Reason for Removal: _____

Installed Engine 1 – Serial Number _____ (if not Lease Engine)

Engine Owner: _____ Airframe Position: _____

Installed Engine 2 – Serial Number _____ (if not Lease Engine)

Engine Owner: _____ Airframe Position: _____

Utilization Information –APU

Lease APU – S/N _____

APU Hours During Report Period: _____ APU Cycles During Report Period: _____
APU Hours Since New: _____ APU Cycles Since New: _____
APU Hours Since Overhaul: _____ APU Cycles Since Overhaul: _____
Installed On MSN: _____ Removed From Service: _____ (Date)
Airframe Reg'n Mark: _____ Current Location: _____
Airframe Owner (if not Owner): _____
Reason for Removal: _____

Installed APU – Serial Number _____ (if not Lease APU)

APU Owner: _____

Utilization Information –Landing Gear

Lease Nose Landing Gear – S/N _____

FH During Report Period: _____ Cycles During Report Period: _____
FH Since New: _____ Cycles Since New: _____
FH Since Overhaul: _____ Cycles Since Overhaul: _____
Installed On MSN: _____ Airframe Reg'n Mark: _____
Airframe Owner (if not Owner): _____
Removed From Service: _____ (Date) Current Location: _____
Reason for Removal: _____

Installed Nose Landing Gear – S/N _____ (if not Lease Nose Landing Gear)

NLG Owner: _____

Lease Left Main Landing Gear – S/N _____

FH During Report Period: _____ Cycles During Report Period: _____
FH Since New: _____ FH Since Restoration: _____
Cycles Since New: _____ Cycles Since Restoration: _____
Installed On MSN: _____ Airframe Reg'n Mark: _____
Airframe Owner (if not Owner): _____
Removed From Service: _____ (Date) Current Location: _____
Reason for Removal: _____

Installed Left Main Landing Gear – S/N _____ (if not Lease Left Main Landing Gear)

Left MLG Owner: _____

Lease Right Main Landing Gear – S/N _____

FH During Report Period: _____ Cycles During Report Period: _____
FH Since New: _____ FH Since Restoration: _____
Cycles Since New: _____ Cycles Since Restoration: _____
Installed On MSN: _____ Airframe Reg'n Mark: _____
Airframe Owner (if not Owner): _____
Removed From Service: _____ (Date) Current Location: _____
Reason for Removal: _____

Installed Right Main Landing Gear – S/N _____ (if not Lease Right Main Landing Gear)

Right MLG Owner: _____

GOJET AIRLINES LLC

(Name)

(Title)

(Date)

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Bombardier CL-600-2C10; MSN 10070

APPENDIX 7

Form 2

[Intentionally Left Blank]

App 7-7

Form 3

Maintenance Status Report – Required Information

1. Airframe

- p. Aircraft and Appliances Airworthiness Directive Summaries
- q. Aircraft times and cycles log
- r. Airframe Utilization Report
- s. Avionics Computerized Inventory
- t. CPCP Summary as may be applicable
- u. Dent and Damage Chart
- v. Emergency Equipment Layout Drawing
- w. Fire Blocking Certification
- x. Maintenance last done next due task listing
- y. Life Limited Parts Summary
- z. Interior Layout configuration
- aa. Maintenance Program Summary and Time Interval Summary-Upon request
- bb. Service Bulletin, Engineering Orders, Major Repair and Alteration Summaries
- cc. Scheduled Maintenance Checks Tally Sheets
- dd. Time Control Components Summary

2. Engines

- g. Airworthiness Directive Summaries
- h. Last Shop visit/Engine Restoration Mini Package
- i. Current Disk Sheet
- j. Date, Flight Hours and Cycles of Engine at last Engine install (including Airframe Flight Hours and Cycles)
- k. Service Bulletin Status / Engineering Orders and MOD Summaries
- l. Trend Monitor Readout for the three (3) months prior to the report

3. Landing Gear

- e. Aircraft date, Flight Hours and Cycles at installation
- f. Landing Gear (each) Overhaul/restoration date, Flight Hours and Cycles.
- g. Life Limited Parts Summary
- h. Last shop visit/Overhaul report

4. APU

- g. Airworthiness Directive Summary
- h. Last shop visit/Overhaul mini package report
- i. Flight Hours and Cycles formula (as applicable if Hobbs not installed)
- j. Aircraft/ APU date, APU Hours and APU Cycles at installation.
- k. Life Limited Parts Summary
- l. Service Bulletin Summary

Form 4

Form of Lease Termination Agreement

LEASE TERMINATION

(MSN 10109)

By execution hereof (this "**Lease Termination**"), the undersigned, MESA AIRLINES, INC., as lessor, and GOJET AIRLINES LLC, as lessee, acknowledge and agree that the Lease Agreement defined and described on Exhibit A attached hereto, has by its terms expired or has otherwise been cancelled or terminated and Lessee hereby releases the Equipment, which is also defined and described on Exhibit A attached hereto, from the terms and conditions of the Lease Agreement.

This Lease Termination is without prejudice to the surviving rights of the parties under the Lease Agreement and nothing in this Lease Termination shall relieve either party from its obligations under the Lease Agreement which are still unsatisfied and/or from any of its obligations under the Lease Agreement which may be due after the date of this Lease Termination.

This Lease Termination may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Dated as of this ____ day of _____, 20__.

GOJET AIRLINES LLC
Lessee

MESA AIRLINES, INC.
Lessor

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT A

The Equipment

[TO BE COMPLETED AT LEASE TERMINATION]

The Lease Agreement

[TO BE COMPLETED AT LEASE TERMINATION]

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Form 5

Form of Lease Supplement Amendment No. __ (Engine Swap)

LEASE SUPPLEMENT AMENDMENT NO. __ (ENGINE SWAP)

(MSN 10109)

THIS LEASE SUPPLEMENT AMENDMENT NO. __ (ENGINE SWAP) (this "**Supplement Amendment**"), dated as of _____, 20__, is by and between **MESA AIRLINES, INC.**, a corporation organized under the laws of the State of Nevada, as lessor ("**Lessor**"), and **GOJET AIRLINES LLC**, a limited liability company organized and existing under the laws of the State of Delaware, as lessee ("**Lessee**").

WHEREAS, Lessee and Lessor previously entered into that certain Aircraft Lease Agreement, dated as of _____, 2021 (as amended, modified or supplemented from time to time, the "**Lease**" and the defined terms therein being hereinafter used with the same meaning), as supplemented by that certain Lease Supplement, dated as of _____, 2021 (as amended, modified or substituted from time to time, the "**Lease Supplement**"), with respect to the leasing of that certain Bombardier Inc. Canadair Regional Jet CL-600-2C10 aircraft bearing manufacturer's serial number [_____] and U.S. registration number [_____] together with two (2) General Electric [CF34 Series] aircraft engines bearing manufacturer's serial numbers [_____] and [_____] described therein; and

WHEREAS, pursuant to Appendix 2F of the Lease, Lessee and Lessor desire to amend the Lease Supplement by releasing and replacing that certain General Electric [CF34 Series] aircraft engine bearing manufacturer's serial number [_____] (the "**Replaced Engine**") described therein.

NOW THEREFORE IT IS AGREED as follows:

8. The Replaced Engine is hereby released from the Lease and is no longer considered to be an "Engine" under the Lease, the Lease Supplement or any other Operative Document; *provided however*, that (i) Lessor expressly reserves all claims, rights, remedies and causes of action arising out of or relating to the performance or nonperformance by Lessee of its obligations under the Lease and the other Operative Documents in relation to the Replaced Engine during the period prior to and including the date of this Supplement Amendment including, without limitation, all obligations of Lessee relating to the maintenance, operation, possession and use of the Replaced Engine and to the Aircraft Documents relating to the Replaced Engine, and (ii) the indemnities set forth in the following sections of this Lease: Section 18 (*General Indemnity*) and Section 21 (*Taxes; Tax Indemnity*) of the Lease shall survive and continue to apply in respect of the Replaced Engine and the Aircraft Documents relating to the Replaced Engine.
9. Lessor hereby delivers and leases to Lessee and Lessee hereby accepts and leases from Lessor under the Lease, as herein supplemented, and for all purposes of the Operative Documents the following described aircraft engine:

One (1) General Electric [CF34 Series] aircraft engine bearing manufacturer's serial number [_____] (the "**Replacement Engine**").

10. The Replacement Engine is replacing the Replaced Engine under the Lease Supplement for all purposes of the Operative Documents. The Replacement Engine constitutes a "Swap Engine" under and pursuant to the Lease and shall hereinafter be deemed an "Engine" for all purposes of the Operative Documents.
11. The execution and delivery of this Supplement Amendment by Lessee (i) constitutes Lessee's absolute and irrevocable acceptance of the Replacement Engine under the Lease and for all purposes of the Operative Documents, (ii) constitutes conclusive and irrebuttable proof that the Replacement Engine is delivered in accordance with the requirements of the Lease and is in the condition required by the Lease, (iii) confirms that Lessee hereby expressly waives any right it may have to revoke acceptance of the Replacement Engine pursuant hereto for any reason whatsoever including, without limitation, due to any nonconformity, discovered, difficult of discovery, or undiscovered, on the date hereof.
12. All the terms and provisions of the Lease are hereby incorporated by reference in this Supplement Amendment, on and as of the date of this Supplement Amendment, to the same extent as if fully set forth herein. Without limiting the generality of the foregoing, **LESSEE ACKNOWLEDGES AND AGREES THAT THE PROVISIONS OF SECTION 10.3 (DISCLAIMER; WAIVER OF WARRANTIES; WAIVER OF REMEDIES) OF THE LEASE APPLY TO THE REPLACEMENT ENGINE FOR ALL PURPOSES TO THE SAME EXTENT AS IF THE REPLACEMENT ENGINE WAS INSTALLED ON THE AIRCRAFT AT DELIVERY AND WAS IDENTIFIED IN THE ACCEPTANCE CERTIFICATE.**
13. This Supplement Amendment may be executed in separate counterparts, each of which, except as provided in the cover page to the Lease, shall for all purposes be deemed to be an original; and both such counterparts shall together constitute one and the same Supplement Amendment.
14. THIS SUPPLEMENT AMENDMENT IS BEING DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

[Signature Page Follows]

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IN WITNESS WHEREOF, Lessor and Lessee have each caused this Supplement Amendment to be duly executed by their authorized representatives on the date first above written.

GOJET AIRLINES LLC
Lessee

By: _____

Name: _____

Title: _____

MESA AIRLINES, INC.
Lessor

By: _____

Name: _____

Title: _____

MSN 10109

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Bombardier CL-600-2C10; MSN 10070

APPENDIX 7

Appendix 8
to Aircraft Lease Agreement

LESSEE'S DISCLOSURES

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Bombardier CL-600-2C10; MSN 10070

APPENDIX 8

Certain confidential information contained in this document, marked by brackets, has been omitted because it (i) is not material and (ii) would be competitively harmful if publicly disclosed

August 9, 2021

Mesa Air Group, Inc.
410 N. 44th Street, Suite 700
Phoenix, AZ 85008
Attn: President and Chief Executive Officer

Re: Limited Waiver and Amendment No. 5 to Amended and Restated Capacity Purchase Agreement

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Capacity Purchase Agreement, dated as of November 19, 2020, but effective as of January 1, 2021, between **AMERICAN AIRLINES, INC.** (“*American*”) and **MESA AIRLINES, INC.**, a Nevada corporation (together with its successors and permitted assigns, “*Contractor*”) (as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, the “*Capacity Purchase Agreement*”). Capitalized terms used but not defined herein have the meanings ascribed to them in the Capacity Purchase Agreement.

[***]

Therefore, for and in consideration of the mutual covenants and agreements herein contained, and contained in the Capacity Purchase Agreement, American, on the one hand, and Contractor, on the other hand, agree as follows.

1. Limited Waiver

(a) [***]

(i) [***]

(b) [***]

(i) [***]

(c) Contractor hereby expressly acknowledges and confirms that the foregoing waivers in this **Section 1** are one-time waivers solely with respect to the waivers expressly described in this **Section 1** and shall not be construed as creating any course of conduct on the part of American.

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

2. Amendments to Capacity Purchase Agreement

(a) [***]

(ix) [***]

(b) [***]

(x) [***]

(c) [***]

(d) [***]

(e) [***]

3 Miscellaneous.

(a) This Amendment No. 5 shall become effective as of the date first set forth above (the “**Amendment No. 5 Effective Date**”) upon satisfaction of all of the following conditions precedent:

(i) Receipt by each Party of a copy of this Amendment No. 5, duly executed and delivered by American and Contractor.

(ii) Contractor shall have obtained all consents and approvals required in connection with the execution, delivery and performance by Contractor of this Amendment No. 5.

(b) Except as expressly set forth herein, this Amendment No. 5 shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of American under the Capacity Purchase Agreement or any other Related Agreement, and shall not, except as expressly set forth herein, alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Capacity Purchase Agreement or any other Related Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle Contractor to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Capacity Purchase Agreement or any other Related Agreement in similar or different circumstances. This Amendment No. 5 shall apply and be effective only with respect to the provisions of the Capacity Purchase Agreement specifically referred to herein.

(c) The Parties hereby acknowledge and represent to each other that after giving effect to the terms hereof, each representation and warranty of Contractor contained in the Capacity Purchase Agreement or in any other Related Agreement is true and correct in all material respects on the date first set forth above.

(d) Any and all of the terms and provisions of the Capacity Purchase Agreement shall remain in full force and effect and are hereby in all respects ratified and confirmed by the Parties. Each Party hereby agrees that the terms and conditions set forth herein shall in no manner affect or impair the liabilities, duties and obligations of such Party under the Capacity Purchase Agreement.

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

(e) If any of the terms or provisions of this Amendment No. 5 conflict with any terms or provisions of the Capacity Purchase Agreement, then the terms and provisions of this Amendment No. 5 shall govern and control. To the extent a matter is not addressed in this Amendment No. 5, the terms of the Capacity Purchase Agreement shall apply in all respects and the same shall be given full force and effect.

(f) THIS AMENDMENT NO. 5, THE CAPACITY PURCHASE AGREEMENT, AND THE OTHER DOCUMENTS EXECUTED IN CONNECTION THEREWITH REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

(g) This Amendment No. 5 may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Amendment No. 5 shall extend to and bind the successors and assigns of the respective Parties hereto. Each Party shall take all reasonable commercial actions in order to effectuate the intent of this Amendment No. 5.

***[Remainder of Page Intentionally Left Blank;
Signature Page(s) Follow(s).]***

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

If you are in agreement with the foregoing, please sign where indicated below and return a signed copy of this Amendment No. 5 to us.

Very truly yours,
AMERICAN AIRLINES, INC.

By: /s/ Devon May _____
Name: Devon May
Title: Senior Vice President, Finance & American Eagle

Acknowledged and Agreed:
MESA AIRLINES, INC.

By: /s/ Brad Rich _____
Name: Brad Rich
Title: EVP & COO

List of Subsidiaries of Mesa Air Group, Inc.

Subsidiaries	Jurisdiction of Incorporation or Organization
Mesa Airlines, Inc.	Nevada
Mesa Air Group—Airline Inventory Management, LLC	Arizona

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-251290) of Mesa Air Group, Inc.,
- (2) Registration Statement (Form S-8 No. 333-233314) pertaining to the Mesa Air Group, Inc. 2019 Employee Stock Purchase Plan, and
- (3) Registration Statement (Form S-8 No. 333-233313) pertaining to the Mesa Air Group, Inc. 2018 Equity Incentive Plan;

of our report dated December 10, 2021, with respect to the consolidated financial statements of Mesa Air Group, Inc. included in this Annual Report (Form 10-K) of Mesa Air Group, Inc. for the year ended September 30, 2021.

/s/ Ernst & Young LLP

Phoenix, Arizona
December 10, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos., 333-233313 and 333-233314 on Form S-8 and No. 333-251290 on Form S-3 of our report dated December 16, 2019, relating to the consolidated financial statements of Mesa Air Group, Inc. and subsidiaries appearing in this Annual Report on Form 10-K of Mesa Air Group, Inc. for the year ended September 30, 2021.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona

December 10, 2021

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jonathan G. Ornstein, certify that:

1. I have reviewed this annual report on Form 10-K of Mesa Air Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2021

/s/ JONATHAN G. ORNSTEIN

Jonathan G. Ornstein
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Torque Zubeck, certify that:

1. I have reviewed this annual report on Form 10-K of Mesa Air Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2021

/s/ TORQUE ZUBECK

Torque Zubeck
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jonathan G. Ornstein, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report on Form 10-K of Mesa Air Group, Inc. for the fiscal year ended September 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Mesa Air Group, Inc.

Dated: December 10, 2021

/s/ JONATHAN G. ORNSTEIN

Jonathan G. Ornstein
Chairman and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Torque Zubeck, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report on Form 10-K of Mesa Air Group, Inc. for the fiscal year ended September 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Mesa Air Group, Inc.

Dated: December 10, 2021

/s/ TORQUE ZUBECK

Torque Zubeck
Chief Financial Officer