MEMORANDUM OF UNDERSTANDING

ST AEROSPACE MOBILE, INC.

AND

CITY OF PENSACOLA, FLORIDA

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is hereby made and entered into as of the 17 day of December, 2013, by and between **ST AEROSPACE MOBILE, INC.**, a corporation organized in the State of Alabama ("Company") and the **CITY OF PENSACOLA, FLORIDA** ("City"), in its capacity as proprietor and sponsor of the **PENSACOLA INTERNATIONAL AIRPORT** ("Airport"). The above-referenced entities may from time to time be referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, the City enthusiastically supports and encourages economic development and workforce development, particularly the expansion of the business activities at the Airport;

WHEREAS, the Company's primary business activity is the maintenance, repair and overhaul of aircraft ("Aircraft MRO");

WHEREAS, the City has made specific proposals to the Company for the purpose of inducing the Company to locate new Aircraft MRO business operations (the "Project") at the Airport at a location comprising approximately 18.66 acres, as depicted on Exhibit "A" attached hereto (the "Project Site");

WHEREAS, in order for the Project to be undertaken at the Project Site, certain site work must be completed and a hangar and ancillary facilities must be constructed (collectively, the "Facilities");

WHEREAS, the City will construct the Facilities based upon plans and specifications to be mutually-approved by the Parties;

WHEREAS, the City will negotiate a lease of the Facilities with the Company, the terms of which shall be guided by the principles and terms identified herein;

WHEREAS, once the Facilities are completed, Company will begin operations;

WHEREAS, the Parties desire to enter into this MOU to set out the general understanding of the working arrangement for how each Party intends to proceed;

WHEREAS, the purpose of this MOU is to enable the Parties to determine if they have a sufficient common understanding and desire to move forward with the negotiation in good faith of definitive agreements for the development of the Project and the City's lease of the Facilities to the Company;

NOW, THEREFORE, the Parties agree as follows:

ARTICLE I

NONBINDING EFFECT

1.1 MOU reflects the Parties' current intentions and is subject to definitive agreements and is not and shall not be construed as a binding or enforceable agreement for any purpose. Without prejudice to the generality of the foregoing, none of the parties have an obligation to enter into any definitive agreements or to consummate the transactions contemplated herein.

1.2 This MOU may be terminated at any time by a Party by providing written notice of termination to the other Party.

1.3 In the event this MOU terminates, for whatever reason, each Party shall bear its own costs and expenses incurred in connection with the transactions contemplated herein. Upon termination, neither Party shall have any further liability or obligation to the other Party hereunder.

ARTICLE II

PROPOSED UNDERTAKINGS OF THE PARTIES

2.1 Mutual Undertakings. The Parties agree to undertake the following actions in a collaborative and mutual basis:

(a) Develop plans and specifications for the Facilities in a form that is suitable for incorporation into public bid documents based upon a "design build" method of project construction. The construction period is estimated to be eighteen (18) months. Exhibit A shows the Facilities and the site on which the Facilities will be constructed.

The Parties and their consultants have been collaborating to develop a more detailed hangar design concept, parking configuration, Building Design and Site Work narrative and detailed estimate of Project Costs for the proposed Project

("Preliminary Plans"). For purposes of this MOU, the status of such Preliminary Plans as of October 10, 2013 form the basis of understanding between the Parties regarding the scope and costs of the Facilities as described in Sections 2.1(b) and 2.1(c) below.

(b) Finalize a detailed breakdown of the total estimated construction cost of the Facilities, presently estimated to be $37,344,300 (the "Facilities Cost"). The Parties will collaborate on a value-engineering process with the mutual objective of securing a reduction of the Facilities Cost. To the extent Facilities Cost is reduced to $35,000,000, all cost savings will inure to the benefit of the Company. To the extent that actual construction costs are reduced below $35,000,000, savings will inure to the benefit of the Company except to the extent the savings are attributable to Federal Airport Improvement Program Grant elements.

(c) The Company has had the opportunity to participate in the planning of the Facilities and understands the nature, cost, and funding of the Facilities to be constructed. Throughout the design development and construction process, the City will continue to consult with the Company regarding the Facilities. The Lease will provide that any material change in the Project scope of work and/or Facilities Cost will be subject to the advance written approval of the Company.

The City, in consultation with the Company, will prequalify "design build" teams that are willing to commit to construct the Facilities for an amount not to exceed $37,344,300. The Parties will mutually agree upon a "design build" team, said team to be selected from the prequalified "design build" teams. The selected "design build" team will be responsible for the construction of the Facilities for an amount not to exceed $37,344,300. The selected "design build" team will be at risk and responsible for paying the amount by which the actual project costs exceeds $37,344,300. In the event that there are no prequalified "design build" teams willing to commit to construct the Facilities for an amount not to exceed $37,344,300, the Company has the right to either terminate this MOU or continue with the Facilities at the newly stated construction cost. If the Company continues with the Facilities, the selected "design build" team will be at risk and responsible for paying any costs above the newly stated construction costs.

(d) Negotiate a lease of the Facilities from City to Company that (i) establishes the respective responsibilities of the Parties; (ii) is compliant with state and federal airport guidelines; (iii) is consistent with airport industry best practices; (iv) acknowledges that the lease will be subject to and subordinate to the City's agreements with the United States of America and City Bond Resolution 59-88 (as amended and supplemented); (v) establishes annual ground rent for the Project Site – which ground rent will be abated from the date of the lease until the date of beneficial occupancy of the Facilities (A) at the initial rate of $0.30 per square foot per year, as required by FAA guidelines; (B) that will be payable from the date of beneficial occupancy until the end of the lease term; and (C) that will be subject to periodic adjustment; (vi) establishes rent that will repay the annual debt service requirement on any special purpose facility financing instruments requested by the Company to be issued; and (vii) has an initial term of thirty (30) years.

(e) The Lease will provide that the Company may lease certain additional real property (to be defined in the lease) should the Company choose to undertake expansion plans (as referenced in Article V below). The Lease will provide the Company with a right of first refusal for the expansion area shown on Exhibit A. For the right of first refusal, the Company shall pay the City the following amounts each year:

1. Initial 5-years of the lease term – $0.00;

2. Subsequent 5-years of the lease term – an amount equal to 0.25 times the per square foot ground rental rate for the site times the square footage comprising the site; and

3. After the end of the tenth year of the lease term, for the next 5 years of the lease term – an amount equal to 0.50 times the per square foot ground rental rate for the site times the square footage comprising the site.

If the Company has not exercised it right of first refusal by the end of the 15th year of the lease term, the City has the option to terminate the right of first refusal at that time.

At such time as the Company commits to proceed with Phase II, the Company's obligation to pay the right of first refusal fee will cease. The Company may waive its right of first refusal for the site at any time during the term of the Lease and the right of first refusal fee will cease.

(f) The Lease will provide that the Company may terminate the Lease after the eighth (8th) year of the term for any reason upon twenty-four (24) months notice. The Parties agree to negotiate a provision in the Lease that would likewise provide the City with an option to terminate; provided, however, any termination right will not become exercisable until the 20th year of the Lease term.

(g) Agree upon an environmental baseline to determine the subsurface conditions of the Project Site. The Project Site is depicted on Exhibit A and is labelled Phase I and Phase II.

(h) The initial ground rental rate will be $0.30 per square foot of space leased. For the initial 10-year term of the Lease this amount will be annually adjusted (starting in the second year of the Lease) using the National Consumer Price Index for Urban Consumers (CPI). At the end of the tenth year of the Lease term, the City will engage an MAI appraiser to determine the fair market rental rate of the land (the rent adjustment as the result of the re-appraisal will not exceed 2.0% compounded annually from the date of beneficial occupancy of the project through the tenth (10) year of the Lease)—which rate shall be effective on the first day of the eleventh contract year. Thereafter, the appraised rate will be annually adjusted by CPI through the twentieth year of the Lease. At the end of the twentieth year of the Lease, the City will engage an MAI appraiser to determine the fair market rental rate of the land (the rent adjustment as the result of the re-appraisal will not exceed 2.0% compounded annually from the date of beneficial occupancy of the project through the twentieth (20) year of the Lease)—which rate shall be effective on the first day of the twenty-first contract year. Thereafter, the appraised rate will be annually adjusted by CPI through the thirtieth year of the Lease.

The CPI adjustments in ground rent are limited to no more than a two (2.0%) percent increase or decrease in any Lease year. This limitation does not apply to ground rental increases or decreases based on appraisals of fair market rental rates. The Lease will provide a procedure for the Company to challenge appraisals of the fair market rental rates. The procedures will follow the federal guidelines.

(i) At the end of the Lease, the Company will have the option to purchase the Facilities (Hangar and and ancillary buildings); provided, however, the Company will not have the option to purchase any land or any portion of the Facilities funded with Federal Airport Improvement Program Grant proceeds. The Lease will provide that the purchase price for the Facilities will be the fair market value determined by an MAI appraisal reduced by the proportion of Company funds actually invested in Phase I, divided by the total cost of Phase I. In order to exercise the purchase option, the Company must (A) be a tenant in good standing, and (B) agree to enter into a new ground lease for the Project Site, said ground lease to contain provisions that are comparable to the Lease. In addition, it is anticipated that the new ground lease will contain a provision providing the City with an option at the ultimate end of the lease term, to require the Company to either (A) sell the Facilities to the City at a fair market value price, or (B) remove the Facilities from the Project Site and return the Project Site to its original condition.

2.2 City Undertakings. The City agrees to undertake the following:

(a) Grant the Company the right to operate the Project at the Airport.

(b) Complete construction of the Facilities in accordance with the plans and specifications with a date of beneficial occupancy to be mutually agreed upon by the Parties.

(c) Commit all of the Grant Funds identified in Article III toward the Facilities Cost.

(d) Use all reasonable efforts to secure additional public/private grant funds to be used toward the Facilities Cost.

(e) Subject to the terms of existing bond resolutions, approval of Bond Counsel and in accordance with the City of Pensacola Debt Incurrence and Administration Policy, facilitate the issuance of special purpose facility financing instruments to finance the portion of the Facilities Costs not covered by the public grants and contributions identified in Article III below, if so requested by the Company.

(f) Extend Runway 17/35 to a length of approximately 8,000 feet subject to approvals and availability of 90% grant funding to pay the costs of planning and construction of the extension.

(g) Obtain FAA clearance that the Facilities will not obstruct or interfere with the FAA's Approach Surveillance Radar located at the Airport.

(h) Provide necessary law enforcement, fire protection and emergency medical services to the Facilities and the Company's employees.

(i) Extend, or cause the extension, of necessary utility services to the Facilities, including but not limited to water, sewer, electrical power, natural gas and telecommunications.

(j) Conduct an environmental baseline study of the Project Site, in which the study will form the basis for agreement between the Parties as referenced in Section 2.1(g) above.

2.3 Company Undertakings. The Company agrees to undertake the following:

(a) Operate the Project at the Airport.

(b) Hire and maintain a minimum headcount of 300 full-time employees or equivalents for Phase I and a total minimum employment headcount of 600 full-time employees or equivalents should Phase II also be undertaken.

(c) Comply with all applicable laws, ordinances and regulations.

(d) Publically support the City's efforts to extend Runway 17/35 to a length of approximately 8,000 feet.

ARTICLE III

FINANCIAL RESPONSIBILITIES TOWARD CONSTRUCTION OF THE FACILITIES

3.1 Grant Funds. The City has secured, or anticipates securing, $30,100,000 of grant funds (the "Grant Funds") to be used to pay the Facilities Cost. The Grant Funds are broken down and described as follows:

(a) $11,600,000 grant to be provided by the Florida Department of Transportation;

(b) $7,000,000 grant from the Industry Recruitment, Retention and Expansion Fund (IRREF);

(c) $3,500,000 grant from the federal Airport Improvement Program (AIP); and

(d) $8,000,000 funding to be provided by Escambia County, Florida.

3.2 Company Financial Commitment. The Company commits to contribute toward the Facilities Cost an amount up to the difference between the Facilities Cost and the Grant Funds(the "Company Financial Commitment"). The Company Financial Commitment shall not exceed $7,244,300. The Company Financial Commitment may take the form of (a) a capital contribution; (b) special purpose facility financing/project financing where the Company is solely and ultimately responsible for payment of debt issuance costs and the repayment of the debt service; or (c) a combination of (a) and (b). The form of the Company Capital Commitment shall be at the sole discretion of the Company.

3.3 Use of Grant Funds and Company Financial Commitment. The City will use 100% of the Grant Funds and the Company Financial Commitment toward the Facilities Cost.

ARTICLE IV

WORKFORCE DEVELOPMENT; TRAINING GRANTS; TAX INCENTIVES

4.1 Workforce Development. George Stone Technical Center has made a commitment to offer an Aviation Maintenance Technology Program no later than the fall semester of 2015.

4.2 Training Grants.

(a) The City will use its best efforts to secure $100,000 for customized industry training through Workforce Escarosa, Inc. The Parties acknowledge that said training requires a 50% in-kind match.

(b) The City will use its best efforts to secure $450,000 for customized industry training through the Quick Response Training Program operated by Workforce Florida, Inc. The Parties acknowledge that said training grant is based upon an employment level of 300 persons.

4.3 Qualified Target Industry Tax Refund. The Company has been pre-approved to qualify for the Qualified Target Industry Tax Refund Program (QTI). Based upon the Company's employment of 300 persons, the Company's QTI is estimated to have a value of $1,800,000.

4.4 The City will use its best efforts to assist the Company and educational institutions to establish aircraft maintenance technician programs (college) and career academy programs (high school). These programs will provide opportunities to local students. The Company will use its best efforts to provide the students of these programs jobs.

4.5 The City will use its best efforts to assist the Company with the process to obtain an Economic Development Ad Valorem Tax Exemption (EDATE) from the County.

4.6 The City will use its best efforts to assist the Company in obtaining Sales & Use Tax exemptions from the State of Florida.

4.7 The City will use its best efforts to assist the Company in obtaining Capital Expenditure Tax reimbursement from the State of Florida.

4.8 The City will use its best efforts to assist the Company in recruiting economic support for the Project from utility providers.

ARTICLE V

PHASE II

The Parties have discussed the possibility of a future expansion of the Project referred to as "Phase II." Should the Company decide to pursue the development of Phase II, the Parties agree to enter into good faith negotiations toward the execution of a memorandum of understanding and a lease agreement containing provisions materially similar to the terms and conditions found in the MOU and the Lease, respectively. The lease agreement for Phase II should provide the Company with first refusal to lease additional real property located at the Airport for potential future expansion beyond Phase II.

When and if the Company notifies the City of its intent to proceed with Phase II, the City will enlist the assistance of the State of Florida, Escambia County, Florida and others in an initiative to generate financial grants to fund the construction of the additional facilities and the recruitment of other incentives. The City will use its best efforts to generate funding from these sources to support approximately fifty percent (or more, if available) of the project costs recognizing that public support for the Phase II will be based upon the number and quality of jobs being created, scope of facilities to be constructed and the status of economic development incentive programs available at that time.

IN WITNESS HEREOF, the parties have executed this MOU as of the date first written above.

COMPANY:

ST AEROSPACE MOBILE, INC.

By:____________________

Its: PRESIDENT

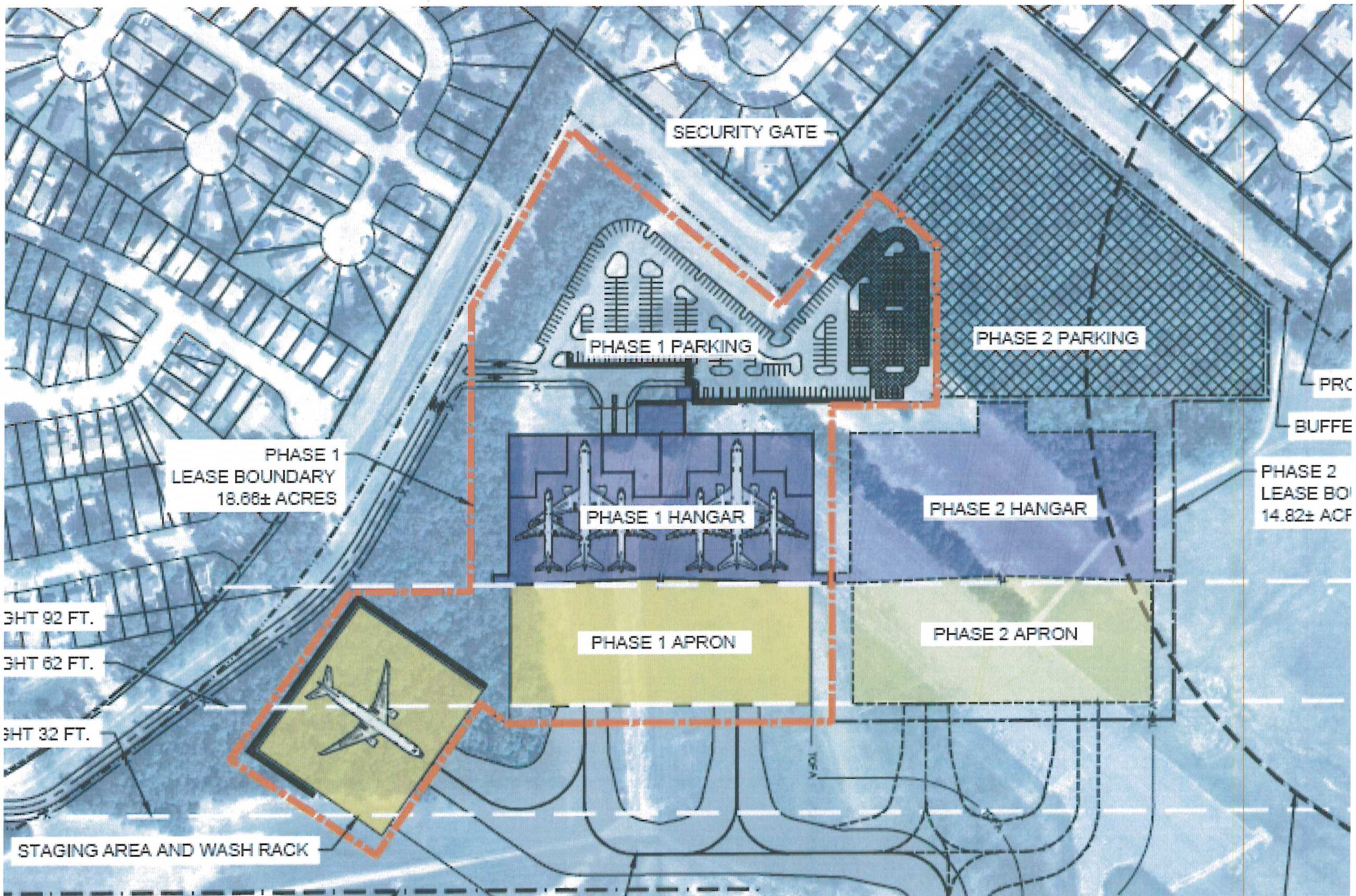
CITY:

CITY OF PENSACOLA, FLORIDA

By:____________________ 10/17/13

Ashton J. Hayward, III
Mayor, City of Pensacola

Exhibit A


SECURITY GATE
PHASE 1 PARKING
PHASE 2 PARKING
PRC
BUFFE
PHASE 1
LEASE BOUNDARY
18.68± ACRES
PHASE 1 HANGAR
PHASE 2 HANGAR
PHASE 2
LEASE BO
14.82± ACR
GHT 92 FT.
GHT 62 FT.
GHT 32 FT.
PHASE 1 APRON
PHASE 2 APRON
TOFA
STAGING AREA AND WASH RACK