

Draft 28 February 1979

TO: Mike Sandler (Teletcopy)
Gary Fernandes (Teletcopy)Tom Walter
Pat Sculley

Attn: [REDACTED]

RE: Lease Agreement Dated 12 February 1979 for a Boeing Aircraft
707 - 138B, U.S.A. Registration No. VR-CAN, Serial No. 18-067

Dear Sirs:

On February 12, 1979, Petrus Operating Company, Inc. leased the above referenced Boeing 707 for the specific purpose of flying from Dallas to Istanbul, Turkey, picking up EDS employees and returning them to Dallas. The lease of the aircraft was negotiated in your Rockville, Maryland offices on very short notice at a time when we urgently needed the aircraft. The sum of \$250,000 was wire transferred that afternoon to your Baltimore bank to be used to pay the \$6,000 per hour rental fees with the understanding that once the actual hours of flight time were calculated, any net excess would be promptly returned.

We have verified from industry and FAA sources that the normal rental fee for such an aircraft is \$2,000 per hour and we understand that the last time this particular aircraft was leased, it was at a rate of \$1,700 per hour. Nevertheless, had the plane been able to make the trip, we would not have raised objections about the triple rate demanded in this critical situation.

From the very onset, the aircraft experienced a series of mechanical failures. It is our belief that the entire electrical system of the aircraft was and may remain defective. Enroute from Dallas, Texas to Washington, D.C., the transponder and inertial navigation system did not function properly, and the number one engine lost oil at twice the normal rate. The loss of oil presented continuing problems throughout the use of the aircraft. Additionally, it was discovered shortly after take-off from Dallas that the aircraft had insufficient oxygen on board for cabin use and no spare tires. The water tank valves were frozen, making it impossible to take on additional fresh water which created serious problems later on in the flight.

The most dangerous problems were experienced in the return flight from Frankfurt, Germany to Dallas, Texas when all navigational electronic devices failed and cabin pressure was lost. After dumping fuel for an emergency landing, difficulty was experienced in closing the fuel drain valves. The situation shortly after leaving Frankfurt was so critical that the crew and passengers were convinced for a period of time that it would be absolutely necessary to make an emergency landing in the ocean. Only with great difficulty was the craft able to land at London airport. Thus, while in flight over open ocean, all cockpit instruments and navigational aides ceased functioning, pressure gauges went out and a most dangerous situation existed.

Upon landing at London Heathrow Airport, the Flight Engineer of the crew advised our representatives on board that the aircraft was in unsafe flying condition. Accordingly, we were forced to make alternate arrangements for the return of our 17 passengers to Dallas from London.

Thus, the plane's unsafe condition and its inability to perform its function of delivering the people back to Dallas resulted in early termination of the lease of the aircraft at Heathrow Airport in London on Sunday, 18 February 1979. The telex to your attention on 20 February 1979 (copy attached as Exhibit 1) confirmed our return of possession of the aircraft to the Lessor in London on 18 February 1979.

What is now required is an accounting and the return of the net balance due to us from the initial \$250,000 payment made upon execution of the Lease. We understand that you are claiming 20 hours of flight before the emergency landing in London at \$6,000 per hour, or \$120,000. We note that at normal lease rates that sum should give us an additional 40 hours of flight time.

You also claim an additional 12 hours of flight time to relocate the aircraft from London to Dallas/Fort Worth at \$6,000 per hour, plus fuel and crew costs, for a total of approximately \$89,745. The purpose of this letter is to make perfectly clear that we do not feel it is proper for you to ask us to pay any of the London to Dallas relocation costs.

Furthermore, we have expended approximately \$13,000 for commercial flight fares from London to Dallas and an additional \$5,000 for fuel which had to be dumped due to the unsafe condition of the aircraft. As you also know, there are also emergency landing fees at London and overnight hotel charges yet unpaid which were all occasioned by the unsafe condition of the aircraft.

I understand that your proposed charges (including the estimated \$89,745 to return the aircraft from London to Dallas) amount to approximately \$210,000 which would result in a proposed refund of \$40,000 from the initial \$250,000 deposited upon leasing the aircraft.

For the reasons previously mentioned, this is an absolutely unacceptable proposal. The proper net sum to be returned to us is \$151,316. This would mean that we would agree to pay for the 20 hours of flight time, i.e. \$120,000 less a return to us for our offsetting costs returning from London to Dallas incurred due to the unsafe condition of the aircraft in the amount of approximately \$21,316. In the interests of speedily resolving this matter, we would, nevertheless, be willing to agree to the minimum rental fee of \$150,000 resulting in a return to us of an even \$100,000.

In view of the fact that you currently have possession of the aircraft and our \$250,000 lease payment, we expect a response from you within the next ten (10) days so that, if necessary, we can promptly commence appropriate litigation.

Very truly yours,

Claude K. Chappellear

CKC/pd

cc: Gary Fernandes