

OLD REPUBLIC INSURANCE COMPANY

AIRCRAFT SPARES ENDORSEMENT

In consideration of the additional premium shown in the Schedule below it is agreed that:

Physical damage coverage as defined under Coverage F shall apply to property being only engines, spare parts and equipment destined to be fitted to or form part of an aircraft (hereinafter called "property") and being the "property" of the Insured or the "property" of others for which the Insured is responsible. The limit of the Company's liability under this coverage and the deductible applicable to this coverage is as shown in the Schedule below.

As respects the coverage provided by this endorsement, the following additional exclusions apply.

This endorsement does not insure:

- (a) loss or damage to any such "property" occurring at any time after the commencement of the operation of fitting it to or placing it on board the aircraft to which it is destined.
- (b) loss of or damage to an engine occurring during the running or testing thereof.
- (c) loss or damage caused by or resulting from neglect of the Insured to use reasonable means to save and preserve the "property" at the time of and after any loss or damage.
- (d) loss of or damage to any "property" which has been detached from an aircraft and which is intended to be refitted to the aircraft and not to be replaced by other "property".
- (e) loss of or damage to any "property" hereby insured which may be sustained whilst the same is under any process and directly resulting therefrom.
- (f) "property" carried in an aircraft as a spare parts kit.
- (g) "property" fitted to or forming part of an aircraft.
- (h) the "property" of others carried or stored by the Insured for hire or reward.
- (i) mysterious disappearance or unexplained loss or shortage disclosed upon taking inventory.

It is a condition of this endorsement that the Insured shall keep a proper record of all items of property issued under this coverage and the value of each item.

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SCHEDULE

1. DEDUCTIBLE CLAUSE

All claims arising out of one loss shall be adjusted separately and from the amount of such adjusted claim the sum of \$500. shall be deducted.

2. LIMITS OF LIABILITY

Only as respects "property" insured by this endorsement:

A. The liability of the Company shall not exceed:

- (1) any one building and/or location \$100,000.
- (2) any one shipment \$100,000.

B. Limit of Company's Liability - Coverage F and G is replaced by the following:

With respect to total loss of any one item of "property", the Company will pay the "actual cash value" of the item of "property" subject to the limit of liability in A.(1) or (2) above as applicable subject to any applicable deductible.

With respect to partial loss, the Company will pay, subject to any applicable deductible as hereinafter provided:

- (1) If repairs are made by other than the Named Insured, the cost to repair the damaged "property" with material of like kind and quality (excluding any charges for overtime), plus the cost of the least expensive, reasonable method of transporting new and/or damaged parts to the place of repair and the return of the repaired part to the place where the loss occurred or the place where part is regularly based, whichever is nearer;
- (2) If repairs are made by the Named Insured, the total of the following:
 - (a) actual cost to the Insured of material of like kind and quality;
 - (b) actual wages paid for labor, excluding any overtime;
 - (c) 100% of item (b) in lieu of overhead and supervisory services;
 - (d) cost of the least expensive, reasonable method of transporting new and/or damaged parts to the place of repair and the return of the repaired part to the place where the loss occurred or the place where the part is regularly based, whichever is nearer.

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The amount due under this policy with respect to partial loss shall in no event exceed the amount due were the loss payable as a total loss. In any event, when the amount paid or payable hereunder is equal to the amount payable as a total loss, any salvage value remaining shall inure to the benefit of the Company. There shall, however, be no abandonment of any damaged "property" without the consent of the Company.

If the loss is due to theft, the Company shall have the right to return the stolen "property" at any time prior to actual payment of the claim hereunder, with payment for any physical damage sustained thereto.

C. The limits of liability as respects "property" insured by this endorsement are in addition to all other limits of liability shown in this policy.

3. DEFINITIONS

"Actual cash value" means replacement cost new at the time of loss, less depreciation, or cost to replace with like, kind and quality.

4. PREMIUM \$INCLUDED.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective JUNE 24, 2017 to be attached to and hereby made a part of Policy No. AVC00322405 issued through OLD REPUBLIC INSURANCE COMPANY, issued to: ARIZONA FLYERS, INC.
P.O. BOX 14675
TUCSON AZ 85732

Date of issue 07-06-2017