

December 8, 1952

Mr. Ruth L. Lessor
Attorney at Law
Gilbert, Segall and Young
430 Park Avenue
New York, New York 10022

Re: Bolls-Boyer Pool Consignment

Dear Mr. Lessor:

We have reviewed the proposed agreement between Bolls-Boyer, Inc., and Aviall, Inc., you submitted with your letter of December 6, 1952. It appears to be a combination consignment and parts pooling arrangement to be effected at Aviall's facility in Burbank, California. For the reasons given below, we are of the opinion that the agreement is not recordable.

The Federal Aviation Act of 1958 (49 U.S.C. 1403 et seq.; the Act) provides for the establishment and maintenance of a recording system for leases, mortgages, equipment trusts, contracts of conditional sale, or other interests affecting specifically identified engines, etc., rated at 750 horsepower or equivalent. In our opinion, the consignment agreement does not fall into this category. Bolls-Boyer at all times retains title until the engine is unit-exchanged by Aviall, at which time there is a sale, not a security document involved. We have no authority to register engines. That aspect of the proposed to record against the spare parts location, albeit with Aviall, likewise has no support from the Act since that provision is applicable only to Section 604(b) air carriers, and to the best information available to us, Bolls-Boyer is not such a carrier.

We are unaware of any other provisions of the Act which would be available to record an agreement containing the provisions of the agreement submitted.

Sincerely,

Original Signed By
R. BRUCE CARTER

X. Bruce Carter
Acting Aeronautical
Center Counsel

bcc:
AAC-250, AGC-7

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December 6, 1982

FEDERAL EXPRESS

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Federal Aviation Administration
Room 236
Headquarters Building
6500 South MacArthur
Oklahoma City, Oklahoma 73125

Reviewed by: _____ Date _____
RBC _____

COMMENTS: _____

Dear Mr. Carter:

Further to our telephone conversation of Wednesday, December 1, 1982, I am enclosing the proposed Agreement between Rolls-Royce Inc. and Aviall, Inc. providing for the repair, overhaul and testing of Rolls-Royce Gem engines, modules, parts and accessories by Aviall.

Under the Agreement, Rolls-Royce Inc. will maintain a pool of engines, modules and accessories and a consignment stock of spare parts at Aviall's facility to which title and ownership shall remain in Rolls-Royce Inc. unless and until the engine, module, accessory or part is exchanged for an unserviceable equivalent item or the spare part is incorporated into an engine, module or accessory or other spare part at which point title and ownership shall pass from Rolls-Royce.

Please advise whether the Agreement creates an interest which is recordable with the FAA registry. Specifically, please advise whether the "pool" engines may be recordable with the FAA assuming that they can be specifically identified. (They are of 750 or more rated take-off horsepower or the equivalent of that

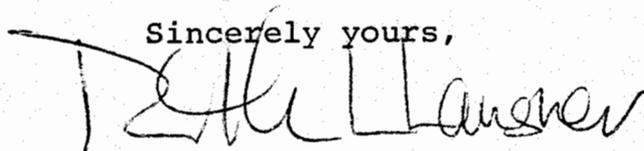
R. Bruce Carter, Esq.
December 6, 1982
Page Two

COPY — FAA

horsepower.) The provision of the Agreement relevant to this pool is clause 4 of the Agreement. Because modules, accessories and spare parts are all "spare parts" under the Federal Aviation Act and the regulations promulgated pursuant thereto, and encumbrances against spare parts are only recordable against designated locations "by or on behalf of an air carrier" pursuant to section 49.51 of the FAA regulations, we conclude that no recording can be made against the spare parts consigned under the enclosed Agreement to Aviall even at specified locations because Aviall is not an air carrier.

If you need any further information, please call me collect at 212-644-4028. We would appreciate hearing from you at your earliest convenience.

Sincerely yours,



Ruth L. Lansner

Enclosure

AGREEMENT
BETWEEN
ROLLS-ROYCE INC.
AND
AVIALL, INC

relating to the Repair and Testing of
Rolls-Royce Limited Gem 41-1 MK510 and Gem 60-3 MK530 Engines, Modules,
Parts and Accessories.

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CLAUSE 1 - Continued

Installation Standard Sheet No. 156 Sheet Numbers 2 through 8, or

- b) the Rolls-Royce Limited Gem 60-3 MK 530 Engine conforming to Rolls-Royce Limited Engine

Installation Standard Sheet No. 157 Sheet Numbers 2 through 8,

as the case may be.

- 1.2 "Module" shall mean any of the modules contained in an Engine.
- 1.3 "Part" shall mean any part of an Engine. Where two or more parts are permanently attached together by a manufacturing process Part shall mean the minimum assembly listed in the Rolls-Royce Limited Gem Illustrated Parts Catalogue.
- 1.4 "Accessory" shall mean any of the items listed in the attached Appendix 1.
- 1.5 "Supplies" shall mean Engines, Modules, Parts and Accessories and any other items of associated equipment owned by an Operator and delivered to the Facility for Work.
- 1.6 "Work" shall mean the work to be undertaken on Supplies as detailed in an Order and Work Specification.
- 1.7 "Operator" shall mean an operator of Engines.
- 1.8 "Order" shall mean a purchase order, placed by Rolls-Royce pursuant to the terms of this Agreement.

CLAUSE 1 - Continued

- 1.9 "Work Specification" shall mean the statement or statements attached to and forming part of an Order, in which the requirements in respect of the Work covered by such Order are defined.
- 1.10 "Direct Labor" shall mean any skilled labor directly involved in the performance of Work by Aviall pursuant to an Order and limited to the strip (including cleaning) and rebuild, inspection, and Parts repair.
- 1.11 "Consignment Stock" shall mean that inventory of Parts owned by Rolls-Royce which is placed on consignment at the Facility and which is replenished and supplemented by Rolls-Royce pursuant to sub-Clause 5.4 hereof.
- 1.12 "Facility" shall mean Aviall's facility at Burbank, California.
- 1.13 "Turn Round Time" shall have the meaning as defined in Clause 11 hereof.
- 1.14 "Price" shall mean the price of Parts as specified in Rolls-Royce Limited's Gem Civil Spare Parts Price Catalogue current at the time of delivery of the Supplies to the Facility for Work.

CLAUSE 2 EXCLUSION OF OTHER TERMS AND PREVIOUS UNDERSTANDINGS

2.1 The parties agree that neither of them has placed any reliance whatsoever on any representations, agreements, statements or understandings made prior to the signature of this Agreement whether orally or in writing other than those expressly incorporated in this Agreement, which has been negotiated on the basis that its terms represent their entire agreement relating to the Work and shall supersede all such prior representations, agreements, statements and understandings.

2.2 The terms and conditions in this Agreement and any expressly agreed terms on or attached to an Order other than "General Conditions" or "Standard Conditions" printed on the Order shall govern the Order to the exclusion of any other terms issued by either party and not specifically referred to in this Agreement.

CLAUSE 3 TERM

Subject to Clause 17 hereof, this Agreement will take effect from the date hereof and shall remain in force until the 31st day of December 1984 provided however that either party may terminate this Agreement prior thereto on 12 months written notice to the other party.

CLAUSE 4

EQUIPMENT POOL

- 4.1 Rolls-Royce plans to establish at the Facility a pool of Engines, Modules and Accessories (the "Pool"). The Modules and Accessories in the Pool may be used
- i) by Aviall to achieve the Engine Turn Round Times by the exchange of unserviceable Modules and Accessories for serviceable Pool Modules and Accessories, and
 - ii) by Rolls-Royce to provide an "over the counter" Accessory exchange service for Operators.
- Such use of the Pool by Aviall must have prior authorisation by the Rolls-Royce representative (provided pursuant to the provisions of Clause 15 hereof) and be the subject of an Order or Order amendment. Pool Engines will be made available by Aviall to Operators at the direction of Rolls-Royce and at Rolls-Royce's sole discretion.
- 4.2. Where so required by Rolls-Royce, Aviall will forthwith return any item of Pool equipment, and deliver the same in accordance with sub-clause 8.2 hereof.
- 4.3. Rolls-Royce will specify on Orders, when Supplies are required to become Pool equipment upon completion of Work and Aviall will deliver such equipment into the Pool.

CLAUSE 4 - Continued

- 4.4 Aviall will set aside an adequate, clean, dry, covered and secure storage area (with a sprinkler system) within the Facility, such that the Pool is clearly identifiable. Aviall shall permit Rolls-Royce access to such area in order to enable it to post a legible, conspicuous sign, specifying that Rolls-Royce is the owner of the Pool, or Aviall agrees itself to post such a sign. Aviall agrees to execute such documents as Rolls-Royce shall reasonably require including without limitation Uniform Commercial Code financing statements to evidence and protect Rolls-Royce ownership interests in the Pool.
- 4.5 Aviall shall report to Rolls-Royce immediately upon discovery of any loss or damage to the Pool and the effect of such loss or damage on Work and anticipated Work.
- 4.6 Aviall shall at all reasonable times give Rolls-Royce access to its premises where the Pool is located to enable Rolls-Royce representatives to inspect the Pool.

CLAUSE 5 SPARE PARTS

- 5.1 Aviall will place an order with Rolls-Royce Limited on or before _____ for the initial provisioning list of low value GEM 41-1 MK510 Parts detailed at Appendix 2 hereto. Thereafter Aviall will be solely responsible for placing replenishment orders for such Parts so

CLAUSE 5 - Continued

that it has at any one time an inventory of low value, high usage Parts necessary to undertake Work anticipated for a minimum period of 90 days from such time. All such Parts and replenishment Parts will be purchased by Aviall from Rolls-Royce Limited. Aviall will agree with Rolls-Royce Limited, 90-day Terms of Business for such supply. In the event that Rolls-Royce wishes to purchase any such Parts, Aviall will sell such Parts to Rolls-Royce and the price shall be that specified in the Rolls-Royce Limited Gem Civil Spare Parts Price Catalogue current at the time of such purchase by Rolls-Royce. Aviall will deliver the same in accordance with the sub-clause 8.2 hereof.

- 5.2 Within 60 days of the cessation of the operation of the last Gem 41-1 MK 510 Engine in the United States of America, Rolls-Royce will purchase each of the unused Parts Aviall has purchased pursuant to sub-clause 5.1 hereof and has remaining in its possession and which cannot be used for Work on the Gem 60-3 MK 530 Engine. The price payable by Rolls-Royce for such Parts will be that originally paid by Aviall to Rolls-Royce Limited for such Parts. If requested, Aviall will deliver the same in accordance with sub-clause 8.2 hereof.

CLAUSE 5 - Continued

- 5.3 Aviall will place an order with Rolls-Royce Limited on or before _____ for the initial provisioning list of low value GEM 60-3 MK 530 Parts detailed at Appendix 4 hereto. Thereafter Aviall will be solely responsible for placing replenishment orders for such Parts so that it has at any one time an inventory of low value, high usage Parts necessary to undertake Work anticipated for a minimum period of 90 days from such time. All such Parts and replenishment Parts will be purchased by Aviall from Rolls-Royce Limited. Aviall will agree with Rolls-Royce Limited, 90 day Terms of Business for such supply. In the event that Rolls-Royce wishes to purchase any such Parts, Aviall will sell such Parts to Rolls-Royce and the price shall be that specified in the Rolls-Royce Limited Gem Civil Spare Parts Price Catalogue current at the time of such purchase by Rolls-Royce. Aviall will deliver the same in accordance with the sub-clause 8.2 hereof.
- 5.4 Rolls-Royce will make available to Aviall, free of charge, an initial provisioning consignment stock of Parts for both the Gem 41-1 MK 510 and the Gem 60-3 MK 530 engines, to supplement Aviall's inventory of low value Parts referred to in sub-clauses 5.1 and 5.3 hereof. Such consignment stock and replenishments and additions thereto (the "Consignment Stock") will consist of those items of an insurance nature which in

CLAUSE 5 - Continued

Rolls-Royce's opinion are necessary to perform Work. Rolls-Royce will deliver the Consignment Stock, f.o.b. UK Port. Aviall will at its own cost and risk transport the said Consignment Stock, to the Facility. Where so requested by Rolls-Royce, Aviall will forthwith return any item of the Consignment Stock, and deliver the same in accordance with sub-clause 8.2 hereof.

- 5.5 Aviall will set aside an area within its existing spare parts stores, such that the Consignment Stock is clearly identifiable. Aviall shall permit Rolls-Royce access to such area in order to enable it to post a legible, conspicuous sign, specifying that Rolls-Royce is the owner of the Consignment Stock, or Aviall agrees itself to post such sign. Aviall agrees to execute such documents as Rolls-Royce shall reasonably require, including, without limitation, Uniform Commercial Code financing statements, to evidence and protect Rolls-Royce's ownership interests in the Consignment Stock.

CLAUSE 5 - Continued

- 5.6 Rolls-Royce will be solely responsible for replenishing and adding to the Consignment Stock except that Aviall will notify Rolls-Royce on a monthly basis of the use of Parts from the Consignment Stock, and will co-operate with Rolls-Royce to identify replenishment requirements.
- 5.7 Aviall shall at all times exercise the same degree of care with respect to the Consignment Stock as Aviall exercises with respect to its own parts inventory.
- 5.8 Aviall shall report to Rolls-Royce immediately upon discovery of any loss or damage to the Consignment Stock, and the effect of such loss or damage on Work and anticipated Work.
- 5.9 Aviall shall at all reasonable times give Rolls-Royce access to its premises where the Consignment Stock is located to enable Rolls-Royce representatives to inspect the Consignment Stock.
- 5.10 In the event that the number of operating Engines (including any other Gem Engine variant) in the United States of America, reaches or exceeds a total of _____, then Aviall shall purchase the Pool equipment, the Consignment Stock and the Salvage Pool, then currently located at the Facility, if so required by Rolls-Royce at its then market value. Aviall will be responsible for the replenishment of the Consignment Stock from Rolls-Royce Limited, (in accordance with the terms of business agreed pursuant

CLAUSE 5 - Continued

to sub-clauses 5.1 and 5.3 hereto), such that Work will be performed on Supplies in accordance with the terms of this Agreement.

CLAUSE 6 UNDERTAKING TO PERFORM WORK

6.1 Aviall shall accept any Order placed by Rolls-Royce for Work.

6.2 Upon delivery of Supplies to Aviall, pursuant to an Order, Aviall will:

6.2.1 inspect such Supplies to determine whether any Parts or Accessories are missing from the same, and advise the Rolls-Royce representative of any shortage; and

6.2.2 carry out the Work as detailed on the Order and/or Order amendment.

6.3 Should it be desirable in the opinion of Aviall to carry out work different from that specified in the Order then Aviall will promptly notify Rolls-Royce of the nature and extent of such different work and seek Rolls-Royce's consent to the performance and charges for such different work. Aviall shall not carry out such different work without an Order amendment.

CLAUSE 7

STANDARDS

- 7.1 Work shall be performed at the Facility strictly in accordance with the Work Specification and supplemented by the relevant technical documentation applicable to Engines.
- 7.2 An Engine log book (or such other log book as is applicable), and Module log cards will be supplied with Engines or Modules upon delivery to Aviall. Upon re-delivery of such Engines or Modules to Rolls-Royce, Aviall will re-deliver the Engine log book and Module log cards, duly completed in accordance with FAA requirements to reflect the Work performed.
- 7.3 Aviall shall inform Rolls-Royce or its authorised representative of the methods of operation and the quality control procedures which shall be employed by Aviall in the performance of Work. The performance of Work shall be open to inspection at all stages by authorised representatives of Rolls-Royce or the Operator at any reasonable time.
- 7.4 If the Work has not been performed in accordance with its Work Specification and with this Agreement, Rolls-Royce shall have the right to refuse to accept re-delivery of the equipment the subject of the Order or if re-delivery has taken place, return the same to Aviall at Aviall's expense, and in such event Aviall shall perform the Work in accordance with the Work Specification and this Agreement.

CLAUSE 7 - Continued

- 7.5 Aviall will use its best efforts to develop cost effective repair schemes for Engines, Modules, Parts and Accessories either on its own behalf or in conjunction with Rolls-Royce Limited and upon approval of such repair schemes by Rolls-Royce Limited will embody the same to the maximum extent possible during Work on Supplies. Aviall will make available to Rolls-Royce and to Rolls-Royce Limited all technical information generated by Aviall in implementing or developing such repair schemes. Rolls-Royce and Rolls-Royce Limited shall have the non-exclusive right anywhere, free of payment, to use and to authorize other repair agencies to use such technical information.
- 7.6 Aviall will establish and manage a Rolls-Royce owned salvage pool of serviceable Parts ("the Salvage Pool") for exchange for those Parts where the time required for Work is generally in excess of the applicable Turn Round Time, and will fit such Salvage Pool Parts during Work whenever possible. Aviall shall consult with, and obtain the prior consent of the Rolls-Royce representative, to the fitting of new Parts when no such Salvage Pool Parts are available.

CLAUSE 7 - Continued

- 7.7 Aviall will set aside an area within its existing salvage pool store, such that the Salvage Pool is clearly identifiable. Aviall shall permit Rolls-Royce access to such area in order to enable it to post a legible, conspicuous sign, specifying that Rolls-Royce is the owner of the Salvage Pool, or Aviall agrees itself to post such sign. Aviall agrees to execute such documents as Rolls-Royce shall reasonably require, including, without limitation, Uniform Commercial Code financing statements, to evidence and protect Rolls-Royce's ownership interests in the Salvage Pool.
- 7.8 Aviall shall at all times exercise the same degree of care with respect to the Salvage Pool as Aviall exercises with respect to its own salvage pool inventory.
- 7.9 Aviall shall report to Rolls-Royce immediately upon discovery of any loss or damage to the Salvage Pool, and the effect of such loss or damage on Work and anticipated Work.
- 7.10 Aviall shall at all reasonable times give Rolls-Royce access to its premises, where the Salvage Pool is located, to enable Rolls-Royce representatives to inspect the Salvage Pool.

CLAUSE 7 - Continued

7.11 Aviall will hold in a defined Rolls-Royce owned and designated quarantine store those unserviceable Parts for which at the time of removal from Supplies, no Rolls-Royce approved repair scheme is in existence. Representatives of Aviall and Rolls-Royce shall meet at the Facility at mutually agreed intervals, but not less than four times a year, to review such Parts and to assess the viability of restoring such Parts to serviceability. During such meeting Rolls-Royce will advise Aviall of any disposal instructions for Parts considered to be scrap.

CLAUSE 8 TRANSPORTATION AND DELIVERY

- 8.1 Rolls-Royce will deliver to Aviall and Aviall will re-deliver to Rolls-Royce the Supplies f.o.b. the Facility. Aviall will arrange transportation to or from the Facility if so requested by Rolls-Royce, at Rolls-Royce's expense.
- 8.2 Aviall will, at no additional charge to Rolls-Royce, pack (as appropriate) and deliver f.o.b. Los Angeles International Airport:
- (i) such of the Pool, Consignment Stock, or Parts, which are required by Rolls-Royce to be returned pursuant to sub-clauses 4.2, 5.1, 5.2, 5.3 and 5.4 hereof, and
 - (ii) such of the Supplies which are required by Rolls-Royce to be returned pursuant to an Order.

CLAUSE 9 CHARGES

9.1 Aviall will charge Rolls-Royce for Work performed in accordance with the following:

9.1.1 Subject to Clause 9.2 hereof the Direct Labor manhours actually worked by Aviall in the performance of Work at the rate of \$ _____ (_____ dollars) per manhour for straight time and \$ _____ (_____ dollars) per manhour for Overtime. For the purpose of this Clause 9.1, "Overtime" shall be defined as

Overtime rates shall only be charged for Direct Labor, utilised during Overtime worked with the prior express written approval of the Rolls-Royce representative and shall not be charged to achieve Turn Round Times.

9.1.2 New Parts, fitted and supplied from Aviall's inventory specified in Clause 5.1 and Clause 5.3 hereof will be charged at their Price.

CLAUSE 9 - Continued

- 9.1.3 Subcontract work at Aviall's actual cost (which shall be reasonable) for such Work, and subject to Clause 20 hereof.
- 9.1.4 A test cell occupancy fee of \$ _____ (_____ dollars) including the charge for ~~fuel and oil~~ used for not more than one test of an Engine, unless otherwise agreed by Rolls-Royce.
- 9.1.5 A handling charge of:-
- a) _____ % (_____ percent) of the Price of any new Parts fitted from Aviall's inventory as established pursuant to sub-clause 5.1 and 5.3 hereof, plus
 - b) _____ % (_____ percent) of the Price of any new Parts fitted from the Consignment Stock, plus
 - c) _____ % (_____ percent) of the cost to Aviall of any sub-contract Work
- provided however that the total such handling charge of any individual Engine the subject of an individual Order shall not exceed \$ _____ (_____ dollars) and of any individual Module the subject of an individual Order shall not exceed \$ _____ (_____ dollars).

CLAUSE 9 - Continued

9.2 The number of hours of Direct Labor for which Aviall may charge Rolls-Royce pursuant to sub-clause 9.1.1 will not exceed:

9.2.1 for Engine Strip to Modules - man hours

9.2.2 for Engine Rebuild from Modules, and
Pack - man hours

9.2.3 for Module 01 Strip, Inspection and
Rebuild - man hours

for Module 02 Strip, Inspection and
Rebuild - man hours

for Module 03 Strip, Inspection and
Rebuild - man hours

for Module 04 Strip, Inspection and
Rebuild - man hours

for Module 05 Strip, Inspection and
Rebuild - man hours

for Module 06 Strip, Inspection and
Rebuild - man hours

for Module 07 Strip, Inspection and
Rebuild - man hours

9.2.4 the number of hours of Direct Labor used by Aviall for Parts repair, will be charged to Rolls-Royce on an "as incurred" basis.

CLAUSE 9 - Continued

9.3 The manhour labor rates specified in Clause 9.1.1 above will apply to Work performed on Supplies which are delivered to Aviall prior to January 1, 1984 for Work. The rates for the calendar year 1984 will be agreed between the parties prior to January 1st 1984. The percentage increase from 1983 to 1984 shall not exceed the percentage increase in the Average Hourly Earnings for Industry Group "Aircraft Engines and Engine Parts" SIC Code 3724 published by the US Department of Labor, Bureau of Labor Statistics, for the latest 12 month period available at the date of the agreement of such increase.

CLAUSE 10 INVOICES AND PAYMENT

10.1 Aviall will submit invoices (in United States Dollars) to Rolls-Royce after the Supplies are re-delivered in accordance with the provisions of sub-Clause 4.3 or 8 hereof. The invoices shall include details of the following:

10.1.1 Full details of Direct Labor hours taken to complete the Work and the charge therefor calculated in accordance with Clause 9.1.1 hereof.

10.1.2 A list of new Parts used in the Work and which have been supplied from Aviall's inventory and the charge therefor calculated in accordance with Clause 9.1.2 hereof.

CLAUSE 10 - Continued

- 10.1.3 A list of Parts used in the Work and supplied from the Consignment Stock.
- 10.1.4 Engine testing carried out, and the charge therefor calculated in accordance with sub-Clause 9.1.4 hereof.
- 10.1.5 Sub-contract work and charges therefor calculated in accordance with sub- Clause 9.1.3 hereof. Aviall shall provide Rolls-Royce with copies of its sub-contractor's invoices for such charges.
- 10.1.6 Handling charges calculated in accordance with sub-Clause 9.1.5 hereof.
- 10.2 Aviall shall together with each invoice submit a statement signed by the Rolls-Royce representative stating that the Work, which is the subject of that invoice, has been performed by Aviall but such statement shall not be deemed to be an acceptance by Rolls-Royce of the Supplies which were the subject of such Work, nor shall it in any way constitute a waiver by Rolls-Royce of its right to reject the Supplies.

CLAUSE 10 - Continued

10.3 Rolls-Royce has obtained exemption from California sales taxes under certain circumstances. This exemption is covered by Certificate No. SR-OHB-30-62181 issued by the California State Board of Equalization. Aviall agrees to invoice Rolls-Royce for Work under this Agreement exempt of tax, and agrees to quote the above certificate number on all invoices.

10.4 Payments shall be made by Rolls-Royce pursuant to this Agreement within thirty (30) calendar days after receipt of Aviall's invoice therefor. Rolls-Royce agrees to make payment for such invoices in United States dollars at the office of Aviall at the address specified below. Such invoices will be paid in the amount billed, subject to audit adjustment to be made on subsequent invoices, provided however, the major errors in billing will be adjusted prior to payment. Invoices shall be mailed to Contracts Officer, Rolls-Royce Inc., 375 Park Avenue, New York, New York 10152.

CLAUSE 11 TURN ROUND TIMES

11.1 Aviall will carry out the Work within the following Turn Round Times:

CLAUSE 11 - Continued

- 11.1.1 Engines to be made serviceable by the exchange of Modules or Accessories from the Pool:
- a) No Engine test required:
4 (four) working days
 - b) Engine test required:
8 (eight) working days.
- 11.1.2 Work on Modules to return them to a serviceable condition:
- a) Modules 01,02, 04 and 06:
10 (ten) working days.
 - b) Modules 03, 05 and 07
20 (twenty) working days.
- 11.1.3 Aviall will use its reasonable endeavours to achieve or have its sub-contractors achieve minimum Turn Round Times on Supplies other than those detailed in sub-clause 11.1.1 and 11.1.2 hereof.
- 11.2 Turn Round Time shall commence when the Engine or Module is delivered to Aviall and shall end when the Engine or Module is re-delivered to Rolls-Royce pursuant to Clauses 4.3 or 8 hereof.
- 11.3 Where so requested by Rolls-Royce, Aviall will attempt to reduce the Turn Round Times. If overtime labor is necessary to achieve such reduction, Aviall

CLAUSE 11 - Continued

may use such overtime labor if prior written approval for such overtime is received from the Rolls-Royce representative.

CLAUSE 12 REPORTS

In respect of each individual Engine or Module, Aviall will, no later than re-delivery of the Engine or Module, supply to Rolls-Royce:

- 12.1 Log Book and/or Log Cards duly completed in accordance with FAA regulations. A copy of the Log Book/Log Card entry will be provided to the Rolls-Royce representative.
- 12.2 A Defect Investigation report (where requested).
- 12.3 A Strip Report (including details of rejected Parts).
- 12.4 Warranty Claim Form (where applicable).
- 12.5 An Approved Repair Certificate including a statement of modification and repair schemes incorporated during Work.

CLAUSE 13 INDEMNIFICATION AND INSURANCE

- 13.1 If any damage to or destruction or loss of Supplies or of any equipment, the property of Rolls-Royce, shall be sustained during the period commencing with the date such Supplies or equipment are delivered to Aviall until they are delivered or re-delivered to Rolls-Royce, then Aviall shall, at Rolls-Royce's

CLAUSE 13 - Continued

election, either repair such Supplies or equipment or pay to Rolls-Royce the replacement value (as if new) of any such Supplies or equipment damaged, destroyed or lost.

13.2 Aviall shall defend, release, discharge, fully indemnify and hold harmless Rolls-Royce and Rolls-Royce Limited and their respective directors, officers, agents or employees from and against any and all demands, claims, losses, liabilities, suits and judgements (including costs and expenses incidental thereto) for any damage, destruction, loss, injury or death arising out of or resulting from the use or possession of the Supplies or of the equipment the property of Rolls-Royce, during the period commencing with the date such Supplies, or equipment are delivered to Aviall until they are delivered or re-delivered to Rolls-Royce.

13.3 Aviall agrees to carry such insurance as may be reasonably required to adequately insure Aviall against such damage, destruction, loss, injury or death naming Rolls-Royce as an additional insured under such insurance, and to provide a Certificate of Insurance to Rolls-Royce.

CLAUSE 13 - Continued

- 13.4. Aviall shall at all times ensure that Supplies, Consignment Stock and the Pool shall not as a result of Aviall's acts or omissions become the subject of any lien, tax, charge, duty or other encumbrance and Aviall shall indemnify Rolls-Royce against all costs and expenses and damages which Rolls-Royce may incur or suffer in discharging or relieving such property of any such lien, tax, charge, duty or other encumbrance.
- 13.5 Title to Parts incorporated in Supplies during Work which is not already held by Rolls-Royce shall pass to Rolls-Royce upon re-delivery of the Supplies to Rolls-Royce by Aviall.

CLAUSE 14

WARRANTY

- 14.1 Aviall warrants that its performance of Work, and of Work sub-contracted by Aviall will be free of defects in material and workmanship except in respect of defects in new Parts supplied to Aviall by Rolls-Royce or Rolls-Royce Limited. Aviall's liability under this warranty shall be limited to free-of-charge repair or replacement of any Engine, Module, Part or Accessory damaged or destroyed as a result of defects in material or workmanship provided by Aviall or by a sub-contractor.
- 14.2 Written notice of a warranty claim pursuant to Clause 14.1 hereof shall be delivered to Aviall within ninety (90) days following discovery by Rolls-Royce of a

CLAUSE 14 - Continued

defect and the defective Engine, Module, Part or Accessory will be delivered to the Facility, at Aviall's expense, no later than thirty (30) days after such written notice is given. Shipment of the replacement or repaired unit to Rolls-Royce or an Operator, as designated by Rolls-Royce, shall also be at Aviall's expense. Rolls-Royce may at its sole discretion designate another facility for the accomplishment, at Aviall's expense, of any necessary modifications, corrections, repairs and replacements.

CLAUSE 15 SUPPLY OF THE SERVICES OF ROLLS-ROYCE REPRESENTATIVE

Rolls-Royce shall for the duration of this Agreement, make available to Aviall on a non-exclusive basis the services of one or more Rolls-Royce representatives. Such services will be provided subject to the provisions of Appendix 4 hereto.

CLAUSE 16 OTHER SERVICES

- 16.1 Aviall shall if so required by Rolls-Royce carry out Work on Supplies other than at the Facility. Aviall will charge Rolls-Royce for such Work at the rates specified in Clause 9 hereof and additionally will include a travelling, and subsistence allowance which shall be the subject of prior written agreement between Aviall and Rolls-Royce.
- 16.2 Aviall will sell to Operators (on terms and conditions to be agreed between the Operator and Aviall) Parts to

CLAUSE 16 - Continued

satisfy Operator's in field maintenance requirements. In addition Aviall will sell to Operators, Parts to satisfy Operator's "Helicopter on Ground" requirements. Aviall will deliver such Parts f.o.b. the Facility within _____ hours of an order being placed by the Operator for such Part, providing such Part is in Aviall's inventory established pursuant to sub-clauses 5.1 and 5.3 hereof, or, if not, within _____ hours of the said Part being made available to Aviall at the Facility.

Aviall will charge Operators the Price for such Parts plus a reasonable handling charge.

CLAUSE 17

TERMINATION

17.1 If:

- (i) Aviall commits a breach of any of its obligations under this Agreement and fails to correct such breach within 30 days of receipt of written notification of such breach from Rolls-Royce, or:
- (ii) the FAA cancels or withdraws for a period in excess of 15 days their approval of Aviall's Repair Station,

then Rolls-Royce may, without prejudice to its other rights and remedies, terminate this Agreement by issuing notice of termination in writing to Aviall, and such termination shall be effective twenty four hours after it is issued.

CLAUSE 17 - Continued

- 17.2 If either of the parties hereto files a voluntary petition in bankruptcy or for reorganisation or for an arrangement, or is adjudicated a bankrupt and such judgement is not vacated or stayed within 30 (thirty) days thereafter, or a court takes and retains for at least 30 (thirty) days jurisdiction of its assets or a receiver is appointed for it or a substantial portion of its assets and such appointment is not vacated or stayed within 30 (thirty) days, or becomes insolvent, or suspends business, or makes a general assignment for the benefit of its creditors then the other party shall have the right, without prejudice to its other rights or remedies, to terminate this Agreement. Such termination shall be effected by the party entitled to terminate issuing notice of termination in writing to the other party and such notice shall be effective 24 hours after it is issued.
- 17.3 On expiration or termination of this Agreement for any reason, Aviall shall promptly and at its own expense properly pack and re-deliver to Rolls-Royce all Supplies, Pool equipment, Consignment Stock, Salvage Pool, quarantine Parts and any other equipment which is the property of Rolls-Royce or Rolls-Royce Limited, free and clear of all liens, fees, charges or other encumbrances, to such address as Rolls-Royce may reasonably specify.

CLAUSE 18

TAXES

Aviall shall be responsible for all Federal, State or local taxes and U.S. customs duties imposed upon or in connection with the use, possession or importation of the Pool equipment, the Salvage Pool, the Consignment Stock and the quarantine store, during the term of this Agreement.

CLAUSE 19

RELATIONSHIP OF THE PARTIES

The relationship between the parties hereto shall be that of independent contractors and not that of principal and agent. Neither party shall represent itself as agent of the other nor do any act or thing which might result in other persons believing that it has authority to contract or in any other way to enter into commitments on behalf of or in the name of the other.

CLAUSE 20

SUB-CONTRACTING

Work or any part thereof shall not be sub-contracted without prior written permission of Rolls-Royce.

CLAUSE 21

ADVERTISING

Aviall shall not without the prior written permission of Rolls-Royce refer to or use any Rolls-Royce or Rolls-Royce Limited trade marks in connection with any advertising or advertise that it supplies services to Rolls-Royce.

CLAUSE 22

NEGATION OF WAIVER

Failure by either party at any time to enforce any of the provisions of this Agreement shall not be construed as a waiver by such party of such provisions or in any way affect the validity of this Agreement or any part thereof.

CLAUSE 23 NOTICES

Any notice to be served pursuant to this Agreement is to be sent by registered post or by telex or delivered personally. In the case of Rolls-Royce such notices are to be sent or delivered to:-

Rolls-Royce Inc.

375 Park Avenue,

New York, New York 10152

Att. Vice President - Commercial Administration
or such other place of business as may be notified in writing by Rolls-Royce to Aviall from time to time.

In the case of Aviall such notices are to be sent or delivered to:-

or such other place of business as may be notified, in writing, by Aviall to Rolls-Royce from time to time.

CLAUSE 24 ASSIGNMENT

Neither party may assign this Agreement or any of its rights or obligations hereunder without the written consent of the other party. Any assignment made in violation of this Clause shall be null and void.

CLAUSE 25 HEADINGS

The Clause headings and the Index do not form a part of this Agreement and shall not govern or affect the interpretation of this Agreement.

CLAUSE 26 LAW

This Agreement shall be subject to and interpreted and construed in accordance with the Laws of the State of New York.

CLAUSE 27 AMENDMENT

27.1 This Agreement shall not be amended in any way other than by agreement in writing, entered into by the parties hereto after the date of this Agreement, which is expressly stated to amend this Agreement.

27.2 This Agreement shall not be amended or terminated orally.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be entered into on the day and year first before written.

ROLLS-ROYCE INC.

By _____

AVIALL, INC.

By _____

RR/AV/2
AUGUST, 1982

APPENDIX 1To Agreement:RR/AV/2Dated: August, 1982ACCESSORIESGEM MK510

<u>PART NO.</u>	<u>DESCRIPTION</u>
GFS204 MK1	FUEL CONTROL UNIT
700-1-19338-050	PROTECTIVE CONTROL UNIT
FTG202 MK1	FREE POWER TURBINE GOVERNOR
080K1U1	HIGH ENGERGY IGN UNIT
227595-2	ANTI ICING VALVE
S539-2-13	T'METER ELEC UNIT
7684-08	T'METER IND GUAGE
64 50-303-1	TACHO GENERATOR
S535-2-24	THERMOCOUPLE HARNESS
814300027	L.T. HARNESS
BCV7 MK4	BLEED CONTROL VALVE

GEM MK510 & 530

1SN04-160	OIL PRESS TRANSDUCER
E13599	OIL COOLER & FAN
YB63-1	IGNITER PLUG

APPENDIX 1

To Agreement:

RR/AV/2

Dated: August, 1982

GEM MK530

77769211-1-002	ELECT CONTROL UNIT
779218	HYDRO MECH UNIT
10-614675-1	HIGH ENERGY IGN UNIT
S686-3-14	T/METER ELECT UNIT
LN33528	THERHOCOUPLE HARNESS
AC67432	ANTI ICING VALVE
S110-93-11	OIL TEMP BULB

APPENDIX 2

To Agreement:

RR/AV/2

Dated: August, 1982

GEM 41-1 MK510 PARTS

T.B.A.

RR/AV/2
AUGUST, 1982

APPENDIX 3

To Agreement

RR/AV/2

Dated: August, 1982

GEM 60-3 MK530 PARTS

T.B.A.

APPENDIX 4To Agreement:RR/AV/2Dated: August, 1982

summary report
** suitable for 2 people*
access to on-site material

SUPPLY OF THE SERVICES OF A ROLLS-ROYCE REPRESENTATIVE

The supply of the Rolls-Royce representative or representatives as referred to in Clause 15 hereof is subject to the following terms and conditions.

1. A representative will be afforded reasonable working facilities including office and toilet, typing telex and telephone calls in connection with his duties. *
2. A representative shall take holidays in accordance with ^{vacation} Rolls-Royce's normal practice, even though such holiday privileges occur whilst a representative is assigned to assist Aviall. ^{vacation}
3. Under no circumstances will any said representative be required to take part in or work in the vicinity of any activities or operations which activities or operations in the opinion of Rolls-Royce constitute a danger to the said representative.
4. A representative will at all times remain an employee of Rolls-Royce.
5. The facilities afforded to a Rolls-Royce representative in paragraph 1 above shall be at no charge to Rolls-Royce.

RR/AV/2
 AUGUST, 1982