

SKYLINK AVIATION INC.

ECONOMIC SANCTIONS AND EXPORT CONTROL COMPLIANCE MANUAL

I. INTRODUCTION

Many countries (including Canada, the U.S. and EU member states) implement economic sanctions measures and export controls against foreign countries, individuals and entities for a variety of foreign policy and national security objectives. Sanctions laws are trade restrictions which may ban virtually all trade with a country, entity or person or which may target specific types of activity (such as financial transactions or sector-specific investments). Export control laws regulate the flow of goods, software and technology to foreign persons based on a variety of multilateral, regional and national security objectives.

Because SkyLink Aviation Inc.'s ("SkyLink") operations include the cross-border provision of services in connection with international zones of conflict and crisis, it is possible that, in some cases its international operations may touch on locations or transactions subject to international trade restrictions. It is the policy of SkyLink to comply fully with international trade laws that apply to and regulate its global operations. This includes applicable economic sanctions, export control and antiboycott laws.

II. ECONOMIC SANCTIONS LAWS

A. CANADA

Canada maintains economic sanction laws administered by Foreign Affairs and International Trade Canada.

Economic sanctions are currently maintained against **Cote d'Ivoire, Democratic People's Republic of Korea (North Korea), Democratic Republic of the Congo, Iran, Iraq, Lebanon, Liberia, Rwanda, Sierra Leone, Sudan and Zimbabwe**. The scope of these sanctions varies by country. Two countries, **Belarus and Burma/Myanmar**, are on an area control list. Finally, there are economic sanctions in place in respect of associations and individuals linked to terrorism by the United Nations.

1. United Nations Act

Canada implements economic sanctions issued by the United Nations Security Council through Regulations under the United Nations Act. Currently, the economic sanctions imposed by Canada pursuant to the United Nations Act apply to certain designated countries (**Cote d'Ivoire, Democratic People's Republic of Korea (North Korea), Democratic Republic of the Congo, Iran, Iraq, Lebanon, Liberia, Rwanda, Sierra Leone, Sudan**) and to certain designated persons either associated with a certain designated country or identified on a terrorism list (e.g., **Al-Qaida and Taliban**). Both the designated countries and the designated persons regularly change, so it is important to continually update your list of Canadian economic sanctions. Current information on Canada's economic sanctions is available at:

<http://www.international.gc.ca/sanctions/index.aspx>

Generally, the prohibitions apply to actions by "persons in Canada" ("person" means an individual, a body corporate, a trust, a partnership, a fund, an unincorporated association or organization of a foreign state) and "Canadians outside Canada" ("Canadian" means an

individual who is a citizen within the meaning of the Citizenship Act or a body corporate incorporated by or continued under the laws of Canada or a province). Certain prohibitions also apply to actions of operators of aircraft registered in Canada. Thus, SkyLink officials and employees and corporate entities within Canada are covered by the prohibitions. SkyLink officials and employees who are Canadian citizens and SkyLink Canadian corporate entities who are outside of Canada are also covered by the prohibitions. To the extent that SkyLink operates aircraft registered in Canada it must comply with additional prohibitions.

The nature of the prohibitions varies by designated country and person. The following principal prohibitions do not necessarily apply in all circumstances and there may be other prohibitions that need to be considered.

With respect to designated countries, subject to certain exceptions, persons in Canada and Canadians outside of Canada should not knowingly:

- Export, sell, supply or ship, directly or indirectly certain materials (e.g., arms and related material, certain nuclear and other controlled materials) wherever situated, to any person in a designated country;
- Carry, cause to be carried or permit to be carried, certain materials (e.g., arms and related material certain nuclear and other controlled materials), wherever situated, destined for any person in a designated country;
- Provide, directly or indirectly, to any person in a designated country technical assistance related to the provision, manufacture, maintenance or use of arms and related material;
- Procure certain materials (e.g., arms and related material certain nuclear and other controlled materials), wherever situated, from any person in a designated country or any other person acting on behalf of, at the direction of, or for the benefit of, a designated country; and
- Do anything that causes, assists or promotes, or is intended to cause, assist or promote any act or thing prohibited.

With respect to designated persons, subject to certain exceptions, persons in Canada and Canadians outside of Canada should not knowingly:

- Deal directly or indirectly in any property (“property” means property of every description and documents relating to or evidencing the title or right to property, or giving a right to recover or receive money or goods, and includes any funds, financial assets or economic resources) in Canada that is owned or controlled by a designated person, by a person acting on behalf of, or at the direction of, a designated person, by a person owned or controlled by a designated person or by a person determined to have assisted a designated person in evading the sanctions;

- Enter into or facilitate, directly or indirectly, any financial transaction related to such a property dealing;
- Provide any financial or other related service in respect of such property;
- Make any property or any financial or other related service available to a designated person, a person acting on behalf of, or at the direction of, a designated person, by a person owned or controlled by a designated person or by a person determined to have assisted a designated person in evading the sanctions;
- Make property or any financial or other related service available for the benefit of any person; and
- Do anything that causes, assists or promotes, or is intended to cause, assist or promote, any act or thing prohibited.

In certain circumstances there is an additional obligation on persons in Canada and Canadians outside of Canada. They must disclose without delay to the Commissioner of the Royal Canadian Mounted Police and to the Director of the Canadian Security Intelligence Service the existence of property in their possession or control that they have reason to believe is owned or controlled by a designated person, by a person acting on behalf of, or at the direction of, a designated person, or by a person owned or controlled by a designated person and information about a transaction or proposed transaction in respect of such property.

2. Special Economic Measures Act

Sanctions under the Special Economic Measures Act apply to **Burma/Myanmar** and **Zimbabwe**. The sanctions include prohibitions similar to those under the United Nations Act. In addition, subject to certain exceptions, principal sanctions include:

- A ban on all goods imported into Canada from the designated countries;
- A ban on new investment in the designated countries by Canadian persons and companies;
- A prohibition on Canadian-registered aircraft from docking or landing in the designated countries; and
- A prohibition on aircraft registered in the designated countries from docking or landing in Canada and passing through Canada.

3. Area Control List

An Area Control List identifies countries to which no person may export goods or transfer technology without first obtaining an export permit. Currently, only two countries are listed on the Area Control List: **Belarus** and **Burma/Myanmar**. Canada's Export and Import

Permits Act requires that an export permit be obtained before any goods or services are exported to countries on the Area Control List.

SkyLink Canadian corporate entities operating inside and outside of Canada and SkyLink persons in Canada will not take any action in violation of Canadian sanctions laws. All other SkyLink entities will ensure that no action is taken that causes any SkyLink Canadian corporate entity, any person in Canada affiliated with or employed by SkyLink, and any Canadian citizen affiliated with or employed by SkyLink who is outside of Canada to violate prohibitions arising under Canadian economic sanctions laws.

B. UNITED STATES

The United States maintains national security and foreign policy based economic sanctions laws, administered by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC"), against a number of countries, persons and entities. Comprehensive U.S. sanctions currently apply to **Cuba, Iran and Sudan**. More limited U.S. sanctions regimes apply to **Burma, North Korea, and Syria**. In addition to these country-based sanctions programs, OFAC administers "list-based" sanctions that target blacklisted entities and individuals based on their alleged involvement in international terrorism, drug trafficking or proliferation of weapons of mass destruction. It is important to keep in mind that these persons and entities may be located in any country and may operate mainstream commercial enterprises.

The Treasury Department's Office of Foreign Assets Control maintains an up-to-date list of countries, entities and persons at www.treas.gov/ofac.

1. Scope of U.S. Sanctions Laws

The OFAC sanctions generally apply to "U.S. Persons," including companies organized under U.S. law, U.S. affiliates of foreign entities, U.S. citizens and persons with U.S. "permanent resident" status wherever located, and foreign nationals while located within the United States.

Non-U.S. owned or controlled entities of a U.S. company, including SkyLink, generally are not U.S. persons under most of the U.S. economic sanctions laws. However, under the **Cuba** sanctions regime, non-U.S. owned or controlled entities of U.S. companies are treated as U.S. persons subject to U.S. jurisdiction and corresponding **Cuba** sanctions restrictions.¹ To the extent that such sanctions against **Cuba** may apply to SkyLink's non-U.S. operations due to ownership or controlling interest of U.S. persons, such non-U.S. operations must undertake an independent evaluation of whether blocking statutes in their home country (e.g., Canada) create a conflict of laws and determine the appropriate course of action.

¹ U.S. economic sanctions against **Cuba** apply directly to any non-U.S. entity that is "owned or controlled" by a U.S. company, including foreign subsidiaries of a U.S. company. Moreover, some countries, including Canada (as noted above) and some EU member states, maintain blocking statutes that restrict acts to comply with U.S. sanctions laws against **Cuba**. SkyLink would need to evaluate such laws as may be relevant to determine the extent to which it may be able to consider activities touching on **Cuba**. Such evaluation has not yet been undertaken.

Finally, as discussed below, while most U.S. sanctions laws do not apply to SkyLink's non-U.S. entities, such entities must maintain procedures to ensure that any activity involving the target of a U.S. sanctions program which is otherwise permissible under applicable law does not involve U.S. persons who are subject to the laws of their home country wherever they are located (e.g., officers, directors or employees).

2. Core Prohibitions of Comprehensive U.S. Economic Sanctions Regimes

Key prohibitions of the comprehensive U.S. sanctions programs against **Cuba, Iran and Sudan** generally bar U.S. persons from engaging in:

- **Facilitation, direction, support, approval or guarantee of activities by related or unrelated third parties (including non-U.S. persons) that are prohibited for U.S. persons.**
- **Referral offshore of business opportunities that are prohibited for U.S. persons to related or unrelated parties.**
- **Changes in company policies or procedures for purposes of allowing foreign affiliates or unrelated foreign persons to engage in activities involving a U.S. embargoed country.**
- **Export, sale or supply (direct or indirect) of U.S.-origin goods, technology or services.²**
- **Importation or dealing in goods or services originating in an embargoed country.**
- **Attempts to evade or avoid sanctions prohibitions.**

SkyLink US entities will not take any action in violation of U.S. sanctions laws. All other SkyLink entities will ensure that no action is taken that causes any U.S. person affiliated with or employed by a SkyLink entity to violate prohibitions arising under U.S. economic sanctions laws.

III. EXPORT CONTROLS

A. CANADA

Canada maintains export controls on certain categories of goods and technology going to certain destinations (primarily military, technology, dual-use and nuclear items, firearms, U.S. origin goods). The Export and Import Controls Bureau (EICB) at the Department of Foreign Affairs and International Trade Canada administers the controls.

² As discussed below, U.S. export control laws generally restrict the transfer of U.S.-origin goods or technology to countries subject to U.S. economic sanctions by SkyLink or any other non-U.S. person.

Where controls apply, persons are not permitted to export without first obtaining an export permit. Export permits can be issued to residents of Canada and are subject to such terms and conditions described in the export permit.

Controlled goods and technologies are listed on the Export Control List. The list includes military, dual-use, nuclear and miscellaneous goods and technologies. Dual-use items are items that have both military and civilian applications, and include products and technologies associated with a variety of advanced materials, electronics, computers, telecommunications, sensors, lasers, navigation, avionics, marine equipment and technology and propulsion. Miscellaneous products covered by export controls also include softwood lumber products, peanut butter, roe herring, sugar and sugar-containing products.

Controlled destinations are listed on the Area Control List. Currently only two countries are listed: **Belarus** and **Burma/Myanmar**.

In recognition of a bilateral arrangement with the U.S. that accords favourable export permit treatment to the shipment of products and technologies between Canada and the U.S., where a person seeks to export U.S. origin goods or technology to a non-U.S. destination, it is generally required to obtain an export permit. Export permits are generally not required for most items identified in the Export Control List when shipped to a final destination or for end use in the U.S. However, if the export items are not for consumption in the U.S. and are only transiting through the U.S. for export to other destinations, then an export permit will be required.

B. UNITED STATES

Pursuant to multinational agreements as well as its own security objectives, the United States maintains controls on the exportation, re-exportation and transfer of goods (**including civilian aircraft**), technology and services. These controls are generally administered by two key agencies: the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") and the U.S. Department of State, Directorate of Defense Trade Controls ("DDTC").

BIS is the primary licensing agency for the export of items that may have either civilian or military applications ("dual use" items). DDTC regulates the exportation, temporary importation and transfer of defense articles and services designed, developed or adapted for military purposes pursuant to the International Traffic in Arms Regulations ("ITAR").

Civilian/Dual-Use Items. BIS regulates the exportation or reexportation, or transfer of "dual-use" or commercial goods, software or technology that:

- was made in or have passed through the United States; or
- contains certain levels of (as low as 10%) of U.S. content or are the direct product of certain national security-controlled U.S. technology

If an item (good or technology) meets one of these criteria, U.S. export controls "follow the item" and apply to any export or reexport of that item, wherever located and regardless of the nationality of the person engaging in the activity. The term "export" includes a domestic release of controlled technology in one country to a national of another country.

Depending on the country of destination, the intended end-use and end-user, an export license from the U.S. Department of Commerce may or may not be required to export an item subject to U.S. export control laws. Before exporting or arranging for the exportation of any item subject to U.S. export control laws (**including civilian aircraft**), SkyLink must determine whether the item requires an export license for the country of destination.

Defense Articles or Services. The U.S. International Traffic in Arms Regulations (“ITAR”) govern the exportation or reexportation of defense goods, services and technology. The ITAR is administered by the U.S. Department of State, Directorate of Defense Trade Controls (“DDTC”). DDTC carries out the licensing function for defense exports by private sector persons. As with BIS, DDTC’s regulations apply to any person, including non-U.S. persons, dealing in U.S. defense articles or services.

Under the ITAR, the licensing determination is simpler than under the EAR. That is because with limited exceptions, a DDTC license is required for exportation or transfer of all items on the U.S. Munitions List (defense articles and services) to any non-U.S. destination or transfer to any destination or user not originally licensed.

C. Situations Raising Export Compliance Issues

It is critical to be aware that export compliance issues arise not only in the context of product sales, but also in a variety of business contexts in which assets or information are transferred or used. Keep in mind that an “export” can occur even *without* a sale, invoice, shipment or a customer. Contexts in which export control issues may arise include:

- Sales of goods, transfers or disclosures of technology and provision of services;
- Use of U.S.-origin items or items with certain levels of U.S. content, such as aircraft and helicopters, in non-U.S. countries;
- Employment of non-U.S. persons who have access to controlled technologies;
- International mergers and acquisitions in which controlled technology or other information is revealed to persons without U.S. citizenship or permanent resident status;
- Certain subcontracting and sublicensing agreements involving controlled goods or technology;
- E-commerce;
- Transfers of intellectual property;
- Demonstrations, exhibitions, and trade shows;
- Repair, maintenance, and servicing; and,

- Electronic transmissions of technical data via the internet or intranet.

IV. COMPLIANCE

A. Economic Sanctions Laws

1. Canada

SkyLink officials and employees and SkyLink corporate entities within Canada are covered by the prohibitions in Canada's economic sanctions laws. Also covered are SkyLink officials and employees who are Canadian citizens and SkyLink Canadian corporate entities who are outside of Canada. If SkyLink operates aircraft registered in Canada additional prohibitions apply.

To assure compliance with Canadian economic sanctions laws applicable to SkyLink or any relevant Canadian persons, the following procedures apply:

- 1. SkyLink, its Canadian subsidiaries and Canadian joint ventures controlled or managed by SkyLink will not engage in or support any activity involving a country subject to Canadian sanctions laws.**
- 2. SkyLink's non-Canadian entities will not proceed with any transactions that would cause any of their Canadian affiliates or other Canadian persons to violate Canadian economic sanctions or other applicable international trade laws.**
- 3. Any questions or concerns regarding such economic sanctions or other international trade laws shall be referred to the SkyLink Chief Compliance Officer, whose name and contact information is set forth in Exhibit A to this policy.**
- 4. SkyLink, its Canadian subsidiaries and Canadian joint ventures controlled and/or managed by SkyLink will not take any action on potential business transactions associated with the countries identified in Section II.A of this policy without prior consultation with and prior approval from the Chief Compliance Officer.** The Chief Compliance Officer will review such requests, in consultation with legal counsel as necessary, to provide appropriate guidance to safeguard compliance and assure resolution of any questions arising under these laws before an affected transaction may proceed.

2. United States

As a Canadian company, SkyLink generally does not qualify as a "U.S. Person" subject to most of the U.S. economic sanctions regimes apart from those concerning Cuba. Accordingly, ordinarily most of these economic sanctions laws should not apply directly to SkyLink itself in its independent operations. However, such issues must be carefully considered insofar as they could affect any SkyLink U.S. affiliates or any other U.S. persons. To the extent that Canadian laws concerning **Cuba** apply to SkyLink operations, assessment of potential U.S. and Canadian law as these issues affect SkyLink business interests must be undertaken before SkyLink can

determine whether or not to pursue consideration of business opportunities in which such issues might arise.

To assure compliance with U.S. economic sanctions laws applicable to SkyLink or any relevant U.S. persons, the following procedures apply:

1. **SkyLink’s US subsidiaries will not, directly or indirectly, engage in or support any activity that is prohibited under the U.S. sanctions laws.** See Section II.B.2 above.
2. **SkyLink’s Board of Directors will not undertake any decision specific to activity by a non-U.S. SkyLink entity which would be prohibited for a U.S. person under the sanctions laws of the United States.** In the absence of a specific determination by the **Chief Compliance Officer**, in consultation with legal counsel as necessary, to the contrary, activities involving the countries, persons or entities described in Section II.B above are considered prohibited for a U.S. person.

The day-to-day affairs of the relevant non-U.S. entity undertaking such activities may be managed by such entity’s officers and employees consistent with applicable law, but the entity must conduct those activities independently of the involvement of SkyLink’s Board. Questions regarding whether an activity would be prohibited for a U.S. person under the sanctions laws for purposes of this provision should be directed to the **SkyLink Chief Compliance Officer**.

3. **SkyLink’s non-U.S. entities will not proceed with any transactions that would cause any of its U.S. affiliates or other U.S. persons to violate U.S. economic sanctions or other applicable international trade laws.** To the extent necessary to enable individual U.S. persons who may be affiliated with SkyLink to maintain their individual compliance with these laws, SkyLink’s non-U.S. entities shall permit individuals who qualify as U.S. persons, including any of its officers, directors, employees, consultants or other personnel, to withdraw and recuse themselves from participation, support or any other role in business activities or transactions in which such potential issues arise.
4. **Any questions or concerns regarding such economic sanctions or other international trade laws shall be referred to the SkyLink Chief Compliance Officer.** The **Chief Compliance Officer** will review such requests, in consultation with legal counsel as necessary, to provide appropriate guidance to safeguard compliance and assure resolution of any questions arising under these laws before an affected transaction may proceed.

B. Export Controls

To ensure compliance with Canadian and United States export control laws applicable to SkyLink, the following procedures apply:

1. **SkyLink, its subsidiaries and joint ventures controlled and/or managed by SkyLink (the “SkyLink Joint Ventures”) will not use or transfer any U.S.-origin items or items with certain levels of U.S. content contrary to applicable laws under any circumstances.** It is important for all personnel to be aware of their responsibilities

under applicable export laws. Accordingly, training of responsible personnel in the relevant provisions of law is critical to ensuring compliance with applicable export laws.

2. **SkyLink's Chief Compliance Officer must ensure that export compliance issues are identified and addressed appropriately consistent with applicable export compliance laws and company policy.** In addition, the **Chief Compliance Officer** will be responsible for training relevant personnel on export compliance issues as they relate to SkyLink and will keep current as to any changes in the legal requirements applicable to SkyLink's export related activities.
3. **Any questions regarding the permissibility of a transaction under applicable law or potential violations should be referred to the Chief Compliance Officer.** The Chief Compliance Officer will review such questions, in consultation with legal counsel, as necessary to provide appropriate guidance to ensure compliance with U.S. export control laws.

V. CONCLUSIONS

SkyLink's policy and procedure requiring compliance with applicable international trade laws is unequivocal and consistent with its fundamental commitment to maintain compliance at all times with laws applicable to all aspects of its business operations. Compliance with these laws is essential to SkyLink's business interests, its business culture and its future business opportunities. Accordingly, the directors, officers and employees of SkyLink, its subsidiaries and the SkyLink Joint Ventures are required to take steps necessary to assure that the applicable entity remains in full compliance at all times with applicable international trade laws in such entity's operations. Adherence to these standards is a condition of employment with SkyLink, its subsidiaries and the SkyLink Joint Ventures. Violations or failure to take actions necessary to assure compliance will be regarded as a serious concern. Disciplinary actions, up to and including possible termination, will apply in cases of non-compliance.

If you have any questions that are not addressed in this compliance summary, please direct them to SkyLink's **Chief Compliance Officer**. After reviewing this Economic Sanctions and Export Control Compliance Manual, the Anticorruption Compliance Manual and any other related SkyLink policies, all directors, officers and employees of SkyLink, its subsidiaries and the SkyLink Joint Ventures must read and execute the Compliance Certificate attached hereto as **Exhibit B**.

Exhibit A³

Chief Compliance Officer

David H. Miller

E-mail: dmiller@skylinkaviation.com

Phone: +1 (703) 371-7728

³ To the extent SkyLink appoints a new Chief Compliance Officer, this **Exhibit A** shall be updated and notice shall be provided to the directors, officers and employees of SkyLink, its subsidiaries and the SkyLink Joint Ventures.

Exhibit B

Compliance Certificate

As of the date hereof, the undersigned has reviewed the (i) SkyLink Aviation Inc. Anticorruption Compliance Manual and (ii) SkyLink Aviation Inc. Economic Sanctions and Export Controls Manual (collectively, the “**Compliance Manuals**”) and agrees to be bound by, and to comply with, the terms, conditions and procedures set forth in the Compliance Manuals. To the extent the undersigned has any questions or concerns regarding the Compliance Manuals, either in general or as applied in any particular circumstance, the undersigned will contact the Chief Compliance Officer.

Dated this _____ **day of** _____ **20** ____.

By: _____