Universal Weather and Aviation

Intercompany Loans Policy
#2-3.0504

Approved on
March 28, 2011
Policy

1.0 Purpose

This policy establishes the requirements and appropriate controls over the issuance of Intercompany Loans.

2.0 Scope

This policy applies to the Directors, officers, and employees of the Company and its majority owned subsidiaries or joint ventures.

3.0 Responsibility

- Universal Weather and Aviation’s (Universal) Corporate Treasurer is responsible for the development, maintenance and enforcement of the policy as set forth.
- Universal Weather and Aviation’s Regional Controllers are responsible for the maintenance and compliance to the guidelines set forth within this policy in the spirit in which it was intended and its customization to their specific local market conditions and statutory requirements.
- Universal Weather and Aviation’s local Finance Managers are responsible for the maintenance and compliance to the guidelines set forth within this policy and its customization to their specific local market conditions and statutory requirements.
- Any variations/exceptions to this policy must first be communicated to the Corporate Treasurer who will validate all variations prior to submission to the Chief Financial Officer for final approval for policy changes.

4.0 General

- The Corporate Treasurer will initiate Intercompany Loans (referred to as Revolver) based on cash flow and liquidity needs of the various operating entities. The goal being to minimize excess cash outside of the US and to minimize adverse tax consequences.
4.1 Intercompany Loans:

Intercompany Loans are established for specific purposes such as a new start-up entity or an existing entity requires an infusion of cash for a specific purpose. The Intercompany Loans will be evidenced by a specific Intercompany Loan. The Loans are to be in the form of a revolver, due on demand, that the borrower can borrow and repay as its cash needs fluctuate. The interest rate on the Loans will be set based on the fact and circumstances of each transaction, but the guiding principals are for the rates to be arms length (whether denominated in USD or local currency) and to comply with all tax (US and local) laws. When ever possible Intercompany Loans will be denominated in USD. Interest will be calculated and accrued quarterly; if it is not paid it will be added to outstanding balance.

- Intercompany Loans:
  - When reviewing the potential for an Intercompany loan, consideration should also be give to the following possible alternatives:
    - Netting: Reference Intercompany Transaction Policy No. 2-3.0504 and;
  - Intercompany Loans: Should neither of the preceding two options be deemed appropriate, an intercompany loan should be considered.
  - The decision to affect an Intercompany Loan should be a collaboration between Local Management and the Corporate Treasurer, the Tax Director and the Corporate Controller. Intercompany loans will be based on the net balance for positions that exceed the equivalent of USD 100,000.

5.0 Policy

- Following are the policy guidelines for Intercompany Loans.
- The Corporate Treasurer will monitor the intercompany activity and cash requirements between the parent company and its subsidiaries.
- Required authorizations are as stipulated in the Delegation of Authority Policy No. 2-3.0001

5.1 Intercompany Loans:

- In the case of an Intercompany Loan (reference 4.1 above), the Corporate Treasurer will initiate any activity based on input received through the monthly reporting process and discussions with non-U.S. based financial personnel.
- Should a determination be reached that an Intercompany Loan is required, the Corporate Treasurer will initiate discussions between U.S based and Non-U.S. based personnel regarding the rationale to its specific need, the value of the note, its terms and conditions and the timing of transfer of funds.
- The Legal Department in collaboration with the Corporate Treasurer will draft a standardized loan template for use in affecting the loans. Any deviations or modifications to the template will require Legal Department review prior to the executing of any agreement.
The Corporate Treasurer will set the terms and conditions of the Loan within the boundaries of the template.

Upon approval, the Corporate Treasurer will notify the subsidiary of the forthcoming Loan and funding and obtain the approving signature/authorization.

Upon signing, the Intercompany Loan Agreement will be forwarded to Subsidiary management for their signatures.

6.0 Definitions
N/A

7.0 References
Delegation of Authority Policy No. 2-3.0001
Cash Management Policy No. 2-3.0502

8.0 Exhibits
Exhibit 1 Delegation of Authority
Exhibit 2 Inter-company Loan Agreement

Exhibit 1 – Delegation of Authority

<table>
<thead>
<tr>
<th>Intercompany</th>
<th>CFO Treasurer</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modfications to Inter Company Loans</td>
<td>Same as above</td>
<td>All</td>
</tr>
<tr>
<td>Dividends</td>
<td>Board of each legal entity</td>
<td>All</td>
</tr>
<tr>
<td>Routine Monthly Expenditures</td>
<td>CFO or COO</td>
<td>All</td>
</tr>
<tr>
<td>Between Entities Based on</td>
<td>Corporate Controller</td>
<td>Up to $250</td>
</tr>
<tr>
<td>Agreements</td>
<td>Regional Directors, UA Directors, UWA Treasurer, Tax Director</td>
<td>Up to $100</td>
</tr>
<tr>
<td></td>
<td>Any International Office General Manager or Equivalent, and Financial Reporting Manager</td>
<td>Up to $50</td>
</tr>
</tbody>
</table>
Exhibit 2 – Inter-company Loan Agreement

INTERCOMPANY AGREEMENT

This Intercompany Agreement (“Agreement”) is among UNIVERSAL WEATHER AND AVIATION, INC. (“Universal”), a Texas corporation with its registered office at 8787 Tallyho Road, Houston, Texas 77061 U.S.A., represented by its President Mark Carmen and [INSERT UNIVERSAL AVIATION ENTITY] (“Subsidiary”), a _________________________ with its registered office at ____________________________, represented by its ____________________.

Preliminary Statement:

WHEREAS, Universal owns [100%] of the shares of Subsidiary.

WHEREAS, Subsidiary, on behalf of Universal, provides certain flight support services to Universal’s clients, and

WHEREAS, Universal provides certain administrative and management support to Subsidiary.

WHEREAS, the parties hereby wish to enter into this agreement to set forth the payment terms for such services which one party provides on behalf of the other.

NOW THEREFORE, the parties hereby agree as follows:

Article 1 - Current Account Advances and Interest

The net amount of money corresponding to debts owed to/from Subsidiary regarding invoices for services rendered and whose payment is unsettled at each month end shall be considered an Advance (the “Advance”).

The advance will be expressed in the functional currency of the net lending entity and will be calculated as the average of the month end balance of the three months prior to the last month of a calendar quarter. The Advance will bear interest at a floating rate per year which is equivalent to the current _______________. Interest shall be calculated based upon the actual number of days elapsed divided by a year of three hundred and sixty days. All interest shall be invoiced quarterly.

Article 2 – Duration

The current account advance loan agreement will be for a period of one (1) year expiring on [_______________] (the “Term”). Such term is subject to automatic renewal [for an
additional year] unless either party terminates this Agreement upon 30 days written notice to the other party or in the event that either party is sold or dissolved.

Article 3 – Reimbursement

The Advances may be repaid at any time.

Article 4 – Applicable Law and Jurisdiction

This Agreement shall be governed by and interpreted in accordance with the laws of the State of Texas (except its law pertaining to conflicts of law) and the jurisdiction and venue of any action arising out of this Agreement shall be proper in the state or federal courts situated in Harris County, Texas.

Article 5 – Costs

Universal hereby agrees to cover any costs related to this Agreement.

This Agreement may be executed by the parties on separate counterparts, and each counterpart when so executed and delivered shall constitute an original instrument, and all such separate counterparts shall constitute but one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized officers on the ____ day of _________, 20__. 

UNIVERSAL WEATHER AND AVIATION INC.

By: __________________________________________
Name: _________________________________________
Title: __________________________________________

[INSERT UNIVERSAL AVIATION ENTITY]

By: __________________________________________
Name: _________________________________________
Title: __________________________________________

Universal Weather and Aviation  5  4/12/2011